



# The highlighted changes that occurred in the Regulations for the work of the Audit Committee

The highlighted changes that occurred in the Regulations for the work of the Audit Committee		
Modified articles	Previous articles	
Adding a table for policy validation and final approval		1
Adding Document Roles and Responsibilities / Authority Matrix		2
Adding Table of Contents		3
<p>Adding Membership Requirement</p> <ul style="list-style-type: none"> <li>- A committee member may not have a direct or indirect interest in the business and contracts that are done for the Company's account, and a committee member may not participate in any business that would compete with the Company's business, or trade in any of the branches of the activity he is practicing, otherwise. The Company could claim compensation from him, or consider the operations he conducted for his own account to have been conducted for the Company's account.</li> <li>- The Company may not provide a cash loan of any kind to members of the Audit Committee, or guarantee any loan contracted by one or more of them with others, and any contract concluded in violation of the provisions of these regulations shall be considered void.</li> <li>- A member of the audit committee shall not be a member of the audit committees of more than five listed joint stock companies at the same time.</li> </ul>		4

<p><b>Termination of Membership</b></p> <p>A member of the Committee has the right to resign if this is made at a suitable time acceptable to the Board of Directors, otherwise he will be responsible for his untimely decision before the Company.</p> <p>1. The right to accept resignation shall be submitted to the Board of Directors.</p>		6
<p><b>Adding Members' Remuneration</b></p> <p>A. The remuneration policy defined for the Committee members shall include the following components:</p> <ul style="list-style-type: none"> <li>- Fixed fee for membership in the Committee.</li> <li>- Sitting fees for attending Committee meetings.</li> <li>- Reimbursement for actual expenses incurred to attend Committee meetings, including travelling and accommodation expenses.</li> </ul> <p>B. The above fees and reimbursements shall be paid in accordance with the Company's approved remuneration policy. The details of remunerations to the Committee members shall be disclosed in the Annual Board's report.</p>		7
<p><b>i. Adding External Auditor</b></p> <p>1. Provide recommendations to the Board to nominate external auditors, dismiss them, determine their remuneration, and assess their performance after verifying</p>		8

<p>their independence and reviewing the scope of their work and the terms of their contracts.</p> <ol style="list-style-type: none"> <li>2. Verify the independence of the external auditor, its objectivity, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards.</li> <li>3. Review the plan of the Company's external auditor and its activities, and ensuring that it does not provide any technical or administrative works that are beyond its scope of work, and provides its opinion thereon.</li> <li>4. Respond to queries of the Company's external auditor.</li> <li>5. Ensure that the Company's management provides all the information and document needed by the external auditor to perform his duties.</li> <li>6. Review the external auditor's reports and its comments on the financial statements and follow up the procedures taken in connection therewith. Discuss and enquire with external auditor in case of any need.</li> </ol>		
<p>Adding Financial reports</p> <ol style="list-style-type: none"> <li>3. Review financial management reports on budget performance and analyze deviations between actual expenditure and approved budget.</li> </ol>		9

<p><b>Adding in Internal Audit Report</b></p> <p>1. The internal audit department shall prepare and submit a written report on its activities at least quarterly to the Board and the audit committee. Such report shall include an assessment of SPIMACO's internal control system, addressing audit findings and the final opinion and recommendations of the unit or department. Such report shall also specify the procedures taken by each department for addressing the findings and recommendations from the previous audit, and any remarks thereon, particularly failures to promptly address such findings and recommendations and the reasons for such failure.</p> <p>2. The internal audit department shall prepare a general written report on the audit activities carried out during the fiscal year in comparison to the approved plan for submission to the Board and the audit committee. This report must explain the reasons for any deviation from the plan that occurred during the quarter following the end of the relevant fiscal year.</p> <p>3. Based on recommendations from the audit committee and the internal audit department, the Board shall specify the scope of the internal audit unit or department's report. The following items must be included in the report:</p>		10

<ul style="list-style-type: none"> <li>- procedures for overseeing and tracking financial matters, investments, and risk management.</li> <li>- assessing the evolution of risk factors endangering the Company and existing systems in order to deal with radical or unexpected changes.</li> <li>- an assessment of the performance of the Board and the Senior Management with respect to the implementation of internal control systems, including specifying the number of times the Board has been informed of control issues (including risk management) and a description of the method followed to address such issues;</li> <li>- failures or weaknesses in internal control implementation, or emergency situations that have affected or may affect the Company's financial performance, and the steps taken to address such failures (particularly issues disclosed in the SPIMACO's annual reports and financial statements).</li> <li>- the extent to which the Company has complied with the internal controls when determining and managing risks.             <ul style="list-style-type: none"> <li>- Information describing the Company's risk management operations.</li> </ul> </li> </ul>		
<p><b>i. Addition of Audit Committee Report</b></p> <p>a) The report of the audit shall include details of its performance of its competencies and duties stated in these Regulations, provided that the report contains its recommendations and opinion on the adequacy of the internal and</p>		11

financial control systems and risk management systems in the Company.

b) The Board shall make available sufficient copies of the audit committees' report at the Company's head office, and publish them on the Company's and the Exchange's websites when publishing the invitation to convene the General Assembly, to enable shareholders to get a copy thereof. Summary of the report shall be read at the General Assembly.

Addition in Role of the Secretary:

Prepare information packages that need to be circulated to the Committee members during Committee meetings.

1. Assist the Committee Chairman to set and prepare Committee meeting agendas, and circulate the same to Committee members, at least five (5) working days in advance of the meeting dates.
2. Invite the relevant parties including consultants, legal advisors, or any other party to Committee meetings.
3. Prepare the minutes of the meeting and circulate the said minutes within ten (10) working days to all Committee members for approval. The minutes of the meeting shall include the following:

<ul style="list-style-type: none"> <li>- Date and number of the meeting.</li> <li>- The venue.</li> <li>- Names of attendees and proxies.</li> <li>- A statement of reason for the absence of those who did not attend.</li> <li>- Topics presented and discussions.</li> <li>- All decisions and recommendations taken.</li> <li>- Reservations made by the present members of the Committee to any of the resolutions or recommendations issued by the Committee.</li> </ul> <ol style="list-style-type: none"> <li>4. Circulate Committee decisions / minutes to the concerned parties.</li> <li>5. Follow up on open issues and action items that are required to be presented to the Committee.</li> <li>6. Notify the Committee Chairman of any impediments to the functioning of the Committee, including any delay in the implementation of its decisions and recommendations.</li> <li>7. Carry out any other tasks or responsibilities.</li> </ol>		
<p>Addition of :</p> <p><b>Other Responsibilities</b></p> <ol style="list-style-type: none"> <li>1. Work in conjunction with other Committees for the specific matters requiring involvement of multiple functions. In this context,</li> </ol>		12



<p>the Committee shall collaborate with other Board Committees to discharge their duties.</p> <ol style="list-style-type: none"> <li>2. Review prior Committee minutes of meeting and follow up on decisions taken and documented in the action sheet of prior Committee meetings to ensure that matters raised have been resolved.</li> <li>3. Review of the proposed contracts and transactions with the related parties and submit its views thereon to the Board.</li> <li>4. Perform any other activities consistent with this Charter, the Company's By-laws and the prevalent governing laws.</li> <li>5. Attend to such matters as the Board may determine from time to time.</li> </ol>		
<p><b>ii. -Addition of Responsibilities of Committee Members</b></p> <ol style="list-style-type: none"> <li>1. Comply with the Company's rules and regulations when exercising duties and refraining from doing or participating in any action that harms the Company's interests.</li> <li>2. Attend all or majority of the Committee meetings, and not to be absent from them except for objective justifications notified to the Chairman of the Committee in advance. Be aware of the Committee functions and dedicate</li> </ol>		13

<p>enough time to participate in the conduct of Committee's matters.</p> <ol style="list-style-type: none"> <li>3. Ensure integrity with the conduct of the Committee matters and meetings.</li> <li>4. Carry out their duties independent from any influence, whether from inside or outside of the Company.</li> <li>5. Obtain adequate skills and trainings necessary for the participation and conduct of the Committee matters.</li> <li>6. Enhance the knowledge of organizational developments in the field related to the Company's activities.</li> <li>7. Disclose any direct or indirect interest in any of the matters submitted to the Committee and refrain from attending and voting on conflict of interest.</li> <li>8. Participate effectively in the meetings of the Committee by studying and discussing topics on the agenda of the meetings, and accordingly vote on the Committee decisions.</li> <li>9. Provide full support to the Chairman of the Committee in setting-up of the meeting agendas and confirmation on minutes of the meetings.</li> <li>10. Maintain the confidentiality of their activities and information obtained and use it for the purpose of performing their membership duties, and shall</li> </ol>		
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<p>exercise their professional judgment to act in a manner that they believe is in the best interest of the Company. This obligation also includes maintaining the confidentiality of the information even after termination of the membership of the Committee.</p> <p>11. Members of the Audit Committee are not allowed to disclose to the shareholders or to third parties what they found out about the Company's secrets due to the performance of their work, otherwise they must be dismissed and held accountable for compensation.</p>		
<p><b>-Addition of Conflict between the Audit Committee and the Board of Directors</b></p> <p>If a conflict arises between the recommendations of the Audit Committee and the Board of Directors, or if the Board refuses to put the Committee's recommendations into action as to appointing or dismissal the Company's external auditor or determining its remuneration, assessing its performance, or appointing the internal auditor, the Board's report shall include the Committee's recommendations and justifications, and the reasons for not following such recommendations.</p>		14

<p><b>Addition of Arrangements for Commenting</b></p> <p>The Audit Committee shall establish a mechanism that allows employees of the Company to submit their observations regarding any abuse in financial or other reports confidentially. The committee shall verify the application of this mechanism by conducting an independent investigation commensurate with the extent of the error or abuse and adopting appropriate follow-up procedures.</p>		15
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### Addition of Role and Authorities of the Chairman

1. Oversee the functions of the Committee and conducting its meetings effectively.
2. Collaborating with the Committee members to develop and approve the agenda for the Committee meetings and invite all the Committee Members to meet on a certain date and place for Committee meetings.
3. Ensure that all items requiring Committee approval or Committee recommendations to the Board are appropriately presented.
4. Ensure that the issues before the Committee are accompanied by sufficient information to enable the Committee to take decisions on them.
5. Represent the Committee in front of the Board, General Assembly or any other party and discuss matters raised.
6. Act on important matters on behalf of the Audit Committee to ensure that the Internal Audit Department is able to discharge its responsibilities independently and in a timely manner.
7. Inform the members of the Committee of the actions and decisions taken to address urgent internal audit issues.

### إضافة فقرة أدوار وصلاحيات رئيس اللجنة

- أ. الإشراف على أعمال اللجنة وإدارة اجتماعاتها بشكل فعال.
- ب. التعاون مع أعضاء اللجنة لإعداد جدول أعمال اجتماعات اللجنة واعتماده، ودعوة جميع أعضاء اللجنة للاجتماع في تاريخ ومكان محددين لاجتماعات اللجنة.
- ج. ضمان الجدولة المناسبة لجميع البنود التي تتطلب موافقة اللجنة أو توصياتها وعرضها على المجلس.
- د. التأكد من أن المشاكل المعروضة على اللجنة مصحوبة بمعلومات كافية لتمكين اللجنة من اتخاذ قرارات بشأنها.
- هـ. ضمان وصول اللجنة مباشرة الى اعضاء الادارة التنفيذية حسب الحاجة.
- و. تمثيل اللجنة أمام مجلس الإدارة، أو الجمعية العمومية، أو أي طرف آخر ومناقشة المسائل المطروحة.
- ز. العمل على الأمور المهمة بالنيابة عن لجنة المراجعة لضمان تمكن إدارة المراجعة الداخلية من الاضطلاع بمسؤولياتها بشكل مستقل وفي الوقت المناسب.
- ح. إبلاغ أعضاء اللجنة بالإجراءات والقرارات المتخذة لمعالجة مسائل المراجعة الداخلية العاجلة.

<p>Addition of Meetings of the Audit Committee Frequency of Meetings Attendance of Invitees Quorum and Voting Minutes of Meetings</p>	<p>إضافة فقرة اجتماعات لجنة المراجعة: أولاً: وتيرة عقد الاجتماعات ثانياً: حضور المدعوين ثالثاً: النصاب القانوني والتصويت رابعاً: محاضر الاجتماعات</p>	<p>17</p>
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### Addition of Appointment of the Secretary

The Committee shall appoint the Secretary from the Company's management team or from third parties to carry out preparations for the meetings of the Committee, preparations of the minutes, documentation and follow up and implementation of its recommendations, decisions, and action plans. The term of the Secretary shall be same as the term of the Committee, unless if he is appointed for a shorter term. He can be reappointed after the expiry of his term.

### Role of the Secretary

8. Ensure smooth running of the Committee's activities
9. Attend the meetings, given that the secretary of the committee should not have any voting rights regarding recommendations, directives and decisions in case the secretary is not a member in the committee.
10. Act as a primary point of contact and source of information, provide advice and guidance for Committee members regarding SPIMACO activities, in order to support the decision-making process.
11. Keep the Committee members fully briefed on relevant information considered during decision making.

### إضافة فقرة أمين سر اللجنة

#### تعيين أمين السر

تقوم اللجنة بتعيين أمين السر من فريق إدارة الشركة أو من الأطراف الخارجية للاضطلاع بالأعمال التحضيرية لاجتماعات اللجنة، وإعداد محاضر الاجتماعات والتوثيق والمتابعة وتنفيذ توصيات اللجنة وقراراتها وخطط عملها، وتكون مدة عمل أمين السر هي نفسها مدة عمل اللجنة ما لم يتم تعيينه لفترة أقصر، ويمكن إعادة تعيينه مرة أخرى بعد انتهاء مدة عمله.

#### دور أمين السر

- أ. ضمان سير أنشطة اللجنة بشكل سلس وانسيابي.
- ب. حضور الاجتماعات على ألا يكون لأمين سر اللجنة أي حق في التصويت فيما يتعلق بالتوصيات والتوجيهات والقرارات إذا لم يكن عضواً في اللجنة.
- ج. العمل كنقطة اتصال رئيسية ومصدر للمعلومات وتقديم المشورة والتوجيه لأعضاء اللجنة فيما يتعلق بأنشطة سبimakو، وذلك للمساعدة في عملية اتخاذ القرار.
- د. إبقاء أعضاء اللجنة على اطلاع دائم وكامل بالمعلومات ذات الصلة التي تم النظر فيها أثناء عملية اتخاذ القرار.
- هـ. الاحتفاظ بلائحة اللجنة وإدارتها وضمان كفاية اللائحة لتلبية التغييرات التي تطرأ على ظروف العمل والمتطلبات التنظيمية والرقابية.
- و. تحديد وإبراز أي تغييرات يلزم إجراؤها في اللائحة لكي تنظر فيها اللجنة.
- ز. إعداد خطابات التواصل عند الترتيب مع رئيس اللجنة حسب الحاجة وإرسالها إلى أعضاء اللجنة وأعضاء المجلس والأطراف الأخرى ذات الصلة. ويشمل ذلك التعامل مع عمليات التواصل المطلوبة لجدولة اجتماعات اللجنة أو الدعوة إليها.
- ح. تحضير المعلومات التي يجب تعميمها على أعضاء اللجنة في اجتماعات اللجنة.

<p>12. Maintain and administer the Committee Charter and ensure adequacy of the Charter to cater with the changes in business conditions and regulatory requirements.</p> <p>13. Identify and highlight any changes required in the Charter to the Committee for its consideration</p> <p>14. Prepare communication letters upon arranging with the Committee Chairman as the need arises, and addressing the same to the Committee members, Board, and other relevant parties. This includes handling the required communication to schedule / call for Committee meetings.</p> <p>15. Prepare information packages that need to be circulated to the Committee members during Committee meetings.</p> <p>16. Assist the Committee Chairman to set and prepare Committee meeting agendas, and circulate the same to Committee members, at least five (5) working days in advance of the meeting dates.</p> <p>17. Invite the relevant parties including consultants, legal advisors, or any other party to Committee meetings.</p> <p>18. Prepare the minutes of the meeting and circulate the said minutes within ten (10) working days to all Committee members for approval. The minutes of the</p>	<p>ط. مساعدة رئيس اللجنة في وضع وإعداد جداول أعمال اجتماعات اللجنة وتعميمها على أعضاء اللجنة قبل خمسة (5) أيام عمل على الأقل من تاريخ الاجتماع.</p> <p>ي. دعوة الأطراف ذات الصلة بما في ذلك الاستشاريين والمستشارين القانونيين أو أي طرف آخر لحضور اجتماعات اللجنة.</p> <p>ك. إعداد محاضر اجتماعات اللجنة وتعميمها في غضون عشرة (10) أيام عمل على جميع أعضاء اللجنة لاعتمادها والموافقة عليها.. يجب أن تشمل محاضر الاجتماعات ما يلي:</p> <ul style="list-style-type: none"> <li>- تاريخ الاجتماع ورقمه.</li> <li>- مكان الاجتماع</li> <li>- أسماء الحضور والوكلاء</li> <li>- بيان سبب غياب الأعضاء الذين لم يحضروا</li> <li>- الموضوعات المطروحة والمناقشات</li> <li>- جميع القرارات والتوصيات المتخذة</li> <li>- التحفظات التي أبدتها الأعضاء الحاضرون في اللجنة على أي من القرارات أو التوصيات الصادرة عن اللجنة</li> </ul> <p>ل. تعميم قرارات/محاضر اللجنة على الأطراف المعنية.</p> <p>م. متابعة المسائل المعلقة وبنود العمل التي تتطلب عرضها على اللجنة.</p> <p>ن. إخطار رئيس اللجنة بأي عوائق تحول دون سير عمل اللجنة، بما في ذلك أي تأخير في تنفيذ قراراتها وتوصياتها.</p> <p>س. الاضطلاع بأي مهام أو مسؤوليات أخرى.</p>	
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meeting shall include the following:

- Date and number of the meeting.
  - The venue.
  - Names of attendees and proxies.
  - A statement of reason for the absence of those who did not attend.
  - Topics presented and discussions.
  - All decisions and recommendations taken.
  - Reservations made by the present members of the Committee to any of the resolutions or recommendations issued by the Committee.
19. Circulate Committee decisions / minutes to the concerned parties.
  20. Follow up on open issues and action items that are required to be presented to the Committee.
  21. Notify the Committee Chairman of any impediments to the functioning of the Committee, including any delay in the implementation of its decisions and recommendations.
  22. Carry out any other tasks or responsibilities.



# Audit Committee Charter

## Updated Charter



# Saudi Pharmaceutical Industries & Medical Appliances Corporation (SPIMACO ADDWAEIH)

## Audit Committee Charter

## Document Control

### ORIGINAL RELEASE CONTROL SHEET

Version number: 1

Release date: DD/MM/YYYY

### VERIFICATION AND SIGN-OFF

Board of Directors Sign Off			
This is to assure that this "Audit Committee Charter, have been approved by General Assembly on the date mentioned above.			
	Name	sign	Date
Committee Secretary			
Governance Department			

### Document Retention, Revision and Disposal

**Audit Committee Charter** shall be retained by the Governance Department and board Secretary, in the original form and in any secure form. The Committee Secretary shall periodically review and update the document in consultation with the Governance Department. A Release Control Sheet and a Revision Control Sheet shall also be prepared on each occasion of release / revision.

### DOCUMENT HISTORY

Version Number	Effective Date	Brief Description of Revision	Approved By	Signature and Date
1		Version: 1		

## Document Roles and Responsibilities / Authority Matrix

This table highlights the roles and responsibilities specifically related to the formation of this document including who is responsible for the preparation, review, endorsement and final approval of the document.

Stakeholders	Prepare/ Update/ Amend	Review	Endorse	Approve	Publish
Governance Team / Committee Secretary	YES				YES
Director of Governance		YES			
Audit Committee		YES			
Governance & Risk Committee			YES		
Board of Director			YES		
General Assembly				YES	

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- The list of rules for selecting the members of the Audit Committee, their term of office and their method of work was prepared based on the decision of His Excellency the Minister of Commerce and Industry No. (903) dated 12/8/1414 AH, and was approved by the Company's Ordinary General Assembly meeting held on Wednesday 22/12/1414 AH corresponding to 1/6/1994 AD, and this regulation was amended on the recommendation of the Board of Directors at its thirteenth meeting - the seventh session - held on 18/12/2008 AD corresponding to 20/12/1429 AH, based on a decision His Excellency the Minister of Commerce and Industry No. (226/s) dated 8/8/1429 AH and the Saudi Capital Market Authority Board Resolution No. (1-36-2008) dated 12/11/1429 AH corresponding to 10/11/2008 AD, and was approved by the Company's ordinary general assembly meeting Held on 19/4/1430 AH corresponding to 4/15/2009 AD.
- This regulation was amended on the recommendation of the Board of Directors at its ninth meeting - the tenth session - held on 09/03/2017 AD corresponding to 10/06/1438 AH, based on the Companies Law issued by Royal Decree No. (M/3) dated 28/1/1437 AH and the Corporate Governance regulations issued by the Board of the Capital Market Authority pursuant to Resolution No. (8-16-2017) dated 16/5/1438 AH corresponding to 13/2/2017 AD, and was approved at the Company's Ordinary General Assembly meeting held on 19/07/1438 AH corresponding to 16/ 04/2017 AD.
- This regulation was amended on the recommendation of the Board of Directors at its seventeenth meeting - the tenth session - held on 5/7/1439 AH corresponding to 3/22/2018 AD, and the amendments were approved at the Company's extraordinary general assembly meeting held on 3/8/1439 AH corresponding to 19 /4/2018 AD.
- This regulation was amended on the recommendation of the Governance and Risk Committee, as well as the Board of Directors recommendation, and the amendments were approved at the Company's extraordinary general assembly meeting held on [REDACTED] corresponding to [REDACTED].

## 1. Composition of the Audit Committee

1. The Audit Committee is formed by a resolution of the Board of Directors.
2. The Committee shall be composed of the Board's non-executive members or others from outside the Board, and shall not consist of any executive Board members or senior executives from SPIMACO.
3. The number of the members of the Audit Committee shall not be less than three (3), and shall not exceed five (5), provided that one of its members is specialized in finance and accounting, and one of its members is from outside the Board.
4. The membership of the committee ends with the expiry of the term of membership of the Board of directors.
5. One of the Audit Committee's members must be an independent member.

### 1.1 Membership Requirement

1. Membership of the committee requires that its members have integrity, honesty, diligence, competence, and professional conduct.
2. It is not permissible for anyone who works or has worked during the past two years in the executive or financial management of the Company, or with the auditors (chartered accountant) of the Company, or whoever performs technical, financial or administrative work in the Company, even as a consultant, to be a member of the audit committee.
3. The Chairman of the Board of Directors may not be a member of the Audit Committee.
4. If the position of a member of the Audit Committee becomes vacant during the term of membership, the Board shall appoint another member in the vacant position.
5. A committee member may not have a direct or indirect interest in the business and contracts that are done for the Company's account, and a committee member may not participate in any business that would compete with the Company's business, or trade in any of the branches of the activity he is practicing, otherwise. The Company could claim compensation from him, or consider the operations he conducted for his own account to have been conducted for the Company's account.
6. The Company may not provide a cash loan of any kind to members of the Audit Committee, or guarantee any loan contracted by one or more of them with others, and any contract concluded in violation of the provisions of these regulations shall be considered void.
7. A member of the audit committee shall not be a member of the audit committees of more than five listed joint stock companies at the same time.
- 8.

### 1.2 Termination of Membership

1. Termination of membership may be made either voluntarily or by the Board.
2. The members of the Audit Committee may be dismissed if any of them violates the provisions contained in these Regulations, or for any other reasons deemed by the Board of Directors.
3. A member of the Committee has the right to resign if this is made at a suitable time acceptable to the Board of Directors, otherwise he will be responsible for his untimely decision before the Company.
4. The right to accept resignation shall be submitted to the Board of Directors.



### 1.3 Members' Remuneration

- A. The remuneration policy defined for the Committee members shall include the following components:
- Fixed fee for membership in the Committee.
  - Sitting fees for attending Committee meetings.
  - Reimbursement for actual expenses incurred to attend Committee meetings, including travelling and accommodation expenses.
- B. The above fees and reimbursements shall be paid in accordance with the Company's approved remuneration policy. The details of remunerations to the Committee members shall be disclosed in the Annual Board's report.

### 1.4 Duties and Responsibilities of the Audit Committee

The primary responsibility of the Audit Committee is to oversee the Company's internal controls, external and internal audit activities, ensuring compliance and report the results of its activities to the Board. Further, to review the accounting policies in force and advise the Board of any recommendations regarding them.

The following shall be the principal responsibilities of the Audit Committee:

#### i. External Auditor

1. Provide recommendations to the Board to nominate external auditors, dismiss them, determine their remuneration, and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts.
2. Verify the independence of the external auditor, its objectivity, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards.
3. Review the plan of the Company's external auditor and its activities, and ensuring that it does not provide any technical or administrative works that are beyond its scope of work, and provides its opinion thereon.
4. Respond to queries of the Company's external auditor.
5. Ensure that the Company's management provides all the information and document needed by the external auditor to perform his duties.
6. Review the external auditor's reports and its comments on the financial statements and follow up the procedures taken in connection therewith. Discuss and enquire with external auditor in case of any need.
7. Examine and address any restrictions on the work of the auditor that would affect his ability to perform his work.

#### ii. Financial reports

1. Examine the accounting policies followed by the Company and provide its opinion and recommendations to the Board thereon.
2. Examine the accounting estimates in respect of significant matters that are contained in the financial reports.
3. Review financial management reports on budget performance and analyze deviations between actual expenditure and approved budget.
4. Analyze any important or non-familiar issues contained in the financial reports.

5. Accurately investigating any issues raised by the Company's chief financial officer or any person assuming his/her duties or the Company's compliance officer or external auditor
6. Analyze the Company's interim and annual financial statements before presenting them to the Board and provide its opinion and recommendations thereon to ensure their integrity, fairness and transparency.
7. Provide its technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model, and strategy.

### iii. Internal Audit

1. Recommend to the Board the appointment and dismissal of the Head of Internal Audit, his compensation, and evaluate his performance.
2. Monitor and oversee the performance and activities of the Head of Internal Audit and Internal Audit Department of the Company to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties.
3. Ensuring that the internal audit department is operating pursuant to a comprehensive audit plan approved by the Audit Committee. Such plan shall be updated annually. Key activities and operations, including the activities related to the risk management and compliance departments, shall be reviewed at least annually.
4. Analyzing the internal audit reports and monitor the status of implementation of the corrective measures in respect of the remarks made in such reports.
5. Periodically review with the internal auditors any significant difficulties, disagreements with management, or scope restrictions encountered during the function's work.
6. Study and review of internal and financial control systems and risk management in the Company and ensure its effectiveness and prepare a report that includes proposals and recommendations thereon and submit the same to the Board.
7. Ensure that the Company's management provides all the information and documents needed by the internal auditor to perform his duties.
8. To review the internal audit estimated budget, and recommend it to the Board for approval.
9. Ensure the independence of the internal audit and enable it to perform its work effectively.
  - Review and approve selection and removal of the outsourced internal auditors (as applicable)
  - Review and approve the outsourced internal auditors' fees (as applicable)
  - Institute and oversee special investigations as needed for special cases such as fraud.

### iv. Ensuring Compliance

1. Review the results of the reports of the regulatory authorities and verify that the Company has taken the necessary measures in this regard.
2. Ensure and verify the Company's compliance with relevant laws, regulations, policies and instructions.
3. Reviewing the contracts and transactions proposed to be conducted by the Company with related parties, and presenting its views in this regard to the Board of Directors.
4. Raise the issues it deems necessary to act on to the Board of Directors and make recommendations for the actions to be taken.

#### v. Responsibilities in Relation to Reporting to the Board

The following represent the duties and responsibilities of Audit Committee towards the Board:

1. Report annually to the Board, its opinion about the following:
  - Adequacy of the internal control system.
  - Appropriateness of accounting policies, judgments, and estimates.
  - Adherence to the applicable accounting standards.
  - Adherence to the Company's Code of Business Conduct & Ethics.
  - Any other information required, including approval of non-audit services provided by the external auditors.
2. Report to the Board any issues in connection with what it deems necessary to take action on and provide recommendations as to the steps that should be taken.

#### vi. Internal Audit Report

1. The internal audit department shall prepare and submit a written report on its activities at least quarterly to the Board and the audit committee. Such report shall include an assessment of SPIMACO's internal control system, addressing audit findings and the final opinion and recommendations of the unit or department. Such report shall also specify the procedures taken by each department for addressing the findings and recommendations from the previous audit, and any remarks thereon, particularly failures to promptly address such findings and recommendations and the reasons for such failure.
2. The internal audit department shall prepare a general written report on the audit activities carried out during the fiscal year in comparison to the approved plan for submission to the Board and the audit committee. This report must explain the reasons for any deviation from the plan that occurred during the quarter following the end of the relevant fiscal year.
3. Based on recommendations from the audit committee and the internal audit department, the Board shall specify the scope of the internal audit unit or department's report. The following items must be included in the report:
  - procedures for overseeing and tracking financial matters, investments, and risk management.
  - assessing the evolution of risk factors endangering the Company and existing systems in order to deal with radical or unexpected changes.
  - an assessment of the performance of the Board and the Senior Management with respect to the implementation of internal control systems, including specifying the number of times the Board has been informed of control issues (including risk management) and a description of the method followed to address such issues;
  - failures or weaknesses in internal control implementation, or emergency situations that have affected or may affect the Company's financial performance, and the steps taken to address such failures (particularly issues disclosed in the SPIMACO's annual reports and financial statements).
  - the extent to which the Company has complied with the internal controls when determining and managing risks.
  - Information describing the Company's risk management operations.

## **vii. Audit Committee Report**

a) The report of the audit shall include details of its performance of its competencies and duties stated in these Regulations, provided that the report contains its recommendations and opinion on the adequacy of the internal and financial control systems and risk management systems in the Company.

b) The Board shall make available sufficient copies of the audit committees' report at the Company's head office, and publish them on the Company's and the Exchange's websites when publishing the invitation to convene the General Assembly, to enable shareholders to get a copy thereof. Summary of the report shall be read at the General Assembly.

## **viii. Powers of The Audit Committee**

In order to perform its duties, the audit committee may:

1. Review the Company's records and documents.
2. Request any clarification or statement from the members of the Board of Directors or the executive management.
3. Request the Board of Directors to invite the Company's General Assembly to convene if the Board of Directors obstructs its work or the Company suffers serious damage or losses.

## **ix. Other Responsibilities**

1. Work in conjunction with other Committees for the specific matters requiring involvement of multiple functions. In this context, the Committee shall collaborate with other Board Committees to discharge their duties.
2. Review prior Committee minutes of meeting and follow up on decisions taken and documented in the action sheet of prior Committee meetings to ensure that matters raised have been resolved.
3. Perform any other activities consistent with this Charter, the Company's By-laws and the prevalent governing laws.
4. Attend to such matters as the Board may determine from time to time.

## **x. Responsibilities of Committee Members**

1. Comply with the Company's rules and regulations when exercising duties and refraining from doing or participating in any action that harms the Company's interests.
2. Attend all or majority of the Committee meetings, and not to be absent from them except for objective justifications notified to the Chairman of the Committee in advance. Be aware of the Committee functions and dedicate enough time to participate in the conduct of Committee's matters.
3. Ensure integrity with the conduct of the Committee matters and meetings.
4. Carry out their duties independent from any influence, whether from inside or outside of the Company.
5. Obtain adequate skills and trainings necessary for the participation and conduct of the Committee matters.
6. Enhance the knowledge of organizational developments in the field related to the Company's activities.
7. Disclose any direct or indirect interest in any of the matters submitted to the Committee and refrain from attending and voting on conflict of interest.

8. Participate effectively in the meetings of the Committee by studying and discussing topics on the agenda of the meetings, and accordingly vote on the Committee decisions.
9. Provide full support to the Chairman of the Committee in setting-up of the meeting agendas and confirmation on minutes of the meetings.
10. Maintain the confidentiality of their activities and information obtained and use it for the purpose of performing their membership duties, and shall exercise their professional judgment to act in a manner that they believe is in the best interest of the Company. This obligation also includes maintaining the confidentiality of the information even after termination of the membership of the Committee.
11. Members of the Audit Committee are not allowed to disclose to the shareholders or to third parties what they found out about the Company's secrets due to the performance of their work, otherwise they must be dismissed and held accountable for compensation.

#### **xi. Conflict between the Audit Committee and the Board of Directors**

If a conflict arises between the recommendations of the Audit Committee and the Board of Directors, or if the Board refuses to put the Committee's recommendations into action as to appointing or dismissal the Company's external auditor or determining its remuneration, assessing its performance, or appointing the internal auditor, the Board's report shall include the Committee's recommendations and justifications, and the reasons for not following such recommendations.

#### **xii. Arrangements for Whistleblowing/Providing Remarks**

The Audit Committee shall establish a mechanism that allows employees of the Company to submit their observations regarding any abuse in financial or other reports confidentially. The committee shall verify the application of this mechanism by conducting an independent investigation commensurate with the extent of the error or abuse and adopting appropriate follow-up procedures.

## **2. Chairman**

### **2.1 Appointment of Chairman**

The Chairman of the Committee shall be appointed by majority vote of the Committee members.

### **2.2 Role and Authorities of the Chairman**

1. Oversee the functions of the Committee and conducting its meetings effectively.
2. Collaborating with the Committee members to develop and approve the agenda for the Committee meetings and invite all the Committee Members to meet on a certain date and place for Committee meetings.
3. Ensure that all items requiring Committee approval or Committee recommendations to the Board are appropriately presented.
4. Ensure that the issues before the Committee are accompanied by sufficient information to enable the Committee to take decisions on them.
5. Ensure that the Committee has direct access to such members of senior management.
6. Represent the Committee in front of the Board, General Assembly or any other party and discuss matters raised.
7. Act on important matters on behalf of the Audit Committee to ensure that the Internal Audit Department is able to discharge its responsibilities independently and in a timely manner.
8. Inform the members of the Committee of the actions and decisions taken to address urgent internal audit issues.

### 3. Meetings of the Audit Committee

#### 3.1 Frequency of Meetings

1. The Committee shall meet at least four (4) times a year, preferably once every quarter. Exceptional meetings may be scheduled as determined by the Chairman of the Committee, or upon the request of the majority of its members as needed.
2. The Committee shall convene periodically with the Company's external auditor and internal auditor.. The internal auditor and the external auditor may request meetings with the Audit Committee as may be necessary.
3. The Committee shall schedule meetings in advance, before the beginning of the year and to include it in the yearly schedule of Board and Committees meetings.
4. The invitation to attend the committee's meetings shall be sent in writing or by electronic correspondence, by the chairman of the committee or whoever delegated by him from among its members or by the secretary of the committee before a sufficient period from the date of the meeting. The members of the committee shall be provided with the meeting agenda and the necessary documents and information to be discussed before the date of the meeting.

#### 3.2 Attendance of Invitees

Besides the attendance of the members comprising the Committee, non-Committee members may be invited to attend the Committee meetings. Such attendees can be involved in the discussions but shall not have any voting rights. Invitations shall be approved by the Chairman and indicated in the meeting agendas circulated prior to meeting dates.

#### 3.3 Quorum and Voting

1. The meetings of the Committee shall be held only in the presence of the majority of members, including the Chairman of the Committee. In the case the Chairman of the Committee is unable to attend, he may delegate one of its members to chair the meeting.
2. In the case that the Committee member is not able to attend the committee's meeting in person, sufficient effort will be made to enable the member to attend through the use of modern means of communication. In this case, the member's attendance is as attending in person.
3. A member may delegate another member to represent him in the meeting if he is unable to attend, provided a member cannot represent more than one member in the same meeting.
4. Each member of the committee shall have one vote only.
5. Each member of the committee shall have an equal vote. The decisions of the committee shall be made by a majority of its members present and represented at the meeting. In the case of a tie, the decision voted by the Chair of the meeting shall prevail.
6. The decisions of the Committee could also be approved through circulations, upon discretion of the Chairman of the Committee. Any decision of the Committee reduced to writing and signed by all of its members shall be as effective as if it had been made at a meeting duly called and held. Any objection raised by any member against any Resolution presented by circulation shall not be treated differently than an objection to a Resolution presented during a Committee meeting. The simple majority of the approving votes shall be used to consider the Resolution made by circulation to having been properly issued by the Committee.

#### 3.4 Minutes of Meetings

1. The committee's deliberations, decisions and recommendations are recorded in minutes that include the discussions that took place, the names of the members present and the reservations they have expressed, if any, and the signature of these minutes by all the members present. These minutes are recorded in a special and organized register.

2. Committee members shall be provided with the draft meeting minutes within Ten (10) working days after the date of the convened meeting for their comments. In case no comments were received within five (5) working days of circulating the draft minutes, the same shall be deemed as accepted which shall subsequently be signed off by all attending members during the next Committee meeting.

### 3.5 General Provisions

1. Each committee shall assess the matters that fall within its authority or those referred to it by the Board and shall communicate its recommendations to the Board to issue decisions in connection therewith. The committees shall take decisions regarding these matters if delegated by the Board.
2. The committees may seek assistance from any experts or specialists, whether internal or external, within the scope of its powers. This shall be included in the minutes of the committee meeting: the minutes states the name of the expert and his relation to the Company or its Executive Management.
3. The Board is responsible for the Company's business even if it delegates some of its powers to committees, individuals or other third parties. In any case, the Board may not issue a general or an open-ended delegation.

## 4. Committee Secretary

### 4.1 Appointment of the Secretary

The Committee shall appoint the Secretary from the Company's management team or from third parties to carry out preparations for the meetings of the Committee, preparations of the minutes, documentation and follow up and implementation of its recommendations, decisions, and action plans. The term of the Secretary shall be same as the term of the Committee, unless if he is appointed for a shorter term. He can be reappointed after the expiry of his term.

### 4.2 Role of the Secretary

1. Ensure smooth running of the Committee's activities
2. Attend the meetings, given that the secretary of the committee should not have any voting rights regarding recommendations, directives and decisions in case the secretary is not a member in the committee.
3. Act as a primary point of contact and source of information, provide advice and guidance for Committee members regarding SPIMACO activities, in order to support the decision-making process.
4. Keep the Committee members fully briefed on relevant information considered during decision making.
5. Maintain and administer the Committee Charter and ensure adequacy of the Charter to cater with the changes in business conditions and regulatory requirements.
6. Identify and highlight any changes required in the Charter to the Committee for its consideration
7. Prepare communication letters upon arranging with the Committee Chairman as the need arises, and addressing the same to the Committee members, Board, and other relevant parties. This includes handling the required communication to schedule / call for Committee meetings.
8. Prepare information packages that need to be circulated to the Committee members during Committee meetings.

9. Assist the Committee Chairman to set and prepare Committee meeting agendas, and circulate the same to Committee members, at least five (5) working days in advance of the meeting dates.
10. Invite the relevant parties including consultants, legal advisors, or any other party to Committee meetings.
11. Prepare the minutes of the meeting and circulate the said minutes within ten (10) working days to all Committee members for approval. The minutes of the meeting shall include the following:
  - Date and number of the meeting.
  - The venue.
  - Names of attendees and proxies.
  - A statement of reason for the absence of those who did not attend.
  - Topics presented and discussions.
  - All decisions and recommendations taken.
  - Reservations made by the present members of the Committee to any of the resolutions or recommendations issued by the Committee.
12. Circulate Committee decisions / minutes to the concerned parties.
13. Follow up on open issues and action items that are required to be presented to the Committee.
14. Notify the Committee Chairman of any impediments to the functioning of the Committee, including any delay in the implementation of its decisions and recommendations.
15. Carry out any other tasks or responsibilities.