

Working Regulations of the Audit Committee

الكابلات السعودية
Saudi Cable



2022



Article 1: Preamble

The Working Regulations of the Audit Committee were prepared under the CMA Corporate Governance Regulation, which requires that the Ordinary General Assembly, on the proposal of the Board of Directors, adopt the Working Regulations of the Committee. These Regulations shall include the controls and procedures for the work and functions of the Committee, the rules for the selection of its members and the duration of their membership and remunerations.

Article 2: Policies for the Selections of Members of the Committee and How to Nominate Them and the Duration of Their Membership

1. The nomination of members shall be on the recommendation of the Nominations and Remuneration Committee.
2. Members of the Committee may be shareholders or others, including at least one independent member and a financial and accounting specialist.
3. The Committee shall not include any executive Board members.
4. The Chairman of the Audit Committee must be an independent member.
5. Anyone who works or has worked for the past two years in the executive or financial management of the Company, or with the Company's auditor, cannot be a member of the Committee.
6. The Committee's membership shall not be less than three and not more than five.
7. The Chairman of the Board of Directors cannot be a member of the Committee.
8. The members of the Committee are selected in a manner that ensures the availability of diverse skills and expertise, taking into account the existence of expertise appropriate to the Company's field of work.
9. Members of the Committee shall be appointed for a period that does not exceed THREE years and may be reappointed in accordance with the Company's bylaws.
10. The Company is committed to notify the Authority of the names of the members of the Committee and their membership qualifications within five working days from the date of their appointment and any changes that occur within five working days from the date of the changes.

11. The Committee appoints a Chairman and a Secretary from among its members or others at its first meeting.

Article (3): Avoid Conflicts of Interest

a) The member of the Audit Committee shall:

1. Exercise his/her duties faithfully and present the interests of the Company over his personal interests and to not exploit his/her position in order to achieve special interests.
2. Avoid conflicts of interest and inform the General Assembly of conflicts that may affect its consideration of the topics before the Committee. The Committee shall not involve that member in the deliberations and shall not count his/her vote in the voting on these topics at the Committee's meetings and the shareholders' assemblies.
3. Keep Company-related information and activities confidential and to not disclose them to anyone.

b) The member of the Audit Committee is prohibited from:

1. Voting on the decision of the Committee or the General Assembly in the business and contracts made on behalf of the Company if he/she has a direct or indirect interest in it.
2. Exploit or benefit, directly or indirectly, from any of the Company's assts, information or investment opportunities offered to him/her as a member of the Audit Committee or offered to the Company, including investment opportunities that fall within the activities of the Company or which the Company wishes to benefit from. The prohibition applies to the member of the Committee who resigns to exploit investment opportunities, directly or indirectly, that the Company wishes to take advantage of and in which he learned about during his/her membership of the Committee.

Article (4): The Committee's Functions and Terms of Reference

The Committee specializes in monitoring the Company's business and verify the integrity of its reports, financial statements and internal control systems. The Committee's functions include:

- **Financial Statements**

1. Examine the Company's quarterly and annual financial statements before presenting them to the Board of Directors and expressing its opinion and recommendation in order to ensure their integrity, fairness and transparency.
2. Express a technical opinion, at the request of the Board, as to whether the Board's report and the financial statements of the Company are fair, balanced and understood and include information that allows shareholders and investors to assess the financial position, performance, business model and strategy of the Company.
3. Examine any important or unfamiliar matters contained in the financial statements.
4. Thoroughly examine any issues raised by the Company's CFO or whoever carries out his/her duties, the Company's CCO or the auditor.
5. Verify the accounting estimates in material matters contained in the financial statements.
6. Examine the Company's accounting policies and make an opinion and recommendation to the Board on them.
7. Audit of financial management reports on budget performance and analysis of deviations between actual expenditure and the approved estimated budget.

- **Internal Audit**

1. Study and review internal and financial and risk management systems.
2. Examine internal audit reports and follow up on the implementation of corrective procedures for the observations contained therein.
3. Oversight and supervision of the performance and activity of the internal auditor and the internal audit department, if any, to verify the availability and effectiveness of the necessary resources in the performance of the business and the tasks entrusted to it. If the Company does not have an internal auditor, the Committee shall make its recommendation to the Board on the need for his/her appointment.
4. Recommend to the Board of Directors the appointment of the Director of the Internal Audit and determine his/her remuneration and benefits, evaluate his/her performance and recommend his removal to the Board.
5. Ensure the independence of Internal Audit and enable it to function effectively.
6. Examine the discretionary budget of the internal audit department and recommend it to the Board of Directors for approval.

- **Auditor**
 1. Recommend to the Board of Directors the nomination, dismissal, fees and evaluation of auditors after verifying their independence and reviewing their scope of work and contractual conditions.
 2. Verify the auditor's independence, objectivity and fairness and the effectiveness of his/her audit work, taking into account relevant rules and standards.
 3. Review the Company's auditor's plan and work and verify that it does not provide technical or administrative work beyond the scope of the audit work and give invisibility thereof.
 4. Answer the Company's auditor's inquiries.
 5. Examine the auditor's report and observations on the financial statements and follow up on the decisions taken thereon.
 6. Discuss and inquire with the auditor in case of need and meet with him/her individually without the presence of the Company's management at least once in the fiscal year.

- **Ensure Compliance**
 1. Review the results of the reports of the Regulators and verify the Company's actions regarding them.
 2. Supervise the Company's adherence to the relevant regulations, policies and instructions.
 3. Review the contracts and transactions proposed to be conducted by the Company with the relevant parties and submit its views thereon to the Board of Directors.
 4. Submit such matters as it deems necessary to take action on the Board of Directors and make recommendations on the actions to be taken.

- **Risk Management**
 1. Develop a comprehensive risk management strategy and policy commensurate with the nature and size of the Company's activities and verify, review and update their implementation based on the Company's internal and external changes.
 2. Establish and maintain an acceptable level of risk to the Company and verify that the Company does not exceed it.
 3. Verify the viability of the Company's continuation and successfulness of its activities while identifying the risks that threaten to persist over the next 12 months.
 4. Supervise the Company's risk management system and assess the effectiveness of systems and mechanisms for identifying, measuring and monitoring the risks to which the Company may be exposed to in order to identify its shortcomings.
 5. Reassess the Company's risk tolerance and the periodic exposure to them.
 6. Prepare detailed reports on risk exposure and proposed steps to manage these risks and submit them to the Board of Directors.

7. Make recommendations to the Board of Directors on matters related to the Risk Management.
8. Ensure adequate resources and risk management systems.

Article (5): Conflict between the Committee and the Board of Directors

In the event of a conflict between the recommendations of the Committee and the decisions of the Board of Directors, or if the Board refuses to address the recommendation of the Committee regarding the appointment and removal of the Company's auditor, his/her fees, his/her evaluation of his/her performance, the appointment of the internal auditor or any other matter, the Board's report shall include the recommendation and justification of the Committee and the reasons for its failure to take them.

Article (6): Committee Meetings

1. The Audit Committee meets periodically at least FOUR meetings during the Company's financial year.
2. The Audit Committee meets periodically with the Company' auditor, internal auditor, the director of Compliance and the director of risk management, if any.
3. The internal auditor and the auditor may request to meet with the Committee whenever the need arises.
4. The validity of the meetings of the Committee requires the attendance of a majority of its members. Its decisions shall be taken by a majority vote of those present and when the votes are equal, the side with which the Chairman voted shall be preferred.
5. The Committee's meetings should be documented and recorded, including discussions and deliberations, its recommendations and the results of the voting should be documented and kept in a special register, the names and observations of members present, if any, and is shall be signed by all members present at the meeting.

Article (7): Committee Terms of Reference

In order to perform its tasks, the Committee shall:

1. Have the access to the Company's records and documents.
2. Request any explanation or statement from members of the Board of Directors or Executive Management.
3. Request the Board of Directors to convene the General Assembly of the Company if its work is hindered or the Company compensates for serious damage or losses.

Article (8): Committee Reports

1. The Committee's report shall include details of its performance of its terms of reference and functions under the Corporate Regulations and Its Implementations, including its recommendations and its opinion on the adequacy of the Company's internal and financial control and risk management systems.
2. The Board of Directors shall place sufficient copies of the report of the Committee at the Company's Main Office and shall be posted on the Company's website and the Market's website when the invitation to the General Assembly is published to enable shareholders to obtain a copy of the report. The summary of the report shall be read during the General Assembly.
3. The Committee shall hire experts and specialists from inside or outside the Company within its powers, and make sure that it will be included in the minutes of the Committee's meeting with the name of the expert and his/her relationship with the Company or Executive Management.
4. The Chairman of the Committee or his/her representative shall be present at the General Assembly to answer the shareholders' queries.

Article (9): Termination of the Committee's Membership

1. The membership of the Committee shall expire at the expiration of its term or at the expiry of the member's term in accordance with the Company's bylaws. However, the Ordinary General Assembly may at all times remove all or some of the members of the Committee without prejudice to the right to compensation if the removal occurs on an acceptable reason and a member of the Committee can resign from the Committee's membership.
2. The General Assembly, on the recommendation of the Board, may terminate the membership of members who were absent from attending THREE consecutive meetings without legitimate excuse.
3. If a position in the Audit Committee is vacant, the Committee may appoint a provisional member with competence and experience in the vacant position. The appointment shall be submitted to the OGA at its first meeting and the new member shall complete the term of his/her predecessor, as stipulated in the Company's bylaws.

Article (10): Remuneration of Committee Members

Remuneration and attendance allowance shall be determined for the members and Secretary of the Committee on the recommendation of the Remuneration and Nominations Committee to the Board of Directors.

Article (11): Final Provisions (Publishing and Editing)

1. These Regulations shall be effective immediately from the date of approval by the OGA.
2. The content of these Regulations shall be reviewed as needed on the recommendation of the Board of Directors, and these amendments shall be submitted to the OGA for adoption at the earliest meeting.