

## Alkhorayef Water & Power Technologies

### Audit Committee Report for General Assembly

For the year 2024

Dear Shareholders of Al-Khareef Water and Power Technologies,

May the peace, mercy, and blessings of God be upon you

The Audit Committee of Al-Khareef Water and Power Technologies is pleased to present its annual report for the fiscal year ending on December 31, 2024, to its esteemed shareholders.

This report includes detailed information on the committee's performance of its duties and responsibilities as stipulated in Corporate Law, and its Implementation Regulations,

The report also contains the committee's opinion on the adequacy of the company's internal control systems, it outlines the tasks and activities undertaken by the committee within its scope of responsibilities, in accordance with the provisions of Corporate Law and related regulatory requirements.

The committee met six times during 2024 with the company's auditors, the Internal Audit Department, and executive management to fully perform their duties. The following is a summary of the work within its scope of authority, the most notable of which is:

Approving the schedule of deadlines for the issuance of the company's quarterly and annual financial statements.

- Review the results of the Company's operations and financial position as they appeared in the preliminary and annual financial statements and reports for the fiscal year 2024 and what has been done about them, in accordance with International Financial Reporting Standards (IFRS). The Committee has submitted its opinion and recommendations on them to ensure their integrity and transparency. The Committee approved these statements and reports and submitted its recommendations regarding them to the Board of Directors.
- Discussion of the management letter, which contains the external auditor's observations resulting from their review of the preliminary and annual financial statements for the fiscal year 2024.
- Discussion of the mechanism followed in consolidating the results of investments in joint arrangements and equity-accounted investees and incorporating their financial results into

the company's records in accordance with the standards for the preparation and presentation of financial statements; and emphasizing that the related policies and procedures should be included within the financial management policies.

- Recommendation to the Board of Directors for the nomination, dismissal, determination of fees, and performance evaluation of the auditors, after verifying their independence and reviewing the scope of their work and the terms of their engagement.
- Review of the auditor's plan and work, verification of the scope of the audit, and providing their comments on it.
- Study of the auditor's report and their observations on the financial statements, providing comments if any, and following up on the actions taken regarding them.
- Review and approve the estimated budget for the Internal Audit Department.
- Reviewing and approving the Internal Audit Operational Plan for 2024 and the three-year plan.(2026-2024)
- Following up on the corrective actions taken by executive management regarding the observations contained in the Internal Audit Department's reports.
- Reviewing the effectiveness of the Internal Audit Department, where the department's workflow was monitored by reviewing the periodic reports submitted to the committee during its ongoing meetings with the CEO of the Internal Audit Department.
- Follow up on all reports issued by the Internal Audit Department.
- Review and approve the annual operational internal audit plan for the year 2024, and the plan for three years 2026-2024.
- Reviewing the effectiveness of the Internal Audit Department, as the progress of work in the Department was followed up by reviewing the quarterly reports that are submitted to the Committee in its continuous meetings with the CEO of the Internal Audit Department.

### Internal Control System:

The company follows an internal control framework based on three lines of defense. The various departments and business sectors align their activities in accordance with the laws and regulations established and approved by the competent authorities as the first line of defense, while the internal control departments of the Financial Group and the Security and confidentiality of Information play the role of the second line of defense and are concerned with evaluating, measuring and monitoring the levels of various risks at the level of daily operations in order to meet the company's regulatory requirements. These departments submit periodic reports to the internal administrative committees and the subcommittees of the Board. The internal audit group performs the tasks of the third line of defense concerned with conducting the necessary checks and reviews that ensure the company, and its employees adhere to the approved policies based on the work of the internal audit group and implemented during the fiscal year.

In general, the effectiveness of internal control procedures and systems has been reasonably ascertained in terms of covering important control aspects that materially affect the Company's achievement of its objectives.

### The Audit Committee's opinion on the adequacy of the internal control system:



الخریفة لتقنية المياه والطاقة  
Alkhorayef Water & Power Technologies

The executive management is responsible for establishing and maintaining an effective internal control system in the company that includes all policies, procedures and processes that have been designed under the supervision of the Board of Directors to achieve the strategic objectives of the company. An integrated internal control system has been designed for the company as recommended by the regulatory and supervisory authorities. The company evaluates and monitors the internal control system through its supervisory departments and committees concerned.

Based on the periodic reports presented to the Committee by the Internal Audit Group and the reports of the external auditors and based on the annual confirmations and disclosures obtained from the executive management, the Audit Committee considers that the internal control system currently in force is operating with acceptable effectiveness, and it was not clear to the Committee any fundamental deficiencies in the internal control system of the company, which require the attention of the General Assembly. No internal control system, regardless of the soundness of its design and the effectiveness of its application, can provide absolute assurance.

**On behalf of the Audit Committee**

**Faisal Al-Duwaish - Chairman of the Audit Committee**