

30/05/2024

The Audit Committee Report to the General Assembly of MBC Group listed Joint Stock Company, for the year 2023

1. Introduction

The Audit Committee (“the Committee”) at MBC Group (“the Group” or the “Company”) is pleased to present to the Company’s shareholders its annual report for the financial year ending December 31, 2023, which summarizes the Committee’s responsibilities and the results of its activities based on the scope of audit, risk and compliance as per the Committee’s Charter approved by the Company’s General Assembly and in accordance with the relevant regulatory requirements. During the year, the Committee provided independent, competent advice to support the Group’s Board of Directors.

The Committee is responsible for monitoring the Company’s activities and verifying the integrity of the reports, financial statements and internal control systems as stated in the Committee’s approved Charter, and as per the requirements of the “Companies Law” issued by the Ministry of Commerce, and the “Corporate Governance Regulations” issued by the Capital Market Authority.

2. Audit Committee Members

The Audit Committee was formed on 3 August 2023.

No.	Name	Title
1.	H.E Hindi Abdullah Humaidan Al-Sohimi	Chairman
2.	H.E Khalid bin Abdullah bin Abdulaziz Al Molhem*	Member
3.	Mr. Mohammed bin Abdulaziz bin Abdulrahman Alshaya	Member
4.	Mr. Abdullah bin Nasser bin Abdullah Al Dawood	Member

*H.E. Mr. Khalid bin Abdullah bin Abdulaziz Al Molhem was appointed as an additional independent member of the Audit Committee according to the Board of Directors’ resolution issued on November 8, 2023.

3. Audit Committee Meetings (2023)

The Audit Committee held three meetings during the year 2023, and the attendance record is as follows:

Members	Date	Date	Date
1. H.E Hindi Abdullah Humaidan Al-Sohimi	18.09.2023	05.11.2023	28.12.2023
2. H.E Khalid bin Abdullah bin Abdulaziz Al Molhem	Was not a member yet	Was not a member yet	28.12.2023
3. Mr. Abdullah bin Nasser bin Abdullah Al Dawood	18.09.2023	05.11.2023	28.12.2023
4. Mr. Mohammed bin Abdulaziz bin Abdulrahman Alshaya	18.09.2023	05.11.2023	28.12.2023

4. Audit Committee Key Activities (2023)

A. Financial Statements and External Auditor:

1. Recommending to the Board of Directors and the General Assembly to appoint the external auditors for the Company after reviewing the submitted proposals for the year 2023.
2. Endorsed the Company's consolidated financial statements for the year 2023.
3. Reviewed and recommended finance and accounting policies and changes thereto, including suitability of such policies in terms of effective application and adoption of significant changes to the applicable financial reporting standards.
4. Ensured that appropriate plans and scope are in place for the external audit.
5. Assessed the independence, objectivity, and performance of the external auditors.
6. Reviewed and offered recommendation on significant accounting and reporting issues highlighted by the external auditors, including complex or unusual transactions highly judgmental areas, recent professional and regulatory pronouncements, and understand their impact on the financial statements.
7. Reviewed financial statements and consider whether they are complete, consistent with information known to the Committee Members and reflect appropriate accounting principles.
8. Recommend the provision of permissible non-audit services by firms engaged as external auditors, so that the non-audit service does not impair the external auditors' independence or objectivity.

B. Internal Audit:

9. Reviewed and approved the Internal Audit objectives, plans and activities. Once approved, the Committee delegates the implementation of all the above to the Director of Internal Audit.
10. Approved the internal audit plan for the year 2023.
11. Received and reviewed all internal audit reports.
12. Reviewed the effectiveness of the Internal Audit function, including alignment with Institute of Internal Auditors' (IIA) Standards for the Professional Practice of Internal Auditing (IPPF).
13. Approved the Internal Audit Charter and Manual, including revisions to an existing Charter and Manual.
14. Approved the appointment, replacement or dismissal, and compensation of the Director of Internal Audit.

C. Risk Management:

15. Reviewed and approved the ERM policy, risk appetite, risk governance model, and risk documentation such as risk tolerances, consequence, and likelihood metrics.
16. Evaluated the rigor and suitability of risk assessments and risk management practices.

D. Internal Control Systems:

17. Monitored progress in addressing internal control deficiencies identified through risk assessment and internal audit reviews.
18. Periodically reviewed policies on ethics, code of conduct and fraud.
19. Offered oversight on the existence of an appropriate confidential mechanism for whistle blowers to provide complaints and tip-offs to facilitate fraud detection.

E. Compliance:

20. Offered oversight on the effectiveness of the regulatory compliance framework, including compliance risk assessment and the monitoring program in place to verify compliance with laws and regulations.

5. The Opinion of the Audit Committee on The Adequacy of The Company's Internal Control System

In light of the aforementioned scope of work and based on the periodic review reports submitted by the Company's Internal Audit Department and the External Auditor on the effectiveness of the Company's internal control systems, nothing came to the attention of the Committee regarding any significant deficiencies in the internal control, financial and risk management systems. Despite any internal control systems effectiveness, it cannot provide absolute assurance on integrity and effectiveness, rather it offers reasonable assurance on the integrity and effectiveness of the internal control systems.

The Audit Committee confirms that it has worked to meet the responsibilities set out in the Audit Committee Charter, ensuring that the areas under the Committee's oversight have been completed.

Chairman of the Audit Committee



H.E. Mr. Hindi Alsohimi