



## **National Gas & Indust. Co**

## **Bylaw of the Audit Committee**



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## **1: Introduction**

1-1 This Bylaw has been approved by the General Assembly and is considered a binding document within the Company's policies, and the policies and procedures contained in this Bylaw are utilized by the Audit Committee.

1-2 The policies and procedures in this Bylaw are subject to change according to circumstances and requirements. However, any change in this Bylaw must be approved by the General Assembly - based on a proposal from the Board of Directors - before it can be implemented.

## **2: General provisions:**

2-1 The Bylaw of the Audit Committee of National Gas and Industrialisation Company shall be governed by the provisions of the articles of the Companies Law issued by the Ministry of Commerce and Investment of the Kingdom of Saudi Arabia.

2-2 The Board of Directors of National Gas and Industrialisation Company, hereinafter referred to as the Company, endeavours to comply with the requirements of the CMA as a minimum. Accordingly, the Company has prepared the Audit Committee Bylaw to ensure best practices in governance to protect the rights of shareholders and the interests of the Company.

2-3 The Audit Committee Bylaw detail the scope, composition, work requirements and membership of the Audit Committee, including how to fulfil its responsibilities.

2-4 The Committee may establish other procedures as may be appropriate and necessary for the conduct of the Committee's business not inconsistent with this Bylaw.

## **3: Organization of the Committee**

### **3-1 Formation of the Committee:**

3.1.1 The Audit Committee shall be formed by a resolution of the Company's Ordinary General Assembly. The number of its members shall not be less than three and not more than five who are not executive directors, whether shareholders or others, and at least one of them shall be specialised in financial affairs.

3.1.2 A member of the Committee may not hold a board, committee or executive management position in a competing company.

3.1.3 Members of the Audit Committee must be impartial, and the member of the Audit Committee must not have a relationship that affects impartiality with senior executives in addition to the Chief Financial Officer and the Director of Internal Audit, and the Board of Directors shall determine whether or not the degree of relationship affects the impartiality of the committee member, so as not to limit his ability to act independently.

### **3-2 Chairman of the Committee**



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3-2-1 the members may appoint a Chairman from among themselves at the first meeting of the committee.

3-2-2 In the absence of the Chairman of the Committee, the members present at the meeting shall elect one of them to chair the meeting. This shall be recorded in the minutes of the meeting.

3-2-3 The Chairman of the Committee shall organise the meetings of the Committee and determine its agenda and Access to all information and documents necessary to fulfil its responsibilities.

### **3-3 Secretary of the Committee**

3-3-1 The committee shall appoint a secretary from among its members or others.

3-3-2 The duties and responsibilities of the Secretary of the Committee shall be related to documenting and maintaining all the proceedings of the Committee's meetings, liaising with the Chairman of the Committee to submit reports on the activities and work of the Committee to the Board of Directors, issuing the decisions of the meetings to the concerned parties and following up their implementation, moreover, performing all other tasks that may be assigned to him from time to time by the Committee.

3-3-3 Notifying the Committee's resolutions - after being signed by the Chairman of the Committee - to the concerned parties and following up on its implementation.

### **3-4 Duration of the Committee, Termination of Membership and Resignation:**

3-4-1 The term of membership of the committee shall be synchronized with the duration of the board's term; it shall expire at the end of the board's term.

3-4-2 Each member of the committee shall have the right to resign (according to his circumstances) by delivering a written notice to the Chairman of the Board and the Chairman of the Committee. The resignation shall become effective from the date of delivery of the notice, unless the notice specifies a later time to execute the resignation.

3-4-3 If the position of a member of the Audit Committee becomes vacant, the Committee may temporarily appoint a member to the vacant position who must be experienced and competent and must inform the Ministry and the Capital Market Authority within five working days from the date of appointment. The appointment shall be presented to the Ordinary General Assembly at its first meeting and the new member shall complete the term of his predecessor. If the necessary conditions for convening the Committee are not met because the number of its members falls below the minimum number stipulated in the Companies Law and the Articles of Bylaw, the Board shall call the General Assembly to convene and appoint the necessary number of Committee members.

3-4-4 The membership of a committee member shall be considered terminated when he is absent (without excuse) from (3) committee meetings during the year.



### **3-5 Introducing the Committee Members to the Company**

3-5-1 The company shall provide adequate information about its affairs to all members of the committee to familiarize them with the company's business and procedures. This information should include details on field visits and everything that would enable the members to carry out their duties and tasks efficiently.

### **4: Powers of the Committee:**

4-1 The Committee is allowed to obtain all resources and information necessary to fulfil its duties and responsibilities, In addition to the right of access under the Company's Bylaw and the Companies Law.

### **5: Meetings of the Committee**

5-1 The Committee shall hold at least four (4) meetings per year to fulfil its duties. The Committee shall establish a schedule of its meetings during the year. Meeting invitations shall be sent one week prior to the date of the meeting along with the meeting agenda and any other documents, and the Chairman of the Committee or a majority of the Committee members may also call a special meeting of the Committee.

5-2 A committee member may not authorise another member to attend a committee meeting on his behalf or to vote on his behalf at meetings.

5-3 The resolutions of the Committee shall be issued by a majority vote of those present, and if the votes are equal, the side in which the Chairman or his deputy is in favour shall prevail.

5-4 Only members of the Committee are allowed to attend its meetings and other persons may be invited to attend all or part of the meeting at the discretion of the Committee.

5-5 Committee members and other persons attending Committee meetings must maintain the confidentiality of the meetings, the documents they receive and the content of their discussions at the meetings and must not disclose company secrets that they have learnt while serving on the Committee.

5-6 The committee documents its meetings with written minutes.

### **6: Minutes of meetings**

6-1 The Secretary of the Committee shall document the decisions and deliberations of the Audit Committee in meeting minutes, which shall be kept with the records of the Board of Directors and presented to the members of the Committee after the approval of all Committee members who attended the meeting

6-2 Committee meetings shall be documented as follows:



6-2-1- The minutes of the meetings shall include the date and place of the meeting, the names of the attendees and absentees, a summary of the discussions at the meeting, the reservations, if any, and the relevant decisions and recommendations.

6-2-2- The secretary of the committee shall submit the draft minutes of the meeting by email to the committee members within two working days after the end of the meeting, and the committee members shall submit their comments on the draft within five working days from the date of receipt. However, if no comments are received, the minutes shall be considered approved.

6-2-3- Each committee member has the right to add his reservation on any point of the minutes.

6-2-4- Every member has the right to add any notes or amend any decision or recommendation, provided that this is approved by a majority of the members present at the meeting.

6-2-5- The secretary of the committee shall amend the minutes according to the notes and amendments and send them to the chairman and members of the committee for signature.

6-3 The Committee shall inform the Board of Directors before each Board meeting of its findings and decisions in full transparency during the period.

6-4 The Committee shall make proper recommendations to the Board on matters within its scope.

## **7: Responsibilities of Audit Committee Members**

7.1 Committee members must commit to attend all committee meetings and actively participate in the committee's discussions. If a member of the Committee is unable to attend, he must inform the Chairman of the Committee or the Secretary of the Committee.

7.2 A member must be committed to preserving the Company's secrets and may not broadcast or publish the Company's secrets to shareholders outside the Company's General Assembly or to any other party. If he is found to have committed such offences, he may be held liable for the damage he has caused to the Company and shall be liable for the resulting financial damages.

7.3 Members of the Audit Committee shall not perform any executive work for the Company.

7.4 The members of the Audit Committee shall endeavour to perform their duties and responsibilities effectively and develop their performance and knowledge to serve the interest of the Company.

7.5 Members of the Audit Committee must be credible, trustworthy, objective and independent in the performance of their duties.

7.6 Members shall not be engaged in any activity that may be in conflict with the Company's interest or with the Company's conflict of interest policy and professional ethics.

7.7 Members of the Audit Committee shall not accept or engage in any business that may lead to a conflict of interest with the independence of the Company, and that may prevent them from carrying out their duties objectively.



7.8 Members of the Audit Committee shall disclose and disclose all personal transactions and their nature with the Company and any relationship with the Board of Directors and Executive Management. In the event of a conflict of interest, the member concerned shall abstain from voting or discussing in making decisions on the transactions concerned.

## **8: Remuneration of the Committee:**

8.1 Each member of the Committee shall be entitled to the compensation below to the extent stipulated by the Companies Law or any other complementary regulations issued by the relevant authorities:

8-1-1 Committee membership allowance.

8-1-2 Attendance allowance for each meeting equivalent to the attendance allowance for Board members.

8.2 The Board of Directors' report shall include a comprehensive statement of all remuneration, attendance allowance and other benefits received by the members of the Audit Committee during the financial year.

8.3 Committee members residing outside the city where the meeting is held are entitled to be reimbursed for their travelling costs to attend the meeting. These costs include a round-trip first class air ticket from his/her place of residence to the meeting venue, in addition to any other costs associated with accommodation and transportation.

8.4 The compensation and remuneration of members of the Board of Directors and its committees shall be regulated in detail in the Compensation and Remuneration Regulations.

## **9: Functions of the Committee**

9-1-General Functions of the Audit Committee

Subject to the provisions of the Company's Bylaw, the Audit Committee shall have the following duties and responsibilities:

9.1.1.1 To assist the Board in fulfilling its responsibilities with respect to the Company's internal control system. In addition, the Audit Committee is responsible for overseeing the accounting reports, ensuring compliance with the Company's legal and regulatory requirements and ensuring the effectiveness of control. The Audit Committee shall also review the Company's accounting policies.

9.1.2 Supervision of both the internal audit representatives and the external auditor.

9.1.1.3 The duties of the Audit Committee include carrying out all the work that enables it to achieve its objectives:



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9.1.3.1 Supervising the Company's internal audit representatives to ensure efficiency in performing the activities and tasks assigned by the Board of Directors.

9.1.1.3.2 Review the internal audit plan and procedures, including the Committee's opinions and recommendations in this regard.

9.1.1.3.3 The Audit Committee shall study the Company's internal control system and make a written report on its opinion and recommendations.

9.1.3.3.4 Reviewing the internal audit reports and following up the corrective actions for the weaknesses or irregularities observed.

9.1.3.3.5 Recommending to the Board of Directors the appointment or replacement of internal audit representatives or the termination of the services of the external auditors and setting their fees, taking into account its independence while making recommendations.

9.1.3.6 Monitoring the work of the external auditors and approving any activities outside the scope of the audit work assigned to them while performing the audit work.

9.1.3.7 Reviewing the external auditor's plan and making comments on it.

9.1.1.3.8 Discussing the external auditor's observations on the financial statements with the executive management and following up on the corrective actions taken in this regard.

9.1.1.3.9 Reviewing the quarterly and annual financial statements before presenting them to the Board of Directors and presenting its observations and recommendations on these statements to the Company's Board of Directors.

9.1.3.3.10 Examine the accounting policies adopted by the Company and submit its recommendations in this regard to the Board of Directors.

9.1.4 To fulfil its responsibilities, the Audit Committee shall

9.1.4.4.1 Obtain access or authorise others to investigate matters within the scope of the Committee's work. The Committee shall have unrestricted access to all information, data, reports, records, correspondence and other matters it deems necessary. The Committee shall have the right to engage consultants, accountants or any other independent parties to assist it in its work.

9.1.4.4.2 Reporting to the Board of Directors on the activities and work of the Committee and making such recommendations as it deems appropriate.

9.1.4.4.3 Periodically review the Audit Committee's Bylaws and submit proposed amendments to the Bylaws to the Board of Directors for recommendation to the Assembly for approval.





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9.1.4.4.4 Perform any other tasks assigned to the Committee, taking into account the provisions of the Articles of Association regarding appropriate amendments and additions and making recommendations.

9.1.4.4.5 Before the beginning of each financial year, the Committee shall prepare an annual work plan that includes a schedule of the Committee's meetings and a description of the work to be carried out during the coming year.

9.1.4.4.6 The Committee shall discuss and review its performance at least once a year to determine whether it is functioning effectively and agree on measures on how it can improve and increase its efficiency.

9.1.4.4.7 The Committee shall recommend to the Board of Directors and estimate the funding it needs to pay:

9.1.4.4.7.1 Fees for consultants appointed by the Committee.

9.1.4.4.7.2 Ordinary administrative expenses necessary for the Committee to fulfil its duties.

9.1.4.4.8 The Committee shall hold additional meetings at the invitation of its Chairman to fulfil its duties, and the Secretary of the Committee shall work with its Chairman to set the agenda and circulate it to the members of the Committee before each meeting.

9.1.4.4.9 The Committee shall follow up on the results of previous meetings and pending matters.

### 9.2 Internal Audit Controls and Internal Audit Risk Assessment:

9.2.1 In order to carry out internal audit work and prepare the internal audit plan, the Audit Committee shall review the internal audit risk assessment to ensure the effectiveness of the internal audit plan.

9.2.2.2 The Audit Committee shall review with management, the external auditor and the Head of Internal Audit

9.2.2.2.1 The effectiveness of the Company's internal controls, general control environment and accounting and financial controls.

9.2.2.2 Any significant findings and recommendations of the external auditor and internal auditor relating to the internal control environment and system, together with management's responses, including the timetable for implementing recommendations to correct internal control weaknesses.

9.2.3 The Committee shall ensure that the Internal Audit Department and the External Auditor perform their work in a manner that ensures full coverage of key controls and high risk areas



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and improves the effectiveness and efficiency of audit resources (i.e. external and internal audit resources).

9.2.4 The Committee shall discuss with executive management, the external auditor and the Head of Internal Audit the management procedures with respect to evaluating the effectiveness of controls over financial reporting, including significant weaknesses identified in this regard.

9.2.5 The Committee shall review the professional standards and ethics compliance programmes, including consideration of legal and regulatory requirements, and review with management its periodic assessment of the effectiveness of these programmes.

9.2.6 The Committee shall review the Company's risk assessment and management policies to identify key financial risks surrounding the preparation of the financial statements.

9.2.7 The Committee shall establish procedures for the receipt, retention and handling of complaints received by the Company relating to accounting and regulatory matters, audit or confidentiality issues or employee feedback received regarding the accounting or auditing procedures followed.

9.2.8 To fulfil its responsibilities, the Committee shall review potential liabilities that may be material to the Company and major legislative and regulatory developments that could materially affect the Company.

### 9.3 Information Technology Regulations:

9.3.1 The Committee shall consider and review with executive management, the external auditor and the Head of Internal Audit:

9.3.1.1 The effectiveness or weaknesses of the IT control and security systems.

9.3.1.2 Significant observations and recommendations by the external auditor and the internal audit department together with management's responses to such observations and recommendations, including the timeline for implementation of recommendations to correct weaknesses in internal controls, including material risks and control procedures.

9.3.1.3 The current status and adequacy of information management systems and other information technology.

9.3.2 The Committee shall ensure that the internal audit department and the external auditor perform their work in a manner that ensures full coverage of key control and risk aspects of information technology.

### 9.4 Financial Reports:



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9.4.1 The Committee shall review the documents prepared for publication, including the annual report of the Board of Directors to the General Assembly containing the financial statements of the Company, including the annual and interim reports, and ensure that the information contained in these documents is consistent with the information contained in the financial statements.

9.4.2 The Committee shall ensure that the financial statements are prepared fairly and in accordance with the accounting standards applicable in the Kingdom of Saudi Arabia.

9.4.3 The Audit Committee shall study and evaluate the accounting policies adopted by the Company and submit its recommendations in this regard to the Board of Directors.

9.4.4.4 The Audit Committee closely supervises four separate groups to ensure that the Company is appropriately dealing with the following four groups:

9.4.4.4.1 The Company's internal audit contractor/department.

9.4.4.4.2 External Auditors.

9.4.4.4.3 Regulatory body inspectors.

9.4.4.4.4 Risk Management and Safety and Security Management.

9.4.5 The Audit Committee shall not perform any function within the Company that is inconsistent with its independence.

9.4.6 The Audit Committee shall review and discuss the annual audited financial statements and the results of the external audit before the Annual General Meeting of Shareholders and before sending these lists to the regulatory authorities. The Audit Committee shall also discuss the results of the audit and other issues to be reported to the Committee by the external auditor in accordance with the regulations.

9.4.7 The Committee's review of the financial statements shall include the following:

9.4.7.1 Reviewing the annual audited financial statements and the accompanying notes.

9.4.7.7.2 Any material changes required in the external auditor's plan.

9.4.7.7.3 Difficulties or disagreements with executive management encountered by the external or internal auditors.

9.4.7.7.4 Significant estimates associated with the preparation of the financial statements, including the accounting standard rationale behind those estimates, as well as details of material accruals and reserves.

9.4.7.7.5 Significant issues related to accounting standards and financial statement presentation, including any material changes in the Company's selection or application of



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new accounting principles or standards and other issues related to the adequacy of controls over financial reporting and the adoption of any corrective actions in light of deficiencies and weaknesses.

9.4.7.6 Discuss with executive management and the external auditor significant issues relating to the preparation of financial reports and the principles for their preparation in accordance with applicable accounting standards.

9.4.7.7 Consider the impact on the financial statements of the application of new regulatory initiatives and accounting standards.

9.4.7.8 Ensure that the decision or judgement of executive management and the external auditor in selecting accounting treatments has been made to improve the quality of disclosure and presentation in the financial statements and notes thereto.

9.4.7.9 Clarity of disclosures in the financial statements.

9.4.8 The Committee shall discuss with the external auditor, prior to the Annual General Meeting of Shareholders and the sending of the Company's annual report, all significant accounting policies and practices of the Company, and all alternative accounting treatments of financial information under applicable accounting standards that have been discussed with management, including the implications of using alternative accounting treatments and the disclosures and treatment proposed by the external auditor.

9.4.9 The Committee shall review all related party transactions required to be disclosed, the rationale for such transactions and whether they have been appropriately disclosed in the Company's financial statements.

9.4.10 The Committee shall discuss with executive management and the external auditor the impact of any change in regulatory procedures on financial reporting that would materially affect or is likely to have a material impact on regulatory procedures and required disclosures.

9.4.11 To fulfil its responsibilities, the Audit Committee shall

9.4.11.1 Meet with Internal Audit, External Auditor and Executive Management in separate or joint sessions to discuss issues.

9.4.11.2 Review all management correspondence with the Ministry and the Authority regarding the Company's financial statements.

9.4.12 Ensure that the executive management prepares and presents the Company's financial statements and ensures their correctness and the appropriateness of the



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accounting standards applied and the accounting policies followed by the Company for the preparation and presentation of financial reports.

### 9.5 External Auditor:

9.5.1 The External Auditor is responsible for auditing and rendering an independent opinion on the financial statements of the Company.

9.5.2 The Company and the Audit Committee shall observe the laws and regulations when appointing the Company's external auditor.

9.5.3 An invitation to tender for the external audit should be invited from auditors who are authorised to audit companies and who have the ability to audit the company's accounts with high competence. A comparison table should be prepared by the Audit Committee and this evaluation should take into account the expertise in the company's field of work, the size of the auditing firm and its subsidiaries, value added and fees. The selection of the external auditor shall be recommended by the Audit Committee and shall be subject to the approval of the Board of Directors and ratified by the Company's Ordinary General Assembly.

9.5.4 With respect to the external auditor, the Audit Committee shall

9.5.4.4.1 Recommend the maximum number of years to be audited by the External Auditor.

9.5.4.4.2 Review the scope and method of the annual audit and study the audit plan with the external auditor. The Audit Committee shall also discuss with the Head of Internal Audit and the External Auditor regarding their respective scope of work and audit plans, including staff adequacy and internal audit contracts.

9.5.4.4.3 Evaluate the external auditor's procedures for identifying internal control risks.

9.5.4.4.4 The Committee shall approve all services provided by the external auditor, whether audit-related or otherwise, prior to their commencement, including the approval of services related to internal control. The Committee shall not engage the External Auditor to perform any services that are inconsistent with the applicable regulations.

9.5.4.4.5 Review and follow up on any findings raised as part of the management letter from the External Auditor, and management's response, including the timeline for implementing any recommendations.

9.5.4.4.6 The Committee shall be directly responsible for the appointment, compensation, retention and supervision of the external auditor (including the resolution of disagreements between executive management and the external auditor on financial reporting and internal



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control matters) for the purpose of preparing or issuing the audit report, conducting other reviews or approving the services provided to the Company.

9.5.4.7 The Committee shall meet with the Head of Internal Audit, the Chief Risk Officer and any other members of Internal Audit at least once a year without the presence of representatives of the Finance Department and the External Auditor to discuss the progress of work and management's co-operation with the Internal and External Auditor.

9.5.4.4.8 The Committee shall periodically review any issues or difficulties encountered by the external auditor during the course of the audit, including any limitations on the scope of the external auditor's work or access to required information, and the responsiveness of executive management to the audit.

9.5.4.9 The Committee shall review any accounting adjustments made or proposed by the External Auditor, which have not been recorded in the accounting books or adjusted financial statements in the period.

9.5.4.10 The Audit Committee shall have the right to meet with the external auditor without the presence of the executive management at least once a year at the request of the Committee members.

### 9.6 Internal Audit:

9.6.1 In order to maintain the independence and authority of internal audit, the Company has followed the recommendations of the Institute of Internal Auditors in terms of internal audit reporting functionally to the Audit Committee, and reporting functionally means that the Audit Committee shall

9.6.1.1 Adopt the Internal Audit Regulations.

9.6.1.1.2 Approve the risk assessment of the internal audit process as well as the internal audit plan.

9.6.1.3 Receive and review reports and letters from the Internal Audit Representative relating to the results of audit activities or other matters as deemed necessary by the Internal Audit Representative and/or the Audit Committee.

9.6.1.1.4 Calling meetings with the Internal Audit representative without the presence of management.

9.6.1.1.5 Based on the recommendations of the Chief Executive Officer, the Audit Committee shall approve the annual contracts and performance evaluation of Internal Audit in accordance with the Company's policy.



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9.6.1.1.6 Enquire with management and the Internal Audit representative to determine whether there are restrictions on the scope or budget of work that may hinder Internal Audit's ability to fulfil its duties.

9.6.1.1.7 Evaluate the ability and adequacy of internal audit contracts to carry out its duties without hindrance.

9.6.2 The responsibilities of the Audit Committee include overseeing the Company's internal audit processes to ensure the efficient performance of the activities and tasks assigned to it by the Board. To fulfil its responsibilities, the Audit Committee shall:

9.6.2.1 Evaluate the internal audit procedures in preparing the internal audit plan.

9.6.2.2 Review the scope of internal audit work, internal audit risk assessment, the nature of the internal audit plan and any subsequent changes, whether or not the audit plan is linked to the Company's overall objectives and risk factors.

9.6.2.2.3 The Audit Committee and the internal audit representative shall discuss internal audit reports and management's actions regarding the observations of the internal audit reports.

9.6.2.2.4 The Audit Committee shall review and discuss all internal audit follow-up reports as well as the status of significant points and observations contained in the internal audit report.

9.6.2.2.5 The Audit Committee shall discuss with the Board of Directors matters related to the internal audit contracts.

9.6.2.2.6 The Audit Committee shall review the qualification, change and dismissal of internal audit representatives.

9.6.2.2.7 Ensure and guarantee the independence of the internal audit work.

9.6.2.2.8 Receive and approve reports from the internal audit representative on any changes to the annual internal audit plan. The Audit Committee representative shall also meet with the Internal Audit representative, as needed, to discuss issues that require the Committee's attention.

9.6.2.2.9 The Committee shall review the following with Internal Audit:

9.6.2.9.1 Significant observations made by Internal Audit during the year and management's response, including the timetable for implementing any recommendations to correct weaknesses found.

9.6.2.9.2 Any difficulties encountered during the internal audit, including any limitations on the scope of work or access to information required.



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9.6.2.2.9.3 Any required changes in the scope of work of the audit plan.

9.6.2.2.9.4 Internal Audit Manual.

9.6.2.2.9.5 Carrying out the annual internal audit in accordance with the internal audit plan approved by the Audit Committee in its previous meetings.

9.6.2.2.9.6 Follow up with the Internal Audit representative on the actions taken by management on the uncorrected observations related to internal and external audits or regulatory bodies during the year.

9.6.2.9.7 Reviewing the internal audit plan for the coming year.

9.6.2.9.8 Other issues to be discussed such as special investigations.

### 9.7 Managing the Company's risks:

9.7.1 The Audit Committee shall review the risk management report prepared by the Internal Audit Officer.

9.7.2 Oversee the risk management system.

9.7.3 Review risk management strategies and policies before they are approved by the Board of Directors and ensure that these strategies and policies are implemented.

9.7.4 Ensure that adequate resources and systems are available for risk management, and that risk management personnel are independent of activities that result in the company's risk taking.

9.7.5 Review and make recommendations on the risk management organisational structure prior to its approval by the Board of Directors.

9.7.6 Review periodic reports on the nature and magnitude of the risks to which the Company is exposed and risk management activities.

9.7.7.7 Submit periodic reports to the Board of Directors and provide statistics regarding the risks to which the Company is exposed and the changes and developments in risk management.

9.7.8 Review and express an opinion to the Board of Directors on the risk ceilings and the exceptional cases that arise thereof.

9.7.9 The Committee shall hold periodic meetings with those responsible for risk management to discuss and evaluate the risks to which the Company is exposed and the adequacy of the methods of addressing them and make recommendations thereon.





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9.7.10 Oversee the establishment and implementation of a system to identify, evaluate, monitor and manage the risks to which the Company may be exposed. This system will include the Company's compliance and internal control systems.

9.7.11 Periodically review the Company's risk management systems to ensure that all categories of risks to which the Company may be exposed are minimised.

9.7.12 Identify material and non-material risks that the Company may face.

9.7.13 Periodically review and update risk data.

9.8 Compliance with laws and regulations:

9.8.1 The Committee shall review the results of the internal and external audit work with the Head of Internal Audit, the External Auditor and the Compliance and Inspection Manager relating to the Company's oversight of compliance with the Conflict of Interest and Professional Ethics Guidelines.

9.8.2 The Committee shall ensure the effectiveness of the Company's procedures to identify risks and protect against claims and legal issues and the risk of non-compliance with laws and regulations.

9.8.3 The Committee shall review legal, tax and regulatory matters that may materially affect the Company's business, financial statements and compliance policies and programmes.

9.8.4 The Committee shall review the scope and status of the systems in place to ensure compliance with laws, regulations, internal procedures, conflict of interest guidelines and professional ethics by reviewing reports from internal audit and third parties.

## **10: Approval and amendment**

10.1 This policy was approved by the Extraordinary General Assembly at its meeting held on 14/02/2017.

10.2 The Board of Directors has the authority to amend the Audit Committee Regulations or grant exceptions in exceptional circumstances (until approved by the AGM when convened) provided that the amendment or exception does not violate the applicable laws, rules or regulations or the Company's authority structure or with the Company's Bylaw, the Companies Law and the Corporate Governance Regulations issued by the Authority in addition to requiring appropriate disclosure of such amendment or exception.

10.3 Amendments to the Bylaw must be numbered and dated using the register and signed at each update.



## **National Gas & Indust. Co**

## **Bylaw of the Nomination and Remuneration Committee**



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## 1: Introduction

1.1 This Bylaw has been prepared in accordance with the provisions of the Corporate Governance Regulations issued by the Board of CMA by Resolution No. (8-16-2017) dated 16/5/1438H corresponding to 13/02/2017, as follows:

1.1.1 Paragraph (7) of Article (50): (The company may merge the remuneration and nomination committees into one committee named remuneration and nomination committee)

The committee must fulfill the requirements of the two committees and perform all their functions and meet periodically at least every six months.

2-1-1 Paragraph (b) of Article (60): (The General Assembly of the Company shall issue - based on a proposal from the Board of Directors - Bylaw of the Remuneration Committee, and these regulations must include the rules and procedures of the Committee, its tasks, the rules for selecting its members, the duration of their membership and their remuneration).

3-1-1 Paragraph (b) of Article (64): (The General Assembly of the Company shall issue - based on a proposal from the Board of Directors - Bylaw of the Nomination Committee, and these regulations must include the rules and procedures of the Committee, its tasks, the rules for selecting its members, the duration of their membership and their remuneration).

1.2 This Bylaw has been approved by the General Assembly and is considered a binding document within the Company's corporate governance regulations and policies, and the policies and procedures contained in this Bylaw are utilized by the Nomination and Remuneration Committee.

1.3 The policies and procedures in this Bylaw are subject to change according to circumstances and requirements. However, any change in this Bylaw must be approved by the General Assembly - based on a proposal from the Board of Directors - before it can be implemented.

## 2: General provisions:

2-1 The Nomination and Remuneration Committee of National Gas and Industrialization Company is governed by the provisions of CMA executive regulations, in order to ensure that the company's actions are in line with the best practices in corporate governance.

2-2 The Nomination and Remuneration Committee Bylaw clarify the rules and procedures of the committee's work, its tasks, the rules for selecting its members, the duration of their membership and their remuneration.

2-3 This Bylaw is reviewed periodically by the Nomination and Remuneration Committee and proposed to the Board of Directors to recommend to the General Assembly for approval to make the necessary updates to the extent required to be in line with the company's Bylaw and CMA regulations and to keep pace with best practices of corporate governance.

2-4 The Committee have the authority to establish other procedures if necessary to conduct the work of the Committee in accordance with This Bylaw.



### **3: Organization of the Committee**

#### **3-1 Formation of the Committee:**

3-1-1 A committee called “Remuneration and Nomination Committee” shall be formed by a resolution of the board, whose members shall not be less than three and not more than five and who are not members of the Executive Board, provided that its members shall be independent members of the board. It is permissible to seek assistance from non-executive members or persons who are not members of the board, whether shareholders or others.

3-1-2 The board may appoint the Chairman of the Board as a member of the committee, provided that he does not hold the position of Chairman of the Committee.

3-1-3 The members of the committee shall be professionally competent with the expertise, knowledge and skills to enable them to exercise the duties of the committee efficiently and competently.

3-1-4 The company shall notify the Authority of the names of the committee members and their membership positions within five working days from the date of their appointment as well as any changes to their membership within five working days from the date of the changes.

#### **3-2 Chairman of the Committee**

3-2-1 the members may appoint a Chairman from among themselves at the first meeting of the committee, and the Chairman of the Committee shall be an independent member.

3-2-2 In the absence of the Chairman of the Committee, the members present at the meeting shall elect one of them to chair the meeting. This shall be recorded in the minutes of the meeting.

3-2-3 The Chairman of the Committee shall organise the meetings of the Committee and determine its agenda

3-2-4 The Chairman of the Committee or his deputy should attend the General Assemblies to answer the shareholders' questions and inquiries.

#### **3-3 Secretary of the Committee**

3-3-1 The committee shall appoint a secretary from among its members or others.

3-3-2 The duties and responsibilities of the Secretary of the Committee shall be related to documenting and maintaining all the proceedings of the Committee's meetings, liaising with the Chairman of the Committee to submit reports on the activities and work of the Committee to the Board of Directors, issuing the resolutions of the meetings to the concerned parties and following up their implementation, moreover, performing all other tasks that may be assigned to him from time to time by the Committee.



3-3-3 Notifying the Committee's resolutions - after being signed by the Chairman of the Committee - to the concerned parties and following up on its implementation.

### **3-4 Duration of the Committee, Termination of Membership and Resignation:**

3-4-1 The term of membership of the committee shall be synchronized with the duration of the board's term; it shall expire at the end of the board's term or at the end of the member's eligibility in accordance with any law or regulations applicable in the Kingdom. However, the Board of Directors may at any time dismiss all or some of the members of the committee.

3-4-2 Each member of the committee shall have the right to resign (according to his circumstances) by delivering a written notice to the Chairman of the Board and the Chairman of the Committee. The resignation shall become effective from the date of delivery of the notice, unless the notice specifies a later time to execute the resignation.

3-4-3 If the position of a member of the committee becomes vacant, the board may appoint a member to the vacant position, who must be experienced and competent, and must inform the CMA within five working days from the date of appointment.

3-4-4 The membership of a committee member shall be considered terminated when he is absent (without excuse) from (3) committee meetings during the year.

### **3-5 Introducing the Committee Members to the Company**

3-5-1 The company shall provide adequate information about its affairs to all members of the committee to familiarize them with the company's business and procedures. This information should include details on field visits and everything that would enable the members to carry out their duties and tasks efficiently.

## **4: Powers of the Committee:**

4-1 The Committee is allowed to obtain all resources and information necessary to fulfil its duties and responsibilities.

4-2 Studying the issues that are within its competence or referred to it by the Board of Directors, and submitting its recommendations to the Board of Directors for them to take a resolution on the recommendations. The committee may also take resolutions on these recommendations if the board has authorized it to do so, provided that the authorization issued by the board is not general or indefinite.

4-3 Seeking the assistance of experts and specialists from inside or outside the company, within the limits of its powers. This shall be recorded in the minutes of the committee's meeting, mentioning the name of the expert and his relationship with the company or the executive management.



## **5: Meetings of the Committee**

5-1 The Committee shall hold at least four (4) meetings per year to fulfil its duties. The Committee shall establish a schedule of its meetings during the year. Meeting invitations shall be sent one week prior to the date of the meeting along with the meeting agenda and any other documents, and the Chairman of the Committee or a majority of the Committee members may also call a special meeting of the Committee.

5-2 For the validity of the meetings of the Committee, the attendance of the majority of its members is required, and the resolutions of the Committee shall be issued by a majority of the votes of those who attended, and if the votes are equal, the side in which the Chairman or his deputy is in favour shall prevail.

5-3 The committee may hold meetings outside the company's headquarters in order to serve the interests of the company.

5-4 In the event that its members are unable to attend, the Committee may hold extraordinary and urgent meetings through modern means of communication (Conference Call) to serve the interest of the Company.

5-5 If a member of the Committee is unable to attend the meeting in person, he may attend through the use of modern means of communication (Conference Call) and his presence shall be considered as if he were present in person.

5-6 Committee members are required to attend all committee meetings and actively participate in the committee's discussions. If a member of the Committee is unable to attend, he must inform the Chairman or the Secretary of the Committee in writing or by email.

5-7 A committee member may not authorise another member to attend a committee meeting on his behalf or to vote on his behalf at meetings.

5-8 No member of the Board of Directors or the Executive Management, other than the members of the Committee and its secretary, shall be allowed to attend meetings of the Committee unless the Committee requests to hear his opinion or advice.

5-9 Committee members and other persons attending Committee meetings must maintain the confidentiality of the meetings, the documents they receive and the content of their discussions at the meetings and must not disclose company secrets that they have learnt while serving on the Committee.

5-10 The committee shall document its meetings with written minutes and follow up on the implementation of the resolutions of previous meetings and any pending issues since the last meeting.



## **6: Minutes of meetings**

6-1 The Secretary of the Committee shall write down the resolutions and most important deliberations of the Committee in the minutes of the meetings. These minutes shall be kept in a special and organised register with the records of the Board of Directors and shall be presented to the members of the Committee after the approval of all members who attended the meeting and the signing of these minutes by the Secretary of the Committee and all members present.

6-2 Committee meetings shall be documented as follows:

A- The minutes of the meetings shall include the date and place of the meeting, the names of the attendees and absentees, a summary of the discussions at the meeting, the reservations, if any, and the relevant resolutions and recommendations.

B- The secretary of the committee shall submit the draft minutes of the meeting by email to the committee members within two working days after the end of the meeting, and the committee members shall submit their comments on the draft within five working days from the date of receipt. However, if no comments are received, the minutes shall be considered approved.

C- Each committee member has the right to add his reservation on any point of the minutes.

D- Every member has the right to add any notes or amend any resolution or recommendation, provided that this is approved by a majority of the members present at the meeting.

E- The secretary of the committee shall amend the minutes according to the notes and amendments and send them to the chairman and members of the committee for signature.

F- After the minutes are approved by the members present at the meeting, the Secretary of the Committee shall send the minutes to the members absent from the meeting to notify them of any discussions and resolutions taken at the meeting.

G- The secretary shall issue resolutions or recommendations and have them signed by the Chairman of the Committee to send them to the concerned parties.

6-3 The Committee shall inform the Board of Directors before each Board meeting of its findings and resolutions in full transparency during the period.

6-4 The Committee shall make proper recommendations to the Board on matters within its scope.

## **7: Remuneration of the Committee:**

7-1 The remuneration of the committee members consists of an annual remuneration (lump sum) or an attendance allowance for meetings or both in accordance with the remuneration policy for members of the Board of Directors and its committees, in addition to the travel and accommodation expenses for each meeting for non-resident members as decided by the Board of Directors in accordance with the regulations, resolutions and instructions in the Kingdom issued by the relevant authorities.





7-2 The Board of Directors shall determine the remuneration and allowances of the Secretary of the Committee.

## **8: Functions of the Committee**

### **8-1 remunerations**

8-1-1 Preparing a clear policy for remuneration for the members of the board, the committees emanating from it and the executive management and submitting it to the board for consideration in preparation for its approval by the General Assembly, provided that this policy takes into account the standards related to performance, disclosing them and verifying their implementation.

8-1-2 Clarifying the relationship between the remunerations granted and the approved remunerations policy, and indicating any fundamental violation of this policy.

8-1-3 Reviewing the remuneration policy periodically and evaluating its effectiveness in achieving the objectives.

8-1-4 Recommending to the board the remuneration of members of the board and the committees emanating from it as well as the company's senior executives, in accordance with the approved policy.

### **8-2 nominations**

8-2-1 Proposing clear policies and standards for membership in the board and executive management.

8-2-2 Recommending to the Board of Directors the nomination and re-nomination of its members in accordance with the approved policies and criteria, subject to the following:

a. The terms and conditions stipulated in the Corporate Governance Regulations and the requirements decided by the CMA

b. What is stated in the membership policies, criteria and procedures approved by the General Assembly.

c. Not to nominate any person who has been previously convicted of a crime against honesty.

8-2-3 Preparing a description of the capabilities and qualifications necessary for board membership and occupying executive management positions.

8-2-4 Determining the time that the member should allocate to the board's work.



## Bylaw of the Nomination and Remuneration Committee

8-2-5 Conducting the annual review of the necessary skills or experience needed for board membership and executive management positions.

8-2-6 Reviewing the structure of the board and executive management and providing the necessary recommendations regarding making any changes to them.

8-2-7 Verifying the independence of independent members, annually, and the absence of any conflict of interest if the member holds a membership in the board of directors of another company.

8-2-8 Defining job descriptions for executive members, non-executive members, independent members and senior executives.

8-2-9 Determining the procedures to be followed in the event that the position of a board member or senior executive becomes vacant.

8-2-10 Identifying the strengths and weaknesses of the board and proposing solutions to address the weaknesses in a way that is consistent with the company's interest.

## **9: Approval and amendment**

This policy was approved by the Extraordinary General Assembly at its meeting held on 07/03/2018.

9-1 The Bylaw and any amendments shall be effective from the date of their approval by the General Assembly.

9-2 Amendments to the Bylaw shall be numbered and dated using the register and signed at each update.

9-3 This Bylaw shall be published on the Company's website to enable shareholders, the public and stakeholders to view it.



**National Gas & Indust. Co**

**Policies, Standards and Procedures for  
Board Membership**



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## **1: Introduction**

1.1 The policies, criteria and procedures for membership in the Board of Directors of National Gas and Industrialisation Company has been prepared in accordance with the provisions of paragraph (3) of Article (33) of the Corporate Governance Regulations issued by the CMA by Decision No. (2017-16-8) dated 1438/05/16 H corresponding to 2017/02/13: 'Preparing clear and specific policies, standards and procedures for membership in the Board of Directors - without contradicting the mandatory provisions in this regulation - and putting them into effect after their approval by the General Assembly

1.2 This policy has been approved by the General Assembly and is considered a binding document within the company's bylaws and policies

1.3 The policy is subject to change according to circumstances and requirements, however, any change in this policy must be approved by the General Assembly - based on a proposal from the Board of Directors - before it can be implemented and enforced.

## **2: General provisions:**

2-1 The Bylaw of the Audit Committee of National Gas and Industrialisation Company shall be governed by the provisions of the articles of the Companies Law issued by the Ministry of Commerce and Investment and company's Bylaw and CMA Regulations

2.2 This policy aims to establish a legal framework for the rules for the selection of board members and the regulations governing the nomination process.

2.3 The Nomination and Remuneration Committee shall periodically review this policy and ensure that it is appropriate to the changes that occur in the nature of the company's business and its strategic objectives and submit its proposals to the Board of Directors for recommendation to the General Assembly to approve the necessary amendments in a manner that does not conflict with the relevant laws and regulations.

## **3: Membership Policies and Standards:**

In electing the members of the Board of Directors, the General Assembly shall take into account the recommendations of the Nomination and Remuneration Committee, provided that the member must, in particular, fulfil the following:

1.3 The candidate must not have been previously convicted of a crime against honour and honesty and must not be bankrupt or insolvent or become unfit for membership of the Board in accordance with any law or regulation in force in the Kingdom of Saudi Arabia

3.2 The candidate must not be a member of the boards of directors of more than five listed companies at the same time, including his membership in the National Gas and Industrialisation Company.

3.3 The number of independent members shall not be less than two members or one-third of the Board members, whichever is more



3.4 None of the independence deficiencies stipulated in Article 20 of the Corporate Governance Regulations issued by the Capital Market Authority (CMA) apply to the independent member.

3.5 Taking into account the diversity in educational qualification and work experience and prioritising the needs of those with appropriate skills for membership, a member of the Board of Directors must be a professionally competent person who possesses the necessary experience, knowledge, skill and independence to enable him to exercise his duties efficiently and competently, and in particular, he must meet the following:

A. The ability to lead, by having leadership skills that qualify the member to grant powers that lead to motivating performance, applying best practices in the field of effective management and adhering to professional values and ethics.

b. Competence, by having the appropriate scientific qualifications, professional and personal skills, level of training and work experience relevant to the company's current and future activities, management, economics, accounting, law or governance, as well as the willingness to learn and train.

C. Ability to direct, by having the technical, leadership and administrative ability, speed in decision-making and absorbing the technical requirements related to the workflow, and being able to provide strategic guidance, planning and a clear future vision.

W. Financial knowledge, by being able to read and understand financial statements and reports

c. Health fitness, so that he does not have a health impediment that hinders him from exercising his duties and specialisations

3.6 The member must adhere to the principles of honesty, integrity, loyalty, care and concern for the interests of the company and shareholders and put them ahead of his personal interest, including, in particular, the following:

A. Honesty, by ensuring that the board member's relationship with the company is an honest professional relationship and disclosing to it any influential information before executing any transaction or contract with the company or one of its subsidiaries

b. Loyalty, by avoiding transactions involving conflicts of interest while verifying the fairness of the transaction and observing the conflict of interest provisions of this policy.

C. Care and attention, by fulfilling the duties and responsibilities set forth in the Companies Law, the Capital Market Law and its executive regulations, the Company's Bylaw and other relevant regulations.

3.7 A board member must represent all shareholders and be committed to serving the interests of the company as a whole and not the interests of the group he represents or that voted for his appointment to the board.

3.8 The membership of the Board of Directors shall terminate upon his resignation, death, removal by the General Assembly, conviction of any crime against honour and integrity, bankruptcy or insolvency, becoming unsuitable for Board membership, or submitting any misleading or incorrect



data when nominated for membership in accordance with any regulations or instructions in force in the Kingdom of Saudi Arabia.

3.9 A member of the Board of Directors must resign before the end of his term on the Board if he is disqualified from serving as a member of the Board of Directors or is unable to exercise his duties or is unable to devote the time or effort necessary to perform his duties on the Board. In case of a conflict of interest, the member has the option to obtain a permission from the General Assembly, renewed every year, or to submit his resignation.

#### **4: Procedures for Nominations for Board Membership:**

4.1 The Nomination and Remuneration Committee shall coordinate with the Company's executive management to announce the opening of the nomination for membership of the Board of Directors of the Company in accordance with the Companies Law, the Corporate Governance Regulations and the instructions of the Capital Market Authority, provided that the nomination announcement shall be published on the Company's website, the Tadawul website and any other means specified by the Authority to invite persons wishing to run for membership of the Board of Directors, provided that the nomination period remains open for at least one month from the date of the announcement.

4.2 Each shareholder has the right to nominate himself or another person or more for membership of the Board of Directors within the limits of his ownership percentage in the share capital.

4.3 Those who wish to nominate themselves for membership of the Board of Directors of the Company must declare their desire by notifying the Company's management in accordance with the periods and deadlines stipulated in the applicable laws, regulations, instructions and decisions, and this notification must include a definition of the candidate in terms of his CV, qualifications and work experience, in addition to filling out the required forms and declarations.

4.4 Those who wish to nominate themselves as a member of the Board of Directors must disclose to the Board and the General Assembly any conflicts of interest, which include the following:

A. Having a direct or indirect interest in works and contracts carried out on behalf of the company for which he/she wishes to run for the Board of Directors

b. Participating in a business that would compete with the company or compete with it in one of the branches of the activity it is practicing

4.5 A candidate who has previously served as a member of the board of directors of a joint stock company must indicate the number and date of the boards of directors of the companies he has served on

4.6 A candidate who has previously served as a member of the Board of Directors of the company must attach to the nomination notification a statement from the company's management about the last session in which he was a member of the Board of Directors, including the following information

A. The number of board meetings held during each year of the term



b. The number of meetings attended by the original member and the percentage of attendance of the total number of meetings

c. The standing committees in which the member participated, the number of meetings held by each of those committees during each year of the session, the number of meetings he attended and his percentage of attendance to the total number of meetings

4.7 The nominee must clarify the membership status, whether the member is an executive, non-executive or independent member

4.8 The nominee must explain the nature of the membership, whether the member is nominated in his personal capacity or is a representative of a legal entity.

4.9 The Nomination and Remuneration Committee, in coordination with the Company's executive management, shall provide the Authority with the CV of the candidates for membership of the Board of Directors of the Company according to the CV template for a candidate for membership of the Board of Directors of a shareholding company listed on the Tadawul market

4.10 The Nomination and Remuneration Committee shall endeavour to implement any comments received from the competent authorities about any candidate

4.11 The number of candidates whose names are presented to the General Assembly must exceed the number of available seats so that the General Assembly has the opportunity to choose from among the candidates.

4.12 The Company shall announce information about the candidates for the Board of Directors at the time of publishing or sending the invitation to convene the General Assembly, including a description of the candidates' experience, qualifications, skills, positions, previous and current memberships, and the Company shall provide a copy of this information at its head office and its website; the Company shall provide a copy of this information at its head office and website

4.13 Voting at the General Assembly is limited to the candidates for the Board of Directors whose information has been disclosed by the Company in accordance with the aforementioned policies, standards and procedures.

4.14 Voting in the election of Board members shall be done using cumulative voting so that the right to vote per share may not be used more than once.

## **5: Approval and amendment**

5.1 This policy was approved by the Extraordinary General Assembly at its meeting held on 07/03/2018.

5.2 The Bylaw and any amendments shall be effective from the date of their approval by the General Assembly.





5.3 Amendments to the Bylaw shall be numbered and dated using the register and signed at each update.

5.4 This Bylaw shall be published on the Company's website to enable shareholders, the public and stakeholders to view it.