

To the shareholders of Bawan Company

Audit Committee Report to the General Assembly for the financial year ended 31 December 2024

The formation of the Audit Committee

Bawan Company has formed the Audit Committee ("the Committee") in compliance with corporate governance requirements. The committee is independent and formed on the approval of the General Assembly of Bawan Company with the commencement of the current cycle of the Board on 26 September 2022. The Audit Committee is one of the committees of the Board of Directors (BOD) and consists of three members: the chairman – who is an independent Board member – and two members from outside the Board.

Duties of the Audit Committee

The Committee works to assist the BOD in fulfilling its responsibility towards monitoring the financial reports and the internal control system, overseeing the work of the Auditors, reviewing the interim and annual financial statements, reviewing the applied accounting policy and ensuring the Company's compliance with applicable requirements and regulations. The Committee communicates regularly with the Internal Audit Department (IAD), where IAD is tasked with evaluating the effectiveness of the Company's internal control framework and functions and reporting on them using a risk-based assessment methodology.

Summary of the most significant activities undertaken by the Audit Committee during 2024:

The Audit Committee held seven meetings during 2024; a table presenting the dates and attending members for each meeting can be found at the end of this report. The main activities carried out by the Audit Committee were as follows:

- Discussing the quarterly interim financial statements for the first, second and third quarters of 2024, and the consolidated annual financial statements for the financial year ended 31 December 2023 (in a meeting held in 2024), and the year ended 31 December 2024 (in a meeting held in 2025), and recommending their approval by the Board.
- Meeting the external auditor to discuss the quarterly and annual financial statements to obtain assurance from them that they have been prepared in accordance with accounting standards and that they have no material observation that they wish to present to the Audit Committee.
- Reviewing the external auditor's plan and scope, monitoring the progress of their work and obtaining assurance concerning their independence.
- Reviewing the Management Letter on internal controls issued by the external auditors and reviewing the implementation of its recommendations.
- In February 2024, the Audit Committee reviewed quotations from external audit firms authorized by the Capital Market Authority. Based on this review, the Committee recommended two firms to the Board for consideration by the General Assembly for appointment as the auditor for the Company and its subsidiaries for Q2, Q3, and year-end 2024, as well as Q1 2025.
- Reviewing and approving the risk-based internal audit plan presented by the Company's IAD for 2024 and recommending necessary updates, with discussions on execution and oversight throughout the year.
- Monitoring the work of the IAD and following the execution of the audit plan and reviewing the Chief Audit Executive performance.
- Reviewing and discussing the reports of the IAD in accordance with the internal audit plan approved by the Committee, with an emphasis on continuous work on resolving the higher risk observations and following up on implementation.
- Reviewing the extent of progress in closing the observations in the internal audit reports.

- Monitoring the performance of the compliance department with regard to the Company's compliance with the relevant laws and regulations.
- Reviewing the necessary arrangements for enabling a mechanism for employees to communicate their concerns in a confidential manner.
- Informing the BOD periodically about the Committees' activities through the sharing of its reports, minutes of meetings and regular updates during BOD meetings.

Opinion of the Audit Committee on the sufficiency of the internal control system

The system of internal control aims to provide assurance on the achievement of the Company's objectives effectively and efficiently. This includes issuing reliable financial reports and compliance with rules, regulations and policies, as well as managing the potential risks to mitigate their impact on the achievement of Company objectives. The management of the Company is responsible for establishing an effective and comprehensive system of control that is appropriate for the level of risk to which the Company is exposed - at a reasonable cost - and that provides acceptable assurance on the avoidance of material mistakes and the losses that could result from them. The Audit Committee continually reviews the periodic reports prepared by the internal and external auditors and the management of the Company related to internal control. Based on this, no material weakness in the internal control procedures performed became apparent to the Audit Committee, however, certain observations and recommendations were made to enhance and improve internal controls to align with the company's objectives, size, and operations. whilst acknowledging that any internal control system, regardless of how well designed, cannot provide absolute assurance.

Committee meetings during 2024									
Member name	Membership	Feb 29	Mar 21	May 5	Aug 4	Sep 24	Oct 31	Dec 19	Total
Abdullah Al Rowais	Chairman	✓	✓	✓	✓	✓	✓	✓	7
Khenneth Ebrahim	Member	✓	✓	✓	✓	✓	✓	✓	7
Abdullah Al Hussaini	Member	✓	✓	✓	✓	✓	✓	✓	7

Audit Committee,