



## **Audit Committee's Annual Report 2020**

### **The Chairman and Member of the Board of Directors**

#### **Greetings,**

The Audit Committee aims to aid the board of directors for optimally performing its responsibilities, including, among others, verifying the efficiency of the internal control system, for the sake of achieving the best interests of both the company and its shareholders. In addition, the Committee provides recommendations to the board for activation and development of the Internal control system. The Committee is entitled, without any restrictions, to review and have access to all information and data and study the initial and annual financial statements as well as accounting and financial policies adopted by the company and any modification in such policies, to give opinion and recommendation in respect of them before being approved by the board of directors.

#### **The Audit Committee's duties and responsibilities are summed up as follows:**

1. Supervise the Internal Audit Department to ensure its effective fulfillment of the tasks and work assigned to it.
2. Study the internal control system and submit a written report showing its opinion and recommendations on such a system.
3. Study the internal audit reports and follow up on the implementation of corrective actions for the observations contained in them.
4. Provide recommendations to the board regarding the appointment, dismissal of the Certified Public Accountants CPA and determination of their fees, in addition to ensuring their independence when recommending their appointment.



5. Study the observations of CPA and follow what has been done on such observations.
6. Study the initial and annual financial statements before submitting them to the board and express its views and provide recommendations on such statements.
7. Study the accounting policies adopted and express its views and provide recommendations on such policies.

The committee has held four meetings during 2020, and the following table shows the members of the Committee and the attendance record during the year.

<b>Name</b>	<b>10/03/2020 AD</b>	<b>17/04/2020 AD</b>	<b>17/08/2020 AD</b>	<b>02/11/2020 AD</b>
Fawzia bint Saleh Baazeem	Attended	Attended	Attended	Attended
Abdul Aziz Ahmed Al-Kabab	Attended	Attended	Attended	Attended
Mohammed Bin Hamad Al Fares	Attended	Attended	Attended	Attended

#### **The achievements completed The Committee during 2020:**

1. Studied the initial and annual consolidated financial statements to ensure they are in line with the accepted accounting standards and accounting policies adopted in the company.
2. Recommended the selection of the External Audit Office to Perform the audit of the full year of 2020AD and the first quarter of 2021, as there were four different offers received from independent and certified audit offices.



3. Reviewed and approved the authority matrix of all company's departments, which was prepared with the assistance of Grant Thornton LLP.
4. Held a number of workshops for the employees of the various departments of the company to explain the approved authority matrix and answer their questions.
5. Perform the internal audit of the following Departments.
  - Sales Department;
  - Procurement Department
  - Finance Department
  - Supply Department

#### **Audit Committee Evaluation Form 2020 [indicative]**

<b>Sr.</b>	<b>Subject</b>	<b>Evaluation</b>
<b>I.</b>	<b>System of the Audit Committee</b>	
1.	Does the Audit Committee review its system annually? In case there is a modification or development required, does the Committee recommend it to the board for approval?	Yes
2.	Does the system of the Audit Committee include the following?	
	A. Supervise the Internal Audit Department in the company in order to ensure its effective fulfillment of the tasks and work assigned to it by the board.	Yes
	B. Study the internal control system and draw up a written report showing its opinion and recommendations on such a system.	Yes
	C. Study the internal audit reports and follow up on the implementation of corrective actions for the observations	Yes

	contained in them.	
	D. Provide recommendations to the board regarding the appointment, dismissal of the Certified Public Accountants CPA and determination of their fees, in addition to ensuring their independence when recommending their appointment.	Yes
	E. Follow the activities of the Public Accountants and approve any work outside the scope of audit work assigned to them during engaging in the audit work.	Yes
	F. Study the audit plan with the Public Accountant and express its observations on such plan.	Yes
	G. Study the audit plan with the Public Accountant and express its observations on such plan.	Yes
	H. Study the initial and annual financial statements before submitting them to the board and express its views and provide recommendations on such statements.	Yes
	I. Study the accounting policies adopted and express its views and provide recommendations on such policies to the board.	Yes
<b>II.</b>	<b>Audit Committee's Meetings:</b>	
1.	Does the Audit Committee hold four regular meetings at least within the fiscal year?	Yes
2.	Do all committee members attend the Committee meetings?	Yes
3.	Is the opportunity provided to have discussions and questions at the Audit Committee meetings?	Yes
4.	Are the Audit Committee members submitted the meeting agenda and meeting items in sufficient time before the date of such meeting to have enough and suitable review for all meeting items?	Yes
5.	Is sufficient time available between the dates of meetings held by the Audit Committee and those held by the board of	Yes

	directors to refer any issue from the Committee to the board if necessary?	
6.	Does the Audit Committee call others to attend its meetings if necessary?	Yes
7.	Does the Audit Committee hold a meeting with the chartered accountant within the fiscal year and the head of the Internal Audit Department without being attended by the board of directors?	Yes
<b>III.</b>	<b>Committee's Experiences:</b>	
1.	Does the Audit Committee have the sufficient and enough experiences, skills, time and ability to fulfill the duties assigned to it?	Yes
2.	Does the Audit Committee involve one member at least who has a recent experience in the finance?	Yes
3.	Is there an induction program for the new members about the activities and company bylaws?	Yes
<b>IV.</b>	<b>Committee's Communication:</b>	
1.	Is there a direct communication between the head and members of the Audit Committee as well as other key officials such as the Chairman of the board of directors and internal positions such as the CEO, CFO, Head of the Internal Audit Department and the Chartered Accountant?	Yes
2.	Can the Audit Committee contact with the company staff?	Yes
3.	Does the Audit Committee have the enough means to gain independent advice services if necessary?	Yes
4.	Can the Audit Committee contact with the board of directors requesting a certain change to be applied?	Yes
<b>V.</b>	<b>Third Party Services:</b>	
1.	Does the Audit Committee recommend on annual basis the external auditor based on the experiences, skills and independency?	Yes
2.	Does the Audit Committee make sure on annual basis that	Yes

	the adopted actions are sufficient to ensure the external auditor's independency and proficiency?	
3.	Does the Audit Committee appraise on annual basis the external auditor in terms of the experience, skills and independency?	Yes
4.	Does the Audit Committee ensure that the rate of the service charges for the services submitted by the external auditor is in line with the audit process?	Yes
<b>VI.</b>	<b>Risk Control:</b>	
1.	Does the Audit Committee control the risks to the Company?	Yes
2.	Does the Audit Committee ensure that the internal audit plan considers the risks?	Yes
3.	Does the Audit Committee review the risk register in the Company at annual basis?	Yes
<b>VII.</b>	<b>Internal Audit:</b>	
1.	Does the Audit Committee review the internal audit structure in the Company at annual basis?	Yes
2.	Does the Audit Committee ensure that the internal audit is based on resources enough to attain its desired goals?	Yes
3.	Is the Head of the Internal Audit Department appointed and removed by the Audit Committee?	
4.	Does the Audit Committee review the internal audit's independency and proficiency in the company?	
5.	Does the Audit Committee review and approve the remunerations for the internal audit carried out by parties outside the company?	Yes
6.	Does the Audit Committee review and approve the action plan of the internal audit?	Yes
7.	Is a regular report submitted to the Audit Committee for the internal audit including the management responses and recommendations?	Yes

8.	Does the Audit Committee ensure that the Internal Audit Department cooperates with the external auditor?	Yes
9.	Does the Audit Committee ensure that the internal audit is in line with the relevant standards?	Yes
<b>VIII.</b>	<b>Reports:</b>	
1.	Does the Audit Committee review and approve the data contained in the annual report of the board of directors?	Yes
2.	Does the Audit Committee review and approve the initial and annual financial reports?	Yes
3.	Does the Audit Committee review the management responses to the external auditors' reports?	Yes

Yours Respectfully,  
**Chairman of the Audit Committee**  
**Fawzia bint Saleh Baazeem**



