

Middle East Pharmaceutical Industries Co. (Avalon Pharma)

# Annual Report of Audit and Compliance Committee For the Year 2024



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ص.ب. ٤١٨٠ الرياض ١١٤٩١ ، المملكة العربية السعودية  
شارع الملك محمد الخامس ، السليمانية :  
هاتف ٩٢٠٠١٠٥٦٤ - ٠٠ ٩٦٦ ١١ ٨٣٦ ٥٠٠٠  
فاكس ٠٠ ٩٦٦ ١١ ٤٦٢ ٩٢٨٨  
المدينة الصناعية الثانية :  
هاتف ٠٠ ٩٦٦ ١١ ٢٦٥ ٣٩٤٨ - ٢٦٥ ٣٤٢٧  
فاكس ٠٠ ٩٦٦ ١١ ٢٦٥ ٤٧٢٣

To \ Shareholders of Middle East Pharmaceutical Industries Co. (Avalon)

Peace, Mercy, and Blessings of Allah be upon you,

## Introduction

The Audit and Compliance Committee (the Committee) of Middle East Pharmaceutical Industries Co. (Avalon) is pleased to present to the esteemed shareholders of the Company its annual report for the fiscal year ended December 31, 2024, which includes its opinion on the adequacy of the internal control system in the Company and the work carried out by the Committee within the scope of its responsibilities based on the relevant regulatory requirements and in accordance with Article (88) of the Corporate Governance Regulations issued by the Capital Market Authority on January 18, 2023.

During the year 2024, the Committee held 6 meetings, either in person or via video conference, with a members' attendance rate of (100%), as indicated by the information contained in the Board of Directors' annual report.

The Committee accomplished its tasks and activities in accordance with the relevant regulatory bylaws and as outlined in the Committee's charter, which included the following:

## Financial Reports

The Committee examined and discussed the annual and interim quarterly financial statements with the external auditors, the financial management, and the Company, and made recommendations to the Board of Directors regarding them. The Committee also reviewed the external auditors' reports, including the "Transparency Reports," and submitted recommendations to the Board of Directors regarding them. Furthermore, the Committee discussed with the executive management and the external auditors the management's plans to address any deficiencies in the oversight aspects, if any.

The Committee reviewed the proposals submitted by the auditors for auditing the annual financial statements for the year 2024 and recommended contracting with KPMG to audit the Company's annual financial statements for the year 2024, as well as for the second and third quarters of 2024 and the first quarter of 2025. The Committee also evaluated the experience, performance, and independence of the external auditors.

## Internal Audit

The Committee monitored the performance of the Internal Audit Department during the year to ensure the efficiency and objectivity of the department's work. It also reviewed and approved the department's work plan and budget for the fiscal year 2024 and followed up on the implementation of the plan. The Committee also reviewed the reports issued by the Internal Audit Department, analyzed the significant observations, informed the Board of Directors of them, and followed up on their implementation by the executive management. The Committee also ensured the independence of the Internal Audit Department and verified that there were no restrictions on their work or anything that could negatively affect their activities.

## Compliance Department

During the fiscal year, the Committee undertook the following tasks related to compliance work:

1. Reviewing and approving the work plan and budget of the Compliance Department for the fiscal year 2024, following up on the implementation of the plan, reviewing the observations of the Compliance Department, informing the Board of Directors of them, and following up on the implementation of these observations by the executive management.
2. Reviewing the awareness program on compliance with the requirements of regulations and laws and ensuring its implementation.



- Communicating with the executive management regarding compliance requirements and disclosures that must be submitted in accordance with the requirements of regulatory authorities.

## Audit Committee Opinion

During its meetings, the Committee reviewed the periodic internal audit reports. It also met with the external auditor, reviewed the reports issued by them, and regularly monitored the efforts of the executive management to ensure that the observations made were addressed and that adequate controls were put in place to mitigate their impact on the internal control system. Based on this, no material observations were identified regarding the internal control system or the integrity and fairness of the financial statements. It should be noted that no internal control system can provide absolute assurance, but rather reasonable assurance, about the soundness and effectiveness of the internal control system. Furthermore, there is no conflict between the recommendations and decisions of the Audit Committee and the Board of Directors.

With Best Regards,

Chairman of the Audit and Compliance Committee

(Signed)

Mr. Faisal Sulaiman Al-Jamaan

