

Meeting agenda for the 37 th AGM (Items for voting)	جدول أعمال الجمعية العامة العادية السابعة والثلاثون (البنود التي سيتم التصويت عليها)
<p>1. Viewing and discussing the Board of Directors report for the fiscal year ending on Dec. 31, 2022.</p> <p>2. Viewing and discussing the financial statements for the fiscal year ending on Dec. 31, 2022.</p> <p>3. Voting on the auditor's report for the fiscal year ending on Dec. 31, 2022 (Attached).</p> <p>4. Voting on appointing the auditor for the company from the selected candidates based on the Audit Committee's recommendation. The appointed auditor shall examine, review and audit the (second and third) quarters and annual financial statements of the fiscal year 2023, and the first quarter of the fiscal year 2024. In addition to, the determination of the auditor's fees.</p> <p>5. Voting on disbursing an amount of (SR 780,000) as a reward for the members of the Board of Directors for the fiscal year ending on Dec. 31, 2022.</p> <p>6. Voting on amending the policies, standards and procedures for membership in the Board of Directors (attached).</p> <p>7. Voting on amending the Audit Committee's regulation (attached).</p> <p>8. Voting on amending the Nomination and Remuneration Committee's regulation (attached).</p> <p>9- Voting on amending the remuneration policy for members of the Board of Directors, derived committees and Senior executives (attached).</p>	<p>1- الاطلاع على تقرير مجلس الإدارة ومناقشته للعام المالي المنتهي في 31 ديسمبر 2022م.</p> <p>2- الاطلاع على القوائم المالية ومناقشتها عن العام المالي المنتهي في 31 ديسمبر 2022م.</p> <p>3- التصويت على تقرير مراجع حسابات الشركة عن العام المالي المنتهي في 31 ديسمبر 2022م (مرفق).</p> <p>4- التصويت على تعيين مراجع حسابات الشركة من بين المرشحين بناءً على توصية لجنة المراجعة؛ وذلك لفحص ومراجعة وتدقيق القوائم المالية للربع الثاني والثالث والسنوات من العام المالي 2023م، والربع الأول من العام المالي 2024م، وتحديد أتعابه.</p> <p>5- التصويت على صرف مبلغ (780.000) ريال مكافأة لأعضاء مجلس الإدارة عن العام المالي المنتهي في 31 ديسمبر 2022م.</p> <p>6- التصويت على تعديل السياسات والمعايير والإجراءات للعضوية في مجلس الإدارة (مرفق).</p> <p>7- التصويت على تعديل لائحة عمل لجنة المراجعة (مرفق).</p> <p>8- التصويت على تعديل لائحة عمل لجنة الترشيحات والمكافآت (مرفق).</p> <p>9- التصويت على تعديل سياسة مكافآت أعضاء مجلس الإدارة واللجان المنبثقة من المجلس وكبار التنفيذيين (مرفق).</p>



The Audit Committee Report for 2022

16-08-1444H

09-03- 2023G

Attn: FIPCO SHAREHOLDERS

Greeting.

The Audit Committee Report for 2022

The Audit Meeting has been taken place 4 times during the fiscal year 2022, and the main purposes of these meetings focused on the following:

- 1- forming the Audit Committee and assure its regulation for the new session that has been started from the AGM resolution (Feb. 17, 2022) up to the end of the board session (Dec. 31, 2024).
- 2- Discussing, reviewing and recommending to the board for the interim quarterly financial statements and the annual consolidated financial statements for the fiscal year 2022.
- 3- Approving and reviewing the progress of implanting the internal audit plans for the year ended Dec. 31, 2022.
- 4- Discussing internal audit reports according to the approved audit plans, recommending to the management with the suggested solutions and required corrective actions that may cover the major points arising from these reports, assuring that the audit plan for 2022 hasn't implemented as scheduled because of the vacancy of the internal auditor since the 2nd quarter of 2022, despite of the audit committee recommendation to promptly hire the qualified internal auditor not to affect the audit plans. It's worth to mention that the management of the company saved no effort to take the required actions to hire the required position, it's expected to be done by first quarter of 2023.
- 5- Conducting job interviews for some potential candidates for the internal audit vacant position, challenging their skills and technical capabilities and recommending there remunerations according to the market salaries, however the recruitment hasn't done for personal reasons related to the candidates themselves.
- 6- Reviewing the performance of the current external auditor (Alkharashi) and assuring that there are no obstacles or scope limitations, with an emphasis on smooth work progress and obtaining the required reconciliations and ensuring the implementation of the relevant regulations.

7- Reviewing and studying the External Audit proposal and fees according to the article 81 of corporate governance regulations issued by CMA and recommend with the suitable candidates to the general assembly to select one of them to audit the financial statement of the 2nd & 3rd quarters of 2022, the annual consolidated financials for the fiscal year 2022, and the interim financial statements for the 1st quarter of 2023.

8- Recommending to the management of the company and the auditor to put in place the fluctuation in main raw material prices on regular basis, and revise their liabilities and agreements towards the key clients and assure to apply the relevant accounting standards.

9- Recommending to the management to study the provision for expected credit losses on a quarterly basis after entering all settlements or closed cases and using the statistical approach compatible with IFRS, considering the existence of logical harmony according to the nature of activity and credit relations with customers.

10- Recommending to the management to give more consideration for collecting customer debts and not to slow down to meet the company's cash needs in a way that reduces the need to borrow and burden the company with financial loans, with ongoing follow-up of accounts receivable balances, with the recommendation to the company's management to establish written contractual relationships with clients who are granted credit facilities. It is also recommended to regularly review the list of clients who were previously granted these facilities and to take appropriate guarantees, and to urge the auditor to review these balances and contracts periodically.

11- Following the implementation of the approved whistle blowing policy and ensure its application by conducting an independent investigation commensurate with the size of the error or excess - if any - and adopting appropriate follow-up procedures, in line with Article 58 of the Corporate Governance Regulations issued by CMA. During 2022, the committee was not aware of any remarks or mistakes in financial or non-financial reports. Moreover, and the committee also recommended the internal auditor to republish the means of communication and raise awareness for all employees.

Based on the above along with the work carried out by the internal audit unit according to the approved audit plans during 2022, and the observations of the external auditor, taking into account that any internal control system, regardless of the level of integrity of its design and implementation of its procedures, cannot be Provides absolute assurance about the effectiveness of applicable internal control systems.

Accordingly, the audit committee did not discover that there is a fundamental weakness in the internal control system in place, with the continuation of the audit committee's recommendation to the company's management to continuously monitor the development and improvement of the efficiency and effectiveness of the applicable internal controls and the need for ongoing updating of the company's

policies and procedures, and the implementation of the observations received from the committee regarding the internal audit reports coping up with the nature of the company's activity. As well as considering the subsidiary (FPC) and what the early stages of the start of the subsidiary's activity require in terms of continuous evaluation of all the subsidiary's activities in terms of operational, financial, compliance and risk management.

Audit Committee member

Hathal S. AlOtaibi

Audit Committee member

Khaled A. Otain

Audit Committee member

Fawzi I. Alhobayeb