



FPC

Coated Technical Textiles

Audit Committee Report for the Fiscal Year 2024 AD



Date: 17/09/1446 AH, corresponding to 17/03/2025 AD.

To the Esteemed Shareholders of the Company,

Peace be upon you and the mercy of God,

Subject: Audit Committee Activities during the Fiscal Year 2024 AD

The Audit Committee held five meetings during the fiscal year 2024 AD. Attached is a table containing a list of the dates of these meetings and the members present at each meeting. The topics of these meetings, as reflected in the meeting minutes, focused on the following:

- 1- Discussion of the preliminary quarterly financial statements for the first, second, and third quarters of the fiscal year 2024 AD, and the submission of recommendations regarding them.
- 2- Approval and monitoring of the implementation of the internal audit plan for the fiscal year ending on December 31, 2024 AD.
- 3- Study and discussion of the internal audit management reports in accordance with the audit plan approved by the committee for some of the company's departments, and submission of recommendations to the company's management that would propose suggestions, solutions, and corrective actions for the problems arising from these reports.
- 4- Recommendation to the internal audit unit to review the previous observations on the audited departments, especially for those departments that have been audited and monitored for a long time, given the possibility of changes in work procedures or differences in document cycles that may result in the elimination of the observation or the reclassification of the associated risk.
- 5- Recommendation to the internal audit unit to add some departments or focus on high-risk points in specific departments and exert greater effort and care to complete the previously approved audit plans, taking into account the benefit from the management observation letter submitted by the external auditor and verifying that the executive management of the company has taken corrective actions.
- 6- Directing the internal audit unit to verify the risk level of the relevant departments and determine the direction regarding the work mechanism followed, either through the implementation of a Full Audit or focusing on High-Risk points. The committee also directed the internal auditor to update the risk register in light of the changes in activity and the varying levels of surrounding risks.
- 7- Monitoring the progress of the current auditor's (company name) tasks for professional consultations and ensuring that there are no obstacles affecting its work progress, with emphasis on the completion of the scope of work, obtaining approvals, and ensuring the application of relevant regulations.
- 8- Reviewing and studying the offers submitted by audit firms, and nominating the most suitable among them to carry out the audit work for the fiscal year 2024 AD and the first quarter of the fiscal year 2025 AD, in accordance with the Corporate Governance Regulations issued by the Capital Market Authority.
- 9- Recommendation to the company's management to review the depreciation policies in the company and its subsidiary, and to follow an accounting acceptable method of depreciation that complies with the related accounting standards, and to take into account that there are no material changes or the need to reissue the financial statements or cause major changes in accounting estimates. In this regard, the committee directed the company's management to compare the straight-line method in calculating depreciation with the number of units produced method by the end of the fiscal year 2024 AD, and in the event of material estimation differences, the more conservative method is followed.
- 10- Recommendation to the company's management to recognize the loan obtained by the company from the Saudi Industrial Development Fund at preferential interest rates within "Accounting for Government Grants and Disclosure of Government Assistance" in line with International Accounting Standard No. 20 and to follow this approach in similar loans in the future.

11- Recommendation to the company's management on the necessity of adhering to correct accounting procedures, regardless of the materiality of the amount, when creating a provision for the decommissioning obligation of assets based on the lease agreement between the company and the Saudi Authority for Industrial Cities and Technology Zones (MODON).

12- Recommendation to the company's management to review the study of the expected credit loss provision on a quarterly basis after incorporating all adjustments or settled cases and using the statistical approach consistent with International Financial Reporting Standards, taking into account the existence of logical harmony in accordance with the nature of the activity and credit relationships with customers.

13-Recommendation to the company's management on the necessity of alignment when creating provisions and linking bonuses to an approved policy, and the absence of significant fluctuations in the creation of provisions.

14-Recommendation to the company's management to study increasing inventory in line with development plans and to mitigate the risks of ongoing events in the Red Sea, and to work on reducing the gap between the budget and actual figures, and to reconsider the matrix of authorities and purchase approvals.

15-Recommendation to the company's management and the auditor to review the mechanisms for calculating Zakat in accordance with the new Implementing Regulations for Zakat Collection issued by the Authority and implemented since the beginning of 2024 AD, and to direct its recalculation each financial period to arrive at the closest fair value.

16-Recommendation to the company's management to exert more efforts to increase the effectiveness of working capital, which helps in alleviating high financial burdens, managing inventory efficiently, and improving the effectiveness of collection processes.

17-Alerting the company's management that the financial statements are sensitive to any changes in product quality and the flow and quality of raw materials, and that these changes significantly affect the company's revenues and net profits. Therefore, caution must be exercised and the importance of informing the Audit Committee of any material developments in a timely manner should be determined, taking into account the relevant regulatory articles that clarify the disclosure of material developments when applicable.

18-Urging the company's management to continue re-evaluating the potential liability arising from the acquisition of non-controlling interests on an annual basis, and to ensure the reconsideration of estimates and making the assumptions on which the study is based more reasonable in accordance with the average financial results of previous years, while following a more conservative methodology.

19-Monitoring the implementation of the mechanism previously approved regarding the (Whistleblowing) policy and ensuring its application by conducting an independent investigation commensurate with the size of the error or violation - if any - and adopting appropriate follow-up procedures, in line with the Corporate Governance Regulations issued by the Capital Market Authority. During the year 2024 AD, the committee was not aware of any observations regarding any violations in the financial reports or otherwise. The committee also recommended re-publishing communication channels and disseminating awareness regarding this to all employees on a periodic basis, and the committee is keen to receive reports from the internal audit unit regarding this on a quarterly basis.

In light of the above, and based on the tasks of the Audit Committee as stated in its charter approved by the Company's General Assembly, the Committee has carried out the most prominent of these tasks as explained below:

A - Financial Statements

- Studying the preliminary and annual financial statements before their presentation to the Board of Directors and providing opinions and recommendations regarding them.
- Studying any significant or unusual matters included in the financial statements.
- Thoroughly investigating any matters raised by the Chief Financial Officer or whoever assumes their responsibilities, the Compliance Officer, or the Auditor.
- Verifying the accounting estimates in material matters included in the financial statements.
- Studying the accounting policies followed and providing opinions and recommendations to the Board of Directors regarding them.



B Internal Audit

- Studying and monitoring internal and financial control systems and risk management at FIPCO.
- Reviewing internal audit reports and following up on the implementation of corrective actions for the observations contained therein.
- Overseeing and supervising the performance and activities of the Internal Audit Department at FIPCO to verify the availability of necessary resources and its effectiveness in executing assigned tasks and responsibilities, while ensuring its independence.

C- External Auditors

- Recommending to the Board of Directors the nomination and dismissal of external auditors, determining their fees, and evaluating their performance after verifying their independence and reviewing their scope of work and terms of engagement.
- Verifying the independence, objectivity, and fairness of the external auditors, and the effectiveness of their audit work, taking into account relevant rules and standards.
- Reviewing the external auditors' plan and work, and verifying that they do not provide technical or administrative services outside the scope of audit work, and expressing its views in this regard.
- Responding to inquiries from the external auditors.
- Studying the external auditors' report and their observations on the financial statements, and following up on the actions taken regarding them.

D- Compliance Assurance

- Reviewing the findings of regulatory authorities' reports and verifying that the company has taken the necessary actions regarding them.
- Verifying the company's compliance with relevant regulations, bylaws, policies, and instructions.
- Reviewing proposed contracts and transactions that the company intends to enter into with related parties and submitting its views on this to the Board of Directors.
- Raising any matters it deems necessary to take action on to the Board of Directors, and providing its recommendations on the procedures that should be taken.

Furthermore, the Committee oversees investigation processes related to fraud or errors occurring at FIPCO, or any other matters the Committee deems important to investigate. To this end, the Committee has established a "**Whistleblower Policy**" which includes a clear mechanism for submitting observations regarding any irregularities in financial or other reports confidentially, through a dedicated email address and a suggestion box within the company. These observations are to be reviewed and their materiality determined by the company's Internal Auditor, who will then submit a report to the Audit Committee. Subsequently, the Committee, in turn, verifies the correct application of this mechanism and conducts an independent investigation commensurate with the size of the error or irregularity, and adopts appropriate follow-up procedures. The Committee ensures that this is monitored on a quarterly basis.



Opinion of the Audit Committee on the Adequacy of the Internal Control System during the Fiscal Year 2024 AD .

Based on the foregoing and in light of the examination and audit work conducted by the External Auditor up to the end of the fiscal year 2024 AD, and the internal audit work carried out by the Internal Audit Department during the year 2024 AD, and taking into account that any internal control system, regardless of the integrity of its design and the application of its procedures, cannot provide absolute assurance regarding the effectiveness of the internal control systems in place, the Audit Committee has not identified any material weakness in the internal control system in place within the Company. However, the Audit Committee continues to recommend to the Company's management the continuous follow-up to develop and improve the efficiency and effectiveness of the internal controls in place and the necessity of continuous updating of the Company's policies and procedures, and the implementation of the observations made by the Committee regarding internal audit reports in line with the nature of the Company's activity, while continuing to conduct a continuous assessment of all the Company's subsidiary activities in the operational, financial, compliance, and risk management aspects.

Sincerely,

Chairman of the Audit Committee

Khalid Ali Otain

Statement of Audit Committee Meetings and Attendance Record during the Fiscal Year 2024 AD

Name	Position	Meeting Dates Held During 2024 AD					Attendance Times	Attendance Rate
		March 13	May 12	July 31	October 30	December 26		
Fawzi Ibrahim Al-Habib	Chairman	√	√	√	√	√	5	10
Khalid Ali Otain	Member	√	√	√	√	√	5	10
Hathal Safar Al-Otaibi	Member	√	√	√	√	√	5	10