



To: Shareholders of Maharah Human Resources Company

From: Chairman of the Maharah Human Resources Audit Committee

Subject: Annual Audit Committee Report to General Assembly for the Financial Year 2020

Introduction:

In compliance with Article (104) of the Companies Law issued by the Ministry of Commerce, and Article (91) of the Corporate Governance Regulations issued by the Board of the Capital Market Authority, the Company's Audit Committee is pleased to submit to the Shareholders of Maharah Human Resources Company its annual report on the Audit Committee activities during the financial year 2020.

Composition of the Committee:

The General Assembly of Shareholders approved the formation of the Audit Committee in its meeting held on 23/02/1440 H corresponding to 01/11/2018, one day after the decision of the General Assembly of the company's Shareholders until the end of the current session of the Board on 30/04/2021. The members are as the following:

Name the Committee Member	Position	Membership Classification		
		Independent	Executive	Non-executive
Mr. Abdulaziz Ibrahim Al- Nuweiser	Chairman of the Committee And a Board Member.	✓		
Mr. Osama Suleiman Ghazal	Committee Member From outside the Board of Directors.	✓		
Mr. Jasser Abdulkarim Al-Jasser	Committee Member From outside the Board of Directors.	✓		
Mr. Abdulaziz Abdullah Al-Haidari	Committee Member From outside the Board of Directors.	✓		



The Committee's Activities:

- The Audit Committee assists the Board of Directors to fulfill its responsibilities regarding verifying the existence of an effective internal control system within the company. Accordingly, the Audit Committee assists in verifying the adequacy of the internal control system and its effective implementation and makes recommendations to the Board of Directors that shall establish and reinforce the internal control system in order to achieve the company's objectives and protect the interests of shareholders.
- During the financial year 2020, the Committee held six meetings in the presence of all its members to follow up and implement the tasks entrusted to it. The Committee also maintained direct and continuous contact with the Internal Audit department to ensure its independence in performing its work.
- The Committee reviewed the interim and annual financial statements of the company before submitting it to the Board of Directors. The Committee expressed their opinion and recommendations after verifying the financial statements integrity, fairness, transparency, and its preparation in accordance with the accounting standards adopted in the Kingdom of Saudi Arabia, as well as verifying the independence of the external auditor. The Committee also discussed all Key Audit Matters encompassed in the external auditor's report. The Committee assigned the Acting Head of Internal Audit to follow up with management all the observations incorporated in the Management Letter with the concerned departments and to submit a report on the results of the follow-up process.
- The Committee studied the issues raised by the company's financial management and took the appropriate recommendations. The Committee searched for candidates to fill the position of the Head of the Internal Audit Department. The Committee conducted many interviews, and one of the candidates was nominated and recommended to the Board of Directors to be appointed as the Acting Head of the Internal Audit Department and Audit Committee Secretary.
- The Internal Audit Department in the company has been activated and a Head of the department was appointed to oversee the Internal Audit activities, which were assigned to Deloitte, an external consulting firm from the big four companies specialized in this field. Deloitte updated the risk register and the Internal Audit Plan for the next three years with a budget approved by the Board of Directors. Deloitte submitted the Key Risks Report to the Audit Committee. This report was discussed with the Executive Management of the company who prepared a corrective action plan for all the observations then the Audit Committee has reviewed it. Deloitte also submitted an Annual Internal Audit Plan based on the updated Risk Register, and they were authorized to perform audits for the current year for the following departments: (1) Finance, Treasury, Investment, Merger and Acquisition (2) Claims and Benefits Auditing Department, (3) Government Relations and Labor Affairs Department, (4) Administrative Affairs and Capital Projects Department, (5) Marketing, Public Relations and



Media Department, (6) Strategy and Business Development Department, and (7) Legal Affairs Department, in addition to a detailed follow-up on the corrective plans for all the departments that have been audited previously, and then submitting the final reports to the Committee for discussing, approving, and recommending appropriate measures to be taken to address any observations.

- The Whistleblowing Policy has been implemented in the company, which aims to reinforce ethical values and encourage a culture of integrity and accountability in the company. Also, to ensure that all submitted reports are dealt with confidentially. The Acting Head of Internal Audit was assigned to oversee the whistleblowing.

The Committee's Opinion on the Effectiveness of the Company's Internal Control System:

The Audit Committee believes that the company's internal control system is efficient and effective in many aspects, but it needs development and improvement in other aspects to keep pace with the size and nature of the company's business. The company's Executive Management discussed the observations that were recommended by the internal and external audits, and the Executive Management provided a corrective plan. The Audit Committee will continue to follow up the implementation of the corrective plan within 2021.

In conclusion, we would like to thank the Company's Board of Directors for its continued support for the Audit Committee's work during 2020, and for fulfilling all the requirements needed to enable the Committee to execute its duties to the fullest.

Yours faithfully,

Chairman of the Audit Committee

Abdulaziz Ibrahim Al-Nuwaiser