

The proposed regulation  
Wafrah for Industry and Development  
Board of Directors - Audit Committee  
Session (12) 2021-2024 AD

The formation of the audit committee, its tasks, its work controls, and the remuneration of its members

**First: The rules for selecting the members of the audit committee, how to nominate them, and their membership term:**

- 1- The audit committee is formed of 3 members by a decision of the company's ordinary general assembly based on the nomination of the board of directors.
- 2- The nomination of the members of the Audit Committee shall be based on the recommendation of the Remuneration and Nominations Committee.
- 3- The members of the audit committee may be shareholders or not, provided that at least one of them is an independent member, and among them there is a specialist in financial and accounting affairs.
- 4- The audit committee should not include any of the executive board members.
- 5- It is not permissible for anyone who works or has been working during the past two years in the executive or financial management of the company, or with the company's auditor, to be a member of the audit committee.
- 6- The Chairman of the Board of Directors shall not be a member of the Audit Committee.
- 7- The members of the audit committee are chosen in a manner that ensures the availability of various skills and experiences.
- 8- The members of the audit committee are appointed for a period not exceeding three years in conjunction with the session of the board of directors, and ends with the end of the session. They may be reappointed as needed.
- 9- The audit committee appoints a chairperson for the committee from among its members, and it also appoints a secretary of the committee from among its members or from the company's employees at its first meeting.
- 10- If one of the committee seats becomes vacant, the board of directors may appoint a temporary member in the vacant position, provided that he is one of those who have experience and sufficiency. The Commission must be notified within five working days from the date of the appointment, and the appointment shall be

presented to the Ordinary General Assembly at its first meeting, and the new Audit Committee member completes the term of his predecessor.

- 11- The company is obligated to notify the Authority of the names of the members of the audit committee and their membership qualities within five working days from the date of their appointment and any changes that occur to that within five working days of the occurrence of the changes.

### **Second: The duties and terms of reference of the audit committee**

The Audit Committee is responsible for monitoring the company's business and verifying the integrity and integrity of the reports, financial statements and internal control systems therein, and without prejudice to the generality of the above text, the duties of the committee include the following:

- **Financial reports**

- 1- Studying the initial and annual financial statements of the company before submitting them to the Board of Directors and expressing its opinion and recommendation regarding them to ensure their integrity, fairness and transparency.
- 2- Expressing a technical opinion - at the request of the Board of Directors - on whether the report of the Board of Directors and the financial statements of the company are fair, balanced and understandable, and include information that allows shareholders and investors to evaluate the financial position of the company, its performance, business model and strategy.
- 3- Studying any important or unfamiliar issues included in the financial reports.
- 4- Carefully researching any issues raised by the company's financial manager, whoever assumes his duties, the company's compliance officer, or the auditor.
- 5- Verifying the accounting estimates in the fundamental issues mentioned in the financial reports.
- 6- Studying the accounting policies followed in the company and express opinion and recommendation to the Board of Directors in this regard.

- **Internal audit**

- 1- Studying and reviewing the company's internal and financial control and risk management systems.
- 2- Studying the internal audit reports and following up on the implementation of corrective measures for the observations contained therein.



- 3- Controlling and supervising the performance and activities of the internal auditor in the company to verify the availability of the necessary resources and their effectiveness in performing the work and tasks assigned to it.
- 4- Recommending to the Board of Directors to appoint the internal auditor and suggesting remuneration for him.

- **Auditor:**

- 1- Recommending to the Board of Directors to nominate and dismiss auditors, determine their fees and evaluate their performance, after verifying their independence and reviewing the scope of their work and the terms of contracting with them.
- 2- Verifying the auditor's independence, objectivity and fairness, and the effectiveness of the audit work, taking into account the relevant rules and standards.
- 3- Reviewing the company's auditor's plan and business, and verifying that he has not submitted technical or administrative works that are outside the scope of the audit work, and expressing its views on that.

### **Third: the powers of the audit committee**

The Audit Committee, in order to perform its duties:

- 1- The right to view the company's records and documents.
- 2- To request any clarification or statement from the members of the board of directors or the executive management.
- 3- To ask the board of directors to invite the general assembly of the company to convene if the board of directors impedes its work or if the company is exposed to severe damages or losses.
- 4- Studying the auditor's report and his notes on the financial statements and following up on what has been taken in their regard.

### **Commitment Guarantee:**

- 1- Reviewing the results of the reports of the supervisory authorities and verifying that the company has taken the necessary measures in this regard.
- 2- Verifying the company's compliance with the relevant laws, regulations, policies and instructions.
- 3- Reviewing the contracts and transactions proposed to be conducted by the company with related parties, and submitting its opinions on this to the Board of Directors.

- 4- Raising the issues it deems necessary to take action in their regard to the Board of Directors, and making recommendations on the measures to be taken.
- 5- Studying and reviewing the risk management in the company.

### **Third: the powers of the audit committee**

The Audit Committee, in order to perform its duties:

- 1- The right to investigate any matter that falls within its duties, or any matter specifically requested by the Board of Directors.
- 2- The right to view the company's records and documents.
- 3- The right to request any clarification or statement from members of the board of directors, executive management, or company employees for the purpose of inquiring about any information.
- 4- The right to seek legal and technical advice from any external agency or any other independent advisory body whenever this is necessary to assist the committee in performing its duties.
- 5- Verifying any defect related to risk management and internal audit department.
- 6- To ask the executive management to inform the head of the audit committee of any defect, fraud, or excess, according to its severity.
- 7- To ask the Board of Directors to invite the general assembly of the company to convene if the board of directors impedes its work or the company suffers heavy damage or losses.

### **Fourth: Meetings of the Audit Committee**

- 1- The audit committee meets periodically, provided that its meetings are not less than four meetings during the company's financial year.
- 2- For the audit committee meetings to be valid, the majority of its members must attend, and its decisions are issued by the majority of the votes of those present. When votes are equal, the side that the meeting chair voted with will prevail.
- 3- The audit committee may hold its meetings remotely by using modern means of communication.
- 4- The head of the audit committee calls for the committee's meetings, and any member of the audit committee, the auditor, the internal auditor, or the chairman of the board of directors may request the head of the audit to invite the audit committee to convene.
- 5- The audit committee meets periodically with the company's auditor, and with the company's internal auditor.



- 6- The internal auditor and the company's auditor may request a meeting with the audit committee whenever the need arises.
- 7- The internal auditor may be invited to attend all or some of the committee's meetings (if he is not a secretary).
- 8- The Chairman of the Audit Committee, after notifying the CEO of the company, may invite senior executives or any company employee to inform the committee about any aspect of the company's activities.
- 9- No member of the Board of Directors or the executive management is entitled to attend the audit committee meetings unless the committee requests to hear his opinion or obtain his advice, and attendance at the audit committee meetings is limited to the members of the committee and the secretary of the committee.
- 10- The meetings of the audit committee must be documented and minutes prepared for them that include the discussion and deliberations that took place, documenting its recommendations and the results of the vote, keeping them in a special and organized record, a statement of the names of the members present and the reservations they made (if any), and the signing of these minutes by all the members attending the meeting.

**Fifth: Reports of the Audit Committee:**

- 1- The audit committee shall prepare a report on its opinion regarding the adequacy of the internal control system in the company and the other activities it has carried out within its jurisdiction. The board of directors is obligated to deposit sufficient copies of this report in the company's head office at least ten days before the date of the general assembly meeting, to provide every shareholder he desires with a copy of it. The annual report of the audit committee is read during the meeting of the assembly by the committee chairman or whoever deputizes him from among its members, and then answers shareholders' questions.
- 2- The Audit Committee submits summary reports to the Board of Directors after each meeting.
- 3- The internal auditor prepares an annual report to be submitted with the audit committee's views to the board of directors.
- 4- The audit committee undertakes studies of issues pertaining to it or that are referred to it by the board of directors, and submits its recommendations to the board to take a decision regarding them, or it takes decisions if the board delegates to it. However, the company's board of directors rests with the responsibility for those decisions.

- 5- The audit committee may seek the assistance of any experts and specialists it deems within the company or from outside it within the limits of its powers, provided that this is included in the minutes of the committee's meeting, noting the name of the expert and his relationship to the company or executive management.

**Sixth: Communication with the Audit Committee:**

- 1- To ensure the independence of the audit committee's work, each of the internal auditors and the auditor shall have direct contact and communication with the audit committee without an intermediary.
- 2- The company should establish a reporting mechanism to facilitate communication with the audit committee in cases of serious and emergency risks that the company's business may be exposed to.

**Seventh: A conflict occurs between the Audit Committee and the Board of Directors:**

If there is a conflict between the recommendations of the audit committee and the decisions of the board of directors, or if the board of directors refuses to take into account the recommendations of the committee regarding the appointment of the company's auditor, his dismissal, determination of his fees and the evaluation of his performance, or the appointment of the internal auditor, the report of the board of directors must include the committee's recommendation, justifications, and reasons for not taking it into account.

**Eighth: Receiving the remarks of the company's employees:**

The audit committee should set up a mechanism that allows the company's employees to submit their comments regarding any breach of financial or other reports in confidence. The committee must verify the application of this mechanism by conducting an independent investigation commensurate with the size of the error or abuse, and adopting appropriate follow-up procedures.

**Ninth: Termination of the Audit Committee Membership:**

- 1- Membership of the Audit Committee ends with the end of its term or the member's expiration date in accordance with any system, regulation or instructions in force in the Kingdom. However, the Ordinary General Assembly may at all times dismiss all or some of the members of the audit committee without prejudice to the right of the dismissed member towards the company to claim compensation if the dismissal occurred for an unacceptable reason. A committee member may resign from the committee's membership.



- 2- The General Assembly may - based on the Board's recommendation - terminate the membership of any member of the Audit Committee who has been absent from attending three successive meetings without a legitimate excuse.

**Tenth: Remuneration of members of the Audit Committee**

- 1- The remuneration of the members of the committee for attending the sessions shall be equal to the remuneration of the members of the board of directors for attending the sessions of the board, and shall be determined by the same mechanism.

The annual remuneration for the members of the audit committee is determined upon the recommendation of the Board Remuneration and Nominations Committee.

**Eleven: Final Provisions (Publication and Amendment):**

The provisions of these regulations shall be effective as of the date of their approval by the General Assembly of shareholders, and they must be published on the company's website to enable shareholders and stakeholders to view them.

- 2- The content of these regulations shall be reviewed as needed, based on the recommendation of the Board of Directors, provided that these amendments are submitted to the General Assembly of shareholders for approval at its nearest meeting.

**The old regulation**  
**Wafrah for Industry and Development**  
**Board of Directors - Audit Committee**

**The composition of the committee, its tasks, its work controls, and the remuneration  
of its members**

**1- Formation of the Audit Committee**

- 1- The audit committee shall be formed by a decision of the company's ordinary general assembly consisting of 3 members from the shareholders or others, provided that at least one of them is an independent member and does not include any of the executive board members. And that among them there should be a specialist in financial and accounting affairs. It is not permissible for anyone who works or has been working during the past two years in the executive or financial management of the company, or with the company's auditor, to be a member of the audit committee.
- 2- The members of the audit committee are nominated by the board of directors and the recommendation is submitted to the general assembly of shareholders to choose the committee.
- 3- The term of membership of the committee members is 3 years, concurrent with the session of the Board of Directors, and ends with the end of the session. In the event that one of the committee seats becomes vacant, the board of directors shall appoint the replacement, provided that his appointment is approved at the first meeting of the general assembly of shareholders.

**2- The committee's terms of reference, powers and responsibilities**

The Audit Committee is responsible for monitoring the company's business and verifying the integrity and integrity of the reports, financial statements and internal control systems therein, and without prejudice to the generality of the above text, the duties of the committee include the following:

**First: Financial Reports**

- 1- Studying the initial and annual financial statements of the company before submitting them to the Board of Directors and expressing its opinion and



recommendation regarding them to ensure their integrity, fairness and transparency.

- 2- Expressing a technical opinion - at the request of the Board of Directors - on whether the report of the Board of Directors and the financial statements of the company are fair, balanced and understandable and include information that allows shareholders and investors to evaluate the financial position of the company, its performance, business model and strategy.
- 3- Study any important or unfamiliar issues included in the financial reports.
- 4- Carefully researching any issues raised by the company's financial manager, whoever assumes his duties, the company's compliance officer, or the auditor.
- 5- Verifying the accounting estimates in the fundamental issues mentioned in the financial reports.
- 6- Study the accounting policies followed in the company and express opinion and recommendation to the Board of Directors in this regard.

#### **Second: the internal audit**

- 1- Studying and reviewing the company's internal and financial control and risk management systems.
- 2- Studying the internal audit reports and following up on the implementation of corrective measures for the observations contained therein.
- 3- Controlling and supervising the performance and activities of the internal auditor and the internal audit department in the company to verify the availability of the necessary resources and their effectiveness in performing the work and tasks assigned to it.
- 4- Preparing and reading the annual report of the audit committee before the general assembly of shareholders at its annual meeting.

#### **Third: Auditor:**

- 1- Recommending to the Board of Directors to nominate and dismiss auditors, determine their fees and evaluate their performance, after verifying their independence and reviewing the scope of their work and the terms of contracting with them.
- 2- Verifying the auditor's independence, objectivity and fairness, and the effectiveness of the audit work, taking into account the relevant rules and standards.

- 3- Studying the company's auditor's plan and business, verifying that he has not submitted technical or administrative works outside the scope of the audit work, and expressing its views on that.
- 4- Answering the company's auditor's inquiries.
- 5- Studying the auditor's report and his notes on the financial statements and following up on what has been taken in their regard.

#### **Fourth: Commitment Guarantee:**

- 1- Reviewing the results of the reports of the supervisory authorities and verifying that the company has taken the necessary measures in this regard.
- 2- Verifying the company's compliance with the relevant laws, regulations, policies and instructions.
- 3- Reviewing the contracts and transactions proposed to be conducted by the company with related parties, and submitting its opinions on this to the Board of Directors.
- 4- Raising the issues it deems necessary to take action in their regard to the Board of Directors, and making recommendations on the measures to be taken.

#### **3- Meetings of the Audit Committee**

- 1- The audit committee meets periodically, provided that its meetings are not less than four meetings during the company's financial year.
- 2- The Audit Committee meets periodically with the company's auditor, and with the company's internal auditor.
- 3- The auditor may request a meeting with the audit committee whenever the need arises.

#### **4- Receiving the remarks of the company's employees:**

The audit committee should set up a mechanism that allows the company's employees to submit their comments regarding any breach of financial or other reports in confidence. The committee must verify the application of this mechanism by conducting an independent investigation commensurate with the magnitude of the error or abuse, and adopting appropriate follow-up procedures.

#### **5- The powers of the audit committee**

The Audit Committee, in order to perform its duties:

- 1- The right to view the company's records and documents.
- 2- To request any clarification or statement from the members of the board of directors or the executive management.



- 3- To ask the board of directors to invite the general assembly of the company to convene if the board of directors impedes its work or if the company is exposed to severe damages or losses.

## **6- General provisions**

- 1- For the audit committee meeting to be valid, the attendance of the majority of its members is required, and its decisions are issued by the majority of the votes of those present.
- 2- The remuneration of the members of the committee for attending the sessions shall be equal to the remuneration of the members of the board of directors for attending the sessions of the board.
- 3- The company's internal auditor is the reporter of the audit committee.

**The regulation was approved by the Ordinary General Assembly No. 34 on 10/24/2019 AD**