

ARRIYADH DEVELOPMENT CO.

THE WORK REGULATION  
OF  
AUDITING COMMITTEE OF ARRIYADH DEVELOPMENT  
COMPANY

ISSUED PURSUANT TO RESOLUTION OF THE ORDINARY  
GENERAL ASSEMBLY [MEETING NO] AT ITS MEETING  
HELD ON 15/09/2021

For the Year 1443H – 2021

# **ARRIYADH DEVELOPMENT COMPANY**

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## **Article No (1): Preamble, Definition and the Objective of the Committee**

- a- The work regulation of Arriyadh Development Company auditing committee is prepared according to the authorities conferred upon the general assembly of the company shareholders under Article No (101) of the Companies Act issued by virtue of the Royal Decree No (M/3) dated 28/01/1437H and its amendments, Article No (54) of the Companies Governance Act issued by the board of the Capital Market Authority under resolution No (2017-16-8) dated 13/02/2017) amended by virtue of the resolution of the board of Capital Market Authority No (2021-7-1) dated 14/1/2021, and clause (2) of Article No (46) of the company governance regulation adopted by virtue of the resolution of the board of directors of Arriyadh Development Company No 00 dated 00/00/2021.
  
- b- The words and phrases stated in this document refer to the meanings shown opposite each of them unless otherwise is required by the context.

The Regulation: This means the work regulation of the auditing committee of Arriyadh Development Company.

The Company: Arriyadh Development Company.

The Board: Board of Directors of the company.

CEO: The highest executive officer in the company. His basic responsibilities include taking the main decisions, management of the comprehensive operations and resources, acting as the main contact point between the board of directors and companies' operations. He is also responsible for implementing the company strategy.

The Authority: Capital Market Authority in the Kingdom of Saudi Arabia.

The Articles of Association: Articles of association of the company.

The Company: The auditing committee.

Companies Governance Regulation: The companies governance regulation issued by the board of CMA under the resolution No (2017-16-8) dated 13/02/2017 amended by virtue of the resolution of CMA board No (2021-7-1) dated 14/01/2021 and amendments thereto.

Company Governance Regulation: Company governance regulation issued by the board of directors of Arriyadh Development Company No 00 dated 00/00/2021.

Also, the document of “Glossary of the Terminologies Used in CMA Regulations and Rules” is considered as a reference of the undefined terminologies mentioned in this document.

c- The company aims at:

1-Verifying the fulfillment and competence of the internal auditing activities through reviewing effectiveness of the arrangements adopted by the internal auditing department and how far they are fulfilling the requirements, and how far they are adequate.

2- Ensuring company management response to the matters which are determined and monitored through the committee activity and work, in particular works of internal and external auditing and verifying its independence.

3- Verifying company acceptance and understanding of the role, work and value of the internal auditing through applicable mechanisms such as the annual report of internal auditing.

4-Measuring and assessing effectiveness of the company internal control and auditing system.

5- Verifying compliance with the laws, regulations, standards and policies related to the scope of work, functions and responsibilities of the committee.

## **Article No (2): Objective of the Regulation**

The regulation intends to clarify controls and procedures of the committee work, and its functions as well as the rules of selecting its members and way of nominating them, their tenure, remunerations and the mechanism of appointing its members temporarily in case that one of the committee seats is vacant.

## **Article No (3): Formation of the Committee**

- 1- The committee is formed by virtue of resolution of the general assembly, based on resolution of the board, and it is composed of four members, one of them at least must be an independent member, and it may not include any of the board executive members or the senior executives at the company. One of the committee members must be specialized in financial and accounting affairs.
- 2- Chairman of the board must not be a member in the committee, and a person who works or who was working during the last two years at the company executive or financial administration or with its accounting auditors also must not be a member of the committee.
- 3- Term of the committee must be three years renewable, and the board may recommend to the general assembly of the shareholders to re-nominate them for other similar term or terms.

- 4- The committee members shall choose a chairman from among themselves.
  
- 5- If one of the seats of the membership of the committee is vacant during the membership period, or if the number of its members is less than the minimum limit, the board may appoint a member of members temporarily at the vacancies provided that such a member is fulfilling the membership conditions, and having the sufficient conditions, and that such appointment is proposed to the first meeting of the general assembly for approval. The appointed member shall complete period of his predecessor.
  
- 6- The committee appoints a secretary for it from among its members or a person as deemed suitable from team of management of the company to prepare for meetings and works of the committee, and to prepare its minutes and documentation, and follow up implementing its recommendations, directions and resolutions without any right of voting.
  
- 7- The company notifies the authority of the names of the committee members, their membership capacity upon appointing them and any changes occurring to that during the legal term determined by the company's governance regulation.

**Article No (4): Meetings, Procedures and Controls of Work of the Committee:**

- 1- The auditing committee meets periodically four times at least during fiscal year of the company, and it may meet when required, and minutes of its meetings shall include a summary of its discussions, directions, recommendations and decision.
- 2- The auditing committee meets with the company external auditor, and with the company internal auditor once at least in the year as needed.
- 3- The internal auditor and external auditor may request meeting with the committee as needed.
- 4- The committee may hold exceptional meetings as necessary, and the chairman of the committee, or majority of the members may invite for holding an exceptional meeting as needed, and legal quorum of the committee meeting will be completed upon presence of the majority of its members.
- 5- Invitation for attending the committee meetings will be directed in writing by the committee chairman, an authorized committee member, or its secretary a good time before time of the meeting. The committee members will also be furnished with the agenda of the meeting and the proposals and the required documents a good time before time of the meeting.
- 6- In the event that the committee chairman is unable to attend, he may delegate one of its members to chair the specified session.
- 7- Each member of the committee will have an equal vote, and the committee decisions are issued with majority of the opinions of the members present personally or by proxy in the meeting, and upon



having equal votes, the party for which the chairman has voted will have the casting vote.

- 8- Secretary of the committee prepares the draft of the committee meeting minute, and sends it to chairman and members of the committee to view it and express any remarks within seven workdays from date of holding the committee meeting, and in case of not receiving any notes after elapse of seven days, this will be considered as acknowledgment of agreeing upon it. Minutes of the committee meetings shall be registered in writing in a special register signed by chairman of the committee, its present members and secretary and those minutes are registered in a special record.
- 9- The board follows up works and performance of the committee through its chairman, and through the periodical reports submitted to the board.
- 10- It is not allowed for any member of the board or the executive management who is not a member of the committee to attend committee meetings unless the committee requests to listen to his opinion or to obtain his advice.

#### **Article No (5): The Committee Authorities**

The committee is concerned with controlling the company works, and for performing its functions, it may act as follows:

- 1-It will have the right to view the company registers and documents.
- 2-It has the right to request a note, statement or information from the board members or the executive management.
- 3-It may ask the board to invite the company general assembly to convene if its work is obstructed, or if the company is exposed to grave damages or losses.

4-The committee may meet external auditors and the company main members such as the CEO, Financial Director, or the internal auditor to ask them about auditing work and to show any comments within the scope of its work.

5- The company shall bear any costs required for it to carry out its work after taking consent of the board.

#### **Article No (6): The Committee Functions and Responsibilities**

The committee undertakes study of the subjects with which it is concerned, or which are referred to it from the board, and it submits its recommendations to the board to take decisions on them. Or, it may take the decisions which the board has delegated to it, and the committee shall inform the board of the results that it reaches or the decisions that it takes.

The committee is concerned with controlling the company businesses and financial activities to verify the policies and procedures which guarantee soundness and integrity of the reports, the financial statements and the internal control systems in it, and the committee functions in particular include the following:

##### **1- Financial Reports:**

- a- Viewing the primary, quarterly and annual financial statements before presenting them to the board of directors, and expressing opinion and recommendation on them to guarantee their integrity, fairness and transparency.
- b- Expressing the technical opinion according to request of the board about whether the annual report of the board, and the company financial statements are fair, balanced and understood, and whether they include the information that allows shareholders and investors to evaluate the financial position of the company, and its performance, and the model of its work and strategy.

- c- Studying any important and unusual issues included in the financial reports and accounts.
- d- Searching about any issues raised by the company financial manager, or a person undertaking his functions, or the compliance officer of the company, or company auditor.
- e- Verifying the accounting estimates in the essential issues stated in the financial reports.
- f- Studying the accounting policies adopted in the company and expressing opinion and recommendation to the board of directors about them.

**2- Internal Auditing:**

- a- Studying and auditing internal and financial control systems and the risks management at the company.
- b- Supervising plans of the Internal Auditing Department and its works and ensuring its effectiveness in compliance with the professional laws, regulations and conventions in this concern, and recommending the board of directors to appoint a manager of a unit or a department of internal auditing or the internal auditor and proposing his reward.
- c- Studying reports of internal auditing, and following up implementation of the corrective procedures for the remarks stated therein.
- d- Control and supervising performance and activities of the internal auditor, and the internal auditing department in the company to verify availability of the required materials and its effectiveness in the performance of the functions assigned to them, and if the company has no internal auditor, the committee may present its recommendations to the board about need to appoint him.

- e- Making sure of the independence of the internal auditing, and enable it to affect its work effectively.

### **3- The Auditor:**

- a- Recommending to the board for nomination, and termination of the external auditors, and determining their fees and assessing their performance after making sure of their independence, and reviewing their work scope and their contracting conditions.
- b- Verify the independence and objectivity of the external auditor, taking into account the relevant rules and standards
- c- Reviewing plan and works of the company auditor and ensuring that there is no breach or failure in his performance, and that he is not doing tasks which are outside the scope of auditing work, and expressing opinion on that.
- d- Answering inquiries of the company external accounting auditor.
- e- Studying reports of the external account's auditor, and his remarks on the financial statements and expressing opinions about them; if any, and following up the actions taken regarding the statements.

### **4-Guranteeing Commitment:**

- a- Reviewing reports of the controlling authorities and ensuring that the company takes actions concerning them.
- b- Supervising company compliance with the regulations, policies and instructions related to scope of her work.
- c- Reviewing the contracts and transactions proposed to be conducted by the company with related parties, and potential cases of interest's

conflict; if any, and presenting recommendations in relation to them to the board.

- d- To report to the board the matters for which it believes that some actions shall be taken, within scope of its work, and to give advices about the steps to be taken.

#### **Article No (7): The Committee Report**

The committee issues an annual report which includes a summary of its works and performance, and which also contains its most important achievements and way of conducting its competences and functions in light of the requirements, standards and parameters required by law for contents of this report, and in accordance with the professional convention and good practices. This report is issued to be proposed to the shareholders general assembly in the way determined by the Companies Act and any other laws issued by the concerned legislating entities.

#### **Article No (8): Arrangements of Submitting the Remarks**

The committee shall set up a mechanism allowing workers in the company to present their remarks for any breach in the financial reports or others secretly, and the committee shall ensure of applying this mechanism by conducting an independent investigation which is suitable for the size of error or breach, and shall adopt suitable follow up actions.

### **Article No (9): Policy of the Committee Members Remunerations**

The remunerations of the committee members include the following:

1-An annual remuneration according to the way agreed upon in the policy of the remuneration of the board of directors and its committees and the executive management.

2-Allowance for attending meetings of the committee amounting to three thousand Saudi Riyals for each member for one session.

3-First class tickets allowance (round trip) for members of the committee residing in Riyadh city.

4-Accommodation and tickets allowance for all of the committee members in case of holding the meeting outside Riyadh city.

5- A monthly reward amounting to three thousand Saudi Riyals will be paid to the committee secretary.

### **Article No (10): Conflict between the Committee and the Board**

If conflict occurs between recommendations of the auditing committee and the board decisions or if the board refuses to adopt the committee recommendation on appointing the company auditor or on terminating him or determining his remuneration and evaluating his performance, or the appointment of the external auditor, the board report shall include the committee recommendation and the justifications and reasons of not adopting it.

### **Article No (11): Final Provisions**

Provisions of this regulation will be effective, and will be binding to the company starting from date of adopting them by the general assembly.