

Audit Committee Charter





Audit Committee Charter

Alandalus Property

Adoption of the Charter

This policy was adopted by the resolution of the Extraordinary General Assembly 6th For the company held on 06/03/2024 AD According to the recommendation of the Board of Directors pursuant to its resolution issued on 07/02/2024 AD

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Introduction:

The purpose of preparing this charter is to specify the framework through which the audit Committee works at Alandalus Property Company, pursuant to the provisions of paragraph (E) of article Fifty -First of the Corporate Governance Charter issued by the Capital Market Authority under resolution No. (8-16-2017) dated 16/05/1438 AH, corresponding to 13/02/2017 AD. The charter is based on the Companies charter issued by Royal Decree No. M/3 dated 28/01/1437 AH, as amended by the Capital Market Authority resolution No. 8-5-2023 dated 25/06/1444 AH, corresponding to 18/01/2023 AD and pursuant to Royal Decree No. M/132 dated 01/12/1443 AH. This can be achieved by also aligning with the best governance practices aspired to by the company. This charter states an explanation of the objectives that the Audit Committee at Alandalus Property Company seeks to achieve. It clarifies the rules governing the formation of this committee, the rules for appointing its members, how they are nominated, the term of their membership, their remuneration, and the mechanism for temporarily appointing members in case of a vacant position. In addition to this charter states the duties assigned to this committee with regard to the responsibilities it undertakes to achieve its purposes. This charter defines the procedures and work mechanism, as well as the organizing of meetings, decision-making process, and other provisions as well. This charter shall be adopted by the General Assembly with reference to the recommendation of the Board of Directors, in compliance with the regulatory provisions in this instance. The same procedures are mentioned when making any amendments to this charter.

Article (1): The objective of the committee charter

1. Overseeing the integrity of the company's financial information, accounting transactions, and financial reports, as well as auditing financial statements.
2. Measuring and assessing the effectiveness and efficiency of internal supervision within the company.
3. Ensuring the company's compliance with relevant laws, regulations, policies, and internal procedures within its scope.
4. Verifying the company's acknowledgment and acceptance of the role and importance of internal audit by applying the applicable mechanisms.
5. Checking the management's response to issues identified and monitored via the committee's activities.
6. Supervising the performance and qualifications of the external auditor for the company and ensuring their independence.
7. Overseeing disclosure, transparency laws, and abiding by moral standards adopted by the company.
8. Studying of the remarks provided by the external auditor to the company and considering financial statements.
9. Supervising the performance of the internal audit activity and internal auditors for the company.

Article (2): Formation of the committee

1. A committee named the (Audit Committee) is duly formed by a resolution of the company's Board of Directors, consisting of shareholders or others, as long as the committee does not include any of the executive board members.
2. The committee members shall have at least one independent member.
3. The number of members of the Audit Committee should not be less than three and not exceed five, provided that one member shall be specialized in finance and accounting matters.
4. Any person who works or has worked in the company's finance department, the executive management or the company's auditor during the preceding two years may not be a member of the Audit Committee.
5. An Audit Committee member is required not to work with the audit committees of more than five listed joint-stock companies at the same time.
6. Chairman of the board shall not be a member of the Audit Committee.
7. The Capital Market Authority shall be notified of the names of the committee members and the description of their memberships within five (5) business days from the date of the appointment or any changes.
8. The committee annually assures that no conflicts of interest in the performance of its duties and missions.
9. A committee member shall notify the Board of Directors of any opposing interests and activities.
10. A committee member could not the right to accept gifts from any person having business dealings with the company if these gifts resulting by conflict of interest.

Article (3): The audit committee chairman

1. The committee shall appoint a chairman from among its members, and the chairman presides over its meetings. In the absence of the committee chairman or his delegate, the other attending members can select one of them to preside over the committee meeting, as stipulated in the provisions stated in the executive regulations of the Companies Law for listed joint-stock companies issued by the Capital Market Authority, or any resolutions, instructions, or circulars issued by the authority in this regard, if any.
2. The chairman shall represent the committee in the Board meetings and related meetings with other authorities.
3. The committee chairman is responsible for managing its meetings and determining its works.
4. The committee chairman or whom is in his/ her place from the committee members shall attend the general assembly meetings to answer the shareholders questions with reference to its activities and to reply to any inquiries that fall within the committee's jurisdiction during the assembly.
5. Submitting and following up the recommendation of the audit committee to the Board Directors.

Article (4): The audit committee secretary

A) The committee secretary shall be appointed by a resolutions issued by the Audit Committee and may be a member of the committee or others. His responsibilities are as follows:

1. Notifying committee members of meeting dates and sending the works before holding the meeting with adequate duration.
2. Documenting committee meetings and preparing minutes which shall include discussions, deliberations carried out during the meeting, documenting committee recommendations and voting results, retaining them in a special and orderly register, stating the names of attendees and any reservation recorded – if any – and having these minutes signed by all attending members.
3. Archiving the reports submitted to the committee, the reports and recommendations it holds.
4. Providing committee members with its works agenda, business papers, documents, and information related to them, as well as any additional documents or information required by any committee member related to the topics covered in the meeting agenda.
5. Submitting draft minutes to committee members after approval by its chairman to state their opinions before signing.
6. Ensuring that committee members receiving a complete and immediate copy of the minutes of its meetings, information and documents which are associated to the company.
7. Coordinating between committee members.

B) The dismissal of the committee secretary is only authorized by committee resolution.

Article (5): The audit committee membership term

1. The term of committee membership shall be four years or the same duration as the Board of Directors' membership, whichever is less.
2. The committee is re-formed at the beginning of each term of the Board's terms, and committee members may be re-appointed.
3. Membership of any member terminates by the following reasons:
 - Submitting the resignation from committee membership.
 - dismissal by the General Assembly.
 - Default to meet any of the controls required for committee membership.
 - Absence from three consecutive meetings without a legal excuse.
 - Exploiting of the member of his position in the committee or misconduct that the Board deems detrimental to the company's objectives and reputation, in general and the committee in particular.

Article (6): The vacant position in the audit committee

If a position of a committee member becomes vacant during the committee's term, the Board of Directors has the right to appoint a temporary member to fill the vacant position. The temporary member should possess the necessary expertise and knowledge. The appointment is presented to the Ordinary General Assembly at its first meeting, and the new member completes the term of his predecessor.

Article (7): the audit committee members induction and education

New members of the Audit Committee will be provided with an orientation program that includes explanations from the executive management about the company's strategic plans, important financial and accounting matters, legal affairs, compliance programs, the committee's duties, company operations, conflict of interest guidelines, and professional ethics. The program may also involve visits to the company's existing projects, as needed.

Additionally, new members will receive a copy of the company's bylaws, an executive summary of the company's business plans, minutes of previous meetings, reports from previous internal audits, internal audit plans, and other related information.

Article (8): The audit committee meetings and quorum

1. The Audit Committee shall meet continuously, convened by its chair or upon the request of two of its members, with no fewer than four meetings during the company's fiscal year.
2. The Audit Committee periodically holds meetings with the company's auditor and internal auditor.
3. The attendance in the committee meetings is compromised only to its members. However, the committee may request the opinion or advice of a member of the Board of Directors, and, when deemed fit and necessary, may invite the CEO, internal auditor, CFO, executives, or external advisors to attend the meetings.
4. The internal auditor and accounts auditor may request holding meetings with the Audit Committee as the case may be.

5. The legal quorum for the committee is completed with the presence of two members. Committee members may attend meetings in person or by remote communication methods, and such attendance is considered valid. Members have the right to delegate others to attend on their behalf as well.
6. The committee recommendations is issued by the majority of votes who is attending, and in case of a tie, the chairperson of the committee shall have the casting vote.
7. The agenda of the company's Board of Directors' meetings should provide an opportunity for the chair of the Audit Committee to raise any crucial matters to be discussed.
8. Invitations, including the meeting agenda and necessary documents, shall be sent to each member at least five days before the meeting date. Unless the circumstances states by holding the urgent meeting. In such a case, the invitation to the meeting may be sent, along with the agenda and necessary documents, within a duration not less than five days prior to the meeting date.
9. If a committee member expresses some reservations or an opposing opinion for the committee resolution, it shall be documented in the committee meeting minutes.
10. The committee adopts its work agenda upon convening its meetings, and any objection by its member to this agenda, shall be documented in the committee meeting minutes.
11. Each committee member has the right to propose adding any clause to the work agenda.
12. Members unable to attend in person may participate and vote on resolutions by modern technological means, and their attendance process is considered valid.
13. The committee may invite non-members to attend meetings without voting rights.
14. Postponing or canceling an agreed meeting needs the approval of the committee chairperson or the majority of the members.
15. Minutes of the committee meeting and the resolutions taken shall be sent to the members of the Board of Directors.

Article (9): The audit committee competences

The Audit Committee shall be competent for supervising the company's works and verifying the integrity and accuracy of the reports, financial statements, and internal monitoring laws. The committee's duties state the following clauses:

A) Financial reporting

1. Analyzing the company's interim and annual financial statements before presenting them to the Board of Directors and providing its opinion and recommendations thereon to ensure their integrity, fairness and transparency.
2. Providing its technical opinion, at the request of the board, regarding whether the board's report and the company's financial statements are fair, balanced, understandable, and contain the information that allows shareholders and investors to access the company's financial position, performance, business model and its strategy.
3. Analyzing any important or non-familiar issues contained in the financial reports.
4. Accurately investigating any issues raised by the company's chief financial officer or any person assuming his / her duties or the company's compliance officer or the company's auditor.

5. Examining the accounting estimates in respect of significant matters that are contained in the financial reports.
6. Examining the accounting policies followed by the company and providing its opinion and recommendations to the board thereon.

B) Internal auditing

1. Examining and reviewing the company's internal and financial controls systems and risk management.
2. Analyzing the internal audit reports and following up on the implementation of the corrective measures in respect of the remarks made in such reports.
3. Monitoring and overseeing the performance and activities of the internal auditor and the internal audit unit to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties.
4. Developing a mechanism and policy which empowering the employees to report illegal or immoral practices within the company.
5. Recommending to the Board of Directors, the appointment of a manager for the internal audit department or the internal auditor and determining their remuneration.
6. Study the issues referred to the committee by the Board of Directors, and submit its recommendations to the Board to take a decision on them, or take decisions if the Board delegates it to do so.

C) The auditor

1. Providing the recommendations to the board to nominate the accounts auditors, dismiss them, determine their remunerations, and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts.
2. Verifying the independence of the accounts auditor, its objectivity, fairness, and effectiveness of the audit activities, considering the relevant rules and standards.
3. Reviewing the plan of the company's account auditor and its activities, and ensuring that it does not provide any technical or administrative works that are beyond its scope of work, and provide its opinion thereon.
4. Responding to the inquiries of the company's accounts auditor.
5. Reviewing the accounts auditor and its remarks on the financial statements, and following up the procedures taken in the connection therewith.

D) Ensuring compliance

1. Reviewing the findings of the reports of supervisory authorities and ensure that the company has taken the necessary actions in the connection therewith.
2. Ensuring the company's compliance with the relevant laws, regulations, policies, and instructions.
3. Reviewing the contracts and proposed related party transactions, and providing its recommendations to the board in connection therewith.
4. Bringing up issues that require action to the Board of Directors and providing recommendations on the necessary measures.

E) Verifying the matters referred to the committee by the Board of Directors and presenting recommendations to the Board for resolutions, or the committee may take the resolutions if delegated and authorized by the Board.

Article (10): Audit committee duties and responsibilities

1. The Audit Committee shall be accountable for auditing the company's financial statements, reports, and remarks provided by the auditors. The committee states its opinions on these issues, prepares a report on its assessment of the adequacy of the company's internal control law, and any other duties which are falling within its scope. In this respect, The Board of Directors shall deposit sufficient copies of this report at the company's headquarters at least 21 days before the General Assembly meeting, to provide the shareholders with a copy, and the report shall be read during the assembly meeting.
2. Committee members are required to attend all committee meetings and effectively participating in their activities, and notify the committee chairman in case of their absence of one of the meetings.
3. Members shall retain the confidentiality of the company's information.
4. Committee members can not participate in any executive work for the company or any activity that have conflict with their independence powers.
5. Committee members are request to enhance their performance and knowledge to achieve the company's interests.
6. Committee members shall perform credibility, trustworthiness, fairness, and independence in carrying out their duties and responsibilities.
7. Committee members shall be requested to disclose and state all personal dealings which are executed with the company, explaining their nature, and any personal relationships with the Board of Directors and executive management.
8. The committee shall discuss its performance at least once a year to analyze whether it is working in an effective way. The committee shall agree on procedures to improve and enhance its efficiency. A report on the committee's performance shall be submitted to the Board of Directors.
9. In event of discrepancy between the committee and external auditors, internal auditors, or management, the Board of Directors shall be notified to take actions.

Article (11): Audit committee acknowledgement

All members of the audit committee shall be requested to sign an acknowledgment in a good formula for the company, in which clarifying any financial or non-financial interests they deal with the company or any company within its groups before seniority as committee members.

Article (12): Arrangements for providing remarks

The audit committee shall develop arrangements that enable the company's employees to confidentially provide their remarks in respect of any inaccuracies in the company's financial reports or others. The audit committee shall ensure that such arrangements have been put into action through an adequate independent investigation in respect of the error, abuse of authority or violation, and shall adopt appropriate follow-up procedures.

Article (13): Powers of the audit committee

The audit committee shall have the following powers:-

1. The right to consider the company's records and documents.
2. The committee may request clarifications or statements from the board of directors or executive management.
3. The committee may request the Board to call for a general assembly meeting if the board hinders its work or if the company suffers serious damage or loss.
4. The committee is authorized to seek the assistance of experts and specialists, whether from within the company or from other company. This should be documented in the committee meeting minutes, including the name of the expert and their relationship with the company or executive management.

Article (14): Conflict between the committee and the board of directors

If the conflict arises between the recommendations of the audit committee and the board resolutions, or if the board refuses to put the committee's recommendations into actions as to appointing or dismissal of the company's accounts auditor or determining its remuneration, assessing its performance or appointing the internal auditor, the board's report shall include the committee's recommendations and justifications, and the reasons for not following such recommendations.

Article (15): Remuneration and compensation of the committee members

- 1) Members of the Audit Committee, including the committee chairman, are entitled to an annual reward without attendance allowance as stipulated in the remuneration and compensation policy for the Board of Directors and its subcommittees and the adopted policy by the General Assembly of shareholders.
- 2) A detailed disclosure of the compensations and remuneration for committee members shall be stated in the annual Board of Directors report submitted to the General Assembly as stipulated in the regulations outlined in the Corporate Governance Code issued by the Capital Market Authority, with a clear separation of allowances, compensations, and any financial or in-kind benefits for both internal and external committee members.

Article (16): The annual general assembly attendance

1. The committee chairman or whom is his place from the committee members shall attend the company's annual general meeting to answer shareholders inquiries related to the committee's activities.
2. The committee shall prepare an annual report expressing its opinion on the adequacy of the internal control law within the company and mentioning other duties within its jurisdiction.
3. Copies of the Audit Committee's report are provided at the company's headquarter by at least 21 days before holding the general meeting of shareholders.
4. The report shall be distributed to attending shareholders during the assembly. The Audit Committee's report shall be read during the general assembly meeting by the committee chairman or a delegated member.

Article (17): Confidentiality

Members of the Audit Committee shall maintain the confidentiality of the information they come across during their membership term and using solely for the purpose of performing their committee duties and responsibilities. The members shall not disclose or declare any of such information to any other party, or exploit it in any form, or use it for any purpose, or publishing in the media, or speak on behalf of the company. Members shall maintain the confidentiality of the information during their membership in the committee and upon its termination. In this regard, the members shall not disclose any information absolutely, and the responsibility of securing all committee documents, minutes, and any materials or data handed to them, whether manually or electronically, by the company or the committee secretary, continues even after the end of their membership term in the committee.

Article (18): The committee members and committee assessment

1. The Board of Directors shall conduct an annual assessment of the committee members and the committee in general to assess the way to which they have satisfied their duties and responsibilities.
2. The Nomination and Remuneration Committee may be advised in the assessment program.
3. An external advisor may be appointed by the Board to conduct the assessment if it see appropriate.

Article (19): The procedures of amendments to this charter

1. The Board of Directors may adopt any amendments to this charter at any time, upon receiving the recommendation of the Audit Committee, provided that they are adopted by the General Assembly of Shareholders
2. This charter shall be periodically audited by the Board of Directors and the Audit Committee. This consideration is most important in case of existing some changes in required regulations or changes in the company's policies that necessitate amendments to this charter.
3. All members of the Board of Directors, as well as committees affiliated from the Board and authorities related to the company, shall be notified of these charter or any amendments thereto.
4. This charter shall be applicable and enforceable as of their adoption.
5. This charter is drafted in both Arabic and English. In case of any discrepancy between the two texts, the Arabic text shall prevail.
6. This charter will be published on the company's website to enable stakeholders to access them.