

SAUDI RESEARCH & MARKETING
GROUP

Audit Committee Regulation

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Preface:

The audit committee is an important committee of listed public joint stock companies; For its substantive and effective role in the internal and external audit work, the internal control process, the development and follow-up of the systems and plans for these activities, and the commitment and conformity of the company with the established regulations and standards of the Kingdom of Saudi Arabia. The regulations of the Saudi Financial Market Authority and the Saudi Corporate System have accorded particular importance to the Audit Committee through its formation by the General Assembly of Shareholders; In accordance with the provisions of article ١٠١ of the Corporate Regulation, and strengthening of its framework and powers.

This regulation has been developed in the light of the regime of Saudi companies and the regulations of the Financial Market Authority, primarily the Regulation of Corporate Governance and other relevant draft regulations.

The following are the most prominent objectives of the committee:

Article ١ : The committee's objective:

١. Verification of the adequacy and adequacy of internal audit work by reviewing the effectiveness, completeness and adequacy of internal audit management arrangements.
٢. Verification of the full response of company management to the topics identified and monitored through the Committee's activity and operation in general, internal and external audit work and verification of its independence in particular.
٣. Verification of company acceptance and understanding of the role and value of internal audit work, through various mechanisms available, such as the annual internal audit report.
٤. Verification of compliance with regulations, laws, standards and policies relevant to its scope of work, functions and responsibilities.
٥. Ensure that company management develops, applies and develops appropriate systems and procedures to manage the risks to which the company is exposed, consistent with the strategies, policies, type of risks and limits adopted by the board of directors.

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Article ٧: The audit committee is formed in the Saudi Research and Marketing Group (the company) according to the following rules:

- A. The audit committee is formed by a decision of the company's ordinary general assembly; In accordance with the provisions of Article (١٠١) of the Companies Law, based on a nomination from the Board of Directors.
- B. The number of members of the audit committee shall not be less than three and not more than five, and among them shall be a specialist in financial and accounting affairs.
- C. The membership of the committee shall be made up of independent or non-executive board members, shareholders, or others, and the chairman of the company's board of directors may not be a member of the audit committee.
- D. The term of membership of the committee is three years, starting with the beginning of the company's board session and ending with the end of the company's board session, and the board may nominate them to the general assembly of shareholders for another similar period or periods.
- E. The members of the Committee shall select a Chairman from them.
- F. The Board shall appoint a Secretary of the Committee, whether or not he or she is a member of the management team of the company; preparing the meetings and work of the Committee, to prepare its records, preparing document them and to follow up on the implementation of its recommendations and directives, without the right to vote on its recommendations, directives and decisions.
- G. 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.

Article ٨: Committee work meetings and controls of its procedures

- A. The Audit Committee shall meet periodically (at least four times a year) and whenever necessary, and the minutes of its meetings, which shall contain a summary of its discussions, recommendations and guidance, shall be prepared.
- B. The audit committee meets periodically with the auditor of the company and with the internal auditor of the company.
- C. The internal auditor and auditor may request to meet with the Committee whenever necessary.
- D. The Committee may hold extraordinary meetings; As necessary, the Chairperson of the Committee or a majority of members are entitled to convene an extraordinary meeting; As required, the quorum of the meeting of the Committee shall be completed when the majority of its members are present.

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- E. The invitation to attend the meetings of the Committee shall be made in writing, by e-mail or by text message, at the phone of the member by the Chairman of the Committee, or by a member of the Committee or its Secretary, seven days before the meeting, and the members of the Committee shall be provided with the agenda of the meeting, the necessary presentations and documentation well in advance of the meeting.
- F. If the Chairman of the Committee cannot be present, it may authorize one of its members to preside over the specific meeting.
- F) If the member cannot attend the meeting of the Committee in originality, sufficient effort shall be made to enable him or her to attend through modern means of communication, in which case the presence of the member shall serve as the original present.
- G. **Subrogation:** If it is not possible for a member to be present at the original meeting, another member of the Committee may appoint him or her; on his/her behalf, the member of the Committee (present in originality) shall not be on behalf of more than one member in attendance at the same meeting.
- H. **Voting:** Each member of the Committee shall have one vote. The decisions of the Committee shall be made by a majority of the views of the members present and representatives at the meeting. If the votes are equal, the Chairman shall have a likely vote.
- I. The committee secretary prepares a draft of the committee's meeting minutes and sends it to the committee members. In order to review it and make any notes on it within seven days from the date of receiving the minutes by e-mail, and if there are no notes from the members, then this is considered a declaration by them with their approval, and the minutes of the committee's meetings are recorded in writing in a special record, signed by the members of the committee, its chairman, and the secretary Her secret, and keep those minutes with the important documents of the company.
- J. The Board of Directors shall follow up the work and performance of the Committee through its Chairman and through periodic reports to the Board of Directors of the company.
- K. No member of the Board of Directors or Executive Directorate, other than members of the Committee, shall be entitled to attend its meetings unless the Committee requests his or her opinion or advice.
- L. The Committee may hold its meeting by telephone, video or other modern technical means of allowing members to participate in the meeting remotely, in which members may be able to hear each other clearly, and any member who has not been

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able to attend for an acceptable excuse for the President of the Committee to participate in the meeting in the same manner, and participation as set out in this paragraph shall be a quorum and voting presence for the meeting.

Article ٤: Vacancy and penalties for committee members

If the position of a member of the committee becomes vacant for the period of membership, the board of directors has the right to appoint a member to the vacant position, and the new member completes the term of his predecessor, if this appointment is presented to the nearest general assembly.

Article ٥: The powers of the audit committee

- A. The Committee shall have the right to establish a working group emanating from it for any purpose it deems appropriate and in fulfilment of its objectives, and to grant its working group some of its powers and powers whenever it deems appropriate, provided that the membership of any working group emanating from this Committee shall not be less than two members.
- B. The audit committee is responsible for monitoring the company's business, and in order to perform its duties, it may:
 ١. Access to company records and documents.
 ٢. Request any clarification or statement from the members of the Board of Directors or executive management.
 ٣. To request the Board of Directors to convene the General Assembly of the company if its work is impeded or the company suffers substantial damage or loss.
 ٤. Interview with external auditors and company publishers - including internal references inquiring about the work of the audit and to give any notes in the scope of its work.
- C. The committee may seek the assistance of any member of the board of directors, the executive or the administrative body of the company, or any of the consultants associated with agreements or contracts with the company, and it may seek the assistance of individuals and specialized advisory bodies; For the purpose of obtaining advice or advice or carrying out research or studies in any matter it needs, which is related to its responsibilities and tasks, and the related fees shall be approved by the competent authority.
- D. In all its conventions, contracts and communications with those engaged in accordance with the provisions of paragraph (d) of this article, the Committee shall emphasize the obligation to preserve fully the company's secrets and not to make public any information or data obtained because of the Committee 's costly work.

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Article ٧: Functions and responsibilities of the Audit Committee

- A. Study of internal audit reports and follow-up on the implementation of corrective actions for the notes contained therein.
- B. Control and supervision (within the scope of its functions and competence) of the effectiveness of governance mechanisms, which regulate the relationship between the company and its subsidiaries, in a manner that does not conflict with the functions and competence of any other committee overseeing the application of governance mechanisms in the company.
- C. Audit and re-evaluate the adequacy of the tasks and the rules and regulations contained in these regulations from time to time and recommend any proposed changes around the Board of Directors, which is studied and recommendation of the General Assembly of shareholders.
- D. Control of the company's business and verify the safety and integrity of the reports, financial statements, and internal control systems which, including the functions of the Commission, in particular the following:
 - ١) **Financial reporting:**
 - a) Preliminary study of the annual financial statements of the company before submission to the Board of Directors, and to give its opinion and recommendation that; Guarantee integrity, fairness and transparency.
 - b) Provide technical opinion at the request of the Board of Directors as to 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 assess the financial position, performance, business model and strategy of the company.
 - c) Examine any important or unusual issues in the financial reports. D) Carefully examine any issues raised by the company's finance director, its operator, its liability officer or the auditor.
 - d) Verify the accounting estimates on the substantive issues contained in the financial reports.
 - e) To examine the accounting policies of the company, to express an opinion and to recommend them to the Board of Directors.
 - ٢) **Internal audit:**
 - a) Studying and reviewing internal control systems and financial and risk management in the company.
 - b) Study of internal audit reports and follow-up on the implementation of corrective actions for the notes contained therein.
 - c) Control and supervision of the performance and activities of the internal auditor and the internal audit department of the company; to verify the

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availability of the necessary resources and their effectiveness in the performance of the work and tasks entrusted to them.

- d) Recommendation to the Board of Directors the appointment or removal of a unit manager or his or her removal, internal audit department or internal auditor, and to propose his or her remuneration.

ر) Auditor:

- a) Recommendation of the Board of Directors and the nomination of isolating them and determine their remuneration and assessment of their performance, after confirming their independence, and an audit of the scope of their work, and the terms of the contract with them.
- b) Verification of the auditor's independence, objectivity and fairness and the effectiveness of the audit work, taking into account the rules and standards relevant.
- c) Audit the plan and work of the auditor of the company, verify that he or she has not submitted works of art or management that are outside the scope of the audit work, and demonstrate his or her views thereon.
- d) Answering company auditor's queries.
- e) Study of the auditor's report and observations on the financial statements, and follow-up on their adoption.

س) Ensure compliance:

- a) Review the results of the control reports and verify that the company has taken the necessary action.
- b) Verification of the company's compliance with regulations, regulations, policies and instructions relating to its scope of operation.
- c) Review the proposed contracts and dealings of the company with the relevant parties and submit its views thereon to the Board of Directors.
- d) Audit of corporate management and control of corporate risk assessment, risk management strategy and controls.
- e) Submit to Board of Directors, within the scope of its work, any matters it considers necessary for action and make recommendations for it.
- f) In addition to: Other functions assigned to it by Board of Directors.

Article ٧: Audit Committee Report

- A. The committee issues an annual report that includes a comprehensive summary of its work, performance, and most prominent achievements, and how to perform its competencies and tasks, in light of the requirements, standards, and determinants of the contents and requirements of this report, and as required by professional custom and good practices, for presentation to the General Assembly of shareholders in accordance

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with The method specified by the Saudi Companies Law or any other regulations issued by the competent legislature and best practices in this regard.

- B. The Board of Directors shall deposit sufficient copies of the audit committee's report in the company's headquarters, and it must be published on the company's website and the market's website when publishing the invitation to convene the general assembly. Enabling shareholders who wish to obtain a copy of it and the summary of the report is read during the General Assembly.

Article ٨: Arrangements for submitting comments

The Audit Committee shall establish a mechanism to allow employees of the company to submit their observations on any abuse of financial or other reports in confidence. The Commission must investigate the application of this mechanism by conducting an independent investigation commensurate with the scale of the error or the overrun and adopt appropriate follow-up procedures.

Article ٩: Remuneration for members of the audit committee

The value (compensation/awards) shall be determined in accordance with the compensation and compensation policy of the members of the Board of Director, its committees and executive management approved by the General Assembly.

Article ١٠: 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 the Board refuses to follow the recommendation of the Committee concerning the appointment, dismissal, fee determination, performance evaluation or appointment of the internal auditor, the recommendation and justification of the Board of Directors must be included in the report of the Committee and the reasons for its failure to do so.

Article ١١: Final Provisions (Publication, Enforcement, and Amendment):

The regulations, stated previously, shall be enforced and adhered to by the company starting from the date of its approval by the general assembly of shareholders, and the contents of these regulations are reviewed and amended - according to the need based on the recommendation of the board of directors or the committee, if any proposed amendment to it shall be submitted to the general assembly of shareholders at its nearest meeting for approval.

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