

# **AUDIT COMMITTEE CHARTER**

**BinDawood Holding Company**

**2023**

**V.03**

## Preamble

The objective of this charter is to regulate the Audit Committee " the Committee" function, with reference to Article 51 point ( e ) of the Corporate Governance Regulations issued by the Capital Markets Authority "CMA" which states that *"The Company's General Assembly shall, upon a recommendation of the Board, issue a regulation for the audit committee which shall include the rules and procedures for the activities and duties of the committee, the rules for selecting its members, the means of their nomination, the term of their membership, their remunerations, and the mechanism of appointing temporary members in case a seat in the committee becomes vacant"*.

Considering that there is no conflict in the functions of the committee; and to support the Committee in its roles, the Board of Directors of BinDawood Holding Company "the Company" has decided that the Committee shall also be assigned with all responsibilities of the Risk Management Committee, that is stipulated under Article 68 of the Corporate Governance Regulations issued by the Capital Markets Authority "CMA".

This Charter contains all provisions related to the remit of the Audit Committee, which was previously approved under the Company Governance Policy "Governance Manual" Point ( 1-9 ) in addition to Risk Management Committee Responsibilities.

## 1. Audit Committee Duties and Responsibilities

The Audit Committee specializes in monitoring the Company's business conduct and verifying the integrity of its reports, financial statements and internal control policies; in particular, the Committee's duties and responsibilities include:

### Concerning Financial Reporting

1. Analysing the Company's interim and annual financial statements before presenting them to the Board and providing an opinion and recommendations thereon to ensure their integrity, fairness and transparency.
2. Providing its technical opinion, at the request of the Board, on whether the Board's Report and the Company's financial statements are fair, balanced, understandable,

and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model, and strategy.

3. Analysing any important or non-familiar issues contained in the financial reports.
4. Accurately Investigating any issues raised by the Company's CFO or any person assuming his/her duties or the Company's Compliance officer or external auditor.
5. Examining the accounting estimates in respect of significant matters that are contained in the financial reports.
6. Analysing the accounting policies followed by the Company and providing its opinion and recommendations to the Board

### **Concerning Internal Audit**

1. Examining and review the Company's internal and financial control systems and risk management systems.
2. Analysing the internal audit reports and follow up on the implementation of corrective measures in respect of the remarks made in such report
3. Monitoring and overseeing the performance and activities of internal audit and Internal Audit Department in the Company to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties of the work and tasks assigned to it.
4. Providing recommendations to the Board on appointing the internal audit unit or department, or the internal auditor, and suggest his/her remuneration.

### **Concerning External Auditor**

1. Providing recommendation to the Board to nominate auditors, dismiss them, determine their remuneration and assess their performance, after verifying their independence and reviewing their scope of work and the terms of their contracts.
2. Verifying the External Auditor's independence, objectivity, and fairness, and the effectiveness of the audit work, taking into account the relevant rules and standards.
3. Reviewing the plan of the Company's Auditor audits activities, and ensuring that it does not provide technical or administrative work that is beyond the scope of the audit work, and provide its opinion on it.
4. Responding to the Company's External Auditor's inquiries.

5. Reviewing the External Auditor's Reports and its comments on the financial statements, and following up on the procedures taken in connection therewith.

## **Concerning Compliance**

1. Reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in 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 provide its recommendations to the Board in connection therewith.
4. Reporting to the Board any issues in connection with what it deems necessary to take action, and provide recommendations as to the steps that should be taken.

## **Concerning Risk Management**

1. Developing a strategy and comprehensive policies for risk management that are consistent with the nature and volume of the Company's activities, Monitoring their implementation, and reviewing and updating them based on the Company's internal and external changing factors;
2. Determining and maintaining an acceptable level of risk that may be faced by the Company and ensuring that the Company does not go beyond such level;
3. Ensuring the feasibility of the Company continuation, the successful continuity of its activities and determining the risks that threaten its existence during the following twelve (12) months;
4. Overseeing the Company's risk management system and assessing the effectiveness of the systems and mechanisms for determining and monitoring the risks that threaten the Company in order to determine areas of inadequacy therein;
5. Regularly reassessing the Company's ability to take risks and be exposed to such risks (through stress tests as an example);
6. Preparing detailed reports on the exposure to risks and the recommended measures to manage such risks, and presenting them to the Board;
7. Providing recommendations to the Board on matters related to risk management;
8. Ensuring the availability of adequate resources, and systems for risk management;

9. Reviewing the organizational structure for risk management and providing recommendations regarding the same before approval by the Board;
10. Verifying the independence of the risk management employees from activities that may expose the company to risk.
11. Ensuring that the risk management employees understand the risks threatening the Company and seeking to raise awareness of the culture of risk.
12. Providing Advice in regards to the appointment or removal of the Risk Management Manager

### **Other Duties:**

1. Develop arrangements that enable the Company's employees to confidentially provide their remarks in respect of any inaccuracies in the financial reports or other topics. The audit committee shall ensure that such arrangements have been put into action through an adequate independent investigation in respect of the error or inaccuracy, and shall adopt appropriate follow-up procedures.
2. The Committee should evaluate its performance regularly; the evaluation criteria should include as an example the Committee's effectiveness in executing its assigned duties.

## **2. Audit Committee Formation and Membership Conditions**

1. The Audit Committee is one of the Committees emanating from the Board of Directors, and the Committee consists of (3) three Shareholders or others, including at least one independent member and not any of the executive board members.
2. Independent Member Conditions is:
  - He/she doesn't hold five percent or more of the shares of the Company or any other company within its group; and doesn't has a relative of who owns such percentage.
  - He/she is not a relative of any member of the Board of the Company, or any other company within the Company's group;
  - He/she is not a relative of any Senior Executive of the Company, or of any other company within the Company's group;
  - He/she is not a Board member of any company within the group of the Company for which he/she is nominated to be a Board member.

- He/she is not an employee or used to be an employee, during the preceding two years, of the Company, of any party dealing with the Company or any company within its group, and he/she, during the preceding two years, didn't hold a controlling interest in the company or any party dealing with the company or any company within its group such as external auditors or main suppliers.
- He/she has not a direct or indirect interest in the businesses and contracts executed for the Company's account;
- Doesn't receive as a member of the Board financial consideration from the Company in addition to the remuneration for his/her membership of the Board or any of its committees exceeding an amount of (SAR 200,000) or 50% of his/her remuneration of the last year for the membership of the board or any of its committees, whichever is less.
- He/she doesn't engage in a business where he competes with the Company, and doesn't conduct businesses in any of the company's activities.
- He/she didn't serve for more than nine years, consecutive or inconsecutive, as a Board member of the Company.

3. The Committee must also include at least one-member specializing in finance and accounting and it is not permissible for a member 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 External Auditor, to be a member of the Audit Committee.

4. The member is considered specialized in financial and accounting affairs if any of the following criteria are met:

- Holds Ph.D. in accounting or its equivalent, and at least two years of practical experience in Accounting and Auditing, reduced to one year if he/she holds a Fellowship of the Saudi Organization for Certified Public Accountants or any similar professional qualification approved by the CMA (or),
- Holds Master's degree in accounting or its equivalent, and at least five years of practical experience in Accounting and Auditing, reduced to three years if he/she holds a Fellowship of the Saudi Organization for Certified Public Accountants or any similar professional qualification approved by the CMA (or),

- Holds bachelor's degree in Accounting or its equivalent and at least seven years of practical experience in Accounting and Auditing, reduced to five years if he/she holds a Fellowship of the Saudi Organization for Certified Public Accountants or any similar professional qualification approved by the CMA.'

5. A member of the audit committee shall not be a member of the audit committees of more than five listed joint stock companies at the same time.

### **3. Appointing or removing Members of the Audit Committee and the Membership Term**

Subject to the qualification requirements for membership in the Audit Committee, the Audit committee shall be formed by a decision of the Company's Board of Directors for a period of four years maximum. The board of directors shall take the necessary measures to enable the Committee to carry out its functions, including providing the Committee, in an unrestricted way, with all data, information, reports, records, correspondence, or other matters which the Committee deems necessary.

1. A committee member may be reappointed for another term.
2. Any member of the Committee may be exempted by the decision of the Board in the following cases:
  - The member requested to be relieved from the Committee's membership duties.
  - The members abuse of his Committee position or misconduct occurs which the Board deems detrimental to the objectives and reputation of the Company in general and the Committee in particular.
  - The absence of a member for three consecutive meetings without valid excuse accepted by the Board of Directors.
  - Failure to satisfy any of the membership requirements.
3. Upon expiry of a membership during the Committee's term, due to death, resignation, disability or termination, then the Board shall appoint another member to fill the vacancy, taking into account the relevant Committee's membership requirements. The combined terms of the member whose seat was vacated and the new replacement member, shall be deemed to represent one full term.

#### **4. Audit Committee Powers and work Methodology**

1. Based on a proposal from the Board of directors, The General Assembly shall issue the Audit committee Charter, which shall include the rules and procedures governing the committees work, its functions, member selection rules, how they are nominated, the duration of their membership, their remuneration, and the mechanism of appointing their members temporarily in the event of the vacancy of one of the seats of the Committee, furthermore, the charter of the Audit Committee derives its articles from the Company's bylaws and KSA regulations and laws.
2. The Audit Committee shall draft a report include details of its performance of its competencies and duties stated in these charter, provided that the report contains its recommendations and its opinion regarding the adequacy of the Company's internal and financial control systems and risk management systems in the Company, and the Board of Directors shall make it available at the company Head office sufficient copies of the report and publish it on the Company's and Tadawul website, upon publication of the invitation to convene the General Assembly, which should be published at least 21 days before the General Assembly to provide each shareholder with a copy of it, and the summary of the report shall be read during the General Assembly.
3. The Committee meets at the request of at least two members or the request of the internal auditor or external auditor, and the Committee meets periodically at least four times a year and whenever necessary.
4. The quorum is completed in the presence of a majority of the members in the session and the decisions of the Committee are voted on by a majority vote.
5. Each member has one vote when the decisions of the Committee are voted on, and decisions are taken by a majority vote, if there is a dissenting member then he can record his objection in the minutes and has the right to share it independently with the Board if feels it is needed.
6. The Committee shall organize regular one-on-one periodic meetings with the Internal Audit Management, Risk Management and Company's Management.



7. Non-members of the Committee are not entitled to attend its meetings. Nevertheless, the Committee may - – at its discretion - allow the presence of any member of the Board of Directors or members of the Executive Management.
8. The certified accountant shall be invited to attend the Committee meetings on a regular basis.
9. In case of conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors, or if the Board refuses to accept the Committee's recommendation on the appointment of the Company's auditor, dismissal, fees, performance, evaluation or the appointment of the internal auditor, then the Board's report shall include the Committee's recommendation with justifications and reasoning for not following it.
10. In order for the Audit Committee to perform its work it has the right to:
  - Be entitled to access to Company records and documents.
  - Request any clarification or statement from Board Members or Executive Management.
  - Request the Board of Directors to invite the General Assembly of the Company to convene if the Board of Directors obstructs its work or suffers serious damage or losses.

## **5. Competencies of the Chairman, Vice-Chairman and Secretary of the Committee:**

1. The Committee's members shall choose from among them the Chairman for the duration of the Committee term, who shall supervise the completion of the committee tasks and shall in particular, do the following:
  - Call the Committee to meet and determine the time, date and place and agenda of each of the Committee meetings in coordination with the members of the Committee.
  - Preside committee meetings.
  - Submit the results of the Committee's work and recommendations to the Board of Directors.
  - in coordination with the Secretary of the Committee, draft a periodic reports on the Committees activities and submit them to the Committee for approval prior to referring them to the Board of Directors.

- Representing the Committee in front of the Board and and/or any other authority that requires.

3. The Committee secretary who is appointed by the Committee and his remuneration are determined during the Committee's meetings, attends the meeting without having the right to vote, the Secretary shall prepare meeting minutes, inform the members of the meeting dates and agenda, and undertake all the administrative work of the Committee. When choosing the Committee's secretary, it shall be taken into consideration that the secretary has the academic qualification and practical experience that enables him to carry out the tasks entrusted to him. The secretary of the Committee is also obligated to preserve the secrets of the Company and refrain from practicing any activity that may be inconsistent with the interest of the Company.

4. The Secretary will be responsible for preparing the minutes of all meetings within two weeks of the said meeting and ensuring that these minutes are approved by all members within further two weeks from the date of sending it to the members.

## **6. Determining the Remuneration of the Audit Committee**

1. A member of the Committee is entitled to an attendance allowance for each meeting, according to the Remuneration Policy for the Board of Directors, its Committees and the Executive Management.
2. The Annual Board of Directors Report to the General Assembly discloses all what was paid to the committee members, in addition to detailed information about the attendance of the meetings attended by each member, and his-her remuneration entitled to for his-her membership in the committee, in addition to all attendance allowances that are paid to the members of the Committee during the year.

## **7. Conflict of Interest**

The Committee member should adhere to the following:

1. Protect the company benefits and the perceived Public benefits and prioritize it to any personal benefit, take whatever necessary actions to avoid direct and

indirect conflict of interest, and ensure it will not occur as much as possible, and comply with the charter requirements if it occurred.

2. Not use their membership in the committee or any information's gained by this membership for their personal use or for the member's relatives or connections, and not to use the authorities that they have to achieve any personal benefits, and not to prioritize personal benefit on companies benefit or public benefit.
3. Not to accept, receive or request any benefit under any kind either physical or financial, or hospitality services or gifts from others because of their membership in the committee, either direct or indirect way.
4. Declare immediately about any conflict of interest - direct or indirect way – in any matter or subject presented to the committee, this declaration should be documented in the minutes of meeting, the member who declares the conflict of interest shouldn't attend the meeting related or participate or vote on its decisions.

## **8. Effective date**

1. This Charter shall come into effect as of the date of its approval by the General Assembly of Shareholders, and in the event of any conflict between this Charter and the Company's Governance Manual and Policy, the provisions of this Charter shall apply.
2. The content of this Charter shall be reviewed periodically for any updates and amendments in alignment with the related rules and regulations. No any amendments should be made unless recommended by the Board of directors based on Audit Committee suggestion, and it should then be approved by the General Assembly at its next meeting.