

# Board Audit Committee Charter



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## 1- Introduction

- 1-1 The Audit Committee ("Committee") shall carry out the duties stated in this Charter according to Corporate Governance Document issued by the Capital Market Authority, to ensure the Company's activities are aligned with the best practices in the field of Corporate Governance.
- 1-2 The Charter shall state the Committee's scope of work, structure, and mandate including implementation mechanisms.
- 1-3 To ensure Company's alignment with best practices in corporate governance, the Committee shall periodically review this charter, and submit its recommendations to the Board of Directors "Board" to approve any necessary amendments in preparation for the adoption by the General Assembly, in accordance with the applicable rules and regulations.
- 1-4 The Board shall assess the Committee performance on a regular basis, and submit any recommendation for improving the Committee's performance.

## 2- Committee Mandates

The Committee shall carry out all the assigned mandates, submit its recommendations to the Board, and shall maintain channels of direct communication with the Board and the Committee mandates in monitoring the Company's activities and to ensure the effectiveness and the efficiency of the internal control in the Company, as well as presenting the related opinions and recommendations, and the Committee mandates and tasks shall exclusively include:

- 2-1 Financial Reports:
  - 2-1-1 The Committee shall study the interim and annual financial statements of the Company before presenting it to the Board and giving its opinion and recommendation, to ensure its integrity, objectivity, and transparency.
  - 2-1-2 Give technical opinion – based on the Board's request – whether the Board's reports and the Company's financial statements are fair, balanced, well understood, and includes the information that the financial position, performance, operating model, and strategy of the organization.
  - 2-1-3 Studying of any important and uncommon cases included in the financial statement.
  - 2-1-4 Searching accurately in any case issued by the Group Chief Financial Officer of the Company or whom he/ she delegates or the compliance officer in the Company or the external auditor.
  - 2-1-5 Validating of accounting estimates in substantial cases mentioned in the financial statements.
  - 2-1-6 Studying the followed accounting policies in the Company and giving opinions and recommendations.
- 2-2 Internal Control System:

- 2-2-1 Monitoring the Company's activities by supervision on the control entities and direct supervision on the Internal Audit Unit.
- 2-2-2 Ensure the effectiveness and efficiency of the internal controls and prepare a written report, which includes its recommendations and opinions on the effectiveness of such system and the activities done within its scope of competency. In addition, the Board shall submit a sufficient number of copies of the report to the Company's headquarters within at least twenty-one days (21) before the General Assembly meeting; to provide the shareholders with a copy if needed, and it shall be read during the Assembly meeting.
- 2-2-3 Reviewing the Executive management reports on the internal control and its components and Provide opinion / comments to the board.
- 2-2-4 Study subjects / matters assigned by the Board for recommendation.
- 2-2-5 The Committee can request any clarification or statement from the Board members or the Executive Management.
- 2-2-6 The Committee can request the Board to call for a General Assembly Meeting if its activities have been impeded or if the Company has suffered significant losses and damages.
- 2-3 Internal Audit:
  - 2-3-1 Study and review the internal control, financial, and the Risk Management in the Company.
  - 2-3-2 Study Internal Audit reports and follow up on the execution of the action plan.
  - 2-3-3 Oversees and monitor the performance and activities of the Group Chief Internal Audit Officer and the Internal Audit Management in the Company to ensure the availability of the necessary resources and its effectiveness on performing its assigned tasks and duties. If the Company does not have a Group Chief Internal Audit Officer, the Committee shall present a recommendation to the Board for the need to assign one.
  - 2-3-4 Recommend to the Board to assign Group Chief Internal Audit Officer and propose his compensation.
- 2-4 Subsidiaries:
  - 2-4-1 Ensuring the procedure effectiveness of forming and performance of Audit Committees in the Subsidiary Companies and according to the shareholder agreements.
  - 2-4-2 Ensuring the efficiency of the Internal Audit in the subsidiaries through reviewing annual evaluation for quality of the Internal Audit of the fully owned Companies, or according to shareholder agreements, and submit to the Board of its opinion.
  - 2-4-3 Ensure the mechanism to nominate and assign the external Audit for fully owned Companies, or according to the shareholder agreements, and to submit to the Board of its opinion.
  - 2-4-4 Receive necessary and appropriate assurance from the Audit Committees in Subsidiary Companies on the effectiveness and safety of the internal control system in accordance to the followed regulations and partners' agreements.

- 2-4-5 Approve Audit general framework and protocol between Internal Audit management, Audit Committees, and Internal Audit management in fully owned or controlled Subsidiary Companies, or according to the partners' agreements.
- 2-4-6 Study suggested Audit engagements from the Internal Audit management to implement such engagements on the Subsidiary Companies and to coordinate with Audit Committees in fully owned or controlled subsidiaries or according to the shareholder agreements.
- 2-5 External Auditor:
- 2-5-1 Recommendation to the Board to nominate, isolate, determine the remuneration, and evaluate the performance of the External Audit after ensuring of their independence and review the scope of their work and terms of contract.
- 2-5-2 Ensure the independence of the External Audit and his objectivity and fairness and the effectiveness of the Audit's work, in accordance to the related rules and standards.
- 2-5-3 Review the scope and plan of the External Audit, and ensuring the none existence of technical or managerial work out of the Audit scope of work, and give opinions on such matters.
- 2-5-4 Ensure the answer of the External Audit inquiries.
- 2-5-5 Study the External Audit reports and notes on the financial reports and follow up on it.
- 2-6 Compliance Assurance :
- 2-6-1 Oversee the Management team's execution of the compliance strategy and annual compliance plans through the periodic reports, and ensure addressing the evolving external regulations, while the Audit of Compliance function should be conducted by an independent third party assigned by the Board Risk Committee
- 2-6-2 Review report results of regulators and ensuring the Company takes the needed actions on it.
- 2-6-3 Ensure the Company's Compliance to the related regulations, charters, policies, and instructions.
- 2-6-4 Review the suggested contracts and deals for the Company to implement it with the related parties, as well as give opinions about it to the Board.
- 2-6-5 Submit important cases to the Board, and give recommendations about such actions.
- 2-7 Business Integrity:
- 2-7-1 Supervision on the effectiveness of the Executive management and the External Audit in performing their responsibilities on anti-fraud and corruption as well as approve the Anti-fraud and corruption policy.
- 2-7-2 Enquire and Receive reports from the Executive Management and the External Audit on any substantial fraud or corruption and includes the management or employees that have a fundamental role in the internal control system of the Company, and give appropriate recommendations to the Board.

- 2-7-3 The Audit Committee shall investigate if there was a remunerations of the members of the Board of Directors has been paid based on incorrect or misleading information the committee should provide the board its opinion on such cases.
- 2-8 Submission of notes arrangements:
- 2-8-1 The Committee shall set a mechanism for the Company's employees for presenting their notes on violations in the financial reports or others in secrecy and the Committee shall also ensure of the implementation of such mechanism by conducting independent investigation that aligns with the mistake volume or violation and further suitable actions shall be made.
- 2-9 Occurrence of conflict between the Committee and the Board:
- 2-9-1 If a conflict occurred between the Committee's recommendations and the Board's decisions, or if the Board refused the recommendation of the Committee on assigning the External Auditor, isolate him, determine his remuneration and evaluate his performance or assigning the Internal Audit Manager, then the Board shall justify and give the reasons for not accepting such recommendations.

### **3- Committee Structure**

- 3-1 Committee Formation:
- 3-1-1 An Audit Committee shall be formed by a resolution of the Board of Directors. Such Committee shall comprise from 3 to 5 members who shall be non-Executive Board Directors, whether from Shareholders or the others. and one of its members should be specialized in finance and accounting. The Company's General Assembly shall, upon a recommendation of the Board, issue a charter 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.
- 3-1-2 It is illegal for someone who works or used to work during the past two years in the Executive Management or the Financial Management of the Company or for the External Audit, to be a member in the Committee.
- 3-1-3 The Chairman is Independent Director.
- 3-2 Committee Members' Commitment:
- 3-2-1 Commitment to attending Committees' meetings and effectively participating in its activities, and notify the Committee Chairman in his absence of one of the meetings.
- 3-2-2 Attending of Committee's Manager or his representative to answer Shareholder's questions.
- 3-2-3 Maintain Company's secrets, and the Committee's member may not disclose to the shareholders, in other than the General Assembly, or other, the secrets he

discovered from doing his job or else he shall be relieved from duties, as well as the demand for compensation for any damages may have occurred.

- 3-2-4 The prohibition to do any Executive work in the Company.
- 3-2-5 To take required professional care to perform the assigned duties, and to keep up with the related updates in the Company's activities.
- 3-2-6 To be known for his fairness, integrity, honesty, objectivity, and independence, and to have no personal interest and shall not let his judgement gets affected by other's opinions.
- 3-2-7 Does not participate directly or indirectly in any activity that is considered dishonorable and dishonest.
- 3-2-8 Does not accept anything of value from any employee, affiliate, client, distributor, or any person who has a relation with the Company's work that can threaten the independence of the Committee member in any way or effects or should effect his decisions.
- 3-2-9 Disclose to the Board about the operations that was made between him and the Company and the nature of it, as well as disclosing the relationship that connects him with the Board and the Executive Managers in the Company in accordance to the Company's approved Code of Conduct Policy.
- 3-3 Committee Chairman:
  - 3-3-1 The Committee members chooses from among them a Chairman for the Committee's membership period, and the Committee Chairman shall undertake the supervision on the Committees' task accomplishments in particular the following:
    - a. Organize the Committees meetings and determine the time, date, and place for each meeting as well as specify the agenda of its meetings after the coordination with the Committee members.
    - b. Leading the Committee meetings, and submit its activities' results and recommendations to the Board.
    - c. The supervision on preparing periodic reports for the Committee's activities in coordination with the Committee's Secretary and presenting of such reports to the Committee before submitting it to the Board, after the approval of the Committee, and attached to these reports are copies of the Committees' minutes of meetings.
    - d. The Committee Chairman or whom in his place from the Committee members shall attend the General Assembly meetings to answering shareholder questions.
    - e. Represent the Committee in front of the Board or any other side that is needed.
- 3-4 Committee Secretary:
  - 3-4-1 stc Board Secretary shall carry out the Committee's secretarial duties. The Committee may appoint a Secretary from its members, provided that he/she meets

the appropriate requirements as stipulated in the Corporate Governance Regulations issued by the Capital Market Authority and who shall be responsible for documenting the Committee meeting minutes, which shall include the discussions and deliberations carried during meetings, as well as the place, date, times on which the meetings commenced and concluded; and record the decisions of the Committee and voting results and retaining them in a special and organized register, and including the names of the attendees and the reservations they expressed (if any). Such minutes shall be signed by all of the attending members.

- 3-4-2 The Committee Secretary shall provide the Committee members with the agenda of the Committee meeting and related worksheets, documents and information and any additional information, related to the topics included in the agenda items, requested by any Committee member before at least five calendar days of the date specified for the meeting.
- 3-4-3 The Committee Secretary shall notify the Committee members of the dates of the Committee's meetings within a sufficient period.
- 3-4-4 The Committee Secretary shall submit regular reports on the Committee's activities and works to the Board. The Committee Secretary shall also carry out any and all other duties assigned to him by the Committee.
- 3-4-5 The Committee Secretary cannot participate in any of the Committee decisions or in voting.
- 3-5 Invitees:
- 3-5-1 Only Committee members can attend its meetings. The Committee however, may invite other persons to attend any of its meetings or a part thereof as necessary, and those invitees shall not be entitled to vote at such meetings on any decision the Committee takes thereon.
- 3-5-2 Invitees may not take part in any discussion related to their appointment, benefits, terminating their services or any other matter related to them unless the Committee has invited them to discuss such matters specifically with them.
- 3-5-3 Committee members and other persons invited to the Committee meetings shall maintain the confidentiality of such meetings, the documents and information that is shared with them, the contents of its discussions, and reviewing of documents of which the attendees have become aware of.
- 3-6 Committee Term:
- 3-6-1 The enactment date of the Committee is the formation date and shall end either on the expiry of the Board's term or the formal termination of the Committee by the Board. The Committee's term must be consistent with the duration of the Board tenure.
- 3-7 Termination of Committee Services:
- 3-7-1 The Board can terminate all/any Committee's members when the member(s) abuse their position in the Committee or the Board deems their conduct as damaging to the Company's goals and reputation.

- 3-7-2 A Committee member may resign by delivering a written notice to the Board Committee Chairman. Such resignation shall become effective as of the date of delivering the said notice, unless the notice specifies a later time for the resignation to be effective.
- 3-7-3 A member loses his membership if he/she misses three consecutive meetings without prior permission from the Committee chairman or is unable to provide a legitimate excuse of absence acceptable to the majority of the attending Committee members.
- 3-7-4 The Committee may nominate a replacement member from among the Board members to be approved by the Board for a vacant position in the Committee. The new member shall complete the remaining duration of the replaced member's term taking into consideration the requirements that should be fulfilled by the Committee member.
- 3-8 Remunerations and Compensation of Committee Members:
- 3-8-1 Each Committee member shall be given annual rewards, attendance allowance, and other allowances as provided for in the Company's Articles of Association, the policy of "Nomination of STC Board of Directors, Board Committees Members, their Remuneration, and Reward of Executive Management".
- 3-8-2 The Committee members shall be eligible for a compensation for the expenses they experience to attend Committee meetings from their places of residence to the Company head office, or to the place where the meetings are held, in addition to any other costs related to accommodation and transportation in accordance with the Company related policy.
- 3-9 The Committee Meetings:
- 3-9-1 Meeting Invitation:
- a. The Committee shall meet as per Committee chairman request or upon a written request from two of its members to the Committee Chairman.
  - b. The Committee shall meet at minimum Four times per year, or as necessary.
  - c. In a Committee meeting, if a member cannot attend in person, he may take part in its deliberations and vote on proposed resolutions using one of the modern technological means subject.
  - d. The invitations to the meeting shall be sent to each Committee member with sufficient notice time. Such an invitation shall be accompanied with the agenda and documents to be discussed at the meeting, and shall specify the time, date and place of the meeting.
  - e. Committee meetings shall be held at the Company head office or at any other place the Committee members select.
  - f. The audit committee shall convene periodically with the Company's external auditor and internal auditor, if any.
  - g. The internal auditor and the external auditor may call for a meeting with the audit at any time as may be necessary.
- 3-9-2 Quorum and Voting:

- a. A Committee meeting shall not be a valid meeting unless attended by the majority of the Committee members.
- b. A Committee member cannot assign another member to attend a Committee meeting on his behalf or to vote on his behalf.
- c. Committee decisions shall be approved by majority of the members present at the meeting. In case of equal votes, the decision voted by the Chairman shall be final or he may postpone the decision for further study.
- d. The Committee cannot issue its decisions by offering them to its members separately except in cases of urgent matters. Such decisions shall be considered valid and effective in case of the consent of at least two-thirds of the members unless for the request of one of the members for a meeting to review them. The decisions shall be put forward to the Committee's next first meeting for recording it in the minutes of the meeting.

#### 3-9-3 Meeting Agenda:

The Committee Secretary shall, in coordination with the Committee chairman and the Executive Management and the Internal Audit, prepare the agenda of the Committee meeting and schedule the topics to be discussed according to their significance and priority, which shall be revised and approved by the Committee chairman before being distributed to Committee members.

#### 3-9-4 Minutes of Meeting:

- a. The Committee Secretary shall prepare and send to the Committee members the first draft of the Minutes of meeting within five business days.
- b. The Committee members shall submit their feedback and remarks on the minutes within a sufficient time from receiving the first draft of such minutes by the Committee Secretary.
- c. Each member would have the right to object towards any decision issued by the Committee through declaring the reasons of objection. If any member leaves before the meeting is declared adjourned, the objection of the member, if any, would be limited to decisions on articles discussed while the member was present. Provided the minutes should refer clearly to non-attended discussed articles, in case the member expresses his interest in doing so in writing.
- d. The Committee Secretary shall amend the first draft minutes of meeting according to the committee members' feedback to finalize the minutes.
- e. The Committee members shall submit their feedback and remarks on the minutes within two business days of receiving the second draft by the Committee Secretary.
- f. The Committee Secretary shall prepare the final version of the minutes, which shall be considered official once signed by all attending members and the Committee Secretary.
- g. The Committee Secretary shall send the approved minutes to the Committee members.

- h. In case a Committee member wishes to add his/her feedback into the minutes of the meeting following the present meeting as one of the main topics, he/she would have to coordinate with the Committee chairman to schedule it in the meeting agenda.
- i. The Committee shall follow up the implementation of the decisions it made and on any other topics discussed in previous meetings.

#### **4- Reports:**

- 4-1 Once approved, the minutes of the Committee meeting shall be accessible to any Board member along with the related documents.
- 4-2 The Committee shall provide recommendations to the Board regarding matters within the mandate of the Board of Directors, which affect the Committee duties.
- 4-3 The Audit Committee report shall include details of its performance of its competencies and duties stated in the Companies Law and its Implementing Regulations. In addition, the report contains its recommendations and opinion on the adequacy of the company's internal and financial control systems and risk management systems.
- 4-4 The Board shall make sufficient copies of the audit committees' report at the Company's head office and publish them on the Company's and the Exchange's websites when publishing the invitation to convene the General Assembly to enable shareholders to get a copy thereof. In addition, a summary of the report shall be read at the General Assembly.

#### **5- Resources and Sources of Information:**

- 5-1 The Committee shall have access to any and all resources and information necessary for properly carrying out its functions, duties, and responsibilities.
- 5-2 The Committee shall be entitled to approve a consulting project contracts, directly, or direct Executive Management to award a consulting projects contract to a consulting firm that the Committee has chosen as the most suitable and fitting the nature of duties and responsibilities assigned to the Committee, in all such cases, the application of the company's Procurement Policy shall not be required.

#### **6- General Provisions**

- 6-1 This Charter shall be effective as of the date of its approval by the General Assembly. No articles of this Charter shall be amended, omitted, or added thereto except upon the General Assembly's approval.
- 6-2 This Charter shall be complementary to STC Incorporation Document, STC Governance Document, Board of Directors Charter, Board Committees Charters, and other related documents.
- 6-3 This Charter shall supersede and replace any decisions not consistent with it.

6-4

Any topics not covered in this document, must follow the related regulations issued by the competent authorities.