



**Operation Charter of the Auditing Committee
Abdullah Al-Othaim Markets Co.**

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First: Definitions:

Company: Abdullah Al-Othaim Markets Co.

General Assembly: General assembly of the shareholders of Abdullah Al-Othaim Markets Co.

Board of Directors: Board of directors of Abdullah Al-Othaim Markets Co.

Committee: Auditing committee formed by the general assembly of Abdullah Al-Othaim Markets Co.

Charter: Operation Charter of the auditing Committee of Abdullah Al-Othaim Markets Co. duly approved by the general assembly.

Committee Member: Member of the auditing committee of Abdullah Al-Othaim Markets Co.

Executive Member: Member of the board of directors of Abdullah Al-Othaim Markets Co. who is totally devoted to work in the executive management of the company and participating in its daily activities.

Non-Executive member: Member of the board of directors of Abdullah Al-Othaim Markets Co. who is not devoted to work in company management, and not participating in its daily activities.

Independent Member: Non-Executive member of Abdullah Al-Othaim Markets Company Board of Directors, who is enjoying full independence in his designation and decisions, and who free of all independence inhibitors stated in the Regulations of the Capital Market and other relevant authorities.

Accounts Auditor(s): An external accounting auditor of Abdullah Al-Othaim Markets Company duly appointed the general assembly of the company shareholders to audit the financial statements and final accounts of the company.

Conflict of Interest: emergence or presence of direct or indirect interest, real or virtual, for any member in any subject recorded in the agenda of the committee, and that interest may influence the opinion of that member, contradict with the company interest, or compete with it.

Executive Management or Chief Executives: People assigned to run the operations of Abdullah Al-Othaim Markets Co., propose the strategic decisions, and implementation thereof, such as, CEO, vice CEOs, and financial manager.

Second: Objective:

The objective of this charter is to determine measures and procedures, scope of works, responsibilities, mechanism of issuing resolutions, and member responsibilities of the committee, to help the board of directors in strengthening performance and control regarding the integrity of the financial statements, and verify the effectiveness of the internal auditing control, independence and efficiency of the internal auditing, and compliance of the company activities and procedures with rules and regulations, and the committee shall submit report of its activities to the board of directors by the end of each year.

Third: Formation of the Committee & Selection of the Chairman:

- a) According to a resolution by the general assembly and recommendation of the board of directors, the committee shall be formed from Non-executive boards members or else provided that it is including an independent member, but not including any executive member. The number of members must not be less than three and not more than five members, including one member specialized in finance and accounting. The term of office of this committee according the provisions of the formation resolution but not exceeding the office term of the board of directors.
- b) From within its members, the committee shall elect a chairman in the first meeting. The committee may appoint a vice chairman and a secretary from within its members or else.
- c) In case of vacant post in the committee membership due to resignation or any other reason, the board of directors may appoint another member in the vacant post who shall complete the period of his predecessor, provided that the resignation and appointment of the new member shall be presented to the nearest general assembly for approval.
- d) In case need arise to increase the number of committee members, without exceeding the upper limit during its office term, the board may appoint one or more committee member(s) provided that such appointment shall be presented to the nearest general assembly for approval.

Fourth: Measures and basis of selecting the Committee Members:

- 1) Must have the legally recognized capacity.
- 2) Must not be an executive member or chairman of the board of directors.
- 3) His honesty and integrity are evident and not condemned of honor or integrity crime.
- 4) Must have enough time to effectively participate in the committee works and must have the ability to take wise decisions in compliance with the professional ethics and values.
- 5) Must be subjective and neutral.
- 6) Must have reasonable conception of policies and nature of the committee works.
- 7) Must submit notice of nomination to the committee, his curriculum vitae, qualifications and experience.
- 8) Must not be works or has worked in the Company's financial Department, the Executive Management or for the Company's external auditor during the preceding two years.

Fifth: Expiration of Committee Membership:

Membership of the committee expires by the expiry of term according to the formation resolution, death, resignation, or in the absence of any of the membership conditions, also the board may recommend to the general assembly to relief any of the committee members for any legal reason in a reasonable time without causing damage to the company.

Sixth: Meetings & Minutes of the Committee:

- 1) Committee shall convene at least four meetings during the financial year of the company, additional meetings may be convened whenever necessary according to the request of the chairman or one member stating the justifiable reasons for meeting and approval of the majority members, or upon the request of the board of directors, internal auditor, or accounts auditor. Quorum of meeting is the attendance of at least half of its members, resolutions are issued according to majority of the attending members; in case of equal votes the chairman of the meeting shall have a casting vote. The committee shall periodically meet with the account auditors and internal auditor of the company.
- 2) According to the approval of the majority of members, a meeting may be postponed or cancelled as deemed appropriate by the committee.
- 3) The committee may convene meetings using the technological means the visual or audio conferencing and attendance shall consider in person.
- 4) Committee meetings and resolutions shall be documented in minutes duly signed by all attending members. All the attendance and absent members shall be provided with the minutes draft within the specified period. In presence of notes or modifications on the draft minutes, members must provide the chairman within no more than (7) seven days of the date of sending minutes, otherwise such draft shall be considered final and signed shall be completed unless there exist emergency circumstances at the discretion of the chairman.
- 5) Any committee member may have reservation against any resolution adopted by the committee provided that he shall specify the reasons behind this reservation to be recorded in minutes. No member shall be relieved of responsibility of the unanimously adopted resolutions in case of being absent unless he records his reservation.
- 6) The committee may invite any member of the board of directors, the executive management officer, accounts auditor, or else to attend meetings and provide the required relevant information.

Seventh: Agenda & Supporting Documents:

- 1) The committee shall adhere to meeting agenda while taking into consideration any other issues suggested by members in a previous meeting. Any member shall have the right to new item(s) whether before the meeting or at the time of the agenda approval, and to be included as a deliberation item.
- 2) Agenda and suggested resolution shall be supplied to members through the available communication methods whether emails or other means, associated with the supporting documents at least one week prior to the scheduled meeting date excluding the emergency meetings where members shall be notified within a reasonable and sufficient time before the meeting in the manner that enables the member to study the proposed issues and review documents.

- 3) The agenda shall include the estimated time duration, and time expected for each included issue.
- 4) In case of inquiries or request of explanation from any member about the agenda or documents before the meeting, answers should be provided in due time by the chairman or whoever he may authorize.
- 5) In case of presence of updating or modification whether regarding the agenda or related documents, members shall be timely provided by this change.

Eighth: Tasks & Responsibilities of the Committee Chairman:

Notwithstanding the generally stated tasks and responsibilities of the member in this charter, the tasks and basic responsibilities of the chairman shall include the following without limitation:

- 1) Preside and manage the committee meetings, and his absence shall be substituted by his deputy (if any). In the absence of the chairman and his deputy (if any), he shall appoint a member sufficiently enough before the meeting to preside the meeting. Otherwise, the committee shall elect a chairman from within the attending members.
- 2) Supervise the committee works and ensure compliance of the respective parties with the charter.
- 3) Manage and follow up works of the committee by himself or by whom he may authorize.
- 4) Ensure the correctness of the adopted resolutions and recommendations, and make sure that they are based on knowledge and serving the interests and strategic plans of the company.
- 5) Escalate issues that the committee was not able to arrive to a resolution, the critical reports to the board of directors.
- 6) Follow up implementation of resolutions and recommendation of the committee and the related parties.
- 7) Prepare for meetings and set agenda and get it approved and ensure the availability of the supporting documents.
- 8) Propose meeting schedule each year before year start and share this with members.
- 9) Follow up compliance with the charter and verify the need for updating.
- 10) Ensure the recording of meeting minutes and resolutions, documentation, and maintenance of the same as conventionally agreed upon.
- 11) Provide the committee members with the agenda of each meeting together with the supporting documents and ensure that all members have received any subsequent modification.
- 12) Provide members with the draft of the meeting minutes within no more than (7) seven days of the meeting date, and take into consideration any suggestions or modifications, or any resolutions issued in the meeting.
- 13) Ensure obtaining the necessary signatures on the meeting minutes and any resolutions and maintaining the same in a special record.
- 14) Ensure the implementation of resolutions and recommendations adopted by the committee, prepare follow up list for resolutions including summary of the resolutions, the implementing parties, and the latest upcoming, provided that it shall be presented before the committee in each meeting.
- 15) The chairman may authorize some of his tasks to whom he may consider appropriate of the committee members.

Ninth: Obligations and Responsibilities of the Committee Member:

- 1) Regularly attend the committee meetings and effectively participate in its works. In case emerging circumstances that necessitate his absence of a meeting, the member must notify the chairman through any possible means. The member may not dismiss himself from the session before being adjourned without the permission of the chairman.
- 2) Good and appropriate preparation for the meeting, and to review issues of each meeting agenda and read or relevant documents.
- 3) Maintain confidentiality of the company and committee secrets and avoid disclosure to any third party other the general assembly, all acquired information because of pursuing his duties shall be considered confidential.

- 4) Review the draft of the committee meetings minutes, thoroughly understand and convey remarks within a reasonable time of receiving the draft and ask explanation of any ambiguous resolution or text in such minutes.
- 5) The member must develop his skills required to pursue his duties.
- 6) Read the company message, and objectives, for well understanding in be aware of its programs and executive plans, coup with developments relevant to company activities.
- 7) Be honest, truthful and subjective, and disentangled from personal interest by directing the company policy for his personal interest and shall not knowingly disclose misleading information.
- 8) May not accept any valuable thing from an employee, or parties having business relationships with the company that may influence his decisions within the committee.
- 9) The committee chairman must attend the general assembly meeting to answer inquiries of shareholders, in case of being not able to attend, then he must authorize a member to attend on his behalf.

Tenth: Tasks and Responsibilities of the Committee

The committee shall be responsible to monitor company works, and ensure the integrity and correctness of the financial reports and statements, and the internal control systems. The committee tasks particularly include:

a) Financial Reports:

- 1) Examine the preliminary and annual financial statements before being presented to the board of directors, and stated opinion and recommendations in that respect.
- 2) Reflect the technical opinion upon request of the board of directors, whether the report of the board of directors and financial statements of the company are fare, balanced and including information that enables shareholders and investors to evaluate the financial status of the company, performance, model activities, and strategies.
- 3) Study the important or extraordinary issues stated in the financial report.
- 4) Accurately review matters stated by the financial manager of the company, the one tacking his charge, the compliance officer of the company, or the accounts auditor.
- 5) Verify the accounting estimations in the major issues stated in financial reports.
- 6) Study the accounting policies adopted by the company, reflect opinion on the same and recommend to the board of directors.

b) Internal Auditing:

- 1) Study and audit the internal control system and risk management in the company.
- 2) Study the internal auditing reports, and follow up implementation of the corrective measures of the stated remarks.
- 3) Control and supervision of the performance and activities of the internal auditor and the internal auditing department in the company – if any – to ensure the presence of the necessary resources and efficiency of performing the assigned tasks and duties.
- 4) Recommend the appointment of the manager of the auditing unit or department, or the internal auditor and suggest his remunerations.

c) Accounts Auditor:

- 1) Recommend the nomination, discharge, determine fees, and performance evaluation of the accounts auditors to the board of directors after ensuring the independence and verify the scope of their works and their contracting conditions.
- 2) Ensure the independence, subjectivity, and fairness of the accounts auditor and the effectiveness of the auditing works taking into consideration the relevant rules and standards.
- 3) Verify plan and works of the accounts auditor, and that he is not submitting technical or administrative works beyond the scope of the auditing works.
- 4) Provide answers for the inquiries of the accounts auditor.

5) Study the report and related notes of the accounts auditor regarding the financial statements, reflect opinion and follow up implementation.

d) Insurance of Compliance:

- 1) Verify the results of the controlling authorities report and ensure that the company is taking the necessary procedures in this respect.
- 2) Ensure compliance of the company with the relevant rules, policies and instructions.
- 3) Verify contracts and deals supposed to be performed by the company with related parties, and provide feedback to the board of directors.
- 4) Escalate whatever is considered necessary for action by the board of directors and state recommendations of the required procedures.

e) Risks:

- 1) Develop a comprehensive risk management strategy and policies in proportion to the nature and size of the company's activities, and verify its implementation, review and update based on the company's internal and external variables.
- 2) Verifying the feasibility of the company's continuation and its successful continuation of its activities, with identification of the risks that threaten its continuity during the next twelve months.
- 3) Working on identifying the risks that the company may face in the future through four stages (identifying the risk - analyzing the risk - assessing the risk - treating the risk) and developing solutions to address them and giving priority to the high risks.
- 4) Monitoring the risks that the company may be exposed to and the extent to which it faces those risks, conducting continuous assessments of risks and developing plans and strategies to deal with crises and emergencies.
- 5) Ensure the availability of adequate resources and systems to manage risks.
- 6) Reviewing the organizational structure of risk management and making recommendations in this regard before being approved by the Board of Directors.
- 7) Verify the independence of risk management staff from activities that may expose the company to risks.
- 8) Overseeing the control procedures and risk management systems, evaluating their effectiveness and identifying their deficiencies.
- 9) Periodically reassess the company's ability to take risks and be exposed to them.
- 10) Assessment of potential losses that may affect the operations within the company as a result of exposure to risks in terms of the magnitude and frequency of events.
- 11) Assessing the weaknesses in the company's various activities and operations that may lead to risks and setting corrective action procedures for them.
- 12) Presenting recommendations to the Board of Directors on issues related to risk management and any proposed steps to manage such risks.
- 13) Submit a report at the end of each year on information related to any risks faced by the company and the policy for managing, monitoring and treating these risks.

f) Sufficiency of the Internal Control System:

The committee must prepare report stating their opinion regarding the sufficiency of the internal and financial control regulation, and risk management in the company, in addition to the other executed works within the scope of its responsibilities. The committee shall request the board of directors to provide enough copies of this report in the company head office at least (21) days before the date of the general assembly. This report shall be recited before the general assembly and the committee may seek help of an independent external consultant to evaluate the internal control system and reflect opinion about its sufficiency.

Eleventh: Conflict of Interests:

- 1) In case the member is having any conflict of interest in an issue included in the agenda, he must disclose this conflict before discussion, and this matter must be recorded in the meeting minutes. In such case he shall have the right to participate or vote in this issue.

2) If the member is having doubted conflict of interests, he may seek opinion and advice of the committee chairman.

Any conflict of interest of any member presented and discussed in the committee meeting, a summary after the fulfilment of the legal procedures shall be presented to the board of directors to take the appropriate decision.

Twelfth: Contradiction between the Auditing Committee and Board of Directors:

In case of existing contradiction between the recommendations of the committee and decisions of the board of directors, and if the board refused to adopt the recommendation of the committee in respect of the appointment, dismiss, determine fees, evaluate performance of the accounts auditor or appointment of the internal auditor, the report of the board of directors must include the recommendation of the committee, justifications, and reason for not adopting it.

Thirteenth: The Mechanism of Presenting Notes or Violations in the Company

The auditing committee shall set a mechanism that enables the company personnel to present their remarks of any violations in the financial report or else in full confidentiality, and must ensure the application of this mechanism through independent investigation according to the volume of damage or violation and adopt suitable follow up procedures.

Fourteenth: Authorities of the Committee

To pursue its assigned responsibilities, the auditing committee may:

- Have access to company records and documents.
- May request any explanation or clarification from members of the board of directors or executive management.

Ask the board of directors to call for general assembly meeting if the board of directors had interrupted its work or if the company is exposed to serious damages or loss.

Fifteenth: Application & interpretation of the charter provisions:

Provisions of this charter shall be applied and interpreted without contradiction with the company articles of association and any other bylaws approved by the board of directors and shall be in compliance with the Saudi Companies Regulation, CMA and their executive rules.

Sixteenth: Committee Remunerations:

Each member is entitled to annual compensation according to the approved compensation policy or as determined by the board of directors.

Seventeenth: Validity of the Charter:

- 1) This charter is subject to verification as a part of the effectiveness of the committee works governance.
- 2) This charter is to be approved by the general assembly and come into effect according to a resolution by the assembly and shall supersede any previously valid charters.