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## **Savola Group Audit Committee Charter**

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Approved by the Savola Group Shareholders General Assembly  
in its meeting held on 2nd November 2017

## 1. Reference:

- 1) This charter was issued by the Company General Assembly at its meeting held on Tuesday, July 26, 2016 corresponding to 21 Shawwal 1437H, in compliance with Article 101 of the Companies law issued by Royal Decree No. (M / 3) dated 28/1/1437 AH, which stated that " Pursuant to a resolution to be passed by the ordinary general assembly of the joint a stock company, an audit committee shall be formed comprising members from among persons other than the executive members of the board of directors, whether from among the shareholders or others, provided its members be no less than three and no greater than five and provided further that such resolution shall outline the committee's tasks, the procedures to be followed by the committee, and the members' remuneration".
- 2) this charter has been amended by the Company General Assembly Resolution at its meeting held on 02 /11/2017 corresponding to 13 Safar 1439 H, to comply with the Corporate Governance Regulations issued by the Board of the Capital Market Authority pursuant to Decision No. (8-16-2017) dated 16/05/1438 H corresponding to 13/2/2017.
- 3) this charter has been amended by a resolution from the Company's General Assembly at its meeting held on 08/05/2019 corresponding to 03 Ramadan 1440 H.

## 2. Preface

The Audit Committee is one of the important committees in publicly listed companies for its essential and effective role in internal and external audit, the internal control process, the development of systems and plans related to these activities, the follow-up of their implementation and the Company's compliance with the accepted rules and standards.

The regulations of the Saudi Capital Market Authority and the Saudi Companies Law have given special importance to the Audit Committee through its formation by the GA of Shareholders in accordance with the provisions of Article 101 of the Companies Law and the empowerment of its functions and authorities. The Committee's main objectives are as follows:

## 3. Objectives of the Committee

1. Ensuring the adequacy and comprehensiveness of the Internal Audit's activities and scope of work through reviewing the effectiveness of the arrangements carried them.
2. Ensuring that Savola's management is responsive to matters identified and reported through the Audit Committee, specifically if these matters are related to the Internal and External Audit work and ensuring their independence.

3. Ensuring that Savola accepts and understands the role and value of the Internal Audit Department through the mechanisms (i.e. the internal audit annual report).
4. Ensuring the effectiveness of Savola's internal control and internal audit function at Savola.
5. Monitoring compliance with the relevant laws, regulations, internal standards, policies and processes within its scope of work, duties and responsibilities.

#### **4. Rules and Regulations regarding Committee Membership**

The Audit Committee of Savola Group shall be formed according to the following:

- a) The Audit Committee is formed upon a resolution by the Ordinary GA based on a recommendation from the Board in accordance with the provisions of Article 101 of the Companies Law.
- b) The Audit Committee members shall not be less than 3 members or more than 5; with at least one of whom is competent in financial and accounting matters.
- c) The membership of the Committee shall be composed of independent, non-executive Board members or Shareholders or others, at least one of whom shall be an independent member and shall not include any of the Executive members or any of the senior Executive in the Company.
- d) Any person who have worked for the Company's external auditor during the preceding two years may not be a member of the Audit Committee. Additionally, The Chairman of the Board may not be a member of the Audit Committee.
- e) The office term of the Committee is 3 years, and exceptionally, the office term of the Committee membership that starts on 01/07/2019 will be 3 years and 3 months, which starts on 01/07/2019 and expires on 30/09/2022. The next office terms will start immediately after the end of the said term and continues for 3 years. The Board may also recommend their re-nomination to the GA for another similar period or periods<sup>(1)</sup>.
- f) Members of the Committee will choose among them a Chairman from the non-executive or independents members.
- g) In the event that one of the seats of the Committee membership is vacant during the Committee's office term, or if the number of the Committee members is less than the maximum number of the members, the Board of Directors shall have the right to appoint a temporary member or members in the vacant seat or seats, provided that the new member or members shall has/have adequate experience and that such

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<sup>(1)</sup> Item (e) has been amended by the Company General Assembly Resolution at its meeting held on 08/05/2019 corresponding to 03 Ramadan 1440 H.

appointment to be submitted to the nearest GA for ratification; the new member shall complete the remaining period of the membership of the Committee<sup>(2)</sup>.

- h) The Committee will appoint a Secretary among its members or as it deems fit from the Company's Management team to prepare for the Committee's meetings and work, prepare and document its minutes and follow-up implementation of its recommendations, directives and decisions without voting rights.

## 5. Meetings, procedures and controls of the Committee's work

- a. The Audit Committee will convene periodically, at least 4 times per year, and as may be necessary. Minutes of meetings should be prepared, including a summary of their discussions, recommendations, directives and decisions.
- b. The committee meetings are scheduled in advance - prior to the beginning of the year - on an annual basis for the whole year, as part of the annual meetings calendar of Savola Group board, its committees, subsidiaries and subcommittees.
- c. The Audit Committee will convene periodically with the Company's external auditor and internal auditor at least once a year.
- d. The internal auditor and the external auditor may call for a meeting with the Committee as deemed necessary.
- e. The Committee may hold special meetings as deemed necessary. The Committee Chairman or majority members may call for holding a special meeting as deemed necessary, and majority attendance of members constitute a quorum.
- f. The invitation to attend the Committee meetings in writing by the Committee Chairman or a Committee member representative or its Secretary by a sufficient time from the date of the meeting. Committee members are provided with the meeting agenda, presentations and documents by a sufficient time ahead of the meeting date.
- g. In the event that the Committee Chairman is not present, he may delegate one of its members to preside over the specific session.
- h. In the event that a member is not able to attend the Committee meeting in person, sufficient effort is made to enable the member to attend through the means of modern communication (conference call), and in this case, the presence of the member shall be considered as physically present.
- i. **Proxy:** In the event that a member is not able to attend the Committee meeting in person, the member may appoint another Committee member on his behalf, and a Committee member may not represent more than one member for the same meeting.

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<sup>(2)</sup> Item (e) has been amended by the Company General Assembly Resolution at its meeting held on 08/05/2019 corresponding to 03 Ramadan 1440 H.

- j. Voting: Each member of the Committee will have one vote. Decisions are issued by the majority of the attendees' votes represented in the meeting and in case of a tie, the Chairman shall have the casting vote.
- k. The Committee Secretary prepares the draft minutes of meeting and circulates it to the Committee Chairman and members via email for review and add their comments within (7) to (10) working days from the dated of each meeting. In the case comments were not received, it is considered as a confirmation of approval, such minutes of meeting shall be kept in a book to be signed by the Committee Chairman and its members and its Secretary, and such records shall be kept within the Company's important documents.
- l. The Board will monitor the work and performance of the Committee, through its Chairman, through periodic reports submitted to the Company's Board.
- m. Members of the Board or Executive Management except the Committee members may not attend the meetings unless such Committee requests his opinion or advice.

## **6. Research, Studies and External Consultants**

The Committee is empowered to investigate or study any matter within its scope of work, or designated, or delegated who can. The Audit Committee shall have the authority use, at the expense of the Company, independent specialized external consultants to carry out such independent consulting services whenever necessary. The Committee also has the power to appoint or dismiss any independent external consultants that may help carry out its duties. In addition, the Committee has the power to approve the fees and other terms with independent external consultants on the Company's expense.

## **7. Audit Committee Authorities**

- a. The Committee has the right to form a team from within itself for any reason it sees appropriate to achieve its goals. The Committee also has the right to delegate to the team some of its authorities as deemed necessary provided that any team is comprised of not less than two members.
- b. Investigate any activity that falls within its authority and any requests received from the Board of Director, the GA or the external auditor.
- c. The use of legal and technical advice from any external party or consultant as deemed necessary to help the Committee in fulfilling its duties.
- d. The Audit Committee is responsible for monitoring the Company's activities and in performing its duties:
  - 1) Access the records and documents of the Company.
  - 2) Request any clarification, statement, or information from the Board members or the Executive Management.

- 3) Request the Board to call for a GA Meeting if its activities were hindered by the Board or if the Company has suffered significant losses and damages.
- 4) Meet with the external auditors or the Company's employees, including the internal auditors, to enquire about the audit results and to provide recommendations within its scope of work.

## 8. Competencies, powers and responsibilities of the Audit Committee

1. Reviewing and re-evaluating the adequacy of the functions, controls and regulations contained in this charter from time to time, and recommending any proposed changes to the Board, which shall be considered and recommended to the GA of Shareholders.
2. Monitoring the Company's activities and ensuring the policies and procedures that confirm the integrity and effectiveness of the reports, financial statements and internal control systems. The duties of the audit committee shall particularly include the following:

### **With Regards to Financial Reports:**

- a. Analyzing the Company's interim and annual financial statements before presenting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness and transparency.
- b. Providing its technical opinion, at the request of the Board, regarding whether the Board's annual 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.
- c. Analyzing any important or non-familiar issues contained in the financial reports,
- d. 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 external auditor;
- e. Examining the accounting estimates in respect of significant matters that are contained in the financial reports;
- f. Examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon.

### **With Regards to Internal Audit:**

- a. Analyzing and reviewing the company's internal and financial control and risk management systems.

- b. Oversee the internal audit plans and its operations, and ensuring their effectiveness required by the laws, regulations, and professional practices in this regard.
- c. Analyzing the internal audit reports and following up the implementation of the corrective measures in respect of the remarks made in such reports;
- d. Monitoring and overseeing the performance and activities of the internal auditor and internal audit department of the company to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties.
- e. Verifying the independence of the Internal Audit and enable it to perform its role effectively.

**With Regards to External Auditor:**

- a. Providing recommendations to the Board to nominate external 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.
- b. Verifying the independence of the external auditor, its objectivity, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards.
- c. Reviewing the plan of the Company's external auditor and its activities, and ensuring that there is no violation or failure in their performance and that it does not provide any work that are beyond its scope of work and provides its opinion thereon.
- d. Responding to queries of the Company's external auditor.
- e. Reviewing the external auditor's reports and its comments on the financial statements, and following up the procedures taken in connection therewith.

**With Regards to Ensuring Compliance:**

- a. Reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith.
- b. Ensuring the Company's compliance with the relevant laws, regulations, policies and instructions.
- c. Reviewing the contracts and proposed Related Party transactions including cases of conflict of interest, if any, and providing its recommendations to the Board in connection therewith.
- d. Reporting to the Board any important issues within its scope of work in connection with what it deems necessary to take action on, and providing recommendations as to the steps that should be taken.

## 9. The Audit Committee Report

The Committee issues an annual report that contains a summary of its work, performance, most prominent achievements and how it performs its roles and responsibilities in light of the relevant rules, regulations and the professional standards to be presented in the GA as per the Saudi Companies' law or any other relevant law issued by regulators.

## 10. Arrangements Providing Remarks

The Audit Committee shall review the mechanisms that enable the Company's employees to confidentially provide their remarks in respect of any inaccuracies in the financial or other reports. The Committee shall ensure that such mechanisms have been put into action through an adequate independent investigation in respect of the size of the error or inaccuracy, adopt appropriate follow-up procedures.

## 11. Audit Committee Members Remuneration Policy

The Company's Audit Committee remuneration is as follows:

- a. Annual Compensation amounting to 150,000 Saudi Riyals for each member.
- b. Committee meetings attendance compensation amounting to 5,000 Saudi Riyals for each member per session.
- c. First class ticket (round trip) compensation for each member residing outside Jeddah.
- d. Tickets and living compensation for all resident members in the case the meeting is not held in Jeddah.
- e. Committee meetings attendance compensation for the Committee Secretary amounting to 2,000 Saudi Riyals for each session. The Committee may revise the allowances for the Board secretary periodically as deemed necessary;
- f. The Committee Secretary is not entitled to bonuses - if eligible for a monthly salary from the Company or its consultants or Committee member - (except the above mentioned (1.1.10-5) meeting attendance compensation).
- g. The above mentioned allowances, compensations and remuneration are paid on a quarterly basis being 25% of this remuneration at the end of each quarter in accordance to the Company's financial year.
- h. Details of the remuneration paid to all Committee members is disclosed in the Board annual report.



## **12. Conflict between the Audit Committee and the Board**

If a 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 action as to appointing or dismissal the company's external 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.

## **13. Final Provisions for (Publications, Access and Amendments)**

This Charter shall be implemented and complied with by the Company starting from the date it is approved by the GA. This Charter shall be published and made available to the shareholder and public in the Company's website. The content of this Charter shall be reviewed - as needed - upon the recommendation of the Board, provided that, any recommended changes are presented to the GA in the next meeting for approval.