



Audit Committee Charter (Second Version)

1-Introduction:

The Audit Committee Charter has been prepared to comply with the provisions of paragraph (E) of Article (51) of GC regulations issued by the board of Directors of Capital Market Authority dated 13-2-2017 and amended by CMA board of Directors dated 18-01-2023 which sates the Company's General Assembly shall, upon a recommendation from the board , issue a regulation for Audit committee, which shall include the rules and procedures for the activities and the duties of the committee, the rules for selecting its members, the term of their membership , their remuneration and the method of appointing temporary member in the vacant position.

2- Rules and Regulations for Membership of the Committee:

- 1-The Audit Committee shall be formed by a resolution of the board, and the members of the Audit Committee shall be from the shareholders or others, provided that no executive director is among its members.
- 2- The Audit Committee shall consist of three to five members, provided that one of the members is specialized in finance and accounting and shall include at least one independent member.
- 3-Any person who works or has worked in the company's Finance Dept, the Executive Management, or for the Company's External Auditor during the preceding two years may not be a member of the Audit Committee. Also, the Chairman of the board may not be a member at the Committee.
- 4- A Member of the Audit Committee shall not be a member of audit committees of more than five listed companies at the same time.
- 5-The term of membership of the committee is four years, starts and expires with the term of the board.
- 6-The board shall appoint one of its members as a chairman of the Committee, provided that he is an independent member.
- 7- The Committee shall select a secretary from among its members or from the company's staff. He will be responsible for the preparation of the committee meetings, preparing the minutes of the meeting and any other administrative work related to Committee works.

3- Committee meetings, controls, and procedures

- 1-The Committee shall meet periodically at least four times during the Company's financial year.
- 2-The Committee shall meet upon invitation from its chairman, the meeting shall be valid only if attended by two members.
- 3- The resolutions of the committee shall be issued by the majority of the attendees. In case of tie up, the chairman shall have a casting vote.
- 4-Secretary of the committee shall document the committee meetings, prepare the minutes which include the discussions and deliberations carried out during such meetings, recommendations of the Committee shall also be documented. Such minutes shall be signed by all of the attending members.
- 5-The Committee meeting may be held through means of modern technology.



6-Committee meetings shall be attended only by the members of the committee and the secretary; however, the committee may invite any member from the executive management to listen to his opinion or obtain his advice.

7-The Audit Committee shall meet periodically with the external Auditor of the Company and the internal auditor.

8-The internal and external auditor may call for a meeting with the Audit committee at any time as may be necessary.

9-Chairman of the committee shall attend the General Assembly meetings to answer the shareholders questions, and he may delegate one of the committee members.

4- Expiry of Membership / Vacant position

1-Membership of the committee shall be terminated upon the expiry of its term, or by the resignation or death of the member, or failure to meet any of the requirements of membership in the committee, or if the member has been absent from attending three consecutive meetings during the term of his membership without a valid excuse.

2-The board may terminate or replace any of the committee members at any time which he deems appropriate. At the same time, the committee member may resign from his position at any time, provided that his resignation will be at a convenient time.

3-If the position of the Committee member becomes vacant, the board shall appoint a new member in the vacant position, provided that he has experience and competence. The new member shall complete the term of his predecessor.

5- Competencies, powers, and Responsibilities of the Committee

The Audit Committee shall be competent in monitoring the company's activities and ensuring the integrity and effectiveness of the reports, financial statements, and internal control systems. The duties of the audit committee shall particularly include the following:

A) Financial Statements:

1-Analysing the company's interim and annual financial statements before presenting the same to the board and providing its opinion and recommendation thereon to ensure their integrity, fairness, and transparency.

2-Providing its technical opinion, at the request of the board, regarding whether the board's report and the company's financial statements are fair, balanced, understandable, and contains the information that allows shareholders and investors to assess the company's financial position, performance, business model and strategy.

3-Analyzing any important or non-familiar issues contained in the financial reports.

4-Investigate accurately any issues raised by the Company's chief financial officer or any person assuming his duties or the Company's compliance officer or the or the external auditor.



5-Examine the accounting estimates in respect of significant matters that are contained in the financial reports.

6-Study the accounting policies followed by the Company and provide its opinion and recommendation to the board thereon.

B) Internal Audit

1-Studying and reviewing the Company's internal and financial control systems and risk management system.

2-Analazing the internal control reports and following up the implementation of the corrective measures in respect of the remarks made in such reports.

3-Monitoring and overseeing the performance and activities of the internal auditor and internal audit department to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties.

4-Recommend to the board the appointment of the Internal audit manager and suggest his remuneration.

C) External Auditor

1-Recommend to the board the nomination of the external auditors, dismiss them, determine their fees, and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contract.

2-Verifying the independence of the external auditor, its objectiveness, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards.

3- Reviewing the plan of the external auditor and its activities, and ensuring that it does not provide any technical, administrative or advisory work that is beyond its scope of work and provides its opinion thereon.

4- Responding to the inquiries of the external auditor.

5-Studying the external auditor's reports and his comments on the financial statements and following up the procedures taken in connection therewith.

D) Ensuring Compliance

1-Ensuring the company's compliance with the relevant laws, regulations, policies, and instructions.

2-Reviewing the findings reports of the supervisory authorities and ensuring that the company has taken the necessary action in connection therewith.

3-Reveiwng the contracts and the proposed Related Party Transactions and providing its recommendation to the board in connection therewith.

4-Reporting to the board any issues in connection with what it deems necessary to take action on and provide recommendations as to the steps that should be taken.



6- Powers of the Committee

In order to perform its duties, the Audit Committee may:

- 1-Review the company's records and documents.
- 2-Request any clarification or statement from the board members or the executive management.
- 3-Request the board to call for General Assembly meeting, if the board hinders its works or if the company has incurred significant losses or damages.
- 4- The committee may seek assistance from any expert or specialist, whether internal or external, within the scope of its powers. This shall be included in the minutes of the Committee meeting, mentioning the name of the expert and his relationship with the company or the executive management.

7- Audit Committee Report

The audit committee shall prepare annual report includes details of its performance of its competencies and duties, provided that the report contains its recommendations and opinion on the adequacy of the internal and financial control systems and risk management systems.

The board shall make available sufficient copies of the report at the Head Office of the Company and publish it on the company's and Exchange's websites when calling for a General Assembly meeting to enable shareholders to get a copy thereof. Summary of the report shall be read at the General Assembly.

8- Remuneration of the Committee

Committee members Remuneration shall consist of annual remunerations, attendance allowance and other allowances in accordance with the remuneration policy approved by the General Assembly.

9- Final provisions

- 1-This charter shall enter into force from the date of its adoption by the General Assembly.
- 2-This charter may be amended as needed upon recommendation from the Board of Directors and the approval of the General Assembly.

The charter was approved by EGM on 28 Sept2023.



شركة الصناعات الكهربائية
ELECTRICAL INDUSTRIES CO.

شركة مساهمة سعودية
Saudi Joint Stock Co.
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