



AUDIT COMMITTEE CHARTER

Annexure I – Audit Committee Charter

1. Mission

- 1.1. The Audit Committee of Power and Water Utility Company for Jubail and Yanbu (MARAFIQ) (“MARAFIQ”) is a standing committee of the Board of Directors (the “Board”) appointed by the Company’s general assembly (“General Assembly”).
- 1.2. The purpose of the Committee is to assist the Board in fulfilling its oversight responsibility relating to:
 - 1.2.1. the integrity of MARAFIQ’s financial statements and financial reporting process and MARAFIQ’s systems of internal accounting and financial controls;
 - 1.2.2. the performance of the internal audit function;
 - 1.2.3. the performance of the risk management function;
 - 1.2.4. the annual independent audit of MARAFIQ’s financial statements, the engagement of the external auditors and the evaluation of the external auditors’ qualifications, independence and performance;
 - 1.2.5. the fulfilment of the other responsibilities set out in this charter.
- 1.3. The Committee takes a leadership role in shaping corporate governance policies and practices, including recommending to the Board the Corporate Governance Code applicable to MARAFIQ and monitoring management’s compliance with the Code and policies.
- 1.4. Unless defined herein, or the context stipulates otherwise, defined terms used in this Charter shall have the meanings given to them in the Corporate Governance Regulations of the Capital Market Authority.

2. Membership

- 2.1. The Audit Committee shall be formed by a resolution of the Company’s ordinary General Assembly, and the member of the Audit Committee shall be from the shareholders or others, provided that at least one of its members is an Independent Director and that no Executive Director is among its members.
- 2.2. The Audit Committee shall consist of at least three (3) members and shall not be more than five (5) members, provided that one of its members is specialised in finance and accounting.
- 2.3. Although not mandatory, the recommended composition of the Audit Committee to align with best practices is for the majority of its members to be from among the Independent Directors.

- 2.4. Members of the Committee shall be nominated for appointment by the Board upon their own consideration or by a recommendation from the Nomination and Remuneration Committee (NRC). The appointment of the Audit Committee members shall be approved by the General Assembly.
- 2.5. Subject to a resolution by the General Assembly, the Board may request the removal of a member.
- 2.6. Any person who works or has worked in the Company's Finance Department, the Executive Management or for the Company's external auditor during the preceding two years may not be a member of the audit committee.
- 2.7. The Chairman of the Audit Committee shall be designated by the Board, however, the Chairman of the Board shall not be a member in the Audit Committee.
- 2.8. The Board shall also nominate a Vice Chairman to Chair the Committee's meetings during Chairman's absence.
- 2.9. The Chairman of the Committee or whom he/she delegates shall attend the General Assembly Meetings and answer any questions raised by the shareholders.
- 2.10. The term of membership of the Committee is three years, starting with the beginning of the company's board term and ending with the end of the company's board term, and the board may nominate them to the General Assembly for another similar period or periods.
- 2.11. The Company shall notify CMA of the Committee Members' names and membership description upon the date of their appointment as well as any changes thereto within the statutory period specified by the laws and regulations of CMA.

3. Secretary

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.

4. Quorum

- 4.1. The quorum necessary for the transaction of business shall be the majority of the Audit Committee's members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

- 4.2. Resolutions of the Committee shall be issued by a majority of the votes present and, in case of a tie, the Chairman of the Committee shall have the casting vote.

5. Frequency of Meetings

- 5.1. Meetings shall be held at least four times each year and, where appropriate, should coincide with key dates in MARAFIQ's financial reporting cycle.
- 5.2. The Committee shall meet with the external auditors at least every half-year and at least once every year in the absence of any member of Executive Management team.
- 5.3. Formal meetings of the Committee are the heart of its work. However, they will rarely be sufficient. It is expected that the Committee Chairman, and to a lesser extent other members, shall keep in touch on a continuing basis with the key people involved in MARAFIQ's governance including the Board Chairman, the Chief Executive Officer, the Chief Financial Officer, Chief Operating Officer, the external audit partner and the Head of Internal Audit.

6. Notice of Meetings

- 6.1. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.
- 6.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend, and all other directors no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

7. Minutes of Meetings

- 7.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 7.3. The Committee Secretary prepares the draft minutes of meeting within 10 days from the date of the meeting and circulates it to the Committee Chairman and members via email for review and add their comments within (10) working days from the date 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 the members who attended the meeting and its Secretary, and such records shall be kept in a special register held at the Company' offices.

8. Annual General Assembly Meeting

The Chairman of the Committee shall attend the annual General Assembly to present recommendations on the choice and remuneration of external auditor, if applicable, and to respond to any shareholder questions on the Committee's activities if required.

9. Duties

The Committee should carry out the duties below:

a) Financial Reports:

- 1) analysing 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;
- 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 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 chief financial officer 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; and
- 6) examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon.

b) Internal Audit:

- 1) examining and reviewing the Company's internal and financial control systems and risk management system;

2) analysing the internal audit reports and following up the implementation of the corrective measures in respect of the remarks made in such reports; and

3) monitoring and overseeing the performance and activities of the internal auditor and internal audit department of the company, if any, to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties. If the Company has no internal auditor, the committee shall provide a recommendation to the Board on whether there is a need to appoint an internal auditor.

4) providing a recommendation to the Board on appointing the manager of the internal audit unit or department, or the internal auditor and suggest his/her remunerations.

c) External Auditor:

1) 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;

2) verifying the independence of the external auditor, its objectivity, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards;

3) reviewing the plan of the Company's external auditor and its activities, and ensuring that it does not provide any technical or administrative works that are beyond its scope of work, and provides its opinion thereon;

4) responding to queries of the Company's external auditor; and

5) reviewing the external auditor's reports and its comments on the financial statements, and following up the procedures taken in connection therewith.

d) Ensuring 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 providing its recommendations to the Board in connection therewith; and

4) reporting to the Board any issues in connection with what it deems necessary to take action on, and providing recommendations as to the steps that should be taken.

10. Reporting Responsibilities

- 10.1. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3. 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, the Board's annual report shall include the Committee's recommendations and justifications and the reasons for not following such recommendations.
- 10.4. The activities, terms of reference and membership of the Committee, number of Committee meetings held and attendance over the course of the year will be disclosed in the annual report.

11. Other Matters

The Committee shall:

- 11.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 11.2. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 11.3. give due consideration to laws and regulations;
- 11.4. be responsible for co-ordination of the internal and external auditor;
- 11.5. oversee any investigation of activities which are within its terms of reference and act as a court of the last resort.

12. Authority

The Committee is authorised:

- 12.1. to investigate any activity within its terms of reference;
- 12.2. to seek any information that it requires from any employee of MARAFIQ and all employees are directed to cooperate with any request made by the committee;
- 12.3. to call any employee to be questioned at a meeting of the Committee as and when required.

13. Review and Amendment

The Audit Committee shall periodically review this Charter and recommend any amendments to it to the Board for endorsement prior to obtaining the approval of the General Assembly.

14. Entry into force

This Charter shall be implemented and adhered to from the date approved by the General Assembly.