

## Audit Committee Charter

### Purpose and Role

The primary objective of the Audit Committee ("AC", or "the Committee") is to ensure that an audit oversight mechanism is in place to support the accuracy and fairness of L'azurde Company for Jewelry (the "Company") reports, financial statements and data; ensure integrity and effectiveness of Company's internal control and risk management systems; ensure Company's compliance with regulations;

The purpose of the Audit Committee Charter (the "Charter") is to set out the composition, responsibilities and duties of the Committee and identify the Committee's interaction with the Shareholders, Board of Directors (the "Board") and management in line with the company's Bylaw

The Committee is formed by resolution of the Ordinary General Assembly, and assists the board and management by providing advice and guidance on the adequacy of the organization's initiatives for:

- Values and ethics.
- Governance structure.
- Risk management.
- Internal control framework.
- Oversight of the internal audit activity, external auditors, and other providers of assurance.
- Financial statements and public accountability reporting.

In broad terms, the audit committee reviews each of the items noted above and provides the board with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices.

AC is considered a shareholder's Committee, and is responsible towards the Ordinary General Assembly for performing its role. The Committee may in performance of its duties, request any clarification or statement from the Board members or Executive Management.

To perform his/her role effectively, each Committee member will obtain an understanding of the detailed responsibilities of Committee membership as well as the Company's business, operations, and risks. Although the Committee has the power and responsibilities set forth in this Charter, the role of the Committee is oversight. The members of the Committee are not full-time employees of the Company and all members may or may not be accountants or auditors by profession or experts in the fields of accounting or auditing and, in any event, do not serve in such capacity.

Consequently, it is not the duty of the Committee to conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with all applicable rules and regulations. These are the responsibilities of management and the external statutory auditors.

Consistent with these functions, the Committee will encourage the continuous improvement of and foster adherence to the Company's policies, procedures and practices at all levels. In performing its duties, the Committee will maintain effective working relationships with the Board, management, and the internal and external statutory auditors.

### Authority and Resources

The audit committee charter sets out the authority of the audit committee to carry out the responsibilities established for it by the General Assembly as articulated within the audit committee charter. In order to fulfil the responsibilities, set out in this Charter, the Committee is authorized by the Ordinary General Assembly to:

- Review Company's records and documents;
- Request any Board clarification or statement from the Board members or the Executive Management; and
- Request that the Board calls for a General Assembly meeting if its activities have been impeded by the Board or if L'azurde has suffered significant losses and damages.

The Committee also has power to retain independent legal, accounting and other consultants advise. The Committee's budget for appointing independent consultants shall be approved by the Board.

The Committee shall determine the extent of funding necessary for payment of compensation to the external statutory auditors for the purpose of rendering or issuing the annual audit report and to any independent legal, accounting and other consultants retained to advise the Committee. The Committee may require any officer or employee of the Company or any of its subsidiaries, the Company's external legal counsel, and the Company's external statutory auditors to meet with the Committee or any member of the Committee.

## **Appointment, Composition and Qualification**

The Committee will comprise of at least three (3) members and not exceed (5) members appointed by the General Assembly for a term coinciding with the term of the Board of Directors provided that at least one independent member must be among them.

Executive Directors and the Board Chairman are not eligible for Committee membership. Any person who works or has worked in the Company's Finance Department, the Executive Management or for Company's external auditor during the preceding two years is also not eligible for Committee membership. At least one of the Committee members shall be an Independent Director.

Members of the Committee shall meet the following conditions:

- Members shall be suitably qualified, experienced and knowledgeable to adequately discharge their responsibilities as AC members.
- At least one (1) of the Committee members shall be well versed in financial and accounting matters.
- Members shall elect a chairman amongst themselves unless he is designated by the General Assembly.
- Members shall also elect a secretary of the Committee amongst themselves or others.

The Chairman shall preside, when present, at all meetings of the Committee. If the Chairman is absent from a Committee meeting, the members in attendance will elect a temporary Chairman amongst themselves during the meeting.

The members of the Committee may be removed / replaced, with or without cause, by the Ordinary General Assembly.

If a position in the Committee becomes vacant, the Board shall assign a temporary member to the ARC within 40 days of the vacancy, upon recommendation of the NRC. A permanent member shall be subsequently appointed by the shareholders in the first General Assembly after the position becomes vacant.

## **Appointment procedures:**

When appointing members of the Audit Committee, the following procedures shall be followed:

1. The Board of Directors will nominate three members for membership of the Audit Committee to the Ordinary General Assembly.
2. The Nomination and Remuneration Committee shall assess whether the nominated members of the Audit Committee possess the necessary skills, individually or collectively.
3. In the event that the required skills of the committee members are not available, the Nomination and Remuneration Committee must coordinate with the Human Resources Department of the company, to identify suitable candidates (from inside or outside the board) who have the necessary skills. Provided that the number of candidates is more than the number of vacancies to be filled.
4. The Board of Directors shall recommend a list of candidates for appointment as members of the Audit Committee.
5. The General Assembly is responsible for approving the appointment of all members of the Audit Committee.

## **Membership Duration:**

The Committee term coinciding with the term of the Board of Directors.

If any member is appointed during the term of office of the committee, the term of his membership shall coincide with the term of office of the committee, unless he is appointed for a shorter term. The members of the committee may be reappointed again after the expiry of the committee's term of office, by following the appointment procedures stipulated in this document.

**Membership Termination:**

1. The membership of any member of the Audit Committee may be terminated by a decision of the General Assembly in the following cases:

- The committee member's failure to fulfill any of the requirements / responsibilities or to meet the terms of appointment.
- Loss of legal capacity.

2. According to the powers granted to the Board, the Board may accept the resignation of any member of the Audit Committee.

**Appointment the committee Chairman:**

The members of the Audit Committee elect the Chairman of the Audit Committee by a majority of votes. The Chairman of the Committee may be a non-executive member or an independent member.

**Duties of the Chairman of the Committee:**

1. Supervising the work of the committee and holding its meetings efficiently.
2. Cooperating with members to set and approve the meeting agenda and to invite all members to meetings on a date and place designated for committee meetings.
3. Ensure that all items that require approval by the committee are submitted or that the committee's recommendations are submitted to the concerned party
4. Ensuring that all issues before the committee are accompanied by sufficient information to enable the committee to take decisions on them.
5. Verify that the advisory bodies enjoy complete independence in addition to their appropriate qualification.
6. Ensure that the Committee has direct access to senior management as may be required by the Board.
7. Representing the Committee before the Board and the General Assembly or any other party to discuss the relevant issues therein.
8. Representing the Audit Committee on important issues to ensure the ability of the Internal Audit Department to carry out its tasks and responsibilities.
9. Inform the committee members of the procedures and decisions taken to address urgent issues related to the internal audit department.

**Appointment of the Secretary of the Audit Committee:**

The audit committee appoints a secretary for the committee from its members or the company's management team or through a third party, to be responsible for preparing for the committee's meetings, preparing records and documents, and following up and facilitating/implementing its recommendations, decisions and work plans. His term of office shall be the same as that of the committee, unless he was appointed for a shorter period of time, and he may be reappointed again after the expiry of his original term of appointment.

**Duties of the Secretary of the Audit Committee:**

1. To act as the main point of contact and a source of information, and to provide advice and guidance to members of the Committee regarding the activities of the company, in order to support the decision-making process.
2. Informing the members of the Committee of all relevant information that was considered during the decision-making.
3. Maintaining and managing the committee's bylaw and ensuring its adequacy to meet changes in the company's business and regulatory requirements, and identifying any required bylaw changes for consideration.
4. Preparing correspondence letters when arranging with the committee chairman as needed, and directing them to committee members, the board of directors and related parties. This includes making the required contacts to schedule/call for committee meetings.
5. Preparing the information needed by the committee members during their meetings.

6. Assist the committee chairman in preparing the committee's meeting agendas and circulating them to committee members, at least one week before the meeting date.
7. Invite the relevant parties, including advisory bodies, legal advisors, or any other party, to the committee's meetings.
8. Preparing the minutes of the meeting and circulating it to all members of the committee for approval within five (5) working days. The Secretary shall send the minutes of the meeting within two (3) working days in cases that require rapid completion as determined by the Chairman of the Committee, and the minutes of the meeting shall include the following:
  - Date and number of the meeting
  - Meeting Place
  - Names of attendees and agents (authorized to attend on behalf of members)
  - A statement of the reasons for the absence of persons not present at the meeting.
  - Topics raised and discussions
  - All decisions taken and recommendations made
  - The reservations made by the members present on any of the decisions or recommendations issued by the committee
9. The Audit Committee presents its views on the minutes of the meetings that are sent by the Secretary of the Audit Committee within seven to ten (7-10) working days from the date of the meeting. In the event that the Secretary of the Committee does not receive any observations or visions within ten (10) days of receiving the draft minutes, it shall be considered as an acknowledgment of approval. All the topics discussed and the committee's decisions are recorded in the minutes of the meetings, and the committee secretary updates the draft minutes of the meeting based on the members' comments and sends them with the comments addressed to the chair and committee members for review, approval and signatures by AC members and the AC secretary.
10. Keep the final, signed copy of the minutes attached to the relevant documents and correspondence in a special file.
11. Documenting and updating the work plans proposed by the committee, specifying the responsibilities, the responsible person and the target date for implementation, in order to facilitate the tracking of issues that are not closed and related to the decisions of the committee.
12. Circulating the decisions/minutes of the committee to the concerned authorities.
13. Follow up on the issues that are not closed and the topics that will be presented to the committee.
14. Inform the committee chairman of any obstacles that prevent the committee's work, including any delay in implementing its decisions and recommendations.
15. Sending all minutes of the committee's meetings to the Board of Directors through the Secretary of the Board of Directors.
16. Continuous coordination with the secretary of the Board of Directors to raise the recommendations of the committee and others. Communicate regularly with the Board Secretary to keep the Board informed of all Board related activities, obtain endorsement from them when needed and address any specific concerns/directions of the Board/Secretary of the Board.
17. Commitment to maintain the confidentiality of information and not to share what is going on in meetings with the management or any other party.

## **Meetings and Quorum**

The Committee shall meet at least four times a year. The time frame between audit committee meetings should not exceed four months. The Committee shall convene periodically with the external statutory auditor and chief internal auditor. Committee meetings are held either in person or through the use of modern communication technologies such as video calls.

The Committee shall also meet if requested by Committee Chairman, two Committee members, Board Chairman, Internal auditor and the External auditor at any time as may be necessary.

The Committee shall require members of management, the Internal Audit function), the external statutory auditors and others to attend meetings and to provide pertinent information, as necessary.

It is expected that the Committee will receive regular reports on, but not limited to the following matters:

- External audit reports;

- Internal audit reports;
- Compliance audit reports;
- Risk management reports; and
- Security and fraud reports; etc.

A quorum at any Committee meeting shall consist of a majority of the Audit Committee members. Each member of the Committee shall have one vote. The Chairman's vote shall be the tie breaker (i.e. if votes on a particular decision are equal in number, the Chairman shall have one extra vote which will be the deciding vote).

All Committee resolutions and decisions shall be passed by simple majority. Dissenting members will not be liable if they have expressly recorded their objection to the resolution in the minutes of meeting that adopted it. Absence or leaving in the middle of meeting does not constitute cause for relief from liability unless it is established that the absent member was not aware of the resolution. The committee's decisions may be issued in presence or by circulation.

The Committee has the power to invite any officer or employee of the Company to attend its meetings. Such individuals should be invited through the Company's Chief Executive Officer ("CEO").

## **Induction**

New members of the Committee will undergo an induction process which will ensure that they are adequately acquainted with the Committee's purpose, responsibilities and practices.

New members will be provided with a copy of this Charter, corporate governance manual, the code of conduct, information on key issues for the Committee as well as specific information about the Company relevant to the Committee.

## **Remuneration**

Having regard to the functions performed by the members of the Committee, in addition to their functions as members of the Board or committees formed by the Board, members of the Committee shall be paid additional remuneration in respect of their appointment as Audit Committee members, it is determined in accordance with the policy of remuneration for members of the Board of Directors and its committees which approved by the General Assembly. The Committee Chairman shall receive a further fee, in addition to his/her remuneration as a member based on Nominations and Remuneration Committee recommendation. The committee also proposes a remuneration for the committee's secretary and it is approved by the board of directors.

## **Responsibilities and Duties**

To fulfil its responsibilities and duties, the Audit Committee shall:

With respect to the external statutory auditors:

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 statutory auditor, its objectivity, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards;
3. Supervising and being directly responsible for oversight of the work of the external statutory auditors (including resolving disagreements between management and the external statutory auditors regarding financial reporting) for the purpose of preparing its audit report or related work;
4. Reviewing, with the external statutory auditors, the audit plan, scope of work and approach and ensuring that it does not provide any technical or administrative works that are beyond its scope of work, and providing its opinion thereon;
5. Having the sole authority to review in advance and recommend to the Board all auditing services to be provided by the external statutory auditors (final approvals of such services rests with the Board);
6. Reviewing and approving all non-auditing services to be provided by the external statutory auditors (which should be disclosed in the periodic reports);
7. Implementing the instructions and directives of the Capital Markets Authority as well as any updates released from time to time, with respect to the appointment of the external statutory auditors;



8. Reviewing the external statutory auditor's reports and its comments on the financial statements, and following up the procedures taken in connection therewith; and
9. Review the performance of the Company's external statutory auditors on an annual basis.

With respect to financial statements:

1. Reviewing and discussing with management and the external statutory auditors, the Company's interim financial statements (including disclosures made in "Management's Activity Report" and the external statutory auditors' review of the interim financial statements - including comments of the statutory auditor), and;
2. Approving the interim financial statements on behalf of the Board, prior to submission to shareholders, any governmental body, or the public;
3. Reviewing and discussing with management and the external statutory auditors, the Company's annual audited financial statements (including disclosures made in "Management's Activity Report") prior to such statements being presented to the Board for approval. The Committee will give its opinion and recommendations to the Board with respect to such statements to ensure their integrity, fairness and transparency;
4. Reviewing and approving disclosures required to be included in financial statements in accordance with all regulatory requirements;
5. Analyzing any important or non-familiar issues contained in the financial reports;
6. 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;
7. Periodically reviewing, separately with each of management and the external statutory auditors:
  - Any significant disagreement between management and the external statutory auditors in connection with the preparation of the financial statements;
  - Any difficulties encountered during the course of the audit (including any restrictions on the scope of work or access to required information); and
  - Management's response to each of the above.
8. Periodically discussing with the external statutory auditors, without management being present:
  - Their judgments about the quality, appropriateness, and acceptability of the Company's accounting principles and financial disclosure practices, as applied in its financial reporting;
  - The completeness and accuracy of the Company's financial statements;
  - The Company's accounting principles and financial disclosure practices as suggested by the external statutory auditors, management or the Internal Audit function, and if appropriate, consider and approve changes to the same.
9. Accurately investigating any issues raised by the Company's CFO or any person assuming his/her duties or the Company's compliance officer or external auditor;
10. Reviewing with management, the external statutory auditors and the Company's legal department, as appropriate, any legal, regulatory or compliance matters that could have a significant impact on the Company's financial statements, including significant changes in accounting standards or rules;
11. Examining the accounting estimates in respect of significant matters that are contained in the financial reports;
12. Reviewing the accounting policies in force and advising the Board of any recommendations;
13. Inquiring about the application of the Company's accounting policies and its consistency from period to period and the compatibility of these accounting policies with, where appropriate, the Company's provisions for future occurrences which may have a material impact on the Company's financial statements;
14. Obtaining explanations from management for unusual variances in the Company's annual financial statements from year to year, and annually reviewing the external statutory auditors' letter of recommendations to management and management's response.

With respect to the internal audit function and internal controls:

1. Supervising the Company's internal audit function to ensuring its effectiveness in executing the activities and duties;
2. Recommending to the Board the appointment and replacement of the CIA, and suggesting his/her remunerations. The Committee shall also review the qualifications of the CIA. The Executive Management shall manage the process of identifying and shortlisting suitable candidates for this position;
3. Reviewing the performance and effectiveness of the internal audit function internally on an ongoing basis and externally once every five (5) years;
4. In the event the internal audit function is outsourced, reviewing and recommending to the Board the appointment, removal and fees of such internal audit firm. The Committee shall also ensure that there are no unjustified restrictions or limitations on the appointment, replacement or dismissal of the outsourced internal audit firm;
5. Ensuring the internal audit function is independent from Executive Management; the internal auditor shall report functionally to the Committee and administratively to the CEO;
6. On a regular basis, meeting separately with the internal auditor to discuss any matters that the Committee or internal audit believes should be discussed privately;
7. Reviewing and approving the internal audit plan and all major changes to the plan;
8. Reviewing the internal audit reports and pursuing the implementation of the corrective measures in respect of the comments included in such reports;
9. In consultation with the external statutory auditors and the Internal Audit function:
  - Reviewing the adequacy of the Company's internal control structure and risk management system, and the procedures designed to insure compliance with laws and regulations including compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing;
  - Discussing the responsibilities, budget and staffing needs of the Internal Audit function (if any).
10. Establishing procedures for:
  - The receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
  - The confidential, anonymous submission, by employees of the Company, of concerns regarding questionable accounting or auditing matters.

With respect to Risk Management:

1. Developing a strategy and comprehensive policies for risk management that are consistent with the nature and volume of the Company's activities, monitoring their implementation, and reviewing and updating them based on the Company's internal and external changing factors;
2. Determining and maintaining an acceptable level of risk that may be faced by the Company and ensuring that the Company does not go beyond such level;
3. Ensuring the feasibility of the Company continuation, the successful continuity of its activities and determining the risks that threaten its existence during the following twelve (12) months;
4. Overseeing the Company's risk management system and assessing the effectiveness of the systems and mechanisms for determining and monitoring the risks that threaten the Company in order to determine areas of inadequacy therein;
5. Ensuring that key risks are reviewed on a quarterly basis;
6. Providing recommendations to the Board on matters related to risk management;
7. Ensuring the availability of adequate resources and systems for risk management;
8. Receiving bi-annual reports on incidents and complaints and ensure that any corrective actions taken following such incidents and complaints are adequate;
9. Considering and agreeing any necessary action identified in the reviews following serious incidents, or from reviews undertaken by internal or external audits; and

## With respect to Compliance:

1. Reviewing the effectiveness of the system for monitoring compliance with laws and regulations and the results of any management investigation and following-up (including disciplinary action) of any instances of noncompliance;
2. Reviewing the findings of any examinations by regulatory agencies, and any audit observations;
3. Obtaining regular updates from management and company legal counsel regarding compliance matters; and
4. Reviewing the contracts and proposed Related Party transactions, and providing its recommendations to the Board in connection therewith;

## Other Responsibilities:

1. Ensuring that corrective action is taken or recommended in order to adequately resolve complaints, issues or disputes raised by the Company's stakeholders;
2. Reviewing any management decision to seek a second opinion from external statutory auditors other than the Company's regular external statutory auditors with respect to any significant accounting issue;
3. Ensuring the Company's management promptly responds to the internal auditors' recommendations within a reasonable time frame;
4. Review all related party transactions and providing approvals for any transactions as per the authority limits delegated to it by the Board;
5. Preparing audit committee report for the shareholders, which shall include details of Committee's performance against the assigned responsibilities 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 in L'azurde;
6. Periodically reviewing and reassessing the adequacy of this Charter and recommending to the Board any improvements to this Charter, in preparation for approval by the General Assembly.
7. Review the adequacy of the company's internal financial and operational controls in cooperation with each of the internal and external auditors, while informing the Board of Directors of the results.
8. Cooperating with other committees for specific issues that require the participation of more than one party. Accordingly, the Audit Committee cooperates with other Board committees to perform its duties and responsibilities.
9. Reviewing the minutes of previous committee meetings and following up on the decisions that were taken and documented, in order to verify that the necessary measures are taken regarding what was discussed.
10. Submit a report to the Board of Directors, as needed, to inform it of all decisions and recommendations issued by the committee.
11. Follow up on issues determined by the Board from time to time.

## **Conflict between AC and the Board**

If a conflict arises between the recommendations of the 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.

## **Arrangements for providing remarks**

The Committee shall develop arrangements 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 arrangements have been put into action through an adequate independent investigation in respect of the error or inaccuracy, and shall adopt appropriate follow-up procedures.



## Ownership and preservation of the document:

The Audit Committee is responsible for the ownership and preservation of the Committee's Charter, through the Secretary of the Audit Committee, and ensuring that the Committee's charter is compatible with changes in the company's business and regulatory requirements. The committee is also responsible for reviewing and reassessing the adequacy of the committee's charter at least once every three years or earlier whenever needed, and the audit committee recommends any proposed changes to the board of directors for review and approval.

## General provisions:

- It is not permissible for a committee member to have a direct or indirect interest in the business and contracts that are done for the company's account, and a committee member may not participate in any business that would compete with the company or to trade in one of the branches of the activity he is engaged in, otherwise the company may claim compensation from him Or that the operations that he has undertaken for his own account are considered to have been conducted for the account of the company. Unless the member obtains a license/approval to do so in accordance with the relevant laws and regulations.
- The company may not provide a cash loan of any kind to members of the Audit Committee, or guarantee any loan contracted by one or more of them with others, and any contract concluded in violation of the provisions of these regulations shall be considered null and void.
- Members of the Audit Committee may not disclose to the shareholders or to third parties what they found out about the company's secrets due to the performance of their work, otherwise they must be dismissed and accountable for compensation.

## Reporting:

### Shareholders

The Chairman of the Committee, or his delegate from Committee members or other Board Directors, shall attend the General Assembly Meetings and answer any questions raised by the shareholders regarding the Committee's activities and mandate.

The Committee is responsible before the Ordinary General Assembly for performance of its assigned responsibilities, and shall prepare an Audit Committee's report, summary of which shall be read at the General Assembly.

The Board shall make available 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.

### Board of Directors

The Committee, through its Chairman, shall inform the Board at each Board meeting, on any matters that, in the opinion of the Committee, needs to be brought to the attention of the Board and any matter requiring Board action.

## Adoption and Changes to the Charter

This Charter shall be approved by the General Assembly, upon Board's recommendation. Any changes to the Charter that the Committee or the Board proposes should be aligned with related regulations and Company bylaws. This Charter shall be effective from the date of the approval by General Assembly.

| Policy Name                          | Prepared by           | Reviewed by | Recommended by         | Approved by      | Approval Date |
|--------------------------------------|-----------------------|-------------|------------------------|------------------|---------------|
| Audit Committee Charter<br>version 3 | Governance Department | AC          | The Board of Directors | General Assembly | 30 June 2022  |