Business regulations of the auditing committee

Arriyadh Development Co.

Issued as per decision number (………….) issued by the ordinary assembly general on (…./…../2021)

For the Year 1443H - 2021

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First Article: preface, definitions and objective of the committee:

A. Business regulations of auditing committee of Arriyadh Development Co. as per authorities granted to the general assembly for the company shareholders in as per article (101st) of companies regulations issued by Royal Decree number (R/3), dated 28/01/1437H and its amendments, and article (54th) of compnies governance regulations issued by Saudi Capital Market Authority as per decision number (2017-16-8) dated13/02/2017, amended by decisiion of Saudi Capital Market Authority nuumber (2021-7-1), dated 14/01/2021, and 2nd paragraph of 46th article from company governance regulations approved as per decision number (…..), dated (...../…./2021 issued by Arriyad Development Co.
B. Words and clauses stated in this document are referred to the meanings explained in front of them, unless the text concept indicates to the contrary.

Regulations: regulations of auditing committee at Arriyadh Development Co.

Company: Arriyadh Development Co.

Board: company directors board.

Chief executive officer: higher executive official in the company, his essential responsibilites include main decisions making, management of comprehensive operations, and working as main contact point between the directors board and the company's operations. He also responsible for implementation of the company strategy.

Authority: Saudi Capital Market Authority.

Chairman: chairman of auditing committee in the company.

Articles of association: the articles of association of the company.

Committee: committee of auditing.

Companies governance regulations: which was issued by Saudi Capital Market Authority as per decision number (2017-16-8) dated dated13/02/2017, amended by decisiion of Saudi Capital Market Authority nuumber (2021-7-1), dated 14/01/2021, and possible amendments may occur.

Company governance regulations: which approved by decision of directors board of Arriyadh Development Co. number (……..), dated (…../…./2021).

Document of "terminology list used in regulations rules of Saudi Capital Market Authority is a reference for unknown terminology stated in this document.

C. The committee aims to the following:

1. Verification of the internal auditing fulfillment and effectivess through an review of arrangement effectiveness related to department of internal auditing and level of fulfillment and effectiveness.
2. Verification of the company administration response to subjects which specified and monitored through the committee activity and work, especially business of internal and external auditing and ensuring of its independency.
3. Verification of the company acceptance and understanding to role and value of internal auditing though the applied mechanisms; such as annual report of internal auditing.
4. Measurement and evaluation of effectiveness level of control and internal auditing systems in the company.
5. Verification of compliance to laws, regulations, standards and policies related to scope of the company business, tasks and responsibilities.

<u>Second Article: objective of the regulations:</u>

This regulations aims to explain explain controls and procedures of the committee work, tasks, rules of members selection, how to nominate them, duration of their membership, rewards, temporary mechanis of members appointment in case of unoccupied position.

<u>Third Article: constitution of the committee:</u>

1. The committee is constituted by a decision issued by the assembly general – as per proposition of the company directors board from four executive members; at least one of them an independent one and should not include any of the directors board members, or any of senior executives in the company, and one them must be specialist in financial and accounting affairs.
2. Chairman of directors board has no the right to be a member in this committee, also whom were employed for executive or financial administration of the company or with the accounts auditor.
3. Duration of the committee should be three years which is renewable, the directors board can recommend the shareholders assembly general to re-elect them for other similar periods.
4. The committee members select a chairman among them.
5. If a position in committee is unoccupied during the membership duration, number of members is less than the maximum limit, the directors board can temporarily appoint another member in the unoccupied seat who met the membership conditions with

efficient experience and this appointment should be presented during first meeting of the assembly general for approval, the appointed member will complete during of the previous one.

6. The committee should appoint its secretary general, whether among their members or any suitable one from the company administration team in order to prepare meetings, the committee business, minutes of meeting, documentation and follow-up of recommendations, directives and decisions without to have right of voting.
7. The company has to inform the Saudi Capital Market Authority of the committee members names and their membership capacity upon appointment and any occurred changes during the legal duration determined by the companies governance regulations.

Fourth Article: meetings, procedures and controls of the committee business:

1. The auditing committee has periodical meetings at least four time during the fiscal year of the company, beside it can hold meeting if required, minutes of meeting should be prepared which include summary of its discussions, directives, recommendations and decisions.
2. The auditing committee holds a meeting with the external auditor of the company and internal auditor at least one time per year and as required.
3. The external and internal auditors have the right to request a meeting with the committee, as required.
4. The committee can hold exceptional meetings as required, also chairman of the committee or majority of members can invite for an exceptional meeting as required, and the quorum of the committee meeting completes upon attendance of the majority of members.
5. The committee chairman or the secretary general are responsible for written invitation of the meeting attendance before enough duration from date of the meeting, business schedule and required presentations and documents should be available before enough duration from the date of the meeting.
6. If chairman of the committee is not able to attend, he can authorize one of members to head the determined meeting.
7. Each committee member has an equal vote, decisions must be issued by majority of the attendants views and represented in the meeting, upon equality of votes, the side of the chairman's vote is considered.
8. The committee secretary general prepares the minutes of meeting draft that should be sent to the committee chairman and members for information to express about any

remarks within seven days from date of meeting, in case of not receiving any remarks after seven days, then acceptance should be considered, and the minutes of meeting will be confirmed in special record and signed by the committee chairman, attended members andsecretary general, and all these minutes of meetings must be kept in special record.

9. The directors board follow-up business and performance of the committee through periodical reports that submitted to the directors board.
10. Any member in the directors board or the executive administration rather than the committee members have no the right to attend the meetings, unless the committee requested listening to his opinion or advice.

Fifth Article: authorities of the committee:

The committee is reponsible for review the company business and has the following rights:

1. Request to inform records and documents of the company.
2. Request any clarification or statement from members of the directors board or the executive administration.
3. Request from chairman of the directors board to invite the company assembly general for a meeting if its activities have been obstructed or the company is subject to damage or severe losses.
4. To meet external auditors, main employees of the company; such as the chief executive officer, the financial manager or the internal auditor to clarify them about auditing works and to express any remarks within its business scope.
5. The company will be responsible for required costs related to work of the committee after consent of the directors board.

Sixth Article: tasks and responsibilities of the committee:

The committee is responsible for its own subject or those referred by the directors board, it should have to submit its recommendations to the directors board in order to decide about, or to issue decision if it has an authority from the directors board, additional to inform the directors board about concluded results or taken or recommended decisions.

The committee is specialized to monitor the company's business and its financial activities to verify of policies and procedures that assure safety and integrity of financial reports and statements and internal control systems, tasks of the committee include the following:

1. **Financial Reports:**

A. To study primary and quarterly and annual financial statements of the company before submission to the directors board and recommended for approval.

B. To express technical opinion – according to request of the directors board- whether the annual report of the directors board and financial statements of the company fair and balanced and it includes information that allow shareholders and investors to assess the financial position of the company, its performance, business type and strategy.

C. To study any important or unfamiliar issues in the financial reports.

D. Accurate check-up of what has been risen by the company financial manager, or persons in charge or the company compliance official or the accountings auditor.

E. To verify of accounting estimations in essential issues mentioned in the financial reports.

F. To study accounting and financial policies applied in the company and to express opinion and recommend to the directors board.

2. **Internal Auditing:**

A. To study and revise internal and financial auditing control systems and risk management in the company.

B. Supervision on plans of internal control department and its business and verification of its effectiveness in accordance with proessional laws, regulations and rules in this regard and recommendation to the directors board regarding appointment a manager of unit or department of internal auditing or the internal auditor and to suggest the rewards.

C. To study reports of internal auditing and follow-up the corrective procedures regarding stated remarks.

D. Control and supervision on performance and activities of internal auditing in the company to verify of required resources availability and its effectiveness in work performance and the assigned tasks. If the company has no actual internal auditor, the committee recommends to the directors board regarding need of appointment.

E. To be sure of internal auditing independency and to enable it of effective performance.

3. **Auditor of Accounts:**

A. Recommendation to the directors board to nominate and dismissing of external accounts auditors, determination their fees and to assess their performance, after assurance of their independency and review their work scope and contractual conditions.

B. To verify of independency of external accounts auditor and his objectiveness taking into consideration relevant rules and standards.

C. To review plan of the company accounts auditor and his works, and to verify of no exceeding or shortness in his tasks performance and to assure that he didn't behave out of auditing scope and to express the relevant views.

D. To answer questions of the company external accounts auditor.

E. To study reports of external accounts auditor and his remarks regarding financial statements and to express the relevant view- if any- and follow-up the taken actions.

4. Assurance of Compliance:

A. To revise results of control authorities report and verity that the company has taken relevant required procedures.

B. Supervision on the company compliance to laws, regulations, policies and instruction related to work scope.

C. To review the proposed contracts and transactions that the company will implement with relevant parties and cases of possible conflict interests-if any- and to submit recommendations to the directors board.

D. To submit urgent issues to the board of directors, and to recommend procedures that should be taken.

<u>Seventh Article: report of the committee:</u>

The committee issues an annual report that includes a satisfactory conclusion of its business and performance and the notable achievements and how to do its specializations and tasks in the light of required laws and regulations, such as requirements and limitations of the report contents, and what required by professional rules and good practices in order to be presented to the shareholders assembly general as per determined by the companies laws or any other regulations issued by the legal concerned authorities.

<u>Eighth Article: Arrangements of Notes Presentation:</u>

The committee has to develp a mechanism that allows the company's employees present their remarks regarding violation in financial reports or others, and the committee should verify of this mechanism application by independent investigation that consistent with the size pf mistake or the violation and to adopt suitable follow-up procedures.

Ninth Article: rewards of the committee members are the following:

1. An annual reward as agreed in reward policy of the directors board, its pop-up committees and the executive administration.
2. Attedance allowance of the committee meetings of three thousand Saudi Riyal for each member per one meeting.
3. Tickets allowance on first class (return ticket) for the committee members who live outside Riyadh city.
4. Residence and ticket allowance for all members, if the meeting has been held outside Riyadh city.
5. A monthly reward of three thousand Saudi Riyal should be specified for the committee secretary general.

Tenth Article: conflict occurrence between the committee and the directors board:

If there is a conflict between recommendations of the auditing committee and decisions of the directors board, or if the directors board refuse to adopt the committee recommendation regarding appointment or dismissing the company accounts auditor, or determination his fees and his performance assessment or appointment of the internal auditor, so the report of directors board should include the committee recommendation, justifications and causes of refusal.

Eleventh Article: Final Provisions:

What have been stated in this regulations should be applied and abide by the company as the date of approval by the assembly general.