

2024/06/30

## Policy of the Audit Committee

A governance Regulation of City Cement  
Company (Listed Joint-Stock Company)

After Amendment

## Article 1: Definitions:

The following words and phrases have the following meaning ascribed to them:

**Company law:** The law of companies issued by the Ministry of Commerce.

**Company Governance Regulations:** The Corporate Governance Regulations issued by the Capital Market Authority.

**Articles of Association:** The Articles of Association of City Cement Company.

**Authority:** The Capital Market Authority.

**Market:** The Saudi Exchange Market.

**Company:** City Cement Company.

**Board:** The Board of Directors of City Cement Company.

**Committee:** The Audit Committee derived from the Board of Directors of City Cement Company.

**Auditor:** The auditor appointed by the company's general assembly.

**Financial Statements:** Financial statements of City Cement Company.

**CEO:** The Chief Executive Officer of City Cement Company.

**Internal Auditor:** Internal Auditor of City Cement Company.

## Article 2: Preamble

- This regulation has been prepared in accordance with the Companies Law and the Companies Governance Regulations
- This regulation explains the rules and standards governing the governance of the audit committee to ensure adherence to best practices.
- Without prejudice to the provisions of these regulations, any provisions or regulations issued by legislative authorities shall apply to the committee.

### Article 3: Objectives of the Regulations

These regulations aim to form the committee and define its powers, responsibilities, meetings, powers, reports, and the compensation of its members.

### Article 4: Composition of the Committee

- An audit committee shall be formed by a decision of the company's board of directors, composed of shareholders or others, provided that shall does not include any of the executive members of the board of directors. Members of the audit committee shall not be less than three and no more than five, including a specialist in financial and accounting affairs.
- At least one independent member shall be among the members of the Audit Committee.
- The Board of Directors proposes the work regulations of the Audit Committee, which are approved or amended by the General Assembly.
- The Chairman of the Board of Directors may not be a member of the committee.

### Article 5: Period of the Committee Membership

The period of the committee's membership shall be linked to the linked of the Board of Directors, and if a new member is elected as a result of the resignation or dismissal of a member of the committee, the new member shall complete the remaining period of the committee's membership.

### Article 6: Competencies and Responsibilities of the Committee

The Audit Committee shall assume the following powers and responsibilities:

- The Audit Committee shall be responsible for overseeing the company's operations and verifying the integrity of the financial reports and statements and internal control laws therein. The committee's duties in particular shall include the following:
  - Financial Reports:
    - Studying the company's initial and annual financial statements before presenting them to the Board of Directors and expressing an opinion and recommendation regarding them, to ensure their integrity, fairness and transparency.
    - Providing a technical opinion - at the request of the Board of Directors - as to whether the Board of Directors' report and the company's financial statements are fair, balanced, and understandable and include the information that allows shareholders and investors to assess the company's financial position, performance, business model and strategy.
    - Studying any significant or unusual matters contained in the financial reports.
    - Accurately investigating any issues raised by the company's financial manager, compliance officer, anyone carrying out his duties, or the auditor.
    - Verifying accounting estimates on material matters contained in financial reports.
    - Studying the accounting policies followed in the company and expressing an opinion and recommendation to the Board of Directors regarding them.
  - Internal Audit:
    - Studying and reviewing the company's internal control and financial laws, as well as its risk management.
    - Studying the internal audit reports and following up on the implementation of corrective actions for the observations therein.

- Supervising and overseeing the performance and activities of the internal auditor and the internal audit department in the company; to verify the availability and effectiveness of the necessary resources in carrying out the assigned work and tasks.
- Recommending to the Board of Directors the appointment of the head of the internal audit unit or department, or the internal auditor, and proposing their remuneration.
- Auditors:
  - Recommending to the Board of Directors the nomination of auditors, their dismissal, the determination of their fees, and the evaluation of their performance, after verifying their independence and reviewing the scope of their work and the terms of their contract.
  - Verifying the independence, objectivity and fairness of the auditor and the effectiveness of the audit work, taking into account the relevant rules and standards.
  - Reviewing the company auditor's plan and work, and verifying that they are not providing any technical, administrative or advisory services outside the scope of the audit, and expressing views on this.
  - Answering the inquiries of the company's auditor.
  - Studying the auditor's report and observations on the financial statements and follow up on what has been taken in this regard.
- Compliance Assurance:
  - Reviewing the results of the oversight authorities' reports and verify that the company has taken the necessary actions in this regard.
  - Verifying the company's compliance with the relevant laws, regulations, policies and instructions.
  - Reviewing the contracts and transactions proposed to be made by the company with related parties, and submit views on this to the Board of Directors.
  - Raising any issues that it deems necessary to take action on to the Board of Directors, and make recommendations on the actions to be taken.

### Article 7: Committee Meetings:

- The committee meets periodically, provided that its meetings shall not be less than four meetings during the company's fiscal year. Meetings may be held in person or via modern means of visual communication.
- A majority of the committee members shall be present to complete a quorum for the meeting.
- At each meeting, the committee follows up on the implementation of the results of previous meetings.
- The committee's decisions shall be made by a majority of the votes, and when the votes are equal, the chairman of the meeting shall have a casting vote.
- A committee member may not abstain from voting, and if he opposes any of the committee's decisions, he shall explain the reasons for doing so and record those reasons in the minutes of the meeting.
- No member of the Board of Directors or Executive Management, other than the Secretary of the Committee, has the right to attend the Committee's meetings unless the Committee requests to listen to its opinion or obtain its advice. Members of the Committee's Board and other persons attending the Committee meeting shall maintain the confidentiality of the meetings and documents they obtain and the content of the discussions that took place at the meeting, and the non-disclosure of company secrets that have been learned during their attendance and work in the committee.
- The secretary of the committee records its sessions with detailed written minutes
- The committee meets periodically with the company's auditor and the company's internal auditor.
- The internal auditor and auditor may request a meeting with the audit committee, whenever it is necessary.
- The committee secretary shall provide the committee members with a copy of the decisions of each meeting after their approval.
- The committee secretary shall keep the origin of decisions of the committee, meeting minutes and documents among the committee documents.

### Article 8: Powers of the Committee:

In order to perform its duties, the Audit Committee shall have the right to:

- Review the company's records and documents.
- Request any clarification or statement from members of the Board of Directors or the executive Management.
- Ask the Board of Directors to call the company's General Assembly to convene, if the Board of Directors obstructs its business or the company has exposed to serious damage or losses

### Article 9: Powers of the Committee:

The audit committee shall establish a mechanism that allows the company's employees to submit their observations regarding any violation in the financial or other reports confidentially. The committee shall verify the implementation of this mechanism by conducting an independent investigation appropriate to the level of the error or violation and adopting appropriate follow-up procedures.

### Article 10: Audit Committee Report:

- The audit committee's annual report shall include details on performance of its competencies and tasks stipulated in the corporate governance regulations, provided that it includes its recommendations and opinion on the adequacy of the company's internal and financial control and risk management systems.
- The Board of Directors shall deposit copies of the audit committee's report at the company's head office and publish it on the company's website and the Saudi Exchange website, when the call for a general assembly is published, to enable any shareholders to obtain a copy of this report. Additionally, the summary of the report shall also be read during the General Assembly.

### Article 11: Conflict between the Audit Committee and the Board of Directors:

If there is a conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors, or if the Board refuses to take into account the Committee's recommendation regarding appointing, dismissing, and determining the fees of the company's auditor, in addition, evaluating its performance, or appointing the internal auditor, the Board of Directors' report shall include the Committee's recommendation and justifications, and the reasons for not taking it.

### Article 12: Temporary appointment in the event of vacancies of the committee:

In the event that a committee membership becomes vacant during the tenure of membership, the Board of Directors shall be entitled to appoint a member to the vacant position, provided that such member shall meet the membership requirements, and the appointed member shall complete the tenure of its predecessor.

### Article 13: Remunerations of Committee Members:

- Obtaining attendance allowance for each session amounting to (SAR 3,000) three thousand riyals.
- An attendance allowance will be paid to anyone recalled by the company's management, if the session is held outside official working hours, equivalent to 30% of the member's allowance.
- Committee members residing outside Riyadh are entitled to compensation for travel costs in exchange for attending the meeting. These costs shall include a business class ticket (round trip) from its place of residence to the company's head office or the meeting place, in addition to any other costs associated with accommodation and transportation. This also applies to all members if the company has decided, for any reason, to hold the meeting outside Riyadh city.
- An amount not exceeding 50 thousand riyals shall be paid annually as a remuneration to a committee member from outside the Board of Directors.