

# Audit Committee Charter

## 1-4 Audit Committee Charter

### 1-4-1 Formation of the committee and considerations for its formation:

1-4-1-1 The Audit Committee shall be formed by a resolution of the Bank's Ordinary General Assembly - based on a proposal by three independent members of the Board of Directors, one of whom is a member of the Board of Directors appointed as the Chairman of the Committee, and two external members, who meet the requirements and terms of appointment stipulated in this charter and the policies and mechanisms of appointment and replacement of Board members, its affiliated committees, and the relevant rules and regulations, provided that the Chairman of the Board of Directors is not a member of the committee; and in the event that the Chairman of the Committee loses his membership of the Board of Directors, or he loses his independence for any reason, he loses the Chairmanship of the Committee.

1-4-1-2 The chairperson/member of the committee shall be obligated to refrain from everything that affects his independence; he shall refrain from accepting any

position, job, transaction, contract, disposition or any other thing that may prejudice, affect, or constitute an obstacle of independence, except after informing the Board of Directors that shall issue a resolution authorizing him to do the same, in accordance with the controls and provisions set by the Board of Directors, without prejudice to the availability of the minimum number of the independent members of the committee prescribed by the relevant rules and regulations; and in the event that a committee member loses his independence for any reason, he loses Committee membership, unless the Board of Directors decides to continue the membership of the (external) member of the committee for a specific period until the appointment of an appropriate replacement in accordance with the approved policy and mechanism of replacement and the relevant controls and conditions, provided that the appointment / replacement is presented to the Bank's General Assembly - at its first meeting - to approve it.

1-4-1-3 The chairman and members of the committee shall be appointed for a period of three years, renewable for two additional terms, according to the nomination and appointment mechanism specified in the policy of rules and controls for nomination and appointment to the Board of Directors and its committees, and the relevant rules, regulations, policies and procedures.

1-4-1-4 In the event of a vacancy in the position of the chairperson/member of the committee, the Board of Directors shall, upon the recommendation of the Nomination and Remuneration Committee, appoint a replacement member in the vacant position who meets the requirements and terms of appointment stipulated in this Charter and the policies and mechanisms of appointment and replacement of the members of the Board of Directors and its affiliated committees and the relevant regulations and rules; the new member shall complete the term of his predecessor, provided that the appointment/replacement is presented to the Bank's General Assembly at its first meeting, for approval.

1-4-1-5 The Executive Director of Internal Audit shall assume the duties of the Secretary of the Committee; in the event of his absence - for any reason - he shall be replaced by his deputy, unless the Committee decides to assign someone else.

#### **1-4-2 Authorities of the Committee:**

For the committee to perform its duties, it shall have the following authorities:

1-4-2-1 The right to access all bank records and document;

1-4-2-2 to request any clarification or statement from the members of the Board of Directors or the executive management;

1-4-2-3 the right to obtain the opinion of advisory or legal bodies from outside the Bank on matters that may have an impact on the financial position of the Bank;

1-4-2-4 the possibility of inviting any of the Bank's officials and employees in coordination with the CEO, as well as inviting the auditors to discuss reports, notes and any other topics related to the scope of their work.

1-4-2-5 to request the Board of Directors to invite the General Assembly to convene if its work is obstructed or the Bank suffers serious damage or losses.

### **1-4-3 Duties and responsibilities of the Committee:**

The main purpose of the Audit Committee is to assist the Board of Directors in performing its duties and responsibilities by contributing to enhancing confidence in the fairness of financial reports and oversight over the Bank's business in a way that ensures the protection of the interests of shareholders and all stakeholders. The Committee shall exercise its functions independently in light of the directives of the Board of Directors in accordance with the regulations, rules and governing controls:

#### **1-4-3-1 Financial reports:**

1-4-3-1-1 Studying the initial and annual financial statements of the Bank before presenting them to the Board of Directors and the Committee issuing its opinion and recommendation in respect thereof, according to what it finds of

their integrity, fairness, transparency and compliance with the accepted accounting standards.

1-4-3-1-2 Expressing technical opinion - at the request of the Board of Directors - on whether the Board's report and the Bank's financial statements are fair, balanced and understandable and include information that allows shareholders and investors to evaluate the Bank's financial position, performance, business model and strategy.

1-4-3-1-3 Studying any important or unfamiliar issues contained in the financial reports.

1-4-3-1-4 Thoroughly researching any issues raised by the Executive Vice President of Finance, Executive Director of Compliance and Financial Crime Prevention or the auditors.

1-4-3-1-5 Verifying accounting estimates regarding the material issues contained in the financial reports, and discussing provisions for financing losses, and the opinion of auditors on their adequacy.

1-4-3-1-6 Studying the accounting policies followed in the Bank, expressing opinion and recommending to the Board of Directors in this regard, and following up the application of accounting policies and standards and their variables, and reviewing notes as well as accounting amendments proposed by the auditors.

**1-4-3-2 Internal audit:**

1-4-3-2-1 Reviewing and approving the annual internal audit plan and any amendments thereto, following up on its implementation, evaluating the methodology based on which that plan was prepared, verifying its coverage of the Bank's scope of work and high-risk aspects, and ensuring its connection with the Bank's strategy and objectives.

1-4-3-2-2 Supervising the performance and activities of the internal audit sector, verifying the availability of human resources, the necessary needs and their effectiveness in performing the work and tasks entrusted to the internal audit, approving the proposed updates to the sector's organizational structure, as



well as approving the annual financial budget in preparation for approval by the Board of Directors.

1-4-3-2-3 Reviewing the annual report of the Internal Audit Sector regarding the audits conducted during the year and the deviations in the implementation of the plan and their causes.

1-4-3-2-4 Studying the Internal Audit reports, including the assessment of the internal control system, notes related to it, and correction procedures, as well as reports of evaluating the Bank's insurance coverage, unclaimed and abandoned accounts, related party transactions reports, reports related to information technology and security controls, and other matters that fall within the functions and tasks of the Committee.

1-4-3-2-5 Follow-up on the progress in correcting the observations contained in the Internal Audit reports.

1-4-3-2-6 Evaluating the performance of the Internal Audit Sector and verifying that it is performing its tasks effectively and independently and that it does not

encounter any difficulties during the audit process, including any restrictions on the scope of work or obtaining the required information.

1-4-3-2-7 Recommending to the Board of Directors the appointment of the Executive Director of Internal Audit and proposing his financial benefits in accordance with the relevant approved policies of the Bank.

### **1-4-3-3 External Audit (Auditors)**

1-4-3-3-1 Recommending to the Board of Directors to nominate and dismiss auditors, determine their fees and evaluate their performance, after verifying their independence and reviewing the scope of their work and the terms of their contract;

1-4-3-3-2 Verifying the independence, objectivity and fairness of the auditors, and the effectiveness of audit work, taking into account the relevant rules and standards, and the absence of any restrictions on the scope of their work and the extent of response of the management to their requirements;

1-4-3-3-3 Reviewing the auditors' plan and work, and verifying that no technical or administrative works are submitted that are outside the scope of audit work or not approved by the Committee, and expressing their views in this regard, in addition to approving any work that may be requested from the auditors outside the scope of the audit work they perform.

1-4-3-3-4 Studying the reports submitted by the auditors and their comments on the financial statements, including the annual management letter, and following up the corrections of the notes contained therein.

1-4-3-3-5 Reviewing any reports issued by the auditors of the Central Bank or the Bank's management or any results raised with the management and the extent of the management's response thereto.

1-4-3-3-6 Annually obtaining a letter from the auditors confirming their independence in accordance with the applicable regulations and professional standards.

#### **1-4-3-4 Confirmation of compliance and adequacy of the internal control system**

1-4-3-4-1 Reviewing the results of the regulatory authorities' reports and following up on the Bank's taking the necessary measures in this regard, as it falls within the activities or competence of the committee.

1-4-3-4-2 Verifying the Bank's compliance with the rules, regulations, policies and instructions related to the activities and competence of the Committee, and submitting its recommendations in matters that require action to the Board of Directors.

1-4-3-4-3 Assessing the adequacy and effectiveness of the internal control controls for the various activities of the Bank, and the variables thereof, including the use of automated banking systems to obtain reliable financial information.

1-4-3-4-4 Ensuring the existence of a policy and mechanism that allow employees in the Bank to submit their comments regarding any abuse in financial or other reports in complete confidentiality, as well as ensuring the existence of policies and procedures followed by stakeholders in submitting their complaints or

reporting violating practices and verifying the application of these policies and mechanisms.

1-4-3-4-5 Perusal of the administrative reports and information required by the supervisory authority, and any other documents or reports submitted by the Bank that fall within the responsibilities or competencies of the audit committee.

1-4-3-4-6 Perusal of the minutes of the meetings of the Board and the various committees of the Bank and following up on issues of interest to the Committee and that fall within its responsibilities, including those related to the collection or write-off of bad debts, internal and external fraud cases, and risk reports.

1-4-3-4-7 Reviewing the contracts and transactions proposed to be conducted by the Bank with related parties, and presenting its views in this regard to the Board of Directors.

1-4-3-4-8 Obtaining a list of all related party transactions, reviewing their approvals and ensuring their integrity and the adequacy of their disclosure in the financial statements.

1-4-3-4-9 Obtaining the necessary clarifications regarding the amount and size of operational losses, violations and fines calculated on the Bank, their causes and processing procedures.

1-4-3-4-10 Perusal of the periodic and annual reports issued by the Compliance Committee and Combating Financial Crimes of the Department regarding the compliance status of the Bank, including any shortcomings and the steps taken to correct them.

#### **1-4-4 Committee Reports**

1-4-4-1 The Board of Directors shall approve the annual work plan of the Committee in accordance with its responsibilities and powers, and the Committee shall submit to the Board periodically the minutes of its meetings, including the results of its work, decisions and recommendations.

1-4-4-2 The Committee shall submit a quarterly report to the Board of Directors that shall include a summary of the Committee's work and recommendations.

1-4-4-3 Preparing a report for the Committee that shall include details of its performance of its competencies and tasks stipulated in the Companies Law and its regulations, provided that it shall include its recommendations and opinion on the adequacy of the internal control system, and the other work it has carried out within the scope of its competence, provided that the Board of Directors shall deposit copies of the Audit Committee's report in the head office of the Bank and to be published on the Bank's website and the website of the Saudi Stock Exchange (Tadawul) when the invitation to convene the General Assembly is published at least twenty-one days prior to its convening; to provide any shareholder who wishes with a copy of it, and a summary of the report shall be read during the assembly.

#### 5-4-1 Committee meetings

1-4-5-1 The Audit Committee shall meet periodically, provided that its meetings shall not be less than four meetings during the Bank's financial year.

1-4-5-2 The Audit Committee shall meet periodically with the auditors and with the Bank's Internal Audit.

1-4-5-3 The Executive Director of Internal Audit and the Bank's auditors may request a meeting with the Audit Committee whenever the need arises.

1-4-5-4 The quorum of the Committee shall be complete in the presence of the majority of the members (two out of three) and no member of the Audit Committee has the right to delegate another member on his behalf.

#### 1-4-6 Remunerations and compensation of the Chairman and members of the Committee

The remunerations and compensation of the Chairman and members of the Committee shall be subject to the provisions related to the Companies Law and



the regulatory controls and procedures issued in implementation of the Companies Law for Listed Joint Stock Companies, and the Corporate Governance Regulations issued by the Capital Market Authority and the Bank's Articles of Association.

The remuneration of each of the Chairman and members of the Committee shall be determined in accordance with the policy and mechanism of remuneration for members of the Board of Directors and its committees, approved by the Board of Directors and the General Assembly and related resolutions. In the event of absence from attending the Committee's meetings, an amount shall be deducted from the absent member's remuneration for him as chairman or member of the committee in proportion to the percentage of his absence.

#### **7-4-1 Amendment to the Charter**

This charter shall be updated or amended by a resolution of the General Assembly upon the recommendation of the Board of Directors, based on the

recommendations of the Audit Committee and the Compliance and Governance Committee in accordance with the relevant procedures and mechanisms of the Bank.

**8-4-1 General and final provisions:**

The general rules and provisions of the Board of Directors Committees approved in the Governance Guide appendix shall apply to the Committee's work, meetings and mechanisms – in a manner that does not conflict with the relevant provisions and rules.