

# POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ)

(A Saudi Joint Stock Company)

AUDIT COMMITTEE CHARTER

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## Article 1: Purpose

This Charter shall be referred to as the “Audit Committee Charter”, and it has been prepared in accordance with the provisions of the Corporate Governance Regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia. These regulations require the company’s General Assembly, upon the recommendation of the Board of Directors, to approve the Audit Committee Charter. This charter outlines the mechanism for appointing the members of the Audit Committee, its responsibilities, the procedures governing its meetings, the quorum requirements, and its overall operational framework.

## Article 2: Definitions

The words and expressions used in this regulation shall have the meanings assigned to each of them herein. Masculine terms shall include the feminine, and the singular shall include the dual and the plural, and vice versa, unless the context or a clear indication suggests otherwise:

Term	Definition
<b>Governance Department</b>	The Corporate Governance Department within the Company.
<b>Secretary</b>	The Secretary of the Audit Committee.
<b>General Assembly</b>	The Ordinary General Assembly of the Company.
<b>Committee Chairman</b>	The Chairman of the Audit Committee.
<b>Charter</b>	The Audit Committee Charter.
<b>Company</b>	Power and Water Utility Company for Jubail and Yanbu (Marafiq) (Saudi Joint-Stock Company).
<b>Committee</b>	The Audit Committee.
<b>Board</b>	The Board of Directors of the Company.
<b>Authority</b>	The Capital Market Authority.
<b>Business Day</b>	A day on which the Authority customarily conducts its business.

## Article 3: Interpretation of the Charter

### 3.1 Rules of Interpretation

3.1.1 This Charter and its attached appendices (if any) are considered an integral part thereof and shall be read and interpreted in conjunction with it for this purpose.

3.1.2 This Charter addresses and applies to job positions, not to the individuals holding them.

3.1.3 All headings in this Charter are intended solely for ease of reference and shall not affect the interpretation of its provisions as a unified document.

3.1.4 This Charter shall take precedence over any other charter on the same subject that may conflict with it.

3.1.5 The Board has the authority to establish the rules and executive policies for implementing this Charter.

3.1.6 This Charter is drafted in accordance with the mandatory provisions of the Corporate Governance Regulations issued by the Authority. If at any time the Authority decides to consider any provision in the Corporate Governance Regulations as mandatory rather than supplementary, this Charter shall be interpreted accordingly, and the supplementary provision shall become mandatory by force of law and

an integral part of this Charter. If a supplementary provision is stated in this Charter in the form of a mandatory rule, this shall not affect its status as supplementary and non-binding, unless and until the Authority decides otherwise.

3.1.7 The Company's application of any guiding (non-mandatory) provision, whether consistently or occasionally, shall not render such provision mandatory unless a specific resolution is issued by the Board or the Authority stating otherwise. The Company may alternate between applying or not applying the guiding provision, as it deems appropriate in this regard. Under no circumstances shall the approval of this policy/charter be considered as rendering the guiding provisions contained herein mandatory.

### **3.2 Sources of Judgment in Practice**

3.2.1 The provisions of this Charter shall apply to the matters explicitly addressed in its wording and meaning, and no interpretation or discretion shall be exercised where there is a clear text.

3.2.2 The provisions of this Charter shall not conflict with the legislative systems in the Kingdom of Saudi Arabia. In case of any conflict, the mandatory provisions of the legislative systems shall prevail.

3.2.3 In the absence of a provision in this Charter addressing a particular matter, the following legislative hierarchy shall apply:

3.2.3.1 The mandatory provisions of the Corporate Governance Regulations issued by the Authority shall be applied.

3.2.3.2 The provisions of the Companies Law and its Executive Regulations shall be applied.

3.2.3.3 The provisions of the company's Articles of Association shall be applied.

3.2.3.4 The resolutions of the General Assembly of the company shall be applied.

3.2.3.5 The resolutions of the Board of Directors shall be applied.

3.2.3.6 Judgment by the Governance Department shall be applied, based on the circumstances surrounding each matter not specifically addressed by any provision.

### **Article 4: Committee Formation and Membership**

4.1 The committee shall be formed, and its chairperson appointed by a decision of the Board. The remuneration of its members shall be determined in accordance with the "Board Members, Committee Members, and Executive Management Remuneration Policy." Membership of the committee begins with the start of the Board's term and ends upon its conclusion or the dissolution of the Board.

4.2 The number of committee members shall not be less than three and not more than five, and the members shall:

4.2.1 Members may be shareholders or non-shareholders.

4.2.2 None of them shall be from the executive members of the Board.

4.2.3 At least one of them shall be an independent Board member.

4.2.4 One of the members shall be a specialist in financial and accounting matters.

4.2.5 The Chairman of the Board shall not be a member of the Audit Committee.

4.2.6 No person who has worked during the past two years in the financial or executive management of the company or with the company's external auditor may be a member of the committee.

4.2.7 All committee members shall have knowledge of financial rules, and at least one member shall be a specialist in financial and accounting matters.

4.2.8 The member shall hold a university degree or its equivalent from an educational institution recognized in the Kingdom of Saudi Arabia.

4.2.9 A committee member shall not serve simultaneously on the audit committees of more than five publicly listed companies.

4.2.10 The member shall not have been previously convicted of any felony or misdemeanor involving dishonor or breach of trust.

4.3 The company shall notify the Authority of the names of the committee members and the nature of their membership as of their appointment date, as well as any changes to this information, within five business days from the date of the change.

4.4 A committee member may resign from the committee by submitting a written notice to the committee chairperson, who shall then notify the Board and the Board Secretary immediately. If the chairperson resigns, the notice shall be directed to the Board and the Board Secretary. The resignation becomes effective in both cases on the date specified in the notice.

4.5 If a committee member's position becomes vacant, the Board may appoint a qualified and competent replacement within a maximum of ten business days from the date of the vacancy. The new member shall complete the term of their predecessor. The company shall notify the Authority within five days of the appointment date.

4.6 If the required quorum for a valid committee meeting is not met due to a reduction in the number of members to less than half, the Board shall immediately appoint a new committee within a maximum of ten business days. The company shall notify the Authority within five days of the new appointment. The newly appointed committee shall complete the term of its predecessor.

4.7 Membership in the committee shall be automatically terminated if any of the following conditions are met:

4.7.1 In the event of the dissolution of the Board for any reason or the end of its term.

4.7.2 In the event of the member's death or proven total incapacity preventing them from performing their duties.

4.7.3 In the event of the member's resignation, retirement, or dismissal.

4.7.4 In the event that any of the membership conditions stated in this Charter or the relevant regulatory bylaws are no longer met.

#### **Article 5: Committee Secretary**

The committee shall appoint a Secretary, and the Board shall determine the Secretary's remuneration. The Secretary may be selected from among the committee members or from the company's management team, as deemed appropriate by the committee. The Secretary is responsible for preparing meeting agendas, drafting and documenting minutes, and following up on the implementation of the committee's recommendations, directives, and decisions. The Secretary does not have voting rights in the committee.

#### **Article 6: Committee Operating Guidelines**

6.1 The committee meeting shall be valid with the attendance of a majority of its members. In any duly convened meeting where quorum is present, the committee shall have the right to exercise all or any of the powers and authorities granted to it. Decisions of the committee shall be made by majority vote of the members present. In the event of a tie, the vote of the committee chairperson (or the meeting chair) shall be the deciding vote.

6.2 In the event of the committee chairperson, the attending members shall elect one among them to chair the meeting.

6.3 Members may participate in any meeting via telephone, video conference, or any similar electronic means.

6.4 A committee member has the right to object to any decision made by the committee, provided the objection is explicitly recorded in the meeting minutes. If a member is absent from a meeting during which a decision is made, they are not exempt from responsibility for implementing the decision unless it is proven that the member was unaware of the decision or was unable to object to it.

#### **Article 7: Committee Meetings**

7.1 The committee shall convene its meetings upon the invitation of the Secretary, based on a request from the committee chairperson, at least four times a year. These meetings shall, where appropriate, coincide with key dates in the company's financial reporting cycle. The committee may also hold extraordinary or emergency meetings as needed and at any other time as decided by the committee chairperson. Additionally, the committee shall convene if requested by the Board, two of its members, the external auditor, or the head of the internal audit department. In all cases, the reasons for holding any extraordinary meeting shall be clearly stated in the minutes of the relevant meeting.

7.2 The committee shall hold regular meetings with the external auditor.

7.3 The committee shall meet at least once annually with both the external auditor and the internal auditors without the presence of management.

7.4 Unless otherwise agreed, a notice of each meeting, confirming the venue, time, date, agenda, and items to be discussed, shall be sent to each committee member, any other required attendees, and all other members at least 10 business days prior to the meeting date. However, in exceptional cases, the notice may be issued at least 5 business days before the meeting, provided it includes a note explaining the urgency of the meeting. Supporting documents shall be sent to committee members and other attendees, as applicable, at the same time.

7.5 The committee shall hold its meetings at the company's headquarters; however, meetings may also be held at any other location or via any available electronic means.

7.6 The company's CEO, CFO, Head of Internal Audit, the external auditor's representative, and other specialists may attend the meetings upon the committee's invitation.

#### **Article 8: Minutes of Meeting**

8.1 The Secretary shall prepare minutes in Arabic documenting the proceedings of each committee meeting and the decisions made therein, including a record of attendees' names. The minutes may also be prepared in an additional language other than Arabic; however, in the event of any discrepancy, the Arabic version shall prevail.

8.2 At the beginning of each meeting, the Secretary shall verify the absence of any conflict of interest and record any such cases in the meeting minutes accordingly.

8.3 The Secretary shall prepare a draft of the meeting minutes and present it to the committee chairperson and members via email for their review and comments within five (5) business days from the date of each meeting. If no comments are received within ten (10) business days after the draft is sent, this shall be considered as confirmation that there are no comments on the initial draft. The meeting minutes shall then be finalized and retained after being signed by the Secretary and all members who attended the meeting.

### **Article 9: Committee Jurisdiction**

In addition to the mandatory duties stipulated by the Capital Market Authority in its Corporate Governance Regulations, as well as any advisory duties that may become mandatory by decision of the Authority, the committee shall undertake the following tasks:

#### **First: Financial Reports**

9.1 Review the company's interim and annual financial statements before they are presented to the Board of Directors, and provide opinions and recommendations to ensure their integrity, fairness, and transparency.

9.2 Provide a technical opinion, upon the Board's request, on whether the Board's report and the company's financial statements are fair, balanced, and understandable, and whether they contain the information that enables shareholders and investors to evaluate the company's financial position, performance, business model, and strategy.

9.3 Review any significant or unusual matters included in the financial reports.

9.4 Conduct a thorough investigation into any issues raised by the company's Chief Financial Officer, their designee, the Compliance Officer, or the external auditor.

9.5 Review any significant or unusual matters included in the financial reports.

9.6 Examine the accounting policies adopted by the company and provide opinions and recommendations to the Board of Directors regarding them.

#### **Second: Internal Audit**

9.7 Study and review the company's internal control, financial, and risk management systems.

9.8 Review internal audit reports and follow up on the implementation of corrective actions for the observations included therein.

9.9 Monitor and oversee the performance and activities of the internal auditor and the internal audit department to ensure the availability of necessary resources and the effectiveness of their execution of assigned tasks.

9.10 Recommend to the Board of Directors the appointment of the head of the internal audit unit or department, or the internal auditor, and propose their remuneration.

#### **Third: External Auditor**

9.11 Recommend to the Board of Directors the appointment, dismissal, and remuneration of external auditors, and evaluate their performance after verifying their independence, and reviewing the scope of their work and the terms of their engagement.

9.12 Verify the independence, objectivity, fairness, and effectiveness of the external auditor's work, taking into account the relevant rules and standards.

9.13 Review the external auditor's plan and activities for the company, ensure they do not provide any technical or administrative services outside the scope of their audit work, and provide the committee's views regarding this.

9.14 Respond to inquiries from the company's external auditor.

9.15 Review the external auditor's reports and comments on the financial statements and follow up on the actions taken in response.

9.16 Review and approve all non-audit services provided by the external auditors to ensure their independence.

#### **Fourth: Ensuring Compliance**

9.17 Review the findings of reports issued by regulatory authorities and ensure that the company has taken the necessary actions in response.

9.18 Ensure the company's compliance with applicable laws, regulations, policies, and relevant instructions.

9.19 Review proposed contracts and transactions between the company and related parties and provide recommendations to the Board of Directors in this regard.

9.20 Inform the Board of any matters the committee deems necessary for action and submit the appropriate recommendations regarding the steps to be taken.

#### **Fifth: Conducts and Ethics**

9.21 Review and evaluate the policies and procedures related to the company's code of conduct and ethics.

9.22 Review reports on compliance with laws, regulations, policies, unethical behavior, and similar matters.

#### **Sixth: Governance**

9.23 Obtain the necessary assurances from company management regarding the implementation of governance rules.

#### **Seventh: Fraud, Money Laundering, and Corruption**

9.24 Oversee management's arrangements for the prevention and combating of fraud, money laundering, and corruption.

9.25 Ensure that appropriate actions are taken against individuals involved in fraud, money laundering, or corruption.

9.26 Support management in ensuring the existence of effective anti-fraud, anti-money laundering, and anti-corruption programs and controls.

#### **Eighth: Internal Control**

9.27 Review the adequacy and completeness of the internal control system.

9.28 Review the method and framework through which management monitors operations and assess the suitability, scale, and effectiveness of the internal control systems in place and how well they are implemented.

### **Ninth: Annual Report**

9.29 The committee shall prepare an annual report that includes a comprehensive assessment of control and compliance processes, the committee's activities, its responsibilities, membership, number of meetings held, and attendance throughout the year. The Audit Committee report shall detail its performance in carrying out the duties and responsibilities outlined in these Charters. The report shall also include the committee's recommendations and its opinion on the adequacy of internal control, financial, and risk management systems. The Board of Directors shall provide sufficient copies of the Audit Committee's report at the company's headquarters and publish it on both the company's website and the stock exchange website when the notice for the General Assembly meeting is issued, to allow interested shareholders to obtain a copy. A summary of the report shall be read during the General Assembly meeting.

### **Article 10: Committee Powers**

The committee shall have the following powers and authorities (in addition to those outlined in these Charters and any other powers established by the Authority in its Corporate Governance Regulations):

10.1 The committee shall have access to sufficient resources to perform its duties.

10.2 The committee may request any information from the company's management necessary to carry out its responsibilities. The committee shall specify the type, volume, and timing of the information to be provided by the company's departments, and such information shall be made available to the committee as it becomes available.

10.3 Obtain advice and assistance as needed from any department within the company and may request clarification or statements from members of the Board of Directors or executive management.

10.4 Receive appropriate and timely training, whether in the form of an induction program for new members or continuous training for all members.

10.5 Oversee any investigation into activities within its scope of authority and establish arrangements that allow company employees to submit their observations confidentially regarding cases of fraud, money laundering, corruption, or any material errors in financial or other reports.

10.6 Request the Board of Directors to call for a General Assembly meeting if the Board hinders its work or if the company suffers serious harm or significant losses.

### **Article 11: Duties and Powers of Committee Members**

**11.1 In addition to the mandatory duties prescribed by the Authority in the Corporate Governance Regulations, or any advisory duties that become mandatory as determined by the Authority, the Chairperson of the Committee shall be responsible for the following:**

11.1.1 Managing the committee's meetings and striving to enhance their effectiveness.

11.1.2 Representing the committee before the Board of Directors and the General Assembly and responding to inquiries related to the committee's areas of responsibility.

11.1.3 Calling committee meetings and determining their dates and venues in coordination with committee members.

11.1.4 Preparing the agendas for committee meetings.

11.1.5 Ensuring that the topics presented to the committee are supported by the necessary documents and essential information.

11.1.6 Ensuring sufficient time is allocated for discussing the agenda items.

11.1.7 Submitting the committee's recommendations to the Board whenever the committee deems it appropriate regarding any aspect within its scope of responsibilities.

11.1.8 Following up on the implementation of the committee's decisions.

**11.2 The Secretary of the Committee shall assume the following tasks and responsibilities:**

11.2.1 Coordinating committee meetings and proposing agenda items in coordination with the Committee Chairperson.

11.2.2 Notifying committee members of meeting dates and providing them with the agenda and any necessary information.

11.2.3 Attending committee meetings, documenting them, preparing meeting minutes, and maintaining their records.

11.2.4 The minutes of the committee, along with documents, reports, and other materials issued by the committee, including Audit Committee reports, shall be retained at the company's headquarters for a period of no less than ten years. Without prejudice to this minimum period, such documents shall be retained in the event of any legal proceedings, including any existing or threatened lawsuit, claim, or ongoing investigation related to those documents, until such proceedings are concluded. The company's approved document retention policy shall apply in this regard.

**11.3 In addition to the other mandatory duties prescribed by the Authority in the Corporate Governance Regulations or any guiding duties that become mandatory based on the Authority's decisions in this regard, each committee member shall:**

11.3.1 Comply with the provisions of the Authority's regulations, the Companies Law and its Implementing Regulations, other relevant laws, and the company's bylaws when performing their duties, and refrain from engaging in or participating in any transaction that may harm the company's interests.

11.3.2 Be fully aware of the duties and responsibilities of the committee and allocate sufficient time to effectively fulfill their role in achieving its objectives.

11.3.3 Perform the duties assigned to them without any external influence, whether from within or outside the company, and not place their personal interest above the interests of the company.

11.3.4 Refrain from accepting gifts from any person who has business dealings with the company.

11.3.5 Prepare for all meetings, attend them, and actively participate in all discussions.

11.3.5 Stay informed about regulatory updates related to the company, its activities, business operations, and other relevant areas.

**Article 12: Jurisdictional Conflicts and Conflict of Interest**

**12.1 Positive and Negative Jurisdictional Conflict:**

In the event of a positive jurisdictional conflict between this committee and any other standing committee of the Board, where both committees insist that a certain matter or incident falls within their jurisdiction, or in the case of a negative jurisdictional conflict, where both committees disclaim jurisdiction over a certain matter or incident, the issue shall be referred to the Board for a resolution and final decision in this regard.

## 12.2 Conflict Between the Audit Committee and the Board of Directors

If a conflict arises between the Audit Committee's recommendations and the decisions of the Board of Directors, such as the Board rejecting the Committee's recommendation concerning the appointment, dismissal, remuneration, or performance evaluation of the company's external auditor, or the appointment of the internal auditor, the Board of Directors' report shall include the Committee's recommendation along with its justifications, as well as the reasons for not adopting it.

## 12.3 Conflict of Interest

Without prejudice to the rules set forth in the company's approved Conflict of Interest Avoidance Policy and its detailed provisions:

12.3.1 Committee members shall avoid any situations that may lead to a conflict of interest with the company at all times.

12.3.2 If a member has a conflict of interest regarding any matter before the committee, they shall disclose this conflict prior to the discussion of the matter. This disclosure shall be recorded in the meeting minutes. In such a case, the member is not permitted to attend, participate in the discussion, or vote on the matter in question.

12.3.3 A committee member may not have any direct or indirect interest in the business or contracts that will be executed or concluded on behalf of the company unless such interest is disclosed and approved by the Ordinary General Assembly if the committee member also holds a position as a board member, or approved by the Board of Directors if the committee member is not a board member, in accordance with the applicable regulations and the company's internal policies.

12.3.4 If a committee member fails to disclose their interest in the relevant contracts, the company may seek to annul the contract and require the member to pay compensation or return any profit/benefit obtained through that interest.

12.3.5 If a committee member fails to disclose their involvement in any activity that competes with the company or any of its business branches, the company may resort to the competent judicial authority to claim appropriate compensation.

12.3.6 A committee member, whether directly or indirectly, is prohibited from using, exploiting, or benefiting from any of the company's assets, information, or investment opportunities under consideration by the company. A member is also prohibited from exploiting any such investment opportunity after the end of their term.

12.3.7 If it is proven that a member has exploited any investment opportunity, the company or any concerned party may resort to the competent judicial authority to request the annulment of any action, profit, or gain resulting from that opportunity. The company may also claim appropriate compensation.

12.3.8 A committee member shall maintain the confidentiality of the information and documents made available to them, and under no circumstances, even after the end of their membership, may they disclose such information to any person or entity unless expressly authorized in writing by the Board. The member is also prohibited from using any of this information for personal benefit, the benefit of relatives, or any external parties. The company has the right to seek compensation in the event of a violation of the provisions of this article.

### Article 13: Review and Amendment

13.1 The Committee shall review this Charter in coordination with the Company's management as needed and recommend any amendments to the Board for approval prior to obtaining the approval of the General Assembly.

13.2 The Governance Department of the Company shall retain the original duly signed copy of this Charter and provide the Authority with a copy thereof, as well as of any amendments made from time to time.

### Article 14: Effective Date of the Charter

This Charter shall come into effect and be implemented as of the date of its approval by the General Assembly.

<b>Name of the Charter</b>	Audit Committee Charter			
<b>Reviewed and Amended by the Governance Department</b>	Akram Ibrahim Hamdan	Signature:	Date	23/10/2023
	Faisal Khalaf Al-Anazi	Signature:	Date	23/10/2023
<b>Board Secretary</b>	Muhammed Abdulhamid Al-Mulhim	Signature:	Date	23/10/2023
<b>Date of Charter Approved by the General Assembly</b>	23/10/2023			
<b>Official Language of the Charter</b>	Arabic is the language and English, if available, is for guidance only.			

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