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## **Audit Committee Annual Report – 2021**

During the year 2021, the Audit Committee has continued to assist the Board in fulfilling its oversight responsibilities by monitoring and reviewing the integrity of the Group's financial reporting and the effectiveness of the Internal and External Audit functions. The Committee was focused on financial performance, new and emerging risks, and crisis management, business continuity and resilience. The Committee's priorities for the next financial year will be to consider the ongoing performance in terms of future planning and the evolution of Group-wide business continuity arrangements, monitor the implementation of the business strategy and its impact on the Group's internal control and risk management processes, and continue to ensure appropriate focus is given to the critical topics of controls programme.

### **Audit Committee Key Tasks**

The following are the key duties performed by the Audit Committee during the year 2021:

#### **1. Financial Statements and Accounting Policies**

- The Audit Committee received and reviewed the key assumptions used in preparing the financial statements and challenged management of those subjective assumptions having a material impact on the financial statements and financial reporting by the company.
- The Audit Committee reviewed intra-group transactions and related parties' transactions.
- The Audit Committee conducted follow-up on the important lawsuits filed by or against the Company.
- The Audit Committee placed particular emphasis on the fair presentation, reasonableness of the judgment factors applied, and the appropriateness of significant accounting policies used in the financial statements preparation.

#### **2. Internal Controls**

- The Audit Committee received and reviewed the internal and external auditors' assessment of internal control procedures, which also ensured the optimal use and controls of Information Technology (IT) necessary to generate accurate and reliable information and data are in place.
- The Audit Committee also reported that it was satisfied that the company's internal control procedures are based on a sound and professional framework that is being implemented efficiently and that all necessary actions have been or are being taken as remedial measures to rectify failings and weaknesses reported to it during the year 2021.

#### **3. Oversight of the Internal Audit Function**

- Internal Audit Department reports functionally to Board Audit Committee and administratively to Chief Executive Officer. In carrying out its duties, the Department has full access to information, documents and employee-related issues. The Internal Audit Department operates in accordance with International Internal Auditing Standards (IIA Standards).

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- The Internal Audit Department carried out planned audits in accordance with the agreed schedule and changes required during the year, as approved by the Board Audit Committee to evaluate, objectively and independently, the adequacy and effectiveness of Internal Control Systems.
- Throughout 2021, Internal Audit Department regularly issued audit progress reports to the Board Audit Committee during the year covering the audit plan progress, audit activities / observations, progress on internal audits' outcome and overall update / view on internal controls' effectiveness and related subjects. During 2021, the Internal Audit continued its significant progress made in closing and verifying audit findings along with strengthening the follow-up / closure process
- The Audit Committee approved the Annual Risk Based Internal Audit Plan for the year 2021 focusing on high risk controls and issues such as the implementation of SAMA requirements and reviewing Control departments such as Credit Risk and property valuation.
- The Audit Committee received and reviewed Audit Findings from the Internal Audit department covering the 2021 Annual Internal Audit Plan, and discussed the key findings and challenged the management with respect to the remedial actions and its planned timeframe to resolve the issues raised by internal audit.
- The Internal Audit department was independent in performing their tasks, and there was no restriction on the scope of work or any impediments that might negatively affect their work.
- The internal audit is in a position to perform its full duties and is equipped with the required resources.

#### 4. Oversight of the External Audit Function

- The Certified External Auditor, KPMG, is registered Certified Public Accountants (CPAs) by Capital Market Authority "CMA" to carry out Audit Engagements, was assigned by the General Assembly to audit the accounts of the company for 2021 in addition to reviewing the Internal Control System within the scope of its review of the final financial statements of the company. The Audit Committee kept an active collaboration with the External Auditor, in line with the recognized audit standards, to help fulfilling both missions and adding greater value to the organization.
- The Audit Committee discussed the annual and interim quarterly financial statements with the external auditors and the company's senior management before the issuance thereof.
- The Audit Committee reviewed the Annual and interim Quarterly financial statements for the year 2021 and recommended approval from the board of directors and the general assembly.
- The External Auditor has the necessary experience in auditing the company as it is one of the big 4 firms. The External Auditor was independent from the Company, the Board members and the senior management of the Company.
- External Auditor, in line with the recognized audit standards, helped fulfilling both missions and adding greater value to the organization.

**5. Oversight of Compliance Function**

- The Compliance Program establishes a framework to ensure that all our employees act with integrity and comply fully with the laws and regulations, and also adhere to the company’s internal policies. The Code of Ethics is the tool that governs how all employees interact with business partners, colleagues and the community.
- Our ethical behaviour focuses on adherence to the company’s governance structures, policies and procedures in the most transparent way possible. Seniors are keen to serve as role models for other employees in terms of compliance and ethical conduct.
- Our commitment to integrity and compliance goes far beyond simply seeking to prevent the consequences associated with violations, such as penalties and fines. We believe that ethical commitment to business performance is the foundation of the company’s long-term success.
- We encourage employees to report any compliance concerns, and we encourage them to enquire and ask for guidance if there is any doubt. Employees can report to their manager, communicate with compliance support lines. All credible reports are processed and investigated as needed, and all questions are responded to and answered in a timely manner.
- The Audit Committee received and reviewed reports from the Compliance Function and monitored the clearance of issues raised in the compliance reports.
- The compliance department was independent in performing their tasks, and there was no restriction on the scope of work or any impediments that might negatively affect their work.
- The Audit Committee followed up on the reports, reviewed the comments, or corrective actions requested by SAMA or other relevant supervisory or control entities related to any regulatory violations and the Audit Committee provided recommendations thereon to the Board.

**Audit Committee Meetings**

The Audit Committee conducted five (6) meetings during the year 2021. The Audit Committee submitted the minutes of the meetings to the Board of Directors. The dates of the meetings were as follow:

No.	Audit Committee Meeting Reference No.	Date of the Meeting
1.	ACM-01-2021	24-Feb-2021
2.	ACM-02-2021	25-April-2021
3.	ACM-03-2021	29-July-2021
4.	ACM-04-2021	15-Sep-2021
5.	ACM-05-2021	25-Oct-2021

6.	ACM-06-2021	21-Dec-2021
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### Audit Committee Members

After Mr. Khalid Abdurrahman Abunamey submitted his resignation on 4<sup>th</sup> October 2021, the Board received Non-Objection Letter from SAMA, and appointed Mr. Yazeed Omar AISwailem as an Audit Committee Member starting from 25<sup>th</sup> November 2021.

### Committee's Decisions

The Audit Committee's decisions were determined by the majority of the members' votes.

### Quorum for Audit Committee Meetings

The attendance of the Audit Committee members in each meeting during the year 2021 were as follow:

Audit Committee Members	ACM-01-2021	ACM-02-2021	ACM-03-2021	ACM-04-2021	ACM-05-2021	ACM-06-2021
Dr. Mohammed Sulaiman Alaqeel (Chairman)	Present	Present	Present	Present	Present	Present
Dr. Ahmed Saleh Adehailan (Member)	Present	Present	Present	Present	Present	Present
Khalid Abdurrahman Abunamey (Resigned)	Present	Present	Present	Present	Resigned	Resigned
Yazeed Omar Al Sowailem (Member)	Not appointed as member	Not appointed as member	Not appointed as member	Not appointed as member	Not appointed as member	Present

**Audit Committee Formation**

Dr. Mohammed Sulaiman Alaqeel  
Audit Committee Chairman

Dr. Ahmed Bin Saleh Al-Dehailan  
Audit Committee Member

Mr. Khalid Abdurrahman Abunamey (Resigned on 4<sup>th</sup> October 2021)

Mr. Yazeed Omar AlSwaiem: (Appointed on 25<sup>th</sup> November 2021)  
Audit Committee Member