



Work Regulation for the Audit Committee

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Contents

Preamble	3
1. Objectives	3
2. Formation of the Audit Committee	3
3. Membership	3
4. The Audit Committee's terms of reference, its powers and responsibilities	4
5. Conflict between the Audit Committee and the Board of Directors	5
6. Arrangements for submitting observations	5
7. Powers of the Audit Committee	6
8. Meetings of the Audit Committee	6
9. Report of the Audit Committee.....	6
10. Amendment of the regulation	7



Preamble:

The work regulation for the Audit Committee of the Dar Al-Arkan Real Estate Development Company has been drafted in implementation of the provisions of Article 54 of the Corporate Governance Regulations issued by the Board of the Capital Market Authority pursuant to resolution No. (8-16-2017) dated 16/5/1438H, 13/2/2017, and any subsequent amendments issued based on the decisions of the Board of the Capital Market Authority.

1. Objectives:

This regulation aims to define the controls and procedures of the Audit Committee, its scope of work and responsibilities, and the mechanism for taking its decisions and tasks.

2. Formation of the Audit Committee:

1. By a decision of the general assembly of the company, an Audit Committee shall be formed from the shareholders or others, at least one of them should be an independent member and not to include any of the executive Board members. The number of members of the Audit Committee must not be less than three members, including a specialist in financial and accounting affairs.
2. The general assembly of the company issues - upon the proposal by the Board of Directors - the work regulation of the Audit Committee, provided that these regulations include the committee's controls and procedures, its tasks, rules for selecting its members, how to nominate them, the duration of their membership, their remunerations, and the mechanism for appointing their members temporarily in the event that one of the committee seats becomes vacant.
3. It is not permissible for anyone who has worked or been working during the past two years in the executive or financial management of the company, or with the company's auditor to be a member of the Audit Committee.

3. Membership:

1. The term of membership of the Audit Committee is (3) three years.
2. The Chairman of the Board of Directors may not be a member of the audit committee.
3. If the position of one of the members of the committee becomes vacant during the membership period, the Board may appoint a member for the vacant position, provided that he meets the conditions for membership. The appointment shall be presented to the Ordinary

General Assembly at its first meeting following it, and the new member shall complete the term of his predecessor.

4. The remunerations for membership of the Audit Committee is approved by the shareholders' general assembly, taking into account any relevant regulations and controls.

4. The Audit Committee's terms of reference, its powers and responsibilities:

The Audit Committees are concerned with monitoring the company's business and verifying safety and integrity of reports, financial statements and internal control systems therein. The committee's tasks in particular include the following:

a) Financial reports:

- 1) Examine the company's preliminary and annual financial statements before submitting them to the Board of Directors to express their opinion and recommendation thereon, to ensure its integrity, fairness and transparency.
- 2) Provide technical opinion - upon the request of the Board of Directors - whether the report of the Board of Directors and the financial statements of the company are fair, balanced and include information that allows shareholders and investors to assess the financial position of the company, its performance, its business model and strategy.
- 3) Examination of any important or unfamiliar matters involved in the financial reports.
- 4) Carefully examine any issues raised by the company's financial manager, or the one who is in charge of his duties, the company's committing officer or auditor.
- 5) Verification of accounting estimates for the fundamental issues presented in the financial reports.
- 6) Examine the accounting policies used in the company, and express opinions and recommendations to the Board of Directors regarding them.

b) Internal audit:

- 1) Examine and review the company's internal and financial control and risk management systems.
- 2) Examine the internal audit reports and follow up on the implementation of the corrective actions of the observations contained therein.
- 3) Control and supervise the performance and activities of the internal auditor and managing the company's internal audit; to verify the availability of the necessary resources and their effectiveness in doing business and tasks assigned to them.
- 4) Recommend to the Board of Directors to appoint the director of the internal audit department or the internal auditor and propose his remuneration.



c) Auditor:

- 1) Recommendation to the Board of Directors to nominate and remove the auditors, determine their fees and evaluate their performance after verifying their independence and reviewing their scope of work and contractual conditions with them.
- 2) Verify the auditor's independence, objectivity and fairness, and the effectiveness of the audit work, taking into account relevant rules and standards.
- 3) Reviewing the company's auditor's plan and work, verifying that it does not provide technical or administrative work outside the scope of the audit work, and expressing his views on this.
- 4) Answer the company's auditor inquiries.
- 5) Examine the auditor's report and his observations on the financial statements and follow up on what has been taken in their regard.

d) Ensure commitment:

- 1) Review the results of the reports of the regulatory authorities and verify that the company has taken the necessary measures in this regard.
- 2) Verify the company's commitment with relevant laws, regulations, policies and instructions.
- 3) Review the contracts and transactions proposed by the company with the relevant parties, and provide their views thereon to the Board of Directors.
- 4) Submit any matters you deem necessary to take action on it to the Board of Directors, and make recommendations on the actions to be taken.

5. The occurrence of a 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 adopt the committee's recommendation regarding appointing and dismissing the company's auditor and determining its fees and assessing its performance or appointing the internal auditor, the board's report must include the committee's recommendation and justifications, and the reasons for not taking it.

6. Arrangements for submitting observations:

- 1) The audit committees shall establish a mechanism that allows employees of the company to provide their observations on any abuse in financial or other reports in confidence.
- 2) The committee shall verify the application of this mechanism by conducting an independent investigation commensurate with the kind of the mistake or the abuse and adopt appropriate follow-up procedures.



7. Powers of the Audit Committee:

In order for the committee to be able to fulfill its responsibilities, it will be empowered with the following powers:

- 1) The committee has the right to review the company records and documents.
- 2) The committee has the right to request any clarification or statement from the members of the Board of Directors or executive management.
- 3) The Committee has the right to request the Board of Directors to call the general assembly of the company to convene if the Board of Directors hinders its work or the company suffers severe damage or losses.

8. Meetings of the Audit Committee:

- 1) In order for the audit committee meeting to be valid, a majority of its members must be present. Its decisions shall be issued by the majority of the votes of those present, and in the case of equal votes, the Chairman shall have the casting vote.
- 2) The Audit Committee meets periodically, provided that its meetings are not less than four during the company's fiscal year.
- 3) The Audit Committee meets periodically with the company's auditor, and with the company's internal auditor.
- 4) The internal auditor and the auditor may request meeting with the Audit Committee whenever the need arises.

9. Report of the Audit Committee:

- 1) The report of the Audit Committee should include details of its performance of its functions and tasks stipulated in the corporate system and its executive regulations, provided that it includes its recommendations and opinion on the adequacy of the internal and financial control and risk management systems of the company.
- 2) The board of directors must deposit sufficient copies of the report of the audit committee in the company's head office and publish it on the company's website and the market website when publishing the invitation to hold the general assembly; to enable shareholders who wish to obtain a copy. The summary of the report is read out during the General Assembly.



10. Amendment of the regulation:

This regulation may be modified after its issuance, provided that the General Assembly approves any amendment at its first meeting.

