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Charter of the Audit Committee
Abdullah Al-Othaim Markets Company

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Definitions:

Company: Abdullah Al-Othaim Markets Co.

General Assembly: General assembly of the shareholders of Abdullah Al-Othaim Markets Co.

Board of Directors: Board of directors of Abdullah Al-Othaim Markets Co.

Committee: Auditing committee formed by the Board of Directors of Abdullah Al-Othaim Markets Co.

Charter: Operation Charter of the auditing Committee of Abdullah Al-Othaim Markets Co. duly approved by the general assembly.

Committee Member: Member of the auditing committee of Abdullah Al-Othaim Markets Co.

Executive Member: Member of the board of directors of Abdullah Al-Othaim Markets Co. who is totally devoted to work in the executive management of the company and participating in its daily activities.

Non-Executive member: Member of the board of directors of Abdullah Al-Othaim Markets Co. who is not devoted to work in company management, and not participating in its daily activities.

Independent Member: Non-Executive member of Abdullah Al-Othaim Markets Company Board of Directors, who is enjoying full independence in his designation and decisions, and who free of all independence inhibitors stated in the Regulations of the Capital Market and other relevant authorities.

Committee Secretary: He is the person responsible for the committee's clerical work, retaining its records and preparing its correspondence, and is administratively linked to the Chairman of the Audit Committee.

Accounts Auditor(s): An external accounting auditor of Abdullah Al-Othaim Markets Company duly appointed the general assembly of the company shareholders to audit the financial statements and final accounts of the company.

Executive Management or Chief Executives: People assigned to run the operations of Abdullah Al-Othaim Markets Co., propose the strategic decisions, and implementation thereof, such as, CEO, vice CEOs, and financial manager.

Conflict of Interest: Emergence or presence of direct or indirect interest, real or virtual, for any member in any subject recorded in the agenda of the committee, and that interest may influence the opinion of that member, contradict with the company interest, or compete with it.

Article (1): Objective

The objective of this charter is to determine measures and procedures, scope of works, responsibilities, mechanism of issuing resolutions, and member responsibilities of the committee, to help the board of directors in strengthening performance and control regarding the integrity of the financial statements, and verify the effectiveness of the internal auditing control, independence and efficiency of the internal auditing, and compliance of the company activities and procedures with rules and regulations, and the committee shall submit report of its activities to the board of directors by the end of each year.

Article (2): Formation of the Committee & Selection of the Chairman

- a) The Audit Committee shall be formed by a decision of the Board of Directors of the company, of the members of the Board of Directors or else, provided that it does not include any of the executive members of the Board of Directors provided that among them is an independent member and one member specialized in finance and accounting, the number of members must not be less than three and not more than five members, and to be half of the audit committee's members must be Independent Directors or from those on whom the issues affecting independence do not apply by the relevant laws and regulations, The term of office of this committee according the provisions of the formation resolution but not exceeding the office term of the board of directors.
- b) From within its members, the committee shall elect a chairman in the first meeting. The committee may appoint a vice chairman and a secretary from within its members or else.
- c) In case of vacant post in the committee membership due to resignation or any other reason, the board of directors may appoint another member in the vacant post who shall complete the period of his predecessor.
- d) In case need arise to increase the number of committee members, without exceeding the upper limit during its office term, the board may appoint one or more committee member(s) and complete the term of the committee's work.

Article (3): Measures and basis of selecting the Committee Members

- a) Must have the legally recognized capacity.
- b) Must not be an executive member or chairman of the board of directors.
- c) His honesty and integrity are evident and not condemned of honor or integrity crime.
- d) He should not be carrying out technical or administrative work in the company, even as a consultancy.
- e) Must have enough time to effectively participate in the committee works and must have the ability to take wise decisions in compliance with the professional ethics and values.
- f) Must be subjective and neutral.
- g) Must have reasonable conception of policies and nature of the committee works.
- h) Must submit notice of nomination to the committee, his curriculum vitae, qualifications and experience.
- i) Must not be works or has worked in the Company's financial Department, the Executive Management or for the Company's external auditor during the preceding two years.
- j) He shall not be a member of audit committees in more than five joint-stock companies listed in the Market at the same time.

Article (4): Expiration of Committee Membership

Membership of the committee expires by the expiry of term according to the formation resolution, death, resignation, or in the absence of any of the membership conditions, or by relief him from Board of Directors for any legal reason in a reasonable time without causing damage to the company.

Article (5): Tasks & Responsibilities of the Committee Chairman

Notwithstanding the generally stated tasks and responsibilities of the member in this charter, the tasks and basic responsibilities of the chairman shall include the following without limitation:

- a) Preside and manage the committee meetings, and his absence shall be substituted by his deputy (if any). In the absence of the chairman and his deputy (if any), he shall appoint a member sufficiently enough before the meeting to preside the meeting. Otherwise, the committee shall elect a chairman from within the attending members.
- b) Attend the meeting of the General Assembly to answer the questions of the shareholders, and in case of being not able to attend the meeting, he must authorize a member of the committee to attend on his behalf before sufficient time.
- c) Supervise the committee works and ensure compliance of the respective parties with the charter.

- d) Managing the relationship between committee members and internal and external auditors.
- e) Ensure the correctness of the adopted resolutions and recommendations, and make sure that they are based on knowledge and serving the interests and strategic plans of the company.
- f) Escalate issues that the committee was not able to arrive to a resolution, the critical reports to the board of directors.
- g) Manage and follow up works of the committee by himself or by whom he may authorized.
- h) Follow up implementation of resolutions and recommendation of the committee and the related parties.
- i) Prepare for meetings and set agenda and get it approved and ensure the availability of the supporting documents.
- j) Propose meeting schedule each year before year start and share this with members.
- k) Follow up compliance with the charter and verify the need for updating.
- l) Ensure obtaining the necessary signatures on the meeting minutes and any resolutions and maintaining the same in a special record.
- m) Provide the committee members with the agenda of each meeting together with the supporting documents and ensure that all members have received any subsequent modification.
- n) Provide members with the draft of the meeting minutes within no more than (7) seven days of the meeting date, and take into consideration any suggestions or modifications, or any resolutions issued in the meeting.

- o) Ensure the implementation of resolutions and recommendations adopted by the committee, prepare follow up list for resolutions including summary of the resolutions, the implementing parties, and the latest upcoming, provided that it shall be presented before the committee in each meeting.
- p) The chairman may authorize some of his tasks to whom he may consider appropriate of the committee members.

Article (6): Obligations and Responsibilities of the Committee Member

- a) Regularly attend the committee meetings and effectively participate in its works. In case emerging circumstances that necessitate his absence of a meeting, the member must notify the chairman through any possible means. The member may not dismiss himself from the session before being adjourned without the permission of the chairman.
- b) Good and appropriate preparation for the meeting, and to review issues of each meeting agenda and read or relevant documents.
- c) Maintain confidentiality of the company and committee secrets and avoid disclosure to any third party other the general assembly, all acquired information because of pursuing his duties shall be considered confidential.
- d) Review the draft of the committee meetings minutes, thoroughly understand and convey remarks within a reasonable time of receiving the draft and ask explanation of any ambiguous resolution or text in such minutes.

- e) The member must develop his skills required to pursue his duties.
- f) Read the company message, and objectives, for well understanding in be aware of its programs and executive plans, coup with developments relevant to company activities.
- g) Be honest, truthful and subjective, and disentangled from personal interest by directing the company policy for his personal interest and shall not knowingly disclose misleading information.
- h) May not accept any valuable thing from an employee, or parties having business relationships with the company that may influence his decisions within the committee.
- i) Commitment to immediate disclosure to the Board of cases that may lead to a conflict of interest or when such conflict occurs, and commitment to refrain from voting and participating in decision-making when there is a conflict of interest.

Article (7): Authorities of the Committee

The Committee shall have full and unrestricted access to all information, data, reports, records, all business of the company, all its officials, employees, properties, legal advisors, auditors, internal auditors and others whom the Committee deems to be accessible by it or whom it delegates to do so. The Board of Directors shall take all measures that ensure the Committee to carry out It also has the authority to conduct or authorize investigations into matters that fall within the scope of its responsibilities. The committee has the authority to do the following:

- a) Obtaining any information from the company's departments, as all employees must cooperate with the committee's requests or external parties.
- b) May request any explanation or clarification from members of the board of directors or executive management.
- c) Ask the board of directors to call for general assembly meeting if the board of directors had interrupted its work or if the company is exposed to serious damages or loss.
- d) Meeting with the company's management, executive departments, external auditor, internal auditors, or external consultants as necessary.
- e) Recommend contracting with qualified consultants to provide services to the committee, including evaluating the internal audit activity, so that the evaluation is conducted at least once every five years.
- f) Selecting the Secretary of the Committee and determining his remuneration, and taking into account when choosing him that he has the educational qualification and practical experience that enables him to carry out the responsibilities entrusted to him.
- g) Resolving any disputes between the company's management and the external auditor with regard to the financial reports and the observations of the external auditor, and resolving any disputes between the company's departments and the internal auditors with regard to the observations and recommendations by the internal auditors.

Article (8): Tasks and Responsibilities of the Committee

The committee shall be responsible to monitor company works, and ensure the integrity and correctness of the financial reports and statements, and the internal control systems and control procedures in force in the company, as well as the processes of preparing reports and submitting them to the Board of Directors, and the committee tasks particularly include the following:

First item: Financial Reports:

- a) Examine the preliminary and annual financial statements before being presented to the board of directors, and stated opinion and recommendations in that respect to ensure their integrity, fairness and transparency.
- b) Reflect the technical opinion upon request of the board of directors, whether the report of the board of directors and financial statements of the company are fair, balanced and including information that enables shareholders and investors to evaluate the financial status of the company, performance, model activities, and strategies.
- c) Study the important or extraordinary issues stated in the financial report.
- d) Accurately review matters stated by the financial manager of the company, the one tacking his charge, the compliance officer of the company, or the accounts auditor.
- e) Verify the accounting estimations in the major issues stated in financial reports.
- f) Study the accounting policies adopted by the company, reflect opinion on the same and recommend to the board of directors.

Second item: Internal Audit:

- a) Study and audit the internal control system and risk management in the company.
- b) Study the internal auditing reports, and follow up implementation of the corrective measures of the stated remarks.
- c) Control and supervision of the performance and activities of the internal audit department of the Company to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties, and to verify the extent of their effectiveness and efficiency in carrying out the work and tasks assigned to them, and to ensure their independence.
- d) Adopting and approving the annual audit plan and following up on its implementation.
- e) Reviewing the internal audit department's strategy, plans and activities.
- f) Reviewing the extent to which the internal audit activity adheres to the international standards for the practice of the internal audit profession issued by the International Institute of Internal Auditors and the relevant local standards.
- g) Examining and addressing any restrictions on the work of the Internal Audit Department that may affect its ability to perform its work and tasks.
- h) Recommend the appointment of the manager of the Internal Audit Department, proposing his remuneration and any other benefits he enjoys in accordance with company policies, and evaluating his performance on an annual basis, or assigning the CEO to determine his remuneration and benefits.
- i) Review and approve the internal audit charter, at least annually.

Third item: Accounts Auditor:

- a) Recommend the nomination, discharge, propose fees, and performance evaluation of the accounts auditors to the board of directors after ensuring the independence and verify the scope of their works and their contracting conditions.
- b) Ensure the independence, subjectivity, and fairness of the accounts auditor and the effectiveness of the auditing works taking into consideration the relevant rules and standards.
- c) Verify plan and works of the accounts auditor, and that he is not submitting technical or administrative works beyond the scope of the auditing works, and provides its opinion thereon.
- d) Follow up on the implementation of the audit plan and work and verify its compliance with the relevant rules and standards.
- e) Studying and addressing any restrictions on the work of the external auditor that may affect his ability to perform his work and tasks.
- f) Reviewing the company's management's responses to the letters submitted by the external auditor, in which he clarifies his observations on the financial and regulatory violations regarding the company's accounts, and presents its views to the Board of Directors.
- g) Ensuring that there is cooperation between internal and external auditors without conflicts of work.
- h) Study the report and related notes of the accounts auditor regarding the financial statements, reflect opinion and follow up implementation.
- i) Provide answers for the inquiries of the accounts auditor.

Fourth item: Ensuring Compliance:

- a) Verify the results of the controlling authorities report and ensure that the company is taking the necessary procedures in this respect.
- b) Ensure compliance of the company with the relevant rules, policies and instructions.
- c) Verify contracts and deals supposed to be performed by the company with related parties, and provide feedback to the board of directors.
- d) Reviewing the process of informing and informing the company's employees of the guide to the rules of work ethics, and reviewing the process of following up on compliance with these rules.
- e) Escalate whatever is considered necessary for action by the board of directors and state recommendations of the required procedures.

Fifth item: Risks Management:

- a) Reviewing the risk management strategy and ensuring its compatibility with the company's strategic objectives in proportion to the nature and size of the company's activities, and verify its implementation, review and update based on the company's internal and external variables and submit it to the Board for approval.
- b) Verifying the feasibility of the company's continuation and its successful continuation of its activities, with identification of the risks that threaten its continuity during the next twelve months.
- c) Verifying the availability of an appropriate risk management framework, policies and procedures.

- d) Verify the effectiveness of identifying and evaluating key risk management, including:
- The procedures taken by the company to control and manage risks, including the accuracy and appropriateness of the risk measurement methods used during the process of identifying and evaluating risks.
 - Measuring risks according to their current and expected different levels that the company is exposed to or might be exposed to.
 - Measured risk treatment plans and effective corrective actions, including time plan.
 - Evaluating the risks related to any new procedures or strategies that are introduced in the company.
- e) Ensure that approved risk limits are monitored appropriately by the risk management team and executive management, and that breaches of these limits are reported in a timely manner.
- f) Assessment of potential losses that may affect the operations within the company as a result of exposure to risks in terms of the magnitude and frequency of events.
- g) Determining the levels of risk acceptance and tolerance, monitoring the risks that the company may be exposed to and the extent to which it faces those risks, conducting continuous risk assessments, and developing plans and strategies to deal with crises and emergencies.
- h) Assessing the weaknesses in the company's various activities and operations that may lead to risks and setting corrective action procedures for them.

- i) Overseeing the risk management system and evaluating the effectiveness of systems and mechanisms for identifying, measuring and following up the risks that the company may be exposed to and identifying their deficiencies.
- j) Presenting recommendations to the Board of Directors on issues related to risk management and any proposed steps to manage such risks.
- k) Submit a report at the end of each year on information related to any risks faced by the company and the policy for managing, monitoring and treating these risks.
- l) Verify the independence of risk management staff from activities that may expose the company to risks.
- m) Periodically reassess the company's ability to take risks and be exposed to them.
- n) Ensure adequate risk management infrastructure, resources and systems are in place to maintain the expected level of department operations.

Sixth item: Sufficiency of the Internal Control System:

The committee must prepare report include details of its performance of its competencies and duties and include recommendations and opinion regarding the sufficiency of the internal and financial control regulation, and risk management in the company, in addition to the other executed works within the scope of its responsibilities. The committee shall request the board of directors to provide enough copies of this report in the company head office and to be published on the company's website when publishing the invitation to convene the annual general assembly this report shall be recited before he general assembly and the committee may seek help of an independent external consultant to evaluate the internal control system and reflect opinion about its sufficiency.

Article (9): Conflict of Interests

- a) In case the member is having any conflict of interest in an issue included in the agenda, he must disclose this conflict before discussion, and this matter must be recorded in the meeting minutes. In such case he shall have the right to participate or vote in this issue.
- b) If the member is having doubted conflict of interests, he may seek opinion and advice of the committee chairman.
- c) Any conflict of interest of any member presented and discussed in the committee meeting, a summary after the fulfilment of the legal procedures shall be presented to the board of directors to take the appropriate decision.

Article (10): Confidentiality of the Committee's work

Committee members must maintain the confidentiality of the information they obtain through their membership in the Committee, and use it for the purpose of performing their membership duties only, and not announce or disclose any of that information to any other party, or disclose or exploit it in any way or use it for any purpose whatsoever. The commitment also includes maintaining the confidentiality of that information after the termination of membership in the committee, and the independent members of the committee must sign the "Representations and Obligations of the Independent Member" form prepared by the company for this purpose.

Article (11): Meetings & Minutes of the Committee

a) Committee shall convene provided that its meetings shall not be less than four meetings during the financial year of the company, additional meetings may be convened whenever necessary according to the request of the chairman or one member stating the justifiable reasons for meeting and approval of the majority members, or upon the request of the board of directors, internal auditor, or accounts auditor, Quorum of meeting is the attendance of at least majority of its members, resolutions are issued according to majority of the attending members; in case of equal votes the chairman of the meeting shall have a casting vote, The committee shall periodically meet with the account auditors and internal auditor of the company the internal auditor and the auditor may request a meeting with the committee whenever the need arises.

b) The Secretary of the Committee shall call for its meetings at the request of the Chairman of the Committee, and the notices of meetings shall be sent to each member of the Committee and any other person whose presence the Committee deems necessary, and the notice shall specify the place, date, time of commencement, agenda and attachments to the items of the meeting, well in advance of the date of its convening, and the Secretary of the Committee shall do the following:

- Coordinate the meetings of the Committee and develop a proposal for its agenda in coordination with the Chairman of the Committee.
- Inform the members of the dates of the meetings and provide them with their agenda and the documents necessary to study the meeting items.
- Attend and document the meetings of the Committee, prepare the minutes and keep them in a special register.
- To assist and advise the Committee on matters falling within its competence.
- Approving the minutes of the meetings from the members of the Committee after the approval of the Chairman of the Committee.
- Arrange and coordinate with the Parties requested by the Committee to be invited to its meetings.
- Circulating the Committee's decisions to the parties concerned.

c) Committee meetings and resolutions shall be documented in minutes duly signed by all attending members, any of the technical means may be used to sign and prove the deliberations, minutes and decisions of the Committee, all the attendance and absent members shall be provided with the minutes draft within the specified period. In presence of notes or modifications on the draft minutes, members must provide the chairman within no more than (7) seven days of the date of sending minutes, otherwise such draft shall be considered final and signed shall be completed unless there exist emergency circumstances at the discretion of the chairman and the minutes must include the following:

- Place, date and start time of the meeting.
 - Names of attendees from and outside the committee.
 - Deliberations and discussions with a statement of the results of decisions and recommendations.
 - Determine who is responsible for implementing decisions.
- d) Any committee member may have reservation against any resolution adopted by the committee provided that he shall specify the reasons behind this reservation to be recorded in minutes. No member shall be relieved of responsibility of the unanimously adopted resolutions in case of being absent unless he records his reservation.
- e) The committee may convene meetings using the technological means the visual or audio conferencing and attendance shall consider in person.
- f) According to the approval of the majority of members, a meeting may be postponed or cancelled as deemed appropriate by the committee.
- g) The committee may invite any member of the board of directors, the executive management officer, accounts auditor, or else to attend meetings and provide the required relevant information.
- h) The committee may seek the assistance of experts and specialists from within or outside the company within the limits of its authority, provided that this is included in the minutes of the committee meeting, along with mentioning the name of the expert and his relationship with the company and the executive management.

Article (12): Agenda & Supporting Documents

- a) The committee shall adhere to meeting agenda while taking into consideration any other issues suggested by members in a previous meeting, any member shall have the right to new item(s) whether before the meeting or at the time of the agenda approval, and to be included as a deliberation item.
- b) Agenda and suggested resolution shall be supplied to members through the available communication methods whether emails or other means, associated with the supporting documents at least one week prior to the scheduled meeting date and with regard to the emergency meetings where members shall be notified within a reasonable and sufficient time before the meeting in the manner that enables the member to study the proposed issues and review documents.
- c) In case of inquiries or request of explanation from any member about the agenda or documents before the meeting, answers should be provided in due time by the chairman or whoever he may authorize.
- d) In case of presence of updating or modification whether regarding the agenda or related documents, members shall be timely provided by this change.
- e) The agenda shall include the estimated time duration, and time expected for each included issue.

Article (13): Contradiction between the Auditing Committee and Board of Directors

In case of existing contradiction between the recommendations of the committee and decisions of the board of directors, and if the board refused to adopt the recommendation of the committee in respect of the appointment, dismiss, determine fees, evaluate performance of the accounts auditor or appointment of the internal auditor, the report of the board of directors must include the recommendation of the committee, justifications, and reason for not adopting it.

Article (14): The Mechanism of Presenting Notes or Violations in the Company

The auditing committee shall set a mechanism that enables the company personnel to present their remarks of any violations in the financial report or else in full confidentiality, and must ensure the application of this mechanism through independent investigation according to the volume of damage or violation and adopt suitable follow up procedures.

Article (15): Application & interpretation of the charter provisions

Provisions of this charter shall be applied and interpreted without contradiction with the company articles of association and any other bylaws approved by the board of directors and shall be in compliance with the Saudi Companies Regulation, CMA and their executive rules.

Article (16): Committee Remunerations

Each member is entitled to annual compensation according to the approved compensation policy or as determined by the board of directors.

Article (17): Validity of the Charter

- a) This charter is subject to verification as a part of the effectiveness of the committee works governance.
- b) This charter is to be approved by the general assembly and come into effect according to a resolution by the assembly and shall supersede any previously valid charters.



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