



Tanmiah Food Company

Audit Committee Charter

Effective – June 2023

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Introduction:

Tanmiah Food Company seeks to implement the Corporate Governance Regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia in addition to the Company's Governance Charters issued by the Board of Directors to ensure the company's activities are consistent with the best governance practices. This being the case, the Board of Directors has prepared and approved this Audit Committee Charter.

The Audit Committee shall carry out the duties stated in this Charter according to The Corporate Governance Regulations issued by the Capital Market Authority, Saudi Companies Law, its implementing regulations, the company's bylaw, Articles of Association, and the related circulars to ensure the Company's activities are aligned with the best practices in the field in proportion with the company's operations.

The Executive Management of the Company shall provide the Board members, the Non-Executive Directors in particular, and the committees of the Company with all the necessary information, details, documents, and records, provided that they shall be complete, clear, correct, and non-misleading, to enable them to perform their duties and obligations. In order to apply the best practices of governance, the Committee is obliged to comply with the provisions of this charter.

Board of Directors, Committees Members, and Executive Managers in the company shall use their powers and authorities according to the company's interest. The Board shall assess the Committee's performance on a regular basis and submit any recommendation to improve the Committee's performance.

Committee Scope:

The Audit Committee is a board committee that assists the board of directors in fulfilling its oversight responsibilities and performing duties by providing information regarding the related laws, regulations, and code of conduct.

The charter states the rules and procedures for the activities and duties of the committee, the rules for selecting its members, the means of their nomination, the term of their membership, their remunerations, and the mechanism of appointing temporary members in case a seat in the committee becomes vacant.

Committee Formation:

The audit committee shall be formed by a resolution of the board of directors, and the members of the audit committee shall be from the shareholders or others. The Company's General Assembly shall ratify the audit committee charter upon a board recommendation.

Audit Committee Structure

- o The committee shall include at least half or two Independent Directors.
- o Executive Directors shall not be appointed as Members, and the Chairman of the Board shall not be appointed as a member.
- o A person who is, or has been during the preceding two years, working in the executive or financial management of the Company or as an employee or a director of the Auditor shall not be appointed as a member.
- o With the majority voting, Committee members shall appoint the Chairman of the Committee.
- o The Committee shall appoint a Secretary-among its members or a third party- to maintain the records and resolutions. If the Secretary is third party shall not be entitled to vote.

Rules of Selecting the Members and Means of Nomination:

- The Committee shall include specialists in finance and accounting.

- The Committee members are prohibited from doing any Executive work in the Company.
- The Committee Members shall perform their duties with fairness, integrity, honesty, objectivity, independence, competency, and professional conduct, have no personal interest, and shall not let their decisions get affected by others' opinions.
- Does not participate directly or indirectly in any activity that is considered dishonorable and dishonest.

Committee Term:

- The enactment date of the Committee is the formation date and shall end either on the expiry of the Board's term or the formal dismissal of the Committee by the general assembly. The Committee's term must be consistent with the duration of the Board's tenure.
- The Audit Committee's term shall not exceed the term of the membership of the Board. The membership of the Audit Committee member, if a Director, shall come to an end at the expiry of the membership of the Board or by voluntary resignation from the Audit Committee. Non-Director membership will cease by resignation or at the end of the Committee's term.
- The Board can dismiss all/any Committee members when the member(s) disclose the company's confidential information they are privy to outside the meetings of the general assembly.
- The Board can dismiss all/any Committee's members when the member(s) use the information they have access to due to their membership to gain personal interest for themselves, their relatives, or others.
- Committee members may resign by delivering a written notice to the Board Committee Chairman. Such resignation shall become effective as of the date of delivering the said notice unless the notice specifies a later time for the resignation to be effective.
- In case a vacancy is available, for any reason, the Board shall have the authority to appoint a new member – according to the NRC recommendation - for the vacant seat.

Competencies of the Audit Committee:

The audit committee shall be competent in monitoring the Company's activities and ensuring the integrity and effectiveness of the reports, financial statements, and internal control systems. The duties of the audit committee shall particularly include the following:

a. Financial Reports:

1. analyzing the Company's interim and annual financial statements before presenting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness, and transparency.
2. providing its technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model, and strategy.
3. analyzing any important or non-familiar issues contained in the financial reports.
4. accurately investigating any issues raised by the Company's chief financial officer or any person assuming his/her duties or the Company's compliance officer or external auditor.
5. examining the accounting estimates in respect of significant matters that are contained in the financial reports; and
6. examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon.

b. Internal Audit:

1. Examining and reviewing the Company's internal and financial control systems and risk management system.

2. Analyzing the internal audit reports and following up the implementation of the corrective measures in respect of the remarks made in such reports; and
3. monitoring and overseeing the performance and activities of the internal auditor and internal audit department of the Company to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties.
4. providing a recommendation to the Board on appointing the manager of the internal audit unit or department, or the internal auditor and suggesting his/her remunerations.

c. External Auditor:

1. providing recommendations to the Board to nominate external auditors, dismiss them, determine their remunerations, and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts.
2. verifying the independence of the external auditor, its objectivity, fairness, and effectiveness of the audit activities, considering the relevant rules and standards.
3. Reviewing the plan of the Company's external auditor and its activities and ensuring that it does not provide any technical or administrative works that are beyond its scope of work and provides its opinion thereon.
4. responding to queries of the Company's external auditor; and
5. Review the external auditor's reports and its comments on the financial statements and follow up the procedures taken in connection therewith.

d. Ensuring Compliance:

1. reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith.
2. ensuring the Company's compliance with the relevant laws, regulations, policies, and instructions.
3. reviewing the contracts and proposed Related Party transactions, and providing its recommendations to the Board in connection therewith; and
4. report to the Board any issues in connection with what it deems necessary to act on and providing recommendations as to the steps that should be taken.

Responsibilities of the Audit Committee:

▪ **Committee Members' Responsibilities:**

1. Commitment to attending Committees' meetings and effectively participating in its activities and notify the Committee Chairman in his absence of one of the meetings.
2. Maintain Company's secrets and the Committee's members shall not disclose to the shareholders, in other than the General Assembly, or others, the secrets he discovered from doing the job or else he shall be relieved from duties, as well as the demand for compensation for any damages may have occurred.
3. Each member of the committee shall comply with the principles of truthfulness, honesty, loyalty, and care of the interests of the Company and its shareholders and prioritize their interests over his/her personal interests.
4. The audit committee shall develop arrangements that enable the Company's employees to confidentially provide their remarks in respect of any inaccuracies in the financial or other reports. The audit committee shall ensure that such arrangements have been put into action through an adequate independent investigation in respect of the error or inaccuracy and shall adopt appropriate follow-up procedures.
5. Members of the committee shall not accept gifts from any person who has entered commercial transactions with the Company if such acceptance of gifts may lead to a conflict of interest.
6. If a conflict arises between the recommendations of the audit committee and the Board resolutions, or if the Board refuses to put the committee's recommendations into action as to appointing or dismissal of the company's external auditor or determining its remuneration, assessing its performance, or appointing the internal auditor, the Board's

report shall include the committee's recommendations and justifications, and the reasons for not following such recommendations.

7. The chairmen or whom he delegates of the committee members, shall attend the General Assembly Meetings, and answer any questions raised by the shareholders.
8. Disclose to the committee, if any conflicts of the Conditions for the Membership of the committee stipulated in this charter occurred.
9. A Committee member shall notify the Committee about any direct or indirect interest in topics before the committee, the activities, and contracts that are undergone for the Company's account. Such notification shall be included in the minutes of the meeting. A member who has an interest shall not be entitled to vote on the resolution to be adopted in this regard.

▪ **Committee Secretary's Responsibilities:**

1. Documenting the Committee meeting minutes for each meeting, which shall include the date of the meeting, place, means of communication, the names of the attendees, a summary of discussions, and recommendations, including decisions and resolutions.
2. Retaining the full records of the committee's meetings to submit the committee performance report to the Board of directors.
3. Circulate the committee's resolutions to the related parties.
4. Establish a mechanism to track and follow up on the Committee's resolutions.

Powers and Authorities of the Committee:

- Review the Company's records and documents.
- Request any clarification or statement from the Board members or the Executive Management.
- Request that the Board calls for a General Assembly Meeting if its activities have been impeded by the Board or if the Company has suffered significant losses and damages.
- As a board committee, the committee has the full authority to contact the employees, committees, legal consultants, external and internal auditors.
- Invite the external auditors to have clarifications related to the company's financials auditing, without any limitation to access the company's financial records or statements, and what it deems necessary to carry its functions.
- The Committee shall have access to all resources and information necessary for properly carrying out its functions, duties, and responsibilities.
- To discharge its oversight role, the Audit Committee is empowered to investigate any matter directed to it with full access to all books, records, facilities, and personnel of the Company and the power to retain external counsel from auditors or consultants, or incur other expenses for this purpose, which expenses the Company shall shoulder.

The Committee Meetings:

▪ **Meeting Invitation:**

1. The audit committee shall convene periodically, provided that at least four meetings are held during the Company's financial year.
2. The Committee shall meet as per the Committee chairman's request or upon a request from two of its members, upon a request of the board of directors or the chairman of the board at any time as may be necessary.
3. The internal, and external auditor, managing director, CEO, and CFO, may call for a meeting with the audit committee at any time as may be necessary.
4. The Committee shall consider holding its meeting in accordance with the statutory dates of announcing the initial and annual financial statements, shall consider the dates of board meetings as well to submit its reports and recommendations to be decided promptly, especially in the material matters which the company is obliged to disclose it.
5. The Committee may hold its meetings through contemporary technologies, via videoconference, or any other similar means. A member's attendance shall be considered

as if he attended to meet the quorum and cast his vote, the meeting shall be valid when the validity terms – such as Quorum and voting- are applied.

6. The audit committee shall convene periodically with the Company's external auditor and internal auditor if any.

▪ **Quorum and Voting:**

- Committee meetings are valid if attended by a majority of its members.
- Resolutions of the committees shall be issued by a majority of the votes present and, in case of a tie, the chairman of the relevant committee shall have the casting vote.
- In case of the absence of the chairman, a designated member appointed by the chairman shall be heading the committee meetings.
- The Committee may issue resolutions and recommendations by circulation unless such resolutions shall be valid if approved by the majority. Such resolution or recommendation shall be presented to the Board at the following meeting.

▪ **Meeting Agenda:**

The Secretary of the Committee shall be responsible for drafting the meetings' agendas and sending a meeting invitation to the members attaching with it the agenda and all related documents.

▪ **Minutes of Meeting:**

- Committee minutes of meetings shall be documented and prepared and shall include the discussions and deliberations carried during such meetings and recording the decisions of the committee and voting results and retaining them in a special and organized register and including the names of the attendees and any reservations they expressed (if any), Such minutes shall be signed by all of the attending members.
- The Committee Secretary shall prepare and send to the Committee members the first draft of the Minutes of the meeting within seven business days for their comments, committee members shall submit their feedback and remarks within seven days.
- The Committee Secretary shall prepare the final version of the minutes, which shall be signed by all attending members and the Committee Secretary.
- The signed copy of the minutes shall be kept attached with its related documents, attachments, and correspondence in a special file, for ten years.
- The minutes shall be confidential and only accessible to the board of directors and the internal auditor, otherwise upon request and approval by the committee.

▪ **Invitees:**

- Only Committee members can attend its meetings. The Committee, however, may invite other persons to attend any of its meetings or a part thereof as necessary, and those invitees shall not be entitled to vote at such meetings on any decision the Committee takes thereon.
- Invitees may not take part in any discussion related to their appointment, benefits, terminating their services, or any other matter related to them unless the Committee has invited them to discuss such matters specifically with them.
- No member of the Board or the Executive Management except the secretary or a member of the committee may attend the meetings of a committee unless such committee requests his/her opinion or advice.
- Committee members and other persons invited to the meetings shall maintain confidentiality of such meetings, the documents and information shared with them, the contents of its discussions, and reviewing of documents of which the attendees become aware of.

The Committee's Reports:

- The Committee shall submit a brief report to the board of directors and communicate its recommendations to issue decisions in connection to its functions.
- The report of the audit shall include details of its performance of its competencies and duties stated in the Companies Law and Its Implementing Regulations, provided that the report

contains its recommendations and opinion on the adequacy of the internal and financial control systems and risk management systems in the Company.

- The Board shall make available sufficient copies of the audit committees' report at the Company's head office and publish them on the Company's and the Exchange's websites when publishing the invitation to convene the General Assembly, to enable shareholders to get a copy thereof. The summary of the report shall be read at the General Assembly.

Committee's Compensation and Remunerations:

- Each Committee member shall be given annual rewards, attendance allowance, and other allowances as provided for in the remuneration policy of Board of Directors, and Board Committees Members.
- The Committee members shall be eligible for compensation for the expenses they experience in attending Committee meetings from their places of residence to the Company head office, or to the place where the meetings are held, in addition to any other costs related to accommodation and transportation in accordance with the Company related policy.

General Provisions

1. This policy shall be effective as of the date of its ratification from the General Assembly, no articles of this Charter shall be amended, omitted, or added without the General Assembly's approval.
2. This Charter shall be complementary to Tanmiah incorporation Document, Tanmiah Governance Document, and other related laws.
3. This Policy shall supersede and replace any decisions not consistent with it.
4. Any topics not covered in this document, must follow the regulations issued by the competent authorities.
5. Any topics not covered in this document, must follow the related laws and regulations issued by the competent authorities.
6. In case of any conflict in this charter with applicable laws or regulations, the provisions of the laws shall have supremacy, and the other articles shall remain valid and applicable.
7. This Charter shall not be considered a substitute for the applicable laws and regulations. However, it shall be considered complementary to the company's bylaws, Governance Manual, and other related documents.
8. The Charter shall be reviewed periodically or when required. Governance department is responsible for ensuring that this document is reviewed and approved as per the laws.
9. This Charter shall supersede and replace any decisions not consistent with it.
10. This Charter has been drafted in English and Arabic. In case of any conflict hereunder, the Arabic shall have supremacy.