

SARCO

شركة المصافي العربية السعودية  
Saudi Arabian Refineries Company

# Preamble

---

The General Assembly shall vote on the Audit Committee's bylaws after being approved by the Board of Directors, which shall determine its function, scope of work, powers and tasks, and ensure the effectiveness of the laws and regulations and compliance with them, provided that it submits its reports directly to the Board. Based on the Corporate Governance Regulations issued by the Capital Market Authority pursuant to Resolution No. 16/08/2017G. Dated 16/5/1438H corresponding to 13/2/2017G. Based on the Companies Law issued by Royal Decree No. M/3 dated 28/1/1437 AH, as amended CMA Board Resolution No 808/05/2023. And the date of 25/6/1444 AH corresponding to 18/01/2023 AD. Based on the Companies Law issued by Royal Decree No. M/132 dated 1/12/1443 AH. Based on what the regulation referred to in Chapter IV. Based on the company's corporate governance regulations.

# Introduction

---

The Bylaws define the functions and powers of the Audit Committee, the duties and rights of the members of the Committee, how to select them, the remuneration and rules that govern their work, which are mainly represented in assisting the Board to carry out its supervisory duties efficiently and effectively, ensuring the integrity of the Company's financial statements, internal control policies and procedures, the relationship with the internal auditor, and internal audit policies and procedures, in addition to ensuring that the Board of Directors uses appropriate methods of internal control to protect the Company from losses that may be realized in the future.

# Definitions

---

**"Authority"** means the Capital Market Authority.

**Capital Market:** The Saudi Stock Exchange (Tadawul).


**Articles of Association:** The Articles of Association of the Saudi Arabic Refineries Company.

**Regulation:** Regulations of the Audit Committee of Saudi Arabic Refineries Company.

**General Assembly:** The general assembly held in the presence of the company's shareholders in accordance with the Companies Law and the Company's Articles of Association.

**Board of Directors:** The Board of Refineries Company Arabic Saudi Arabia.

**Executive Member:** A member of the Board of Directors who is a member of the executive management of the company and participates in the day-to-day management of the company and receives a monthly salary in return.



**Non-Executive Member:** A member of the Board of Directors who provides technical opinion and advice and does not participate in any way in the management of the Company and the follow-up of its daily business and does not receive a monthly or annual salary.

**Independent Member:** A non-executive board member who enjoys full independence in his position and decisions, and none of the symptoms of independence stipulated in these Regulations apply to him.

**Senior Management (Executive Management):** These include the Managing Director, the CEO and their deputies, the Chief Financial Officer, directors of key departments, officials of the risk, compliance, legal and internal auditor departments.

**Authorizer:** The authority that has the authority to make decisions in accordance with the powers and competencies approved by the Company.

**Internal Audit Department:** The internal audit department in the company, which is entrusted with preparing and implementing the company's internal audit plans.

**Chairman of the Committee:** Chairman of the Audit Committee of the Saudi Arabic Refineries Company.

**Committee:** The Audit Committee of the Saudi Arabic Refineries Company.

## **1- Objectives of the Committee**

The main purpose of the Audit Committee is to assist the Board of Directors in the oversight of financial reporting operations, monitor the adequacy and effectiveness of the internal control system, and supervise and verify the effectiveness of internal audit, which helps Sipchem Group achieve its objectives and ensures the protection of the interests of shareholders and stakeholders.

## 2- Formation of the Audit Committee

1. An audit committee shall be formed by a resolution of the Board of Shareholders or others, provided that it does not include any of the members of the Executive Board.
2. The Chairman of the Audit Committee shall be an independent member.
3. Half of the members of the Audit Committee must be independent members or who do not meet the symptoms of independence mentioned in Article Nineteen of the Corporate Governance Regulations issued by the Capital Market Authority.
4. Upon a proposal from the Board, the Company's General Assembly shall issue the Audit Committee's bylaws, provided that these regulations include the Committee's work controls and procedures, its tasks, the rules for selecting its members, the method of nominating them, the duration of their membership, their remuneration, and the mechanism for appointing its members temporarily in the event of a vacancy in one of the Committee's seats.
5. A person who has been or has been working during the past two years in the executive or financial management of the company, or for the company's auditor, may not be a member of the audit committee.
6. A member of the Audit Committee must not be a member of audit committees in more than five joint stock companies listed on the market at the same time.

Fund & Finance Market

Energy

Contracting

Information Technology



### **3- Members of the Audit Committee**

1. The Audit Committee consists of at least three members and a maximum of five members and must have the necessary experience. Provided that they include a specialist in financial or accounting affairs.
2. Members of the Audit Committee must include at least one independent member.
3. The Chairman of the Audit Committee shall be an independent member.
4. Half of the members of the Audit Committee must be independent or who do not meet the symptoms of independence.
5. A person who has been or has been working during the past two years in the executive or financial management of the company, or for the company's auditor, may not be a member of the audit committee.
6. A member of the Audit Committee must not be a member of audit committees in more than five joint stock companies listed on the market at the same time.

### **4- Term and expiry of membership in the Audit Committee**

The membership of the Audit Committee shall commence from the date of selection of its members and shall extend until the end of the term of the Board of Directors determined in accordance with the Law.


The membership of the Committee shall terminate in any of the following cases, but not limited to, as follows:

1. The member's illness or physical disability that prevents him from performing the duties of the Committee.
2. The absence of a member from three consecutive meetings during one year without an acceptable excuse.



## 6- Independence

1. A member of the Audit Committee must be independent in the event that he does not have any substantial direct or indirect relationship with the Company.
2. (It is the intrinsic relationship that can affect the impartiality of the Committee member regarding his views and decisions regarding the performance of the Committee's functions).
3. The committee member must not have previously worked as a CEO or as an employee of the company during the last three years.
4. No one of the relatives of the committee member, whether first or second degree, must be currently serving as CEO of the company or have served as its chairman during the last three years.
5. No one of the relatives of the committee member of the first or second degree must be among the members of the remuneration and nomination committee of the company.
6. A member of the Audit Committee must not be affiliated with any of the Company's related employers or partners or have worked as an employee of the Independent Internal Auditor Office or the Company's External Auditor's Office during the last three years.
7. A committee member may not be a member of an audit committee for another entity practicing the same activity as the company.
8. member of the Committee may not engage in any activity that may be contrary to the interest of the company or a competitor to its business, or may affect his impartiality and ability to carry out his duties and responsibilities objectively.
9. No person who has worked or worked in the Company's financial management, executive management or external auditor of the Company during the preceding two years may be a member of the Audit Committee.

- 
3. The submission of the resignation of the committee member without prejudice to the company's right to claim compensation if the resignation occurs at an inappropriate time.
  4. If the committee member practices any business competing with the company's activities, whether separately or through other companies and institutions.
  5. A person who has been or has been working during the past two years in the executive or financial management of the company, or for the company's auditor, may not be a member of the audit committee.

**The Council has the right to dismiss any of the members of the Audit Committee in one of the following cases:**

1. A member of the Audit Committee commits any violation of the relevant laws or regulations.
2. In the event that any of them violates the provisions of these Regulations or takes the measures it deems appropriate against the company and the person concerned.

## **5- Extension/renewal of membership in the Audit Committee**

The Audit Committee or one of its members may be renewed for another term only once, provided that its members retain independence.





## **7- Functions of the Audit Committee**

The Audit Committee is responsible for monitoring the company's business and verifying the integrity and integrity of the financial reports and statements and its internal control systems, and the committee's tasks include, in particular, the following:

### **A- Financial Reports:**

1. Study the company's interim and annual financial statements before presenting them to the Board and provide technical opinion and recommend them to ensure their integrity, fairness and transparency.
2. Provide a technical opinion upon a request from the Board of Directors on whether the Board of Directors' report and financial statements of the company are fair, balanced and understandable and include information that allows shareholders and investors to evaluate the company's financial position, performance, business model and strategy.
3. Study any important or unusual issues contained in financial reports.
4. Thoroughly research any matters raised by the company's chief financial officer, his assume, the company's compliance officer or the auditor.
5. Verify accounting estimates on material matters contained in financial reports.
6. Study the accounting policies followed in the company and express an opinion and recommendation to the Board in this regard.

## **B- Internal Audit:**

1. Study and review the internal and financial control systems and risk management in the company.
2. Study the internal audit reports and follow up the implementation of corrective actions for the observations contained therein. Shareholders and investors to evaluate the company's financial position, performance, business model and strategy.
3. Controlling and supervising the performance and activities of the internal auditor and the internal audit department in the company to verify the availability of the necessary resources and their effectiveness in performing the work and tasks entrusted to it.

## **C- Auditors:**

1. Recommending to the Board the nomination and dismissal of auditors, determining their fees and evaluating their performance, after verifying their independence and reviewing the scope of their work and the terms of their contract.
2. Verify the independence, objectivity and fairness of the auditor, and the effectiveness of the audit work, taking into account the relevant rules and standards.
3. Review the company's auditor's plan and work, verify that he has not submitted technical, administrative or consulting work outside the scope of the audit work, and express its views thereon.
4. Answering the inquiries of the company's auditor.
5. Study the auditor's report and observations on the financial statements and follow up on what has been taken in this regard.




## **D- Compliance Guarantee:**

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. Verifying the company's compliance with the relevant laws, regulations, policies and instructions.
3. Review the contracts and transactions proposed to be conducted by the company with the related parties, and submit its views thereon to the Board of Directors.
4. Submit the matters it deems necessary to take action to the Board of Directors, and make recommendations on the measures it means to be taken.

## **8- Meetings of the Audit Committee**

1. The Audit Committee shall meet periodically, provided that the number of meetings shall not be less than four during the Company's fiscal year.
2. The Audit Committee meets periodically with the Company's auditor and the Company's internal auditor.
3. The internal auditor and the auditor may request a meeting with the audit committee whenever the need arises.
4. The financial statements shall be sent 15 days before the date of the meeting, provided that the necessary documents are attached to the agenda.
5. The minutes of the meetings of the Audit Committee and the signature of the Chairman and Secretary of the Committee must be recorded in the official records.

- 
6. The minutes of the Audit Committee meeting shall indicate the attendance, the topics discussed, the important consultations, the voting process, its rejection and abstention (with reasons, if any), the decisions taken and the reservations thereto, with all documents reviewed or referred to attached to the minutes of the meeting.
  7. The members of the Audit Committee may participate in its meetings through modern technology, and his participation in this case shall be considered as those who attended authentically, in the event that he cannot attend for any emergency reason.
  8. The Chairman of the Committee shall determine the dates of the meetings of the Board, indicating the time, date, place and method of the meeting, and notification shall be made through the Secretary.
  9. In the event that the members are late to attend on the date specified for the meeting for more than (15) fifteen minutes because the necessary quorum for the meeting is not completed, it shall be postponed and rescheduled again.

## **9- Other tasks of the Audit Committee**

1. Prepare a report detailing the performance of its competencies and tasks stipulated in the Companies Law and its implementing regulations, including its recommendations and opinion on the adequacy of the company's internal and financial control systems and risk management.
2. Evaluating the level of efficiency, effectiveness and objectivity of the work of external auditors, the internal audit department, the internal auditor, the compliance department or the compliance officer.
3. Studying the internal control system and evaluating the assets and solvency of the company..
4. Any modifications to the scope and reasons for the audit work.



## **10- Agenda of the Audit Committee**

1. The Secretary of the Audit Committee shall send the agenda proposed to be discussed in the Audit Committee, accompanied by the supporting documents and attachments before the date of the meeting, so that it is not less than five working days for all members.
2. In the event that any member of the Audit Committee requests the inclusion of a topic on the proposed agenda, submit a written invitation to the Chairman of the Committee and send it within a sufficient period to the Secretary of the Committee with the supporting documents, provided that it is sent to all members before the date of the meeting, so that it is not less than five working days.
3. The members of the Audit Committee discuss the topics that have been included in the agenda sent to them by the Secretary of the Committee and the new work of the previous topics or topics that do not need to be prepared in advance by the members of the Audit Committee.

## **11- Powers of the Audit Committee**

**In order to perform its functions, the Audit Committee may:**

1. The right to access the company's records and documents.
2. Request any clarification or statement from the members of the Board or the executive management.
3. Request the Board to convene the General Assembly of the Company if the Board of Directors obstructs its work or the Company suffers serious damage or losses.



## **12- Responsibility of the Audit Committee**

1. The members of the Audit Committee shall be responsible to the shareholders and the Board for the implementation of the provisions of these Bylaws and for the preparation and implementation of the Audit Committee's work plan approved by the Board.
2. In the performance of their duties, the members of the Audit Committee shall put the Company's interest ahead of any other considerations that may affect their business and decisions.

## **13- Report of the Committee**

1. The report of the Audit Committee shall include details of the performance of its terms of reference and tasks, including its recommendations and opinion on the adequacy of the company's internal and financial control and risk management systems, as stated in the corporate governance regulations, the corporate law and the company's articles of association.
2. The report of the Committee shall be provided at the headquarters and published on the Company's website and the Market's website when the invitation to convene the General Assembly is published to enable shareholders to obtain a copy thereof, at least twenty-one days before the General Assembly meeting and the report shall be read during the General Assembly.





#### **14- Arrangements for submission of observations**

The Audit Committee shall establish a mechanism that allows employees of the company to submit their observations on any violation of financial or other reports confidentially. The Committee shall verify the application of this mechanism by conducting an independent investigation commensurate with the magnitude of the error or override and establishing appropriate follow-up procedures.

#### **15- Conflict of interest between the Audit Committee and the Board**

If there is a conflict between the recommendations of the Audit Committee and the decisions of the Board, or if the Board refuses to take into account the Committee's recommendation regarding the appointment of the Company's auditor, his dismissal, determination of his fees, evaluation of his performance or the appointment of the internal auditor, the Board's report shall include the Committee's recommendation, justifications, and reasons for not taking them into account.

#### **16- Decisions of the Audit Committee**

The decisions of the Audit Committee shall be issued by majority, and in the event of equality in the number of votes, the vote of the Chairman of the Audit Committee shall be considered weighted, provided that the Secretary of the Audit Committee shall prove the opinions of all parties to the meeting.

# Audit Committee Regulations

---

<b>Version</b>	<b>The First</b>	<b>20/12/2017</b>
<b>Auditing</b>	<b>Audit Gommittee</b>	<b>23/06/2024</b>
<b>Approved By</b>	<b>EGM</b>	<b>21/08/2024</b>

**Audit Committee Bylaws approved by the General Assembly upon the proposal of the Board of Directors**

**Audit Committee Bylaws approved by the General Assembly upon the proposal of the Board of Directors**

**Corporate Governance Regulations issued by the Capital Market Authority Chapter Two Audit Committee Article**

**Fifty-One Composition of the Audit Committee Paragraph (e)**



## **17- Quorum of the Audit Committee**

The meeting of the Audit Committee shall be held only in the presence of at least two members.

## **18- Confidentiality**

All members of the Audit Committee must maintain the confidentiality of matters related to the work of the Committee even after they have left office.

## **19- Evaluation of the performance of the audit committee**

The Board shall annually evaluate the performance of the Audit Committee in general and the performance of the members of the Audit Committee in particular, and this evaluation shall be kept in the records of the Secretary of the Committee.



## **20- Documentation of the meetings of the Audit Committee**

1. The Secretary of the Audit Committee shall document all meetings of the Committee and prepare minutes for them that include the discussions and deliberations that took place, date, start and end time of the meeting, document the decisions of the Audit Committee and the results of the voting, record and keep them in a special and organized register, record the names of the members present and sign these minutes from the Chairman of the Meeting and all members present and the Secretary.
2. The Secretary of the Audit Committee documents all meetings of the Committee by writing and audio recording of the Committee meeting and saves it in the Company's documents.
3. The Secretary of the Audit Committee shall send the minutes of the meeting by e-mail after recording what happened in the meeting and the observations of the members of the Audit Committee, if any, within three working days from the date of the meeting.
4. The members of the Audit Committee shall sign the minutes and record the reservations they have made, if any, and send them to the Secretary of the Committee within five working days for preservation and sending them to the Board of Directors for discussion and approval.
5. In the event that any member of the Audit Committee does not have the opportunity to sign the minutes for any circumstance, he may send his approval of the minutes and the minutes shall be signed at the first upcoming meeting of the Audit Committee.



## **21- Responsibilities of the Secretary of the Audit Committee**

1. Save the reports that are submitted to the Audit Committee.
2. Provide the members of the Audit Committee with a work schedule, working papers, documents and information related to it, and any additional documents or information requested by any of the members of the Committee related to the topics included in the meeting schedule.
3. Verify that the members of the Audit Committee adhere to the procedures approved by the Board.
4. Inform the members of the Audit Committee of the dates of the committees' meetings well in advance.
5. Presenting the draft minutes to the members of the Audit Committee to express their views on them before signing them.
6. Ensure that the members of the Audit Committee have fully and promptly obtained a copy of the minutes of the Audit Committee meetings, information and documents related to the meeting.
7. Coordination among the members of the Audit Committee.
8. Regulating the disclosure record of the members of the Audit Committee in accordance with the provisions of Article (89) of the Corporate Governance Regulations issued by the Capital Market Authority.
9. Provide assistance and advice to the members of the Audit Committee.
10. Save all the documents discussed in the Audit Committee meeting with the minutes of the meeting attached.
11. The Secretary of the Audit Committee may not be the Secretary of any of the committees emanating from the Board of Directors.

## **22- Annual Remuneration**

The Chairman of the Audit Committee and the members of the Committee shall be entitled to an annual remuneration according to the remuneration policy of the members of the Board of Directors, the committees emanating from the Board and the Executive Management approved by the General Assembly, and the Secretary shall be allocated a remuneration approved by the Board of Directors based on the recommendation of the Remuneration and Nomination Committee.

## **18- Review the Audit Committee's work regulations**

The Audit Committee's bylaws are reviewed annually or whenever the need arises, and in the event of the need to make any changes approved by the Audit Committee, such changes are approved by the General Assembly upon the recommendation of the Board of Directors.

## **19- Publication and access**

The Bylaws shall be amended by a resolution of the Board of Directors and shall be submitted to the General Assembly for approval, unless the laws, regulations and instructions issued by the competent authorities include otherwise.