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DEFINITIONS

Company Act: refers to the Company Act issued by virtue of Royal Decree # (R/3) on 28.01.1437 and any subsequent amendments thereto.

Governance Regulations: refers to the governance regulation approved by the Capital Market Authority and any subsequent amendments thereto.

The Authority: refers to the Capital Market Authority.

CMA: Refers to Capital Market Authority

The Company: refers to Yanbu Cement Co.

General Assembly: refers to General Assembly of Yanbu Cement Co.

Board: refers to the Board of Directors of Yanbu Cement Co.

Executive Member: refers to a board member who works on full-time basis in the Company executive management and participates in the day-to-day business activities.

Non-executive Member: refers to a board member who does not work in the Company executive management and does not participate in the day-to-day business activities.

Independent Member: refers to a non-executive board member who enjoys complete independence in his position and decisions, and none of the independence aspects stipulated under Article (20) of the Governance Regulations apply to him.

Committee: refers to the Audit Committee emanating from the Board of Directors of Yanbu Cement Co.

Bylaw: refers to the committee's action bylaw

Member: refers to Committee member

Article 1: Introduction

Having in place an effective internal audit system is considered one of the main responsibilities of the Board of Directors. The Audit Committee is one of the most important committees in the listed public joint-stock companies because of its effective role in the internal and external audit and the internal control processes. The main task of the audit committee is to verify adequacy of the internal control system and effective enforcement thereof, development of systems and plans relevant to such activities, follow-up on enforcement thereof and Company commitment and compliance with applicable regulations and standards.

The Committee has also the right to submit recommendations to the Board of Directors to activate and further develop the audit systems to achieve the Company objectives and protect the interests of shareholders and investors.

Article 2: Purpose of the Regulation

According to the Company Governance Regulation, the General Assembly shall approve the Audit Committee's action bylaw based on the recommendation of the Board of Directors. The bylaw clarifies work principles of the Audit Committee, the rules for its formation, selection of its members, their remuneration, the authorities, roles and responsibilities assigned thereto, in accordance with the Company Law and the Governance Regulations issued by the Capital Market Authority.

Article 3: Objectives of Regulation

In compliance with regulatory requirements and leading practices to ensure best practices in the area of governance, the Committee's Bylaw has been adopted to clarify the main functions of the Committee.

Article 4: Formation of the Committee

1. By a decision of the company's ordinary general assembly, the audit committee is formed from the shareholders or from others, provided that at least one of them is an independent member and does not include any of the members of the executive board of directors, and the number of members of the audit committee shall not be less than three and not more than five.
2. One of the committee members shall be (at least) specialized in financial and accounting affairs.
3. The board of directors shall appoint a chairperson for the committee from among its members, and the secretary from among its members or others, in its first meeting.
4. It is not permissible for anyone who works or has been working during the past two years in the executive or financial management of the company or for the company's certified accountant to be a member of the audit committee.

The Chairman of the Board of Directors shall not be a member of the Audit Committee.

Article 5: Membership Criteria

1. Integrity, credibility, responsibility and honesty
2. Having the highest ethical standards, as it is not permissible to choose or appoint someone who has been previously convicted of a crime involving breach of honor or trust
3. Successful leadership experience
4. Administrative and practical acumen
5. The ability to devote the time necessary to fulfill the responsibilities dictated by his membership in the committee
6. To have professional independence in performing the tasks assigned thereto objectively, impartially and in secrecy in a way that would enable him/her to have intellectual independence in all matters related to professional service.
7. Having successful and distinguished professional skills and experience that help in making important and sensitive decisions, provided that there is complementarity between the experiences of all members that serve the interests of the company.
8. The ability to take into account the interests of the company, shareholders and stakeholders when making decisions.
9. Not to have any conflicting interests, and to avoid any relationships that seem to make him lose his objectivity and independence when providing his professional services.
10. Members of the committee shall review all the Company policies and procedures related to the performance of duties and responsibilities thereof, understand their obligations and act in accordance with them, and disclose the information and clarifications required by those policies.

Article 6: Term of Membership

1. The term of membership of the committee chairman, members and secretary does not exceed the membership period of the council session.
2. The members of the committee may be re-elected. The general assembly has the power to dismiss all or any of the members of the committee at any time without prejudice to the dismissed member's right to compensation if the dismissal took place for an unlawful reason or at any inappropriate time.
3. If the position of one of the members of the committee becomes vacant, the Board of Directors may appoint whoever it deems appropriate as a temporary member of the vacant position, provided that he is of those with experience and sufficiency, and the company shall inform the Authority and the competent authorities within five working days of that appointment, and this appointment shall be presented to the General Assembly Ordinary at its first meeting to approve it, and the new member completes the term of his predecessor.

Article 7: Termination of Membership

A committee member performs his role and responsibilities from the date of his appointment. The following are examples of some cases that lead to termination of membership:

- The end of the term of the Board of Directors.
- The committee member submits his resignation without prejudice to the right of the company to claim compensation if the resignation occurred at an inappropriate time without a reasonable excuse.
- A member's illness or physical disability that prevents him from performing the committee's duties or in the event of his death
- The issuance of a decision by the General Assembly ending his membership.
- Other reasons decided by the General Assembly without prejudice to the member's right to claim compensation if membership
- termination occurred for an unacceptable reason. Termination of Audit Committee Member(s) does not nullify any action(s) previously adopted by the Audit Committee except to the extent required by law or determined to be appropriate to meet any regulatory standards.

Article 8: Disclosure of Interests

It is not permissible for a member of the audit committee to have a direct or indirect interest in the business or contracts concluded in favor of the Company account/interest.

Article 9: Functions of the Committee Chairman and Secretary

Chairman of the Committee shall

- invite the Commission to convene after coordination with the members of the Committee
- represent the Committee before the Board of Directors
- review the agenda, with due consideration to the topics that any member wants to add
- follow-up and implement the committee's decisions.
- provide accurate information to the members of the Committee to enable them to perform their duties.
- periodically evaluate the committee's performance
- submit recommendations made by the Committee to the Board of Directors.

Secretary

Duties and responsibilities of the Secretary include, but are not limited to, the following:

- Scheduling meetings
- Provide administrative and logistical support
- Coordination with the Chairman of the Committee for the drafting of the agenda and minutes of meetings
- Keep complete records of the meetings of the Committee
- Circulate the Committee 's decisions on the parties concerned
- Coordination with the concerned departments on the decisions that require compliance with the laws and take regulatory measures
- Develop a mechanism to track the Commission 's decisions and follow - up
- perform any other duties or responsibilities assigned by the Chairman of the Committee
- Coordination with the Chairman of the Committee and the development of a proposal for the agenda
- Secretary of the committee directs the invitation to attend and sends the meeting file and the necessary documents within a period of no less than five days from the date of the meeting
- Preparation of minutes of the committee meeting and documentation of meetings
- Keeping documents and records issued by the Commission

Article 10: Meetings of Audit Committee Quorum

Meeting of the Committee may not be valid unless attended by majority of the committee members and the absent committee member may not delegate another member on his behalf.

Article 11: Appointments

- The Committee meets periodically so that the number of its meetings is not less than four in the fiscal year. Chairman of the Committee presides over all meetings. In his absence, the members present shall appoint a president to do so on his behalf.
- No person may attend committee meetings except upon an invitation from the committee chairman or one of its members

- Representatives of the executive management can be invited to attend the audit committee meetings, and the invitation is made through coordination with the CEO
- Members can attend through modern means of technology (remotely).

Article 12: Decision Making

- Decisions and recommendations of the committee are issued by majority of its present members. In the event of equal votes, the side that voted with the committee chairman shall prevail.
- Each member of the committee shall have one vote.
- The committee's deliberations and decisions are recorded in minutes reviewed and signed by the committee chairman and members, and its secretary.
- Committee chairs or whoever they delegate from among their members shall attend the general assemblies to answer shareholders' questions.

Article 13: Confidentiality of Information

1. Members shall maintain the confidentiality of information likely to be accessed by the same by virtue of membership. The member is not entitled to disclose or share such confidential information with the third party unless after having written approval from the Board.
2. Members shall not disclose to any other party any secrets related to the Company likely to be conversant with by virtue of membership, and the Member shall be solely responsible for such a breach.
3. All discussions that take place during committee meetings are considered confidential, and a committee member shall maintain the confidentiality of this information.
4. If the subject under discussion is confidential, the secretary shall take the necessary measures to ensure that unauthorized persons are not conversant therewith.
5. Data and confidential information circulating electronically are encrypted appropriately to protect it from hacking.
6. Each member shall be directly responsible for the data and information that fall at his disposal by virtue of his membership.
7. Committee documents and meeting minutes are confidential, and only authorized persons have access to them.

Article 14: Duties of the Committee

The Audit Committee supports the Board of Directors through:

- Review effectiveness of risk management and control
- Review financial statements
- Monitor and evaluate Company performance thru the internal audit department
- Verify effectiveness of anti-fraud measures
- Assist in adhering to laws, regulations, standards and best professional practices

Article 17: Internal audit:

- Check and review the tools and systems of internal financial control of the company and risk management
- Analyze and study the internal audit reports and following up on the implementation of corrective actions regarding the observations contained in these reports
- Monitor and supervise the performance and activities of the company's internal audit department, if any, to ensure the availability of human and material resources necessary to achieve its effectiveness in performing the activities, duties and tasks assigned to it. If the company does not have an internal auditor, the committee shall submit its recommendations to the board regarding the extent of the need to appoint him.
- Submit a recommendation to the Board of Directors regarding the appointment of the head of the internal audit unit or an internal auditor for the company and suggest his remuneration

Article 18: External Auditor:

- To provide the Board of Directors with recommendations and the nomination of external auditors to isolate them and determine their remuneration and evaluate their performance after verification of their independence and review the scope of their work and the terms of the contract with them
- To verify the independence, objectivity and integrity of the external auditor and the effectiveness of the work and activities of the external audit, while observing the relevant rules and standards
- To review the company's external auditor's plan and work and ensure that he does not submit any technical or administrative work that goes beyond the scope of the external audit work
- To respond to the inquiries of the company's external auditor
- To study and review the reports of the external auditor and his comments on the financial statements and reports, and follow up on the actions taken in their regard.

Article 19: Internal Audit System:

- To monitor the Company business activities by supervising the control bodies and direct supervision of the internal audit unit or the internal auditor
- To verify that the Company management effectively and efficiently applies the company's internal control system
- To review the executive management reports related to the internal control system and its components, and express an opinion on them to the Board of Directors
- To investigate the matters that the Board refers to the committee to require the committee to raise its recommendations to the Board about it in light of its oversight role.



Article 20: Risk Management:

- Oversee and supervise development of a clear risk management strategy that commensurate with the nature and size of the company's activities prior to its approval by the Board, verifying its implementation, reviewing it and updating it based on the internal and external variables of the company
- Determine and maintain an acceptable level of risks that the company may be exposed to, and verifying that the company does not exceed it
- Verify the feasibility of the continuation of the company and its successful continuation of its success, with identifying the risks that threaten its continuation during the next twelve months
- Supervise the company's risk management system and evaluating the effectiveness of the systems and mechanisms for identifying, measuring and following up the risks that the company may be exposed to, in order to determine its deficiencies
- Periodically evaluates the company's ability to withstand risks and its exposure to them through reviewing specialized tests carried out by the executive management
- Verify the independence of the risk management personnel from the activities that may result in exposing the company to risks
- Prepare reports on exposure to risks and the proposed steps for managing these risks and submitting them to the Board of Directors
- Make recommendations to the Board of Directors on issues related to risk management
- Ensure that adequate resources and systems are in place to manage risks
- Verify that the risk management personnel understand the risks surrounding the company and work to increase awareness of the risk culture.

Article 21: Compliance

- Review the results of the reports of the supervisory authorities or supervisory authorities (in the event that such reports exist) and ensure that the company has taken the necessary measures in this regard
- Ensure that the company adheres to relevant laws, regulations, regulations, policies and instructions
- Review the contracts and transactions proposed to be conducted by the company with related parties and submit its recommendations to the Board of Directors in this regard
- Notify the Board of Directors of any important matter(s) deemed necessary to take action and provide recommendations on the steps/actions that may be taken.

Article 22: Combating Fraud and Corruption:

- Oversee effectiveness of the executive management, the internal audit, and the external auditor in performing their responsibilities with regard to combating fraud and corruption.

- Inquire the executive management and the external auditor on their assessment of the risks of material errors relating to fraud and corruption, including the nature and the extent and frequency of such assessments.
- Inquire from the executive management, the internal audit, and the external auditor whether they noticed any cases of fraud or corruption, actual, suspected or alleged affecting the company, and how the company responded to those cases, including the fundamental changes that were introduced to the control environment of the company.
- Obtain reports from the executive management, the internal audit and the external auditor about any fraud or corruption, whether material or not, that includes the management or employees who have a major role in the company's internal control system, and making appropriate recommendations to the Board.

Article 23: Ensure that a mechanism is in place for both reporting and conducting independent investigations of fraud and corruption, and to evaluate and monitor the effectiveness of these mechanisms.

- Follow up on material, financial, ethical or legal violations, and any serious violations of company policies, violation of legal provisions, or any violation of the code of conduct, which was highlighted by the Internal Audit Department or any other employee.
- The audit committee is available at all times to receive suggestions, questions, or recommendations from the chartered accountant, the internal audit department, or the executive management.

Article 24: Conflict between Audit Committee and the Board of Directors:

If a conflict arises between the recommendations of the audit committee and the decisions of the board of directors, or if the board of directors refuses to implement the committee's recommendations regarding the appointment of the company's external auditor, his dismissal, the determination of his remuneration, the evaluation of his performance, or the appointment of the head of the group's internal audit, the board report shall include the committee's recommendations and justifications the reasons for not adopting these recommendations.

Article 25: Documentation & Recording of the Audit Committee Meetings

1. Determine the date and place of the meeting, the names of the attendees and absentees, and document a summary of the discussions that took place in the meeting and the relevant recommendations and decisions
2. A draft of the minutes shall be prepared by the secretary of the committee within five working days after each meeting, and it is sent to all committee members for review, and comments are submitted by the committee members within five days from the date of receiving the draft

3. The secretary of the committee shall amend the minutes based on the comments of the members and send those comments to the committee chairman
4. The committee secretary prepares the final report according to the recommendations of the chairman and sends it to the committee members signed by the chairman and the committee secretary
5. A signed copy of the minutes, along with the attachments, related documents and correspondence, shall be kept in a classified file.

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- The audit committee is available at all times to receive suggestions, questions, or recommendations from the chartered accountant, the internal audit department, or the executive management.

Article 26: Arrangements for Submitting Comments

The audit committee shall adopt appropriate follow-up procedures and establish a mechanism that allows the company's employees to submit comments on any infringement of financial irregularities or any other reports in secrecy. The committee shall verify the application of this mechanism by conducting an independent investigation commensurate with the volume of irregularities or abuse.

Article 27: Powers of the Committee

The Board of Directors guarantees the following powers and rights for the Audit Committee:

- The right of unrestricted access to management members, employees and related information deemed necessary for performance of its duties
- Unrestricted access to records, data and reports
- The right to communicate and obtain information from the third party
- Discuss relevant matters with the external auditor and other third parties
- The right to request attendance of persons from higher management in the audit committee meetings
- The right to request and receive any explanatory information it deems necessary to fulfill its responsibilities. The company's management and employees shall cooperate with the audit committee's requests.
- The right to seek assistance of an independent advisory committee and / or other consultants according to what the committee deems necessary to perform its duties, as

well as the right to obtain legal or professional advice necessary to fulfill its responsibilities

- The right to request the Board of Directors to invite the company's general assembly to convene if the Board of Directors impedes its work or the company suffers heavy damage or losses.

Article 28: The Audit Committee is vested with the following

- Supervise all auditing services, as well as consulting services performed by the external auditor or consulting offices and bodies employed by the company
- Resolve any disputes between management and the external auditor regarding reports, financial statements, and other matters
- Pre-approval of all audit and accounting consulting services (if any) related to the financial statements and reports that may be provided by the company's external auditor.

Article 29: Submitting Reports to the Board of Directors and the General Assembly:

- The Audit Committee submits reports of its activities to the Board of Directors.
- The Audit Committee submits an annual report to the annual general assembly.
- The Audit Committee provides the Board of Directors with an annual report at its first meeting held after January 1st of each year, to summarize its annual work and achievements. The report of the audit committee shall include details of its performance of its functions and functions stipulated in the Company Law and its executive bylaws, provided that it includes its recommendations and viewpoint on the adequacy of the internal and financial control and risk management systems in the company.
- The Board of Directors shall ensure that sufficient copies of the annual report of the Audit Committee are provided to be submitted to the shareholders (at the Company head office) at least ten (10) days prior to the general assembly meeting. The report shall be discussed in the general assembly meeting.

Article30: Duties of Members of the Committee:

- Members of the Audit Committee are expected:
- To understand the relevant laws, codes and regulations affecting the company
- To allow the necessary time to understand, absorb and study the topics, documents and papers submitted to the committee for discussion and decision-making in the matter during the committee's meetings
- To apply the best analytical, objective and decision-making skills
- To express viewpoints frankly and raise questions about the core essence of basic issues to verify the core essence of matters
- Maintaining the confidentiality of the information they receive or that they are aware of.

Article 31: Events of Conflict of Interest

- In the events of conflict of interest (if any), Member of the Audit Committee shall disclose any conflict of interest (potential or actual) at the beginning of the meeting or prior to discussing any relevant item or topic listed on the agenda. Details of the conflict of interest event are recorded in the minutes of meeting.
- In the event of conflict of interest (actual or potential), it is appropriate to exempt the committee member from the committee's deliberations regarding the situation wherein a conflict of interest may occur. The final ruling for taking such a decision is for the Chairman of the Audit Committee.

Article 32: Training / Orientation Program for Members of the Committee:

A training / orientation program is provided to the new members of the audit committee, if the need arises, in order to provide the necessary information and inform them of the work, tasks and responsibilities of the audit committee to help them perform their duties in the fullest possible way.

Head of the Internal Audit Group shall coordinate and arrange the training / orientation program for new members of Audit Committee.

Article 33: Evaluation of Committee Performance

Performance of the Audit Committee is reviewed every two years. Performance review is conducted on the basis of self-evaluation unless the Chairman of the Audit Committee decides otherwise.

Article 34: Promulgation and Enforcement

Audit Committee's regulation is subject to a review process every three years (when the new audit committee takes over its duties) or whenever the need arises, and in the event that any changes are required to be made by the Board of Directors, and those changes are approved by the general assembly based on the recommendation of the board of directors.