United Electronics Company

Audit Committee Charter

United Electronics Company (eXtra)
Saudi Listed Company

United Electronics Company

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Introduction

In accordance with the requirements set out in the Corporate Governance Regulations issued by the Capital Market Authority regarding the establishment of the Audit Committee and its governing rules, the Committee shall oversee the Company's internal audit functions and activities, review the internal control systems, and recommend the appointment of the external auditors and the determination of their fees, in addition to any other duties that the Board of Directors may assign to it.

These Rules and Audit Committee Charter (the "Charter") of United Electronics Company (the "Company") have been prepared to set out the rules and standards governing the work of the Audit Committee in order to ensure compliance with best practices in corporate governance. Pursuant to the applicable implementing regulations, this Charter has been issued and approved by the Company's General Assembly. During prior periods, the Company has also taken into account the alignment of its provisions with the changes issued by the regulatory authorities, particularly the requirements contained in the Corporate Governance Regulations issued by the Capital Market Authority, the provisions of the Companies Law and its Implementing Regulations, as well as the Company's Articles of Association

Purpose

This Charter aims to regulate the work of the Audit Committee by defining its duties, powers, and the rules and procedures governing its activities, in light of the rules governing committee work in listed joint stock companies.

The General Assembly of the Company shall, based on a proposal from the Board of Directors, issue the Audit Committee Charter, provided that such Charter includes the rules and procedures governing the Committee's work, its duties, the rules for selecting its members, the manner of their nomination, the term of their membership, their remuneration, and the mechanism for the temporary appointment of its members in the event of a vacancy on the Committee.

The role of the Audit Committee is summarized as overseeing, monitoring, and managing the Company's audit and review activities in accordance with the Company's policies and programs that comply with, support, and give effect to the requirements of the Capital Market Authority and its regulations, so as to provide the highest possible level of assurance over all of the Company's business operations. In addition, the Committee supports senior management in understanding, assessing, and containing business risks in order to protect shareholders' rights, and assists the Board of Directors in carrying out its oversight duties efficiently and effectively.

Definitions

The words and phrases used in this Charter shall have the meanings assigned to them in the Corporate Governance Regulations issued by the Capital Market Authority, the Companies Law, and its Implementing Regulations.

Composition and Membership of the Audit Committee

The Audit Committee is one of the committees established by the Board of Directors. The General Assembly of the Company shall, based on a proposal from the Board of Directors, issue the Audit Committee Charter, provided that such Charter includes the rules and procedures governing the Committee's work, its duties, the rules for selecting its members, the manner of their nomination, the term of their membership, their remuneration, and the mechanism for the temporary appointment of its members in the event of a vacancy on the Committee. The following requirements shall be observed in forming the Committee:

- The Audit Committee shall be formed by a resolution of the Board of Directors of the Company from among the shareholders or others.
- The Audit Committee shall consist of no fewer than three members and no more than five members.
- At least one of the Committee members shall be an independent member of the Board of Directors.
- The Committee shall not include any executive members of the Board of Directors.
- At least one of the Committee members shall be specialized in financial and accounting matters.
- The Chairman of the Board of Directors may not be a member of the Audit Committee.
- No person who currently works, or who has worked during the past two years, in the executive or financial management of the Company, or for the Company's external auditor, may be a member of the Audit Committee.
- A member of the Audit Committee must not hold membership on audit committees of more than five listed joint stock companies at the same time.
- The Board of Directors shall appoint a Chairman of the Committee from among its members, or the Committee members shall appoint a Chairman from among themselves if the Board of Directors has not resolved the matter. In the event of the absence of the Committee Chairman from any Committee meeting, the members present shall appoint one of themselves to chair the meeting.
- The term of membership of the Committee members shall coincide with the term of the Board of Directors.

Membership of the Committee shall terminate upon the occurrence of any of the following cases:

- The issuance of a resolution by the Board of Directors to remove and/or replace any or all of the Committee members at any time it deems appropriate.
- The expiry of the term of the Board of Directors.
- The member's resignation, without prejudice to the Company's right to claim compensation if such resignation occurs at an inappropriate time.
- Loss of legal capacity or the occurrence of a physical disability preventing the member from performing his/her duties on the Committee.
- The issuance of a judicial ruling declaring the member bankrupt or insolvent, or the submission by the member of a request to enter into a settlement with his/her creditors.
- Conviction for committing an act involving dishonor or breach of trust, forgery, or violation of the laws and regulations in the Kingdom of Saudi Arabia or in any other country.

If a seat on the Committee becomes vacant during the term of membership, the Board of Directors shall have the right to appoint one or more members to the vacant seat(s), provided that such appointee(s) possess the required experience and competence. The new member shall complete the remaining term of the Committee membership.

Secretary of the Audit Committee

One of the Committee members shall be designated to perform the duties of the Secretary of the Audit Committee, and the Committee may appoint a Secretary from among non-members.

The Secretary of the Audit Committee shall be responsible for distributing meeting notices, preparing the agenda, recording the minutes of its meetings for all members of the Audit Committee, and carrying out any other duties assigned by the Committee.

Rules Governing the Work of the Audit Committee

The Chairman of the Committee shall undertake the following duties:

- Chairing the Committee's meetings, promoting their effectiveness, and representing the Committee before the Board of Directors.
- Calling the Committee to meet, specifying the time, date, and venue of the meeting, in coordination with the Committee members.
- Preparing the agenda, taking into consideration the matters that any Committee member wishes to include.

- Ensuring that the matters presented to the Committee are accompanied by sufficient information to enable the Committee to take decisions thereon.
- Ensuring that adequate time is available to discuss the items on the agenda of the Committee meeting.
- Promoting the effective participation of members in Committee meetings by enabling them to express their views in a manner that contributes to achieving the Committee's objectives.
- Ensuring that complete and accurate information is made available to Committee members in a timely manner to enable them to perform their duties.
- Preparing periodic reports on the Committee's activities and submitting its recommendations and findings to the Board of Directors.
- Following up on the implementation of the resolutions issued by the Committee.
- Establishing the necessary arrangements for conducting the periodic evaluation of the Committee's performance.
- Attending the General Assemblies, either personally or through another Committee member delegated in his/her place, in order to answer shareholders' questions.

The duties of the Committee Secretary / Secretary-General shall be as follows:

- Coordinating the Committee's meetings and preparing a proposed agenda in coordination with the Committee Chairman.
- Notifying Committee members of meeting dates and providing them with the agenda and the documents necessary for reviewing the items to be discussed at the Committee meeting.
- Attending and documenting the Committee's meetings, preparing the minutes thereof, and maintaining them in a special register.
- Maintaining the documents, records, and reports submitted to or issued by the Committee.
- Providing support and advice to the Committee on matters falling within its scope of responsibility.

The duties of a Committee member shall be as follows:

- To comply, in the performance of his/her duties, with the provisions of the Companies Law, the Capital Market Law and their Implementing Regulations, the relevant laws and regulations, and the Company's Articles of Association, and to refrain from undertaking or participating in any act that may prejudice the interests of the Company.

- To be fully aware of the Committee's duties and responsibilities, and to devote sufficient time to fulfilling his/her role in achieving them.
- To perform his/her duties free from any external influence, whether from within or outside the Company, and not to give precedence to his/her personal interests over the interests of the Company.
- To prepare for meetings, commit to attending them, and not be absent except for objective reasons notified in advance to the Chairman of the Committee and accepted by the Committee.
- To participate effectively in Committee meetings by reviewing and discussing the matters included on the agenda of its meetings.
- To make every effort to remain informed of regulatory developments in the areas and subjects relevant to the Committee's duties and responsibilities.

Meetings of the Audit Committee

Meeting Schedule and Management

The Committee Chairman shall chair its proceedings and meetings. If the Chairman is unable to attend any meeting, the Committee members may appoint a chair for the meeting from among the members present. The following requirements governing Committee meetings shall be observed:

- The Audit Committee shall meet periodically, provided that its meetings shall not be fewer than four meetings during the Company's financial year.
- The Committee shall hold its meetings at the Company's head office or at any other place as may be determined, and its meetings may also be held through modern technology means.
- The Audit Committee shall meet periodically with the Company's external auditor and with the Company's internal auditor.
- Both the internal auditor and the external auditor shall have the right to request a meeting with the Audit Committee whenever necessary.
- No member of the Board of Directors or executive management, other than the Committee Secretary, may attend the Committee's meetings unless the Committee requests to hear his/her opinion or obtain his/her advice. The Committee may also invite

any person to attend its meetings where this would assist the Committee in achieving its objectives.

- The Committee's meetings must be documented and minutes prepared, including the discussions and deliberations that took place, the Committee's recommendations, and the voting results. Such minutes shall be maintained in a special and organized register, indicating the names of the members present and any reservations they may have expressed, if any, and shall be signed by all members present.
- The minutes of the meetings, including the discussions, views presented, and decisions taken by the Committee, shall be circulated to the members of the Board of Directors.

Quorum

Meetings of the Audit Committee shall not be valid unless attended in person by a majority of its members. A Committee member may attend its meetings through modern technological means of communication.

Committee Resolutions

Resolutions of the Audit Committee shall be passed by a majority of the votes of the members present. In the event of a tie, the side with which the chairman of the meeting voted shall prevail. The Committee may also issue resolutions by circulation by presenting them to all members separately, unless any member requests in writing that the Committee convene to deliberate thereon. Such resolutions shall be issued upon the approval of a majority of the members' votes and shall be presented to the Audit Committee at its first subsequent meeting to be recorded in the minutes of that meeting.

The Committee's resolutions by circulation may also be approved by sending the circulated resolution to the email address of each Committee member, and a response by email indicating approval or rejection shall be deemed sufficient without the need for the member to sign a hard copy, provided that such resolution shall be presented to the Audit Committee at its first subsequent meeting to be recorded in the minutes of that meeting.

If there is a conflict between the recommendations of the Audit Committee and the resolutions of the Board of Directors, or if the Board declines to adopt the Committee's recommendation regarding the appointment or dismissal of the Company's external auditor, the determination of the auditor's fees, the evaluation of the auditor's performance, or the appointment of the internal auditor, the Board Report must include the Committee's recommendation and justifications, as well as the reasons for not adopting it.

Minutes of Meetings

The Secretary of the Audit Committee shall prepare the minutes of meetings. The minutes shall be signed by all members present, and such signing may be effected through modern technology means.

Powers of the Audit 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.
- The Committee shall have the right, within the scope of its powers, to seek the assistance of such experts and specialists as it deems appropriate, whether from within or outside the Company, provided that this is recorded in the minutes of the Committee meeting, including the expert's name and relationship with the Company or the executive management.
- To invite senior executives and officers of the Company to the Committee's meetings in order to request clarifications and explanations from them.
- To conduct an annual review and assessment of its Charter and submit recommendations to the Board of Directors regarding any amendments thereto, if required.
- To inform the Board of Directors of any developments affecting its independence or any conflict of interest relating to the decisions taken by the Audit Committee.
- To prepare an annual evaluation and review of the activities of the Audit Committee and its members, including the extent of the Committee's compliance with its Charter.
- To treat all information made available to the Committee in the course of performing its duties with strict confidentiality.

Competencies, powers and responsibilities 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:

- 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;
- 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;
- analyzing any important or non-familiar issues contained in the financial reports;
- 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;
- examining the accounting estimates in respect of significant matters that are contained in the financial reports; and
- examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon.

b) Internal Audit:

- examining and reviewing the Company's internal and financial control systems and risk management system;
- analyzing the internal audit reports and following up the implementation of the corrective measures in respect of the remarks made in such reports; and
- 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.
- providing a recommendation to the Board on appointing the manager of the internal audit unit or department, or the internal auditor and suggest his/her remunerations

c) External Auditor:

- 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;
- verifying the independence of the external auditor, its objectivity, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards;
- reviewing the plan of the Company's external auditor and its activities, and ensuring that it does not provide any technical, administrative or consulting works that are beyond its scope of work, and provides its opinion thereon;
- responding to queries of the Company's external auditor; and
- reviewing the external auditor's reports and its comments on the financial statements, and following up the procedures taken in connection therewith

d) Ensuring Compliance:

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

Audit Committee Report

- The Audit Committee’s report shall include details of its performance of the duties and responsibilities stipulated in the Companies Law and its Implementing Regulations, and shall include its recommendations and opinion on the adequacy of the Company’s internal control, financial control, and risk management systems.
- The Board of Directors shall deposit sufficient copies of the Audit Committee’s report at the Company’s head office and publish it on the Company’s website and the Exchange’s website upon publication of the notice convening the General Assembly, in order to enable shareholders wishing to obtain a copy thereof to do so. A summary of the report shall be read out during the General Assembly meeting.

Remuneration and Compensation of the Audit Committee:

The remuneration of the members of the Audit Committee shall consist of annual remuneration in addition to a meeting attendance allowance, in accordance with the approved Remuneration Policy.

Final Provisions

This Charter shall come into effect and be complied with by the Company as of the date of its approval by the General Assembly of Shareholders.

The contents of this Charter shall be reviewed periodically, as needed, and any amendments thereto shall be submitted to the Board of Directors for recommendation to the General Assembly for approval, in order to ensure alignment with the relevant rules and regulations.