



# **Audit Committee Regulations**

## **Leejam Sports Company**

Public Joint-Stock Company

**Caution:**

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## Approvals

Prepared By			
Name	BU	Date	Signature
Saud Alraggas	Board Secretary	February 26 2025	
Reviewed By			
Name	BU	Date	Signature
-			
Authentication			
Name	BU	Date:	Signature
Pursuant to the Circulated Approval of the Board on 31 April 2025			
Approval			
Name	BU	Date:	Signature
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## Article (1): Definitions

The following terms and phrases shall have the meanings assigned thereto unless the context requires otherwise:

**Companies Law:** The Companies Law issued by Royal Decree No. M/132 dated 1/12/1443H and any amendments thereto.

**Governance Regulations:** The Corporate Governance Regulations issued by the Capital Market Authority Board Resolution No. 8-5-2022 dated 25/06/1444H, corresponding to 18/01/2023G, and any amendments thereto.

**Authority:** The Saudi Capital Market Authority.

**Company:** Leejam Sports Company

**General Assembly:** The General Assembly of Leejam Sports Company.

**Board/Board of Directors:** The Board of Directors of Leejam Sports Company.

**Board Member:** A Board Member of Leejam Sports Company.

**Executive Member:** A member who works full time to manage the company and engages in its daily affairs.

**Non-Executive Member:** A board member who does not work full-time to manage the company, nor engage in its daily affairs.

**Independent Member:** A non-executive board member who is fully independent in his/her position and decisions and not having any independence conflicts stipulated in Article (19) of the Governance Regulations.

**Committee:** The Audit Committee.

**Regulations:** The Audit Committee Work Regulations.

**Chairman:** Chairman of the Audit Committee.

**Member:** A member of the Audit Committee.

**Secretary:** Secretary of the Audit Committee.

**Modern Technology Means:** Any means of communication that allows exchange of views and discussion between members, including telephone calls, audiovisual communication.

**Resolution by Circulation:** Issuance of a decision by the Board without holding a meeting - for approval in writing by presenting it to the members, individually,.

## **Article (2): Purpose of the Regulations:**

These Regulations aim to regulate the work of the Audit Committee by defining its tasks, work controls, authorities, member selection rules, nomination methods, membership duration, remuneration, mechanism for interim appointment of Committee members in case a Committee seat becomes vacant, pursuant to the Law, the Company Bylaws, the Corporate Governance Regulations issued by the Capital Market Authority, other related regulations and bylaws, and sound governance principles and practices.

## **Article (3): Committee Formation:**

### **3.1 First: Committee Formation**

- 3.1.1 The Committee shall be formed by a resolution of the Company's Board of Directors, consisting of at least three and not more than five members from shareholders or others, provided that none of the Board's Executive Members are included, and the composition of the Committee meets the stipulations and rules in these Regulations.
- 3.1.2 The Committee shall appoint one of its members as Chairman ("**Chairman**"), provided he is one of the Board's Independent Members<sup>(1)</sup>, and the Chairman shall chair the Committee meetings and shall attend—or appoint a member to attend on his behalf—all General

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<sup>(2)</sup> Guidance paragraph\*

Assembly meetings to answer shareholders' questions. The Chairman tenure shall not exceed his/her membership term on the Committee.

- 3.1.3 The Committee shall appoint one of its members or others as Secretary ("Secretary"). The Secretary shall attend all Committee meetings, prepare its meeting minutes, and document its resolutions. The Committee shall determine the appointment duration of the Secretary, and if the Secretary is a member on the Committee, his appointment duration shall be his membership term on the Committee. The Committee may also replace him and appoint another Secretary at any time.

### 3.2 **Second: Member Selection Rules**

- 3.2.1 Half of the Audit Committee members shall be Independent Members or those to whom the independence disqualifiers stipulated in Article (19) of the Corporate Governance Regulations do not apply. <sup>(2)</sup>
- 3.2.2 The membership term of a Board Member on the Committee shall not exceed his/her membership term on the Board.
- 3.2.3 The Chairman of the Board shall not be appointed as a Committee member.
- 3.2.4 No one who works or has worked over the past two years in the executive or financial management of the Company, or as an employee or Board member of the Company's auditor may be appointed as a Committee member.
- 3.2.5 The Committee must include at least one Independent Member.
- 3.2.6 All members shall be financially literate, provided that at least one of them is specialized in financial and accounting affairs.
- 3.2.7 A Committee member shall not hold membership of audit committees in more than five listed companies at the same time.
- 3.2.8 He/she shall fulfill all qualification and eligibility requirements set out in the relevant regulations, and remain so throughout the membership term.
- 3.2.9 The Committee member shall be adequately qualified for the nature of the tasks that fall under the Committee's specialty.

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<sup>(1)</sup> Guidance paragraph\*

3.2.10 He shall have the appropriate expertise and knowledge for the nature of the tasks that fall under the Committee's specialty.

3.2.11 He shall not have been convicted of committing an act in breach of honor or trust or in violation of the systems and regulations in Saudi Arabia or any other country.

### **3.3 Third: Membership Duration, Termination, and Vacant Position Procedures**

3.3.1 The membership term shall not exceed the Board term, and the Board of Directors may dismiss all or some members at any time. If the membership of any member ends for any reason before the end of their term, the Board shall appoint another member for the vacant position who shall complete the previous member's term.

3.3.2 The Company shall notify the Capital Market Authority of the name of each member, their position, independence status, and membership capacity within five business days of their appointment or dismissal, and any changes thereto within five business days of the change occurring.

## **Article (4) Competencies of the Committee:**

The Audit Committee shall be specialized in overseeing the Company's operations and verifying the integrity, fairness and transparency of its reports, financial statements and internal control systems, and the Committee's tasks shall include in particular the following:

### **4.1 First: Financial Statements and Reports**

4.1.1 Studying the Company's initial and annual financial statements and all announcements related to its financial performance before presenting them to the Board of Directors, expressing its opinion on them and recommending to the Board regarding them, to ensure their integrity, fairness and transparency.

4.1.2 Expressing a technical opinion—at the Board of Directors request—on whether the Board of Directors 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.

- 4.1.3 Studying any significant or unusual matters contained in the Company's financial statements and reports.
- 4.1.4 Thoroughly examining any matters raised by the Chief Executive Officer (or his delegate), Chief Financial Officer (or his delegate), Compliance Officer, Internal Auditor, or External Auditor.
- 4.1.5 Verifying the accounting estimates on substantial matters contained in the Company's financial statements and reports.
- 4.1.6 Studying applicable accounting policies and expressing an opinion and recommendation to the Board of Directors regarding them.

#### 4.2 **Second: Internal Control and Audit System**

- 4.2.1 Studying and reviewing the Company's internal control and financial systems and risk management and their effectiveness.
- 4.2.2 Studying internal audit reports and following up implementation of corrective procedures for observations stated therein.
- 4.2.3 Overseeing and supervising the performance and activities of the Internal Auditor and the Company's internal audit department to ensure availability of necessary resources and their effectiveness in performing the assigned tasks and duties.
- 4.2.4 Approving the Company's internal audit regulations.
- 4.2.5 Recommending to the Board of Directors on appointing, dismissing and remunerating the Company's Internal Auditor.
- 4.2.6 Annually reviewing the performance and activities of the Internal Auditor and recommending to the Board of Directors on his remuneration and any amendments thereto.

#### 4.3 **Third: Independent Auditors.**

- 4.3.1 Recommending to the Board of Directors nomination of the External Auditors, their dismissal, determining their fees and evaluating their performance, after verifying their independence and reviewing the scope of their work and terms of contracting with them.
- 4.3.2 Reviewing the professional qualifications of the External Auditor and employees who will work for the Company on its behalf.
- 4.3.3 Reviewing the External Auditor's performance and overseeing his activities, and making recommendations to the Board of Directors in this regard.
- 4.3.4 Verifying the External Auditor's independence, objectivity, fairness, and effectiveness of the audit activities, taking into account relevant rules and standards, and making recommendations to the Board of Directors in this regard.
- 4.3.5 Reviewing the proposed scope for the External Auditor's tasks, his proposed methodology and audit plan, and stating its views regarding them.
- 4.3.6 Reviewing the External Auditor's plan, work and verifying he does not provide technical or administrative services that fall outside the scope of audit work, and making recommendations to the Board of Directors in this regard.
- 4.3.7 Responding to the External Auditor's inquiries.
- 4.3.8 Studying the External Auditor's report and notes on the financial statements, and following up the procedures taken in their regard.
- 4.3.9 Studying the External Auditor's report, notes and reservations on the Company's financial statements and following up the procedures taken in their regard.

#### 4.4 **Fourth: Compliance Assurance:**

- 4.4.1 Approving the annual compliance plan.
- 4.4.2 Reviewing periodic compliance reports.
- 4.4.3 Verifying the Company's compliance with relevant regulations, bylaws, policies and instructions, and monitoring the same.
- 4.4.4 Initiating and overseeing special investigations when necessary.

- 4.4.5 Carrying out other related tasks at the Board of Directors request.
- 4.4.6 Reviewing the results of reports and investigations by supervisory and regulatory authorities, and verifying the Company has taken necessary action in their regard.
- 4.4.7 Reviewing contracts and transactions the Company proposes to enter into with related parties, and presenting its views and recommendations to the Board of Directors regarding them.
- 4.4.8 Ensuring appropriate mechanisms and arrangements are in place which allow company employees to confidentially and anonymously submit their remarks and concerns regarding any breach or default in any financial matters (including financial reports), accounting, audit work or any non-compliance cases.
- 4.4.9 Elevating to the Board of Directors any matters or issues that require bringing to the Board of Directors attention and making recommendations to the Board of Directors in this regard.

#### 4.5 **Fifth: Risk Management**

- 4.5.1 Perform other relevant tasks at the Board of Directors' request.
- 4.5.2 Approve the annual risk management plan:
- 4.5.3 Develop a comprehensive strategy and policies for managing risks commensurate with the nature and size of the Company's activities, verify their implementation, review and update them based on internal and external variables of the Company.
- 4.5.4 Determine the level of acceptable risks the Company may be exposed to and maintain it, verifying the Company does not exceed it.
- 4.5.5 Verify the feasibility of the Company's continuity and continuation of its activity successfully, identifying risks that threaten its continuity over the next twelve months.
- 4.5.6 Oversee the Company's risk management system and evaluate the effectiveness of the system and mechanisms for identifying, measuring and monitoring risks the Company may be exposed to, in order to identify shortcomings.
- 4.5.7 Re-evaluate the Company's risk tolerance and exposure periodically (by conducting stress tests for example).

- 4.5.8 Review reports submitted by the Risk Management Unit on risk exposure and proposed steps to manage these risks, summarize them to the Board of Directors, and make recommendations to the Board on risk management related matters.
- 4.5.9 Ensure availability of adequate resources and systems for risk management.
- 4.5.10 Review the organizational structure of risk management and make recommendations before adoption by the Board of Directors.
- 4.5.11 Verify the independence of risk management personnel from activities that may expose the Company to risks.
- 4.5.12 Verify risk management personnel comprehend risks surrounding the Company, and work to increase risk awareness.

#### 4.6 **Sixth: Reports**

- 4.6.1 Inform the Board of Directors of the Committee's meeting proceedings and the recommendations it makes and decisions it takes after each Committee meeting.
- 4.6.2 Prepare an annual written report on its opinion on the adequacy and effectiveness of the Company's internal control and financial systems and risk management, and its recommendations in this regard, in addition to other tasks it has undertaken that fall under its specialization. Sufficient copies of this report shall be deposited at the Company's head office to provide a copy to any shareholder who wishes so, and published on the Company's website and the Saudi Stock Exchange's website (Tadawul) when publishing the notice convening the relevant Annual General Assembly Meeting, provided that is at least ten days prior to the set date of the meeting. The report shall be recited during the meeting.

### **Article (5): Procedures for Submitting Remarks**

The Committee shall develop a mechanism that allows company employees to confidentially submit their remarks regarding any breach in financial or other reports, and the Committee shall verify implementation of this mechanism by conducting an independent investigation

commensurate with the size of the error or breach and adopt appropriate follow-up procedures.

#### **Article (6) Contradiction between the Audit Committee and Board of Directors:**

If there is a conflict between the Committee's recommendations and the Board of Directors' decisions, or if the Board rejects the Committee's recommendation regarding appointment of the auditor, their dismissal, determining their fees or appointing the internal auditor, the Board of Directors' report shall include a summary of the relevant Committee recommendations, justifications and reasons for the Board not adopting them.

#### **Article (7) Powers of the Committee:**

The Committee shall have the necessary powers to perform its specializations and tasks, in particular:

- 7.1 The right to access company records and documents without restriction.
- 7.2 The right to meet with company management and employees (including Board members, executive officers and members of the company's internal audit team) and request any clarification or statement from them, and they must fully cooperate with the Committee and respond as soon as possible and comprehensively to any questions raised by the Committee.
- 7.3 The right to meet with the auditor and request any clarification or statement from them, and they must fully cooperate with the Committee and respond as soon as possible and comprehensively to any questions raised by the Committee.
- 7.4 The right to form a working group of one or more members to serve any purpose it deems appropriate and fulfilling its objectives, and it may grant any of its powers and authorities to the working group emanating from it whenever it deems suitable.
- 7.5 The right to appoint and seek assistance from whomever it deems suitable of external auditors, accountants or other specialists and experts to provide advice to the Committee or assist it when required, and the right to terminate contracting with them (provided the relevant Committee meeting minutes

document such appointment, stating the name of the appointed person and any relationship with the Company or executive management).

- 7.6 The right to take any other actions the Committee reasonably deems necessary to duly perform its specializations and tasks and fulfill its responsibilities under these Regulations.
- 7.7 The Committee may request the Board of Directors to convene a General Assembly meeting if the Board obstructs its work or the Company is exposed to substantial damages or losses.

## **Article (8) Powers of the Chairman and Secretary:**

### **8.1 First: : Duties of the Committee Chairman**

The Committee Chairman shall undertake the following tasks:

- 8.1.1 Calling the Committee to convene through approved means including modern technology, specifying the time, date and location of the meeting, after coordinating with Committee members.
- 8.1.2 Managing Committee meetings and promoting their effectiveness.
- 8.1.3 Preparing the meeting agenda taking into account matters any Committee member wishes to include.
- 8.1.4 Ensuring adequate time to discuss agenda items of Committee meetings.
- 8.1.5 Promoting effective participation of members in Committee meetings by studying agenda items and discussing them, and expressing their views in a manner that contributes to achieving Committee objectives.
- 8.1.6 Preparing periodic reports on Committee activities, recommendations and outputs for the Board.
- 8.1.7 Following up implementation of Committee resolutions.
- 8.1.8 Representing the Committee before the General Assembly and Board.  
The Committee Chairman or their delegate from among its members shall attend General Assembly meetings to answer shareholders' questions.

## 8.2 **Second: Duties and Obligations of a Committee Member**

- 8.2.1 Complying with the Companies Law and its implementing regulations, related regulations and Company Bylaws when carrying out their duties, and refraining from any act that may harm the Company's interests.
- 8.2.2 Being aware of the Committee's tasks and responsibilities, dedicating sufficient time to fulfill their role in achieving its objectives.
- 8.2.3 Carrying out their duties free of any external influence whether from within or outside the Company, and they must not prioritize their personal interests over the Company's interests.
- 8.2.4 Not accepting gifts from any person with dealings with the Company pursuant to the controls stipulated in the Professional Conduct Policy.
- 8.2.5 Preparing for meetings, attending them and not being absent except for objective reasons the Committee Chairman is notified of in advance and accepted by the Committee.
- 8.2.6 Actively participating in Committee meetings by studying and discussing agenda items.
- 8.2.7 Working to enhance knowledge of regulatory developments in areas and topics related to the Committee's tasks and responsibilities.
- 8.2.8 Making suggestions regarding developing the Committee's work.
- 8.2.9 Reviewing, studying and discussing in Committee meetings reports submitted to the Committee.
- 8.2.10 Participating in recommending appropriate remuneration levels for executive management members.
- 8.2.11 Participating in recommending appointment of executive management members.
- 8.2.12 Participating in developing the succession and replacement plan in the Company.
- 8.2.13 Studying and analyzing information relevant to matters examined by the Committee before opining on them.
- 8.2.14 Recognizing his/her duties, roles and responsibilities arising from the membership.

8.2.15 Developing his/her knowledge in the field of the Company's business and activities and in the related financial, commercial and industrial fields.

### **8.3 Duties of the Committee Secretary**

- 8.3.1 Coordinating the Committee meeting schedules annually and proposing agendas in coordination with the Committee Chairman.
- 8.3.2 Notifying the Committee members of meeting times and providing them with the agenda and documents required to study the meeting agenda items.
- 8.3.3 Attending and documenting the committee's meetings, preparing its minutes including the discussions and deliberations, stating the meeting venue, date, start and end time, documenting the committee's decisions and voting results and keeping them in a special register.
- 8.3.4 Maintaining documents, records and reports presented to or issued by the Committee, whether hard copies or electronically.
- 8.3.5 Performing all administrative tasks related to the Committee and any other tasks that may be assigned by the Committee from time to time.
- 8.3.6 Providing assistance and advice to the Committee in matters that fall under its competence.

### **Article (9) Confidentiality of Committee Work**

The committee member shall maintain the confidentiality of the information available to him/her and the documents he/she has accessed, and shall not in any way, even after the end his/her membership, disclose it to any unauthorized person or entity unless authorized to do so by the Board of Directors, nor use any of this information for personal benefits or his/her relatives or others, and the company has the right to claim compensation in the event of a breach of what is stated in this Article, as it applies to the Secretary of the Committee.



## **Article (10) Conflict of Interests:**

The member must take care to serve the interests of the Company and material public interests over any personal interest, avoid situations leading to a conflict between his interests and the Company's interests, and comply with the provisions stipulated in the Conflict of Interest Policy.

## **Article (11) Committee Meetings**

### **11,1 First: Committee Meeting Procedures**

- 11.1.1 The Committee shall meet at least four times during each fiscal year. In addition, additional meetings may be held from time to time upon request by the Board of Directors, any member, the Company's Internal Auditor or External Auditor.
- 11.1.2 The Committee shall periodically meet with the External Auditor and Internal Auditor separately to discuss relevant matters pertaining to the tasks and responsibilities of the Committee.
- 11.1.3 The Committee shall approve the dates and agendas of meetings for the fiscal year before its start, and meeting invitations must be sent in writing or by email to each Committee member promptly upon the Committee Chairman's instructions to call the meeting, at least five (5) days prior to the meeting date, specifying in the invitation the time, date and venue of the meeting, agenda and documents to be discussed at the meeting.
- 11.1.4 The Committee shall hold its meetings at the Company's head office, and may meet outside the head office.
- 11.1.5 In the absence of the Chairman – and without a deputy appointed by him from among the members – the remaining attending members shall elect from among themselves a member to chair the meeting, from those qualified to hold this position pursuant to these Regulations.
- 11.1.6 The Committee may – when necessary in urgent cases as determined by the Committee Chairman – hold remote meetings and vote on them using modern technology.

11.1.7 In exceptional emergency cases requiring an urgent decision, the Committee Chairman may make the Committee recommendations and decisions by circulating them to the members for signature indicating all members have reviewed them, unless a member requests in writing that a meeting be held to deliberate on them. Such decisions shall only be valid if signed by a majority of members, provided the decision is documented in the minutes of the Committee's first meeting held after issuing the decision.

11.1.8 No Board or executive management member other than the Committee Secretary may attend its meetings without an invitation from the Committee, to listen to their opinion or obtain their advice without voting rights or accessing confidential information except to the extent achieving the purpose of their attendance.

11,2 **Second: Quorum and Voting:**

11.2.1 The meeting shall only be validly held if attended by the majority of its members. The Committee resolutions shall be passed by the majority of the present members. In case of votes tie, the Chairman shall have the casting vote.

11.2.2 Members may not abstain from voting, and objecting members may record their objection and grounds in the meeting minutes.

11.2.3 No Committee member (attending in person) may represent more than one absent member at the same meeting.

11,3 **Third: Documentation of the Committee Meetings:**

The Committee Secretary shall prepare minutes documenting the Committee meetings, containing the following:

11.3.1 Meeting venue, date, start and end times.

11.3.2 Names of attending and absent members, including guests invited to attend the meeting from non-Committee members.

11.3.3 Deliberations and decisions of the Committee including voting results and grounds for objections if any.

11.3.4 Recommendations and decisions issued in the meeting, including their dates, texts and factual and regulatory reasoning – if any – with

reference to the documents and records relied upon when issuing the recommendation or decision.

11.3.5 Identifying the party responsible for implementing the decisions, timeline to initiate implementation, and follow-up mechanism.

11.3.6 A scanned copy of the decision signed by the member shall be an acceptable model for this purpose.

11.3.7 The Secretary of the Committee shall send the draft minutes of the meeting to the members who shall present their feedback on it, if any, within a maximum period of five (5) working days.

11.3.8 A Committee member may object to any decision made by the Committee provided their objection is explicitly recorded in the meeting minutes along with grounds for objection. Absence from attending the meeting where the decision is issued shall not exempt the member from responsibility unless it is proven they were unaware of the decision or unable to object immediately upon learning of it.

11.3.9 After addressing members' comments on the draft minutes, and upon approval of the Chairman, the Secretary shall send the amended draft to the members. The minutes shall be official once signed by all members and the Committee Secretary.

11.3.10 The meeting minutes shall be maintained in a special register signed by the Committee Chairman and Secretary, attached with the meeting agenda and all accompanying documents.

11.3.11 The Committee shall follow up on implementing its resolutions and any other matters discussed in previous meetings.

11.3.12 The Committee Chairman shall elevate its recommendations and outcomes to the Board, in the first subsequent Board meeting after the Committee's meeting.

## **Article (12): Committee Member Remuneration**

12.1 Any remuneration granted to members shall be pursuant to the relevant regulations, bylaws, resolutions and instructions, and the Remuneration Policy for Board Members and Sub-Committees approved by the Company's General Assembly and any amendments thereto from time to time.

- 12.2 The report of the Board shall disclose remuneration, allowances or benefits received by Committee members.

### **Article (13) General Provisions**

- 13.1 These Regulations are supplementary to the Company Bylaws, Governance Policy and the Board and Sub-Committee Work Regulations.
- 13.2 These Regulations shall supersede any conflicting procedures, decisions or company bylaws.
- 13.3 Anything not covered herein shall be subject to the applicable laws and regulations issued by the competent authorities.

### **Article (14) Effectiveness and Review**

- 14.1 These Regulations shall be approved by General Assembly resolution based on a Board of Directors proposal, and shall be effective from the date of approval by the General Assembly.
- 14.2 The Committee shall periodically review provisions of these Regulations and make recommendations to the Board of Directors regarding any amendments.
- 14.3 Any amendments to these Regulations shall be approved in the same manner as their approval.