

# Audit Committee Regulations Amendments

Before the Amendments	After the Amendments
<p>Article (1): Definitions</p> <p><u>The following terms and phrases shall have the meanings assigned thereto unless the context requires otherwise:</u></p> <p>Companies Law: The Companies Law issued by Royal Decree No. M/132 dated 1/12/1443H and any amendments thereto.</p> <p>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.</p> <p>Authority: The Saudi Capital Market Authority.</p> <p>Company: Leejam Sports Company</p> <p>General Assembly: The General Assembly of Leejam Sports Company.</p> <p>Board/Board of Directors: The Board of Directors of Leejam Sports Company.</p> <p>Board Member: A Board Member of Leejam Sports Company.</p> <p>Executive Member: A member who works full time to manage the company and engages in its daily affairs.</p> <p>Non-Executive Member: A board member who does not work full-time to manage the company, nor engage in its daily affairs.</p> <p>Independent Member: A non-executive board member who is fully independent in his/her position and decisions</p>	<p>Article (1): Definitions</p> <p><u>The following terms and phrases shall have the meanings assigned thereto unless the context requires otherwise:</u></p> <p>Companies Law: The Companies Law issued by Royal Decree No. M/132 dated 1/12/1443H and any amendments thereto.</p> <p>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.</p> <p>Authority: The Saudi Capital Market Authority.</p> <p>Company: Leejam Sports Company</p> <p>General Assembly: The General Assembly of Leejam Sports Company.</p> <p>Board/Board of Directors: The Board of Directors of Leejam Sports Company.</p> <p>Board Member: A Board Member of Leejam Sports Company.</p> <p>Executive Member: A member who works full time to manage the company and engages in its daily affairs.</p> <p>Non-Executive Member: A board member who does not work full-time to manage the company, nor engage in its daily affairs.</p> <p>Independent Member: A non-executive board member who is fully independent in his/her position and decisions</p>

<p>and not having any independence conflicts stipulated in Article (19) of the Governance Regulations.</p> <p>Committee: The Audit &amp; Risk Committee.</p> <p>Regulations: The Audit &amp; Risk Committee Work Regulations.</p> <p>Chairman: Chairman of the Audit &amp; Risk Committee.</p> <p>Member: A member of the Audit &amp; Risk Committee.</p> <p>Secretary: Secretary of the Audit &amp; Risk Committee.</p> <p>Modern Technology Means: Any means of communication that allows exchange of views and discussion between members, including telephone calls, audiovisual communication.</p> <p>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,.</p>	<p>and not having any independence conflicts stipulated in Article (19) of the Governance Regulations.</p> <p>Committee: The Audit <del>&amp; Risk</del> Committee.</p> <p>Regulations: The Audit <del>&amp; Risk</del> Committee Work Regulations.</p> <p>Chairman: Chairman of the Audit <del>&amp; Risk</del> Committee.</p> <p>Member: A member of the Audit <del>&amp; Risk</del> Committee.</p> <p>Secretary: Secretary of the Audit <del>&amp; Risk</del> Committee.</p> <p>Modern Technology Means: Any means of communication that allows exchange of views and discussion between members, including telephone calls, audiovisual communication.</p> <p>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,.</p>
<p>Article (2): Purpose of the Regulations:</p> <p>These Regulations aim to regulate the work of the Audit &amp; Risk 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.</p>	<p>Article (2): Purpose of the Regulations:</p> <p>These Regulations aim to regulate the work of the Audit <del>&amp; Risk</del> 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.</p>
<p>Article (3): Committee Formation:</p> <p>3.7 <u>First: Committee Formation</u></p>	<p>Article (3): Committee Formation:</p> <p>3.10 <u>First: Committee Formation</u></p>

3.1.9 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.

3.1.10 The Committee shall appoint one of its members as Chairman ("Chairman"), provided he is one of the Board's Independent Members<sup>(5)</sup>, and the Chairman shall chair the Committee meetings and shall attend—or appoint a member to attend on his behalf—all General Assembly meetings to answer shareholders' questions. The Chairman tenure shall not exceed his/her membership term on the Committee.

3.1.11 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.

### 3.8 Second: Member Selection Rules

3.2.11 Half of the Audit & Risk Committee members shall be Independent Members or those to whom the independence

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3.1.13 The Committee shall appoint one of its members as Chairman ("Chairman"), provided he is one of the Board's Independent Members<sup>(7)</sup>, and the Chairman shall chair the Committee meetings and shall attend—or appoint a member to attend on his behalf—all General Assembly meetings to answer shareholders' questions. The Chairman tenure shall not exceed his/her membership term on the Committee.

3.1.14 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.

### 3.11 Second: Member Selection Rules

3.2.22 Half of the Audit ~~& Risk~~ 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>(6)</sup>

3.2.12 The membership term of a Board Member on the Committee shall not exceed his/her membership term on the Board.

3.2.13 The Chairman of the Board shall not be appointed as a Committee member.

3.2.14 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.

3.2.15 The Committee must include at least one Independent Member.

3.2.16 All members shall be financially literate, provided that at least one of them is specialized in financial and accounting affairs.

3.2.17 A Committee member shall not hold membership of Audit & Risk committees in more than five listed companies at the same time.

3.2.18 He/she shall fulfill all qualification and eligibility requirements set out in the relevant regulations, and remain so throughout the membership term.

3.2.19 The Committee member shall be adequately qualified for the nature of the tasks that fall under the Committee's specialty.

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

3.2.21 He shall not have been convicted of committing an act in breach of honor or trust

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

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or in violation of the systems and regulations in Saudi Arabia or any other country.

3.9 Third: Membership Duration, Termination, and Vacant Position Procedures

3.3.5 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.

3.3.6 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.

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Article (4) Competencies of the Committee:

The | Audit & Risk 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:

4.13 First: Financial Statements and Reports

4.1.13 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,

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to ensure their integrity, fairness and transparency.

4.1.14 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.

4.1.15 Studying any significant or unusual matters contained in the Company's financial statements and reports.

4.1.16 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.

4.1.17 Verifying the accounting estimates on substantial matters contained in the Company's financial statements and reports.

4.1.18 Studying applicable accounting policies and expressing an opinion and recommendation to the Board of Directors regarding them.

#### 4.14 Second: Internal Control and Audit System

4.2.13 Studying and reviewing the Company's internal control and financial systems and risk management and their effectiveness.

4.2.14 Studying internal audit reports and following up implementation of corrective procedures for observations stated therein.

4.2.15 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.

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4.2.16 Approving the Company's internal audit regulations.

4.2.17 Recommending to the Board of Directors on appointing, dismissing and remunerating the Company's Internal Auditor.

4.2.18 Annually reviewing the performance and activities of the Internal Auditor and recommending to the Board of Directors on his remuneration and any amendments thereto.

#### 4.15 Third: Independent Auditors.

4.3.19 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.

4.3.20 Reviewing the professional qualifications of the External Auditor and employees who will work for the Company on its behalf.

4.3.21 Reviewing the External Auditor's performance and overseeing his activities, and making recommendations to the Board of Directors in this regard.

4.3.22 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.

4.3.23 Reviewing the proposed scope for the External Auditor's tasks, his proposed methodology and audit plan, and stating its views regarding them.

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4.3.24 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.

4.3.25 Responding to the External Auditor's inquiries.

4.3.26 Studying the External Auditor's report and notes on the financial statements, and following up the procedures taken in their regard.

4.3.27 Studying the External Auditor's report, notes and reservations on the Company's financial statements and following up the procedures taken in their regard.

#### 4.16 Fourth: Compliance Assurance:

4.4.19 Approving the annual compliance plan.

4.4.20 Reviewing periodic compliance reports.

4.4.21 Verifying the Company's compliance with relevant regulations, bylaws, policies and instructions, and monitoring the same.

4.4.22 Initiating and overseeing special investigations when necessary.

4.4.23 Carrying out other related tasks at the Board of Directors request.

4.4.24 Reviewing the results of reports and investigations by supervisory and regulatory authorities, and verifying the Company has taken necessary action in their regard.

4.4.25 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.

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4.4.35 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.

4.4.27 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.

#### 4.17 Fifth: Risk Management

4.5.25 Perform other relevant tasks at the Board of Directors' request.

4.5.26 Approve the annual risk management plan:

4.5.27 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.

4.5.28 Determine the level of acceptable risks the Company may be exposed to and maintain it, verifying the Company does not exceed it.

4.5.29 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.

4.5.30 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.

4.5.31 Re-evaluate the Company's risk tolerance and exposure periodically (by conducting stress tests for example).

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4.5.43 Re-evaluate the Company's risk tolerance and exposure periodically (by conducting stress tests for example).

4.5.32 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.

4.5.33 Ensure availability of adequate resources and systems for risk management.

4.5.34 Review the organizational structure of risk management and make recommendations before adoption by the Board of Directors.

4.5.35 Verify the independence of risk management personnel from activities that may expose the Company to risks.

4.5.36 Verify risk management personnel comprehend risks surrounding the Company, and work to increase risk awareness.

#### 4.18 Sixth: Reports

4.6.5 Inform the Board of Directors of the Committee's meeting proceedings and the recommendations it makes and decisions it takes after each Committee meeting.

4.6.6 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

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Article (6) Contradiction between the Audit & Risk 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.

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