



Audit Committee Charter

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Purpose

Audit Committee Charter aims to govern audit committee work and determine Committee duties, powers, working procedure, and its members' selection, how to nominate them, the duration of their membership and their remuneration, in corresponding to Company's Bylaw, relevant laws, regulations, guidelines or legislation that issued by the Relevant Regulatory Authorities.

Article (1) Audit Committee Formation

Audit committee shall be formed by a resolution of the Board of Directors, for a similar period of the Board term. It shall be from the shareholders or not who meets all Audit Committee membership requirements considering below provisions:

1. Audit Committee members number shall not be less than three or more than five.
2. Audit Committee shall include one member specialized in Finance and Accounting.
3. Audit Committee shall include one independent member at least.
4. Chairman of the Audit Committee consider to be an independent member¹
5. Chairman of the Board shall not be a member of the Audit Committee.
6. Any person who works or has worked in the Company's Finance Department, the Executive Management or for the Company's external auditor during the preceding two years may not be a member of the Audit Committee.
7. A member of the audit committee shall not be a member of the audit committees of more than five listed joint stock companies at the same time or simultaneously serve on the Audit Committee of a competitor of Zain KSA.
8. In case a seat in the Audit committee becomes vacant the Board of Directors has the right to appoint a member who meets all Audit Committee membership requirements and the member newly appointed shall complete the terms of his predecessor.
9. Half of the audit committee's members may consider to be an Independent Directors or from those on whom the issues affecting independence that stated on the Corporate Governance regulation of the Capital Market Authority.²
10. The members of the Audit Committee shall not include any of the executive members from the Board of Directors

¹ Guideline Article unless the Regulatory Authorities stated otherwise.

² Guideline Article unless the Regulatory Authorities stated otherwise.

Article (2) Competencies, 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 Audit Committee may seek assistance from any experts or specialists, whether internal or external, within the scope of its powers. This shall be included in the minutes of the committee meeting; the minutes shall state the name of the expert and his relation to the Company or its Executive Management, the duties of the audit committee shall particularly include the following:

- A. Financial Reports:
 - 1. 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
 - 2. 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
 - 3. Analysing any important or non-familiar issues contained in the financial reports.
 - 4. 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.
 - 5. Examining the accounting estimates in respect of significant matters that are contained in the financial reports.
 - 6. Examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon.
- B. Internal Audit:
 - 1. Examining and reviewing the Company's internal and financial control systems and risk management system.
 - 2. Analysing the internal audit reports and following up the implementation of the corrective measures in respect of the remarks made in such reports.
 - 3. 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.
 - 4. Providing a recommendation to the Board on appointing the manager of the internal audit unit or department, or the internal auditor and suggest its remunerations.

5. Approval the internal audit department annual plan
 - C. External Auditor:
 1. 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.
 2. Verifying the independence of the external auditor, its objectivity, fairness, and effectiveness of the audit activities, considering the relevant rules and standards.
 3. 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.
 4. Responding to queries of the Company's external auditor
 5. 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:
 1. Reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith.
 2. Ensuring the Company's compliance with the relevant laws, regulations, policies and instructions
 3. Reviewing the contracts and proposed Related Party transactions and providing its recommendations to the Board.
 4. 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.

Article (3) Powers of the Audit Committee

In order to perform its duties, the audit committee may review the Company's records and documents, and request any clarification or statement from the Board members or the Executive Management and 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 committees may seek assistance from any experts or specialists, whether internal or external, within the scope of its powers. This shall be included in the minutes of the committee meeting; the minutes states the name of the expert and his relation to the Company or its Executive Management.

Article (4) Conflict between the Audit Committee and the Board

If a conflict arises between the recommendations of the audit committee and the Board resolutions, or if the Board refuses to put the committee's recommendations into action as to appointing or dismissal the company's external auditor or determining its remuneration, assessing its performance or appointing the internal auditor, the Board's report shall include the committee's recommendations and justifications, and the reasons for not following such recommendations.

Article (5) Audit Committee Meetings

Audit Committee Meetings General Provisions

The audit committee shall convene periodically, provided that at least (4) meetings are held during the Company's Financial year. The Audit Committee shall convene periodically with the Company's External Auditor and Internal Auditor, and the internal auditor and the external auditor may call for a meeting with the audit committee at any time as may be necessary.

Meeting Invitation

The Committee shall meet at the invitation of its Chairman or or at the request of more than one member of the Committee. The Secretary of the Committee shall send invitations to the meeting (5) working days in advance at least. The invitation shall be accompanied by the agenda and

documents to be discussed, determine the meeting location whether it is at the headquarters or through modern technical and specifying meeting location and date.

Retaining and Documentation

Prepare minutes of committee meeting after each meeting included committee members recommendation, discussions deliberations, and member's signature on it in addition to a list of attending members and voting results.

Quorum

Audit committee meeting attended by the Committee members, and Committee Secretary, the committee may request any party to hear its opinion or to take its advice; and the meeting will be valid only if it is attended by majority of its members. Audit Committee decisions shall be passed by a majority vote of attending members. In case of a tie, the chairman of the meeting shall have the casting vote. In case of emergencies or situations beyond the Committee's control and where the Audit Committee cannot be convened, the Audit Committee can take its decisions via circulation.

Article (6) Arrangements for Providing Remarks

The audit committee shall develop Mechanism that enable the Company's employees to confidentially provide their remarks in any inaccuracies in the financial or other reports. The audit committee shall ensure that such Mechanism have been put into action through an adequate independent investigation in respect of the error or inaccuracy and shall adopt appropriate follow-up procedures.

Article (7): Competencies of the Audit Committee members

Committee Chairman:

Committee members chose among them committee chairman, where he is managing and presenting the committee, and its committee duties include:

1. Managing Committee Meeting and approve its agenda considering the topics that members wish to add. Ensuring that the topics presented to the Committee are accompanied by sufficient documents and information to enable decision-making.
2. Manage decisions-making or recommendations process and its voting process and announce the voting results. Submit committee recommendations and work activity to the Board of Directors.
3. Represent the committee the Board of Directors or any other required entity and attend General Assembly meeting or whom is delegate on his/ her behalf.

Committee Member:

Audit Committee members duties include:

1. Participating affectively on the Committee meetings by studying information related to the matters looked into by the committee agenda before expressing an opinion.
2. Allocating sufficient time to fulfill its role within the committee and inform the committee chairman in case of absence.
3. Raise its knowledge, and awareness about any related topics of company activities and work.
4. Complying with the principles of truthfulness, honesty, loyalty, and any matter it may affect the committee in general or particular about and add priorities company interests over its personal interests.

Committee Secretary:

The Committee shall appoint a secretary, among its members or others, who will assistance and advice to the Audit Committee members in the committee' matters and competencies if required and its duties shall include the below;

Prior the Meeting:

Send an invitation to the committee members after obtaining Chairman approval, which must include the below :

1. Meeting agenda after incorporating with the committee chairman and members.
2. Send meeting required documents to all committee members and related parties.

During the Meeting:

Committee Secretary shall draft and save Minutes of Meetings which must be include Discussions and deliberations carried during Committee meeting, in addition to its recommendations, decisions, and implementing entity, documenting all committee recommendations and voting results on the Committee Agenda, Committee member reservations on any of the decisions and recommendations.

After the Meeting

1. Preparing the minutes of committee within (5) working days of the meeting and send the copy to the Audit Committee members for review and provide any comments within (5) working days.
2. Retaining committee documents in a special and organized register and ensure all minutes shall be signed by all attending members.
3. According to the Audit Committee members recommendations and guidelines, prepare the minutes of the committee meeting and submit it to them for signature.

Article (8): The Audit Committee's Membership Termination and its Provisions

Audit Committee's Membership end according to the following cases:

1. End of Board's term
2. Resignation, a member of the Committee has the right to resign from the Committee's membership on the right time.
3. Isolation, a board of Directors have the right to isolate a member of the committee according to the one of the following cases:
 - Breaching its responsibilities to the extent that results in damage to the company interest.
 - The absence from three consecutive meetings within one year without legitimate excuse.
 - Other reasons as may determine by the Board of Directors without prejudice to the right of the dismissed member to claim compensation if the dismissal occurs for unacceptable reason or at an inappropriate time.
 - Involving moral turpitude or dishonesty.
4. Death
5. In case of mental illness, total or partial disability, or any disease affecting his decision-making or urbanization ability.

Article (9): The Audit Committee's Report

The Audit Committee issues an annual report include details of its performance of its competencies and duties stated in these Regulations, provided that the report contains its recommendations and opinion on the adequacy of the internal and financial control systems and risk management systems in the Company and the Board shall make available sufficient copies of the audit committees' report at the Company's head office and publish them on the Company's and the Exchange's websites when publishing the invitation to convene the General Assembly, to enable shareholders to get a copy thereof. Summary of the report shall be read at the General Assembly.

Article (10): Remuneration of the Committee Members

Member of the Committee shall be entitled to an Annual Remuneration and Reimbursement of expenses in accordance with the Remunerations Policy for the Board members and its committees and the Executive Management that been approved by the General Assembly.

Article (11): Discloser

Members of the committee required to disclose all personal interests (including shares' ownership in the Company) and their nature or engaging in business that may compete with the Company or any of its activities or having direct or indirect interest in the contracts and businesses entered into for the benefit of the Company or any personal relation with the Board of Directors and the Chief Officers. Company shall provide the Capital Market Authority with the names of the members and the types of their memberships within five (5) days of their appointment and shall notify the Authority of any changes thereto within five (5) days of the date of such changes.

Article (12): Review

Audit Committee Charter is subject to regular review for enhancement and amendment aligned with Company's Bylaw, relevant laws, regulations, guidelines, or legislation that issued by the Relevant Regulatory Authorities. and according to Company Board of Directors recommendation and shall be presented to the General Assembly for approval.

Article (13): Publication and Entry into Force

Audit Committee Charter shall be effective as per General Assembly Resolution approval and shall publish on the Zain KSA official website in order to be reviewed by the Shareholders, and Stakeholders. Whatever is not explicitly stated in this document should follow the Company's Bylaw, relevant laws, regulations, guidelines, or legislation that issued by the Relevant Regulatory Authorities.

A thick, vertical green bar runs down the left side of the page, starting from the top and ending near the bottom. It has a slight shadow effect, giving it a 3D appearance.

AUDIT COMMITTEE CHARTER

Confidential
Version 2.0 dated 13 April 2017
Approved by General Assembly

DOCUMENT CONTROL

Document Description:

Document Title	Audit Committee Charter
Issuance/ Revision	2.0
Date	13 April 2017
Owner	Internal Audit
Author	Internal Audit and Risk Management & Business Continuity
Security Level	For external use

The Board of Directors (hereinafter referred to as the "Board" or the "Directors") may recommend changes to this Audit Committee Charter (hereinafter referred to as the "Charter") for approval from the General Assembly, provided that any such modification or waiver does not violate any applicable laws, rules, regulations, the Company's Delegation of Authority (hereinafter referred to as the "DoA") Matrix and Bylaws and further provided that any such modification or waiver is appropriately disclosed to the concerned parties.

- The changes to this document shall be consecutively numbered and dated.
- The following log shall be used and signed off for all updates.

Approvals

Name	Role	Signature	Date
Audit Committee	Chairman of the Committee (Recommend)		01 March 2017
Board of Directors	Chairman of the Board (Recommend)		09 March 2017
Shareholders – General Assembly	Approval		13 April 2017

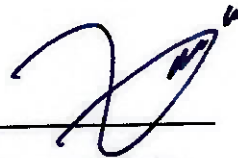
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DOCUMENT SIGN OFF PAGE

DOCUMENT NAME: AUDIT COMMITTEE CHARTER

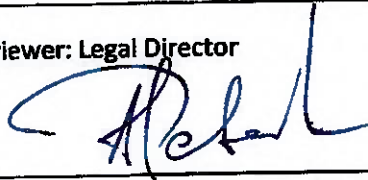
Date: 8 March 2017

The Policy document have been updated based on the Companies Law 2015 and Corporate Governance 2017 issued by CMA and is being submitted to the Board for their review and recommendation

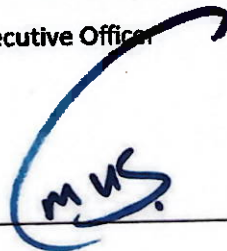


Preparer: Risk Management & Business Continuity

Reviewer: Legal Director



Reviewer: Chief Executive Officer



Recommend: Internal Audit

Document Change History

Date	Issuance/ Revision	Author	Description of Changes
5 April 2009	1	Board Secretary	Board of Directors of Mobile Telecommunications Company Saudi Arabia (Zain KSA)(the "Company") on 20 April 2008 and approved by the Ordinary General Assembly of the Shareholders of the Company in the meeting held on 5 April 2009
13 April 2017	2	Risk Management & Business Continuity and Internal Audit	Approved by General Assembly

Distribution

External use

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1. Introduction

- 1.1 The Board of the Mobile Telecommunications Company Saudi Arabia ("Zain KSA") in its attempt to adopt a Corporate Governance Framework in line with the Corporate Governance Regulations dated 13 February 2017 issued by the Capital Market Authority ("CMA") of the Kingdom of Saudi Arabia, and in order to ensure that it remains aligned with the requirements of Companies Law 2015 issued by Ministry of Commerce ("MOCI") and leading practices in terms of Corporate Governance, has recommended this Charter for approval by the Shareholders in General Assembly.
- 1.2 This Charter governs the operations of the Audit Committee ("the Committee") and details the scope of the Committee's responsibilities and how it carries out those responsibilities, including but not limited to its structure and procedures.
- 1.3 Audit Committee shall review this Charter annually and shall recommend to the Board any changes to the extent required under any applicable regulations, as well as to bring it in line with leading practices.
- 1.4 Shareholders' General Assembly shall, upon a recommendation of the Board, issue rules for appointing the members of the Committee, the means of their nomination, the term of their membership, and define the term of their office and the procedure to be followed by the Committee (Article 54(c) of Corporate Governance Regulations).
- 1.5 The Board shall evaluate the performance of the Audit Committee annually, based upon an annual performance report prepared by the Audit Committee. The Audit Committee evaluation shall include an assessment of the performance and commitment of each member to the activities of the Committee.

2. Purpose

- 2.1 The Board of Directors being the governing body of Zain KSA has to ensure that the Company's management maintains adequate policies, procedures and internal controls for:
 - Safeguarding the Company's assets.
 - Properly recording the transactions and events as they take place.
 - Preparing reliable financial information.
 - Overseeing and monitoring the enterprise wide risks for managing the Company's operations.
- 2.2 The above aspects must be independently and periodically be assessed by the Company's internal as well as external auditors.
- 2.3 To further strengthen the Internal Audit Activity in Zain KSA ("IAD") and to ensure its objectivity and independence, the General Assembly and Board has established Zain KSA's Audit Committee. The primary purpose of the Audit Committee is to monitor the company's business including records and documents, requesting any clarification statement from the Board. In order to do so, it has the right to access the company's records and documents and request any clarification from the Board or the Executive Management (Article 103 of Companies Law 2015 & Article 59 of Corporate Governance). Such review by the Audit Committee shall include monitoring amongst other matters, the following affairs of the Company
 - Adequacy and soundness of governance, internal control systems, risk management, compliance, financial accounting and reporting policies and

practices, financial statements and effectiveness of internal and external audit functions.

- Adherence to the Company's approved policies and procedures.
- Adequacy and soundness of policies and procedures in respect of the safety and security of the Company's assets, resources and integrity of the Company's financial statements.
- Performance of the Company's internal and external audit functions and their independence.
- Ensure that a positive culture of managing opportunities, threats and uncertainties is embedded throughout the Company.

- 2.4 The above will be done without assuming any management capacity to ensure independence.

3. Organization of the Audit Committee

3.1 Structure of the Audit Committee

- 3.1.1 As per **Article 101 of Companies Law 2015, Article 12(5) and Article 54 (a) of Corporate Governance Regulations**, the Audit Committee shall be formed from non-executive directors¹ whether from shareholders or others, under a resolution adopted by the Ordinary General Assembly. The majority of the Audit Committee members shall be independent².
- 3.1.2 In Zain KSA, Audit Committee shall consist of at least three (3) non-executive Board members. In case the Board recommends and/or Shareholders decides, non-board members can also be appointed as Committee members.
- 3.1.3 The Audit Committee members shall include a specialist in financial and accounting matters (in compliance with **Article 54(a) of the Corporate Governance Regulations**).
- 3.1.4 Members of the Committee shall be nominated for appointment by the Board upon their own consideration or by recommendation from the Nomination and Remuneration Committee ("NRC"). The Board may request the removal of a member, subject to resolution by the General Assembly.
- 3.1.5 In case of death or resignation by a member of the Audit Committee, the Board shall appoint a new member as a replacement, whose appointment shall be ratified in the next General Assembly (**Article 54 (c) of Corporate Governance Regulations**).
- 3.1.6 No Committee member shall simultaneously serve on the Audit Committee of a competitor of Zain KSA.
- 3.1.7 It is prohibited for a person to be a member of Zain KSA's Audit Committee who works or has worked in Zain KSA Finance Department, or was part of the Executive Management or for was associated with Zain KSA's external auditor during the preceding two (2) years (**Article 54 (d) of Corporate Governance Regulations**).
- 3.1.8 One of the members shall serve as the Chairman of the Committee (hereinafter referred to as the "Chairman"). The Chairman shall be designated by the Board. Neither the Chairman of the Board nor the Chairman of the Executive Committee may chair this Committee (**Article 51 (c) of Corporate Governance Regulations**).

¹ Non-Executive Director: A member of the Board of Directors who does not have a fulltime management position at the company, or who does not receive monthly or yearly salary
² Independent Director: a non-executive member of the Board who enjoys complete independence in his/her position and decisions and none of the independence affecting issues stipulated in Article 20 of Corporate Governance Regulations apply to him/her

- 3.1.9 The Board shall also nominate a Vice Chairman to chair the Committee's meeting in the Chairman's absence.
- 3.1.10 The Committee shall appoint a Secretary of the Committee (hereinafter referred to as the "Secretary") to keep records of its proceedings and resolutions. He / She can be one of the Committee's members or a non-Committee member and he can be from outside the Board. If the Secretary is not a Committee member, he will attend the Committee meetings without having any voting rights. The Secretary, if not a Committee member, should not be involved in other duties or responsibilities that would result in a conflict of interest with his duties as the Committee's Secretary. Head of IAD ("HIA") can be secretary of the Audit Committee. The Secretary is responsible for the following:
- Keeping complete records of the Committee's meetings for the purpose of issuing reports on the performance of the Committee to the Board.
 - Circulating the Committee's resolutions to the concerned parties.
 - Coordinating with concerned departments regarding the Committee's resolutions that necessitate legal compliance and regulatory procedures.
 - Establishing a mechanism for tracking and following-up on the Committee's resolutions.
 - Executing any other task or responsibility assigned to him by the Committee's Chairman or any of its members.
- 3.1.11 The Audit Committee's term of office shall be for a period not to exceed the tenure of the Board. The membership of an Audit Committee member, if he is a Director, shall come to an end at the expiry of his membership of the Board or by his voluntary resignation from the Committee membership. A non-Director's membership will cease by way of his resignation or at the end of the Committee's term.

3.2 Remuneration of the Committee

- 3.2.1 In addition to the remuneration that each member shall receive equivalent to the entitlement of a Board member.
- 1.1.1.1 For meeting attendance, each member of the Committee will be paid based on the amount as approved in By-Laws and a decision by the Board.
 - 1.1.1.2 The above amounts should be recommended by the Board for the approval in General Assembly as required by Article 101 of Companies Law 2015.
- 3.2.2 Committee members who are resident outside the Company's registered office location are entitled to all out of pocket expenses incurred by them to attend the meeting as per the policy and entitlement of non-resident Board members in Zain KSA.
- 3.2.3 Board of Directors' reports presented to the General Assembly will disclose the remunerations and other payments made to the Audit Committee members.

3.3 Meetings and Procedures of the Committee

- 3.3.1 The Committee shall approve its yearly meeting schedule at the first meeting of each year. At the end of each meeting, the attendees shall appoint the date for the next meeting.
- 3.3.2 The Audit Committee shall convene periodically, provided that at least four meetings are held during the Zain KSA's financial year (Article 57 (a) of Corporate Governance Regulations).

- 3.3.3 The Audit Committee shall convene periodically with Zain KSA's external auditor and internal audit (**Article 57 (b) of Corporate Governance Regulations**).
- 3.3.4 Zain KSA Internal Audit and the external auditor may call for a meeting with the audit committee at any time as may be necessary (**Article 57 (c) of Corporate Governance Regulations**).
- 3.3.5 The Audit Committee shall meet at the invitation of its Chairman or any two (2) members. Such an invitation to be accompanied by the agenda for the meeting and shall be hand delivered or sent to the members electronically or in any other manner at least seven (7) days before the date of the meeting, unless waived by mutual consent of all the members.
- 3.3.6 The agenda of each meeting shall be prepared by the Secretary of the Committee after the approval of the Chairman.
- 3.3.7 The Committee shall meet at least four (4) times in every financial year at the Company's registered office and may meet more frequently from time to time as it deems necessary or as may be required by the Board. Unless otherwise directed by the Board meetings can be attended in person or via tele-conference or video-conference.
- 3.3.8 No one other than the Committee members, the Secretary shall be entitled to be present at a meeting of the Committee, but others may attend at the invitation of the Chairman. Generally, Chief Executive Officer (CEO), Chief Financial Officer (CFO) and HIA are invited for the Audit Committee meetings unless the Audit Committee decides otherwise. Other senior management and chief Officers of the Company may be invited by the Audit Committee to attend the Committee meeting. None of the invitees shall have any voting rights.
- 3.3.9 The Chairman shall preside, when present, at all meetings of the Committee.
- 3.3.10 The presence of the majority of Committee members with the presence of the Chairman or Vice-Chairman shall constitute a quorum for the Committee's meetings. To present their views, feedback and decision, members can use technology means i.e. emails, tele-conference or video-conference. (**Article 102 of Companies Law 2015**).
- 3.3.11 A member cannot elect another member of the Committee to act on his behalf and to vote in the meetings.
- 3.3.12 In case of emergencies or situations beyond the Committee's control and where the Audit Committee cannot be convened, the Audit Committee can take its decisions via circulation.
- 3.3.13 The Committee's resolutions shall be taken by a majority of votes.
- 3.3.14 Resolutions shall be issued by majority of votes present. In the case of a tie/deadlock vote, the Chairman would have the casting vote (**Article 102 of Companies Law 2015**).
- 3.3.15 The Committee shall keep written minutes of its meetings as detailed in this document under section 3.4 Minutes of Meetings.

3.4 Minutes of Meetings

- 3.4.1 The deliberations and resolutions of the Audit Committee will be recorded in minutes. Such minutes will be kept with the Board of Directors' records. These minutes will be provided to each of the Committee members after the approval of all Committee members who have attended the meeting.

- 3.4.2 The Committee shall keep a record of its meetings and report on these to the Board. The Committee's meetings will be documented as follows:
- The minutes shall specify the date and the place of the meeting, the names of attendees and absentees, summary of discussions held in the meeting and their related decisions and recommendations.
 - The draft minutes shall be prepared by the Secretary within seven (7) business days after each meeting and shall be sent to all Committee members for review. Any comments on the minutes from any of the Committee members shall be provided during a week from the draft's receipt date, or otherwise the minutes will be considered as approved.
 - The Secretary shall amend the draft minutes based on the members' comments, if any, and shall send the minutes along with these comments to the Chairman.
 - The Secretary shall prepare the final minutes according to the Chairman's recommendations and shall send them to the Committee members duly signed by the Chairman and himself.
 - The signed copy of the minutes shall be kept attached with the related documents and correspondence in a special file.

3.5 Authority of the Committee

- 3.5.1 The Audit Committee's role shall be to review and advise but not to make any business decisions unless the matter is for making a conclusion / recommendation as a result of a review, audit, or investigation or the matter of decision has been conferred on Audit Committee by the Board. The Committee shall demonstrate a constructive, supportive and advisory approach.
- 3.5.2 To achieve its objectives, the Audit Committee is authorized to:
- Monitor the company's business.
 - Request the Board of Directors to invite the Company's General Assembly to convene if its business was hindered by the Board of Directors or if the Company sustained material losses or damages (Article 103 of Companies Law 2015 and Article 13 (c) of Corporate Governance Regulations).
 - Perform the specific duties and functions enumerated in this Charter and upon the directions and approval of the Board, to investigate any of the Company's activities.
 - Have the right to access the company's records and documents and request any clarification from the Board of Directors or the Executive Management.
 - Communicate its findings and recommendations for any corrective actions to the Board but not take management's decision, subject to 3.5.1 above, on behalf or for the Company's Chief Officers and employees in this regard. The Board shall either accept and implement the recommendations of the Audit Committee or advise the Committee of the reasons for any deviations from the proposal.
- 3.5.3 In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the power to retain outside counsel, auditors or consultants, or incur additional expenses for this purpose, that shall be paid by the Company within fiscal limits agreed with the Board. This shall be carried out in coordination with the CEO & CFO unless the Audit Committee decides otherwise.
- 3.5.4 The Audit Committee may require any Chief Officer or employee of the Company or any of its subsidiaries and the Company's advisors (including but not limited to: consultants, auditors and legal advisors) to meet with the Committee, after coordinating with the CEO unless the Audit Committee decides otherwise.

3.5.5 Individual members of the Committee shall not access independently the Company's Chief Officers or employees without the Chairman's approval or a resolution from the Audit Committee.

3.5.6 If a conflict arises between the recommendations of the audit committee and the Board resolutions, or if the Board refuses to put the committee's recommendations into action as to appointing or dismissing the company's external auditor or determining its remuneration, assessing its performance or appointing the internal auditor, the Board's report shall include the committee's recommendations and justifications, and the reasons for not following such recommendations (**Article 56 of Corporate Governance Regulations**).

3.6 Reporting Responsibilities of the Committee

3.6.1 The Chairman shall report formally to the Board on its proceedings after each meeting on all matters within his duties and responsibilities.

3.6.2 Make recommendations to the Board as it deems appropriate on any area within its responsibilities where action or improvement is desired.

3.6.3 In compliance with **Article 104 of Companies Law 2015 and Article 14 (c) of Corporate Governance Regulations** prepare an annual Audit Committee report which shall include the following

- details of its performance of its competencies and duties stated in the Companies Law and Its Implementing Regulations, provided that the report contains its recommendations and the Audit Committee's opinion on the adequacy and efficiency of the company's internal control & financial control and risk management systems along with other businesses within its scope of work.
- The number of meetings held during the year along with the number of meetings attended by each member.
- The Board shall make available sufficient copies of the Audit Committees' report at least ten (10) days prior to the date set for convening the Ordinary General Assembly at the Company's head office, and publish them on Zain KSA's and the Tadawul websites when publishing the invitation to convene the General Assembly, to enable shareholders to get a copy thereof.
- Audit Committee report shall be read at the General Assembly.

3.6.4 Chairman of the Audit Committee shall see that the external auditor's report is read at the General Assembly Meeting (**Article 104 of Companies Law 2015**).

3.6.5 Review any other reports relating to the Committee's responsibilities and issued by Zain KSA.

3.6.6 As per Article 128 of Companies Law 2015, Within thirty (30) days from the date set for approving the financial statements, Board of Directors' Report, Auditor's report and the Audit Committee's Report, the Board shall lodge/file copies of these documents with MOCI and CMA.

4. Audit Committee Responsibilities

The Audit Committee shall have the competence to monitor the Zain KSA's activities and ensuring the integrity and effectiveness of the reports, financial statements and internal control systems. The Audit Committee will carry out the following responsibilities as set out below:

4.1 Internal Controls and Finance and Accounting Policies and Procedures

- 4.1.1 Review with the Company's management and internal and external auditors the Company's policies to reasonably assure the adequacy of accounting principles and financial practices applied (Article 55 (a) of Corporate Governance Regulations).
- 4.1.2 Review the effectiveness of the Company's internal & financial controls and risk management system, including information technology and telecom (industry specific) security and controls (Article 55 (b) of Corporate Governance Regulations).
- 4.1.3 Understand the scope of internal and external auditors' review of internal controls over financial reporting, and review reports on significant findings, implications and recommendations together with management's responses.
- 4.1.4 Review with the Head of IAD and the external auditors the coordination of audit efforts to ensure complete coverage of key business controls and high risk areas, improve efficiency and the effective use of audit resources.
- 4.1.5 Review and comment on any significant new policy or changes to existing finance and accounting policies and procedures adopted by management.

4.2 External Audit and Financial Statements

- 4.2.1 Recommend to the Board the appointment, dismissal and remuneration of external auditors. Any such recommendation must be made with regard to their independence, cost and competencies (Article 55 (c) and 81 of Corporate Governance Regulations).
- 4.2.2 In appointing an external auditor for the Company, the management of the Company and the Audit Committee shall comply with the related guidelines as included in the Section II 'the Auditor' of Companies Law 2015 and resolution No. 903 dated 12/08/1414H issued by Ministry of Commerce and Industry ("MoCI").
- 4.2.3 An invitation for external audit proposals should be requested as per the Procurement Policies and Procedures of Zain KSA. A formal documented evaluation of the auditors included in the short-list should be carried out CFO in agreement with CEO. The evaluation and management's recommendation shall be submitted to the Audit Committee for their review and recommendation. The Committee's recommendations will be subject to the Board's approval and the Annual General Meeting's ratification.
- 4.2.4 Review and confirm the independence of the external auditors, the objectivity, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards (Article 55 (c) of Corporate Governance Regulations).
- 4.2.5 Recommend a frequency for change/rotation of external auditors on a periodic basis.
- 4.2.6 Pre-approve all audit and non-audit services provided by the external auditors, including specific pre-approval of internal controls related services, and to ensure the external auditors are not engaged to perform non-audit services prohibited by law or regulations (Article 55 (c) of Corporate Governance Regulations).

- 4.2.7 Review external audit reports, work with and support the external auditors where practicable and to provide an alternative communication link between the external auditors and the Board as and when needed and responding to any queries from them **(Article 55 (c) of Corporate Governance Regulations)**.
- 4.2.8 Oversee the arrangements for the completion of the quarterly review of interim financial statements and year end audited financial statements. Review together with the external auditor the audit plan (proposed audit scope) **(Article 55 (c) of Corporate Governance Regulations)** and coordinating the audit effort with the IAD.
- 4.2.9 Review and analyze the interim (quarterly) and annual financial statements prior to presentation to the Board, and provide its opinion and recommendations thereon to ensure their integrity, fairness and transparency. **(Article 55 (a) of Corporate Governance Regulations)**.
- 4.2.10 Provide its technical opinion, at the request of the Board, regarding whether the Board's Annual Report and the Zain KSA financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Zain KSA financial position, performance, business model, and strategy. **(Article 55 (a) of Corporate Governance Regulations)**.
- 4.2.11 Review with the external auditor the audited financial statements with respect to the audit approach, accounting adjustments and reclassifications, analyzing any important or non-familiar issues contained in the financial reports **(Article 55 (a) of Corporate Governance Regulations)** recommendations for improving the internal controls and any other significant audit findings before these are presented to the Board.
- 4.2.12 Review and discuss the adopted accounting policies and any changes in accounting policies, providing opinion and recommendations to the Board.
- 4.2.13 Annually review and evaluate the external auditor's qualifications, performance and independence, including a review and evaluation of the lead partner, taking into account the opinions of the management including Head of IAD and present its conclusions to the Board. The Audit Committee shall also consider the regular rotation of the external audit firm itself to assure continuing auditor independence in fact and in appearance.
- 4.2.14 Review the scope, terms of reference and remuneration for any Zakat and income tax assignment which can be performed by external consultants.
- 4.2.15 On a regular basis, meet separately with the external auditors to discuss major observations arising from interim and final audits and any other matter which the auditors wish to highlight.
- 4.2.16 Consider, review and follow-up with management any findings raised as part of the external auditor's Management Letter, and management's response thereto, including timetable for implementation of any recommendations.
- 4.2.17 Review with management and external auditor the effect of changes in applicable accounting standards and the changes of the regulations on the Company's financial statements.
- 4.2.18 Regularly review with the external auditors any audit problems or difficulties encountered during the course of the audit work, including any restrictions on the scope of the external auditors' activities or access to requested information and management's response.

- 4.2.19 Regularly report to the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent external auditor, or the performance of the IAD.

4.3 Internal Audit

- 4.3.1 Ensure that the Company maintains an IAD activity to provide management and the Audit Committee with ongoing assessments of the Company's governance, risk management processes and system of internal controls.
- 4.3.2 Review and discuss with the Board, the IAD's budget and staffing and provide a recommendation to the Board on the appointment of the Head of Internal Audit (Articles 55 (b) & 76 of Corporate Governance Regulations). Ensure that there are no unjustified restrictions or limitations and review and concur in the appointment, replacement or dismissal of the Head of IAD.
- 4.3.3 Monitor and oversee the performance and activities of Internal Audit (Article 55 (b) of Corporate Governance Regulations) including the annual performance appraisal and bonus based on performance and salary increment of the Head of IAD, in accordance with the policy of the Company. Audit Committee may also seek input and feedback from management in this regards.
- 4.3.4 Oversee the IAD and review its charter, scope, efficiency, independence, objectivity, performance and work plan.
- 4.3.5 Review, for the purpose of carrying out internal audit work and preparation of the internal audit plan, the internal audit risk assessment to decide on the effectiveness of the internal audit plan.
- 4.3.6 Evaluate the internal audit procedures for establishing the annual internal audit plan.
- 4.3.7 Approve the internal audit charter as well as internal audit policies and procedures.
- 4.3.8 Review the internal audit scope, internal audit risk assessment and nature of the internal audit plan and any subsequent changes, including whether or not the internal audit plan is sufficiently linked to the Company's overall business objectives and management's success and risk factors.
- 4.3.9 Review all internal audit reports, including executive summary, observations/findings, implications, recommendations, management responses and the exceptions noted and pursue the implementation of the corrective measures in respect to the comments included in the internal audit report (Article 55 (b) of Corporate Governance Regulations).
- 4.3.10 Review and discuss all the follow-up reports of the internal audit as well as the status of all the significant observations/findings in the internal audit report (Article 55 (b) of Corporate Governance Regulations).
- 4.3.11 Review with the Head of IAD the results of the internal audit efforts on a yearly basis, or as deemed necessary, and peruse periodic and annual internal audit reports.
- 4.3.12 Supervise the Company's IAD function to ensure its effectiveness in executing the activities and duties specified in the internal audit charter.
- 4.3.13 Review and approve, on a regular basis, the IAD risk register, audit plan and all major changes to the plan.

4.3.14 Review the effectiveness of the IAD, including compliance with the Institute of Internal Auditors' ("IIA") International Standards for the Professional Practice of Internal Auditing.

4.3.15 On a regular basis, meet separately with the Head of IAD to discuss any matters that the Audit Committee or Head of IAD believes should be discussed privately.

4.4 Compliance with Laws, Regulations and Internal Policies

4.4.1 Review the effectiveness of the system for monitoring compliance with applicable laws and regulations including governance regulations, the results of management's investigation and follow-up (including any disciplinary action) or any instances of non-compliance including reviewing the findings of the reports of supervisory authorities to ensure the Compliance with the relevant laws, regulations, policies and instructions **Article 55 (d) of Corporate Governance Regulations**

4.4.2 Review the findings of any examinations by regulatory agencies (including but not limited to: Communications and Information Technology Commission ("CITC"), MoCI, General Authority for Zakat and Tax ("GAZIT"), Tadawul and CMA and internal/external auditor's observations.

4.5 Information Technology (IT) Systems Controls and Telecom Systems Controls

4.5.1 The Committee shall consider and review with management, the Chief Technical Officer ("CTO"), the external auditors and the IAD work regarding:

- The effectiveness or weaknesses of the Company's computerized information system controls and security.
- Any related significant findings/observations, implications and recommendations of the external auditors and IAD together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in the system's controls, including any significant risks related thereto and major controls over such activities.
- The status and adequacy of management information systems and other information technology.
- The Committee shall review with the Head of IAD and the external auditors the coordination of the audit effort to ensure complete coverage of key system controls and risk areas related to IT controls.

4.6 Other Responsibilities

4.6.1 Review the contracts and proposed Related Party transactions, and provide its recommendations to the Board in connection therewith (**Article 55 (d) of Corporate Governance Regulations**),

4.6.2 Follow-up on allegations of material, financial, ethical or legal irregularities; look into serious violations of the Company's policies, alleged breach of legal provisions or contravention of the Code of Conduct and Ethics, which are highlighted by the IAD or any other staff member. This includes investigating any issues raised by Zain KSA's Chief Financial Officer or any person assuming his/her duties. (**Article 55 (a) of Corporate Governance Regulations**). For this purpose, also, Audit Committee shall develop arrangements by assisting the Board in developing reporting misconduct policies that enable Zain KSA's employees to confidentially provide their remarks in respect of any inaccuracies in the financial or other reports. The Audit Committee shall ensure that such arrangements have been put into action through an adequate independent investigation in respect of the error or inaccuracy, and shall adopt

appropriate follow-up procedures (**Article 58 of Corporate Governance Regulations**).

- 4.6.3 Institute, oversee and direct any special investigations, as needed, concerning matters relating to the Company's financial statements, internal controls, compliance with the laws or business ethics.
- 4.6.4 Review all significant issues within the scope of the Committee charter, including any changes in accounting principles/estimates, with the management and the external auditors (**Article 55 (a) of Corporate Governance Regulations**), prior to any decision being reached on reporting practices to be followed by the Company, and report thereon to the Board.
- 4.6.5 Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters, including procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- 4.6.6 The Committee shall be available at all times to receive suggestions, questions or recommendations from the external auditors, IAD or the Chief Officers.
- 4.6.7 Perform other activities related to these activities as requested by the Board.

5. Responsibilities of the Audit Committee Members

- 5.1 The members shall make every effort to attend all Committee meetings and to effectively participate in discussions. The members shall inform the Chairman of the Audit Committee in writing if they cannot attend a meeting.
- 5.2 The members shall maintain the confidentiality of the Company's trade secrets gained through performing their duties and shall not publicize confidential information to shareholders out of the General Assembly or to any other party. If members are found to be in breach of this, they shall be dismissed from the Committee and can be held responsible for the financial damages caused by such announcements.
- 5.3 The members of the Audit Committee shall not execute any management job in the Company even by way of consultancy.
- 5.4 The members shall carry on good performance in executing their duties and responsibilities and shall be updated in their domain in the interests of the Company.
- 5.5 The members shall be honest, truthful, objective and independent in performing their duties.
- 5.6 The members shall not participate in any occupations that can violate the Code of Conduct and Ethics or the Conflict of Interest Policy of the Company or its principles. Moreover, the members shall not accept any occupations that are liable to give rise to conflicts of interest with the Company and those which may prevent them from executing their duties objectively and independently.
- 5.7 The members are required to disclose all personal interests (including shares' ownership in the Company) and their nature that are executed with the Company and any personal relation with the Board of Directors and the Chief Officers.

6. Relationship with Others

The sphere of the Committee's responsibilities will make it necessary for it to maintain a good relationship with other Board and management committees established at Zain.

7. Members' Orientation

New Committee members will be provided with an orientation program which will include presentations by Chief Officers on the Company's strategic plans, its significant financial, accounting and risk management issues, legal affairs, compliance programs, operations, Code of Conduct, management structure, key policies, practices and internal and external auditors. In addition, each incoming member will be provided with copies of Zain's Bylaws, Management Agreement, the executive summary of the corporate plan, previous internal audit reports, internal audit plans and other appropriate information.

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