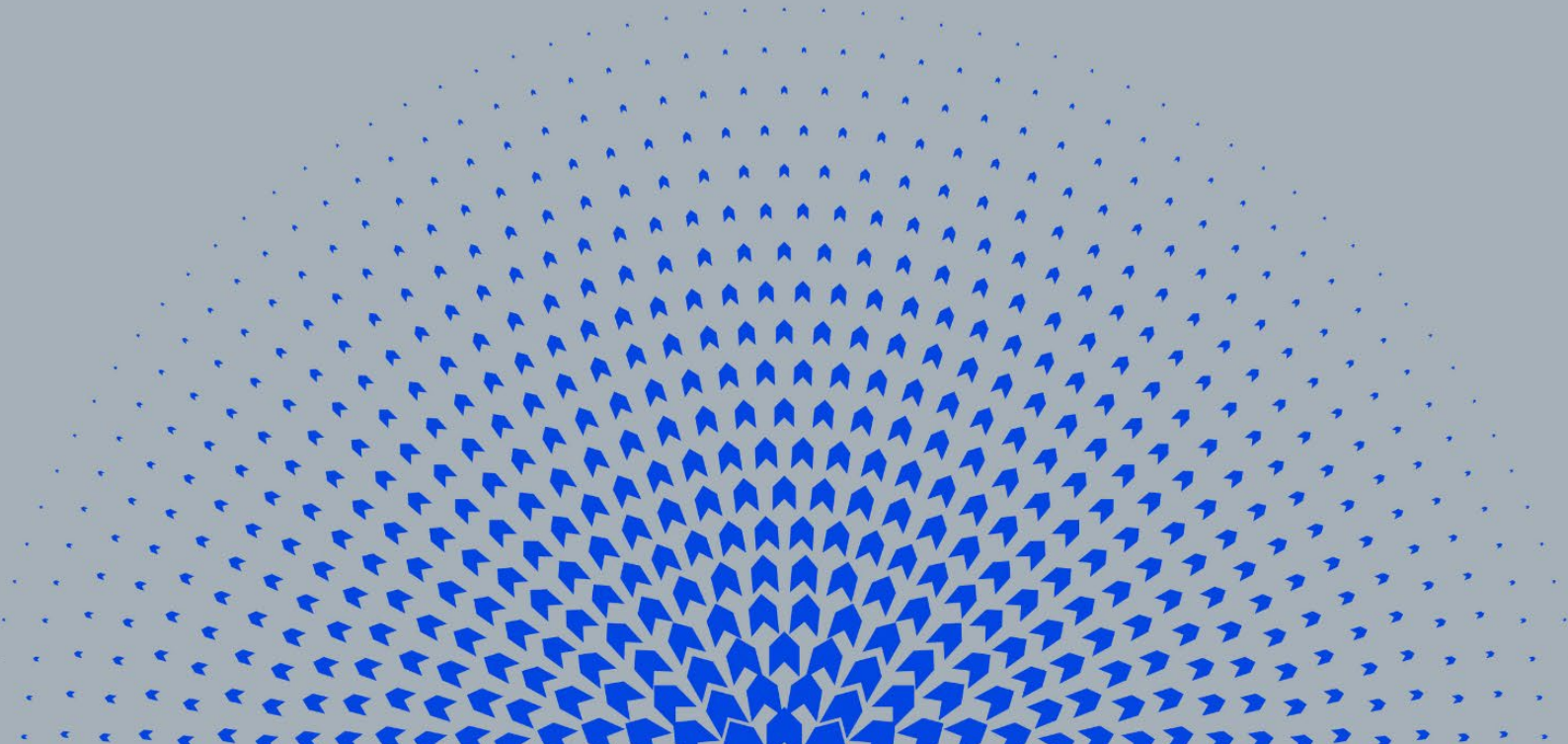


The Audit Committee Report for Fiscal Year 2022



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INTRODUCTION

In 2022, the Audit Committee (AC) has overseen efficiency and effectiveness of internal control environment at Saudi Tadawul Group Holding Company. To assess that, a number of meetings were held during 2022 with Chief Internal Audit Officer, Senior Management and External Auditors. This report briefly summarizes the AC roles and responsibilities, composition of the AC, meetings conducted, important outcomes and decisions, internal audit coverage and AC opinion on internal control system.

1. AC Composition and Meetings

The following are the details of the AC meetings held in 2022 for Saudi Tadawul Group Holding Company:

AC Membership:

The AC consists of the following members:

NAME	MEMBERSHIP
Mr. Yazeed Al Humied	Chairman of AC & Member of Group Board of Directors
Mr. Hashem Al-Hekail	AC & Group Board of Directors Member
Dr. Abdullah AlShwer	Independent AC Member
Mr. Omar Alhoshan	Independent AC Member
Mr. Abdulrahman Alodan	Independent AC Member

Attendance Record:

The AC conducted (4) meetings as below:

NAME	28/02/2022	11/05/2022	09/08/2022	24/10/2022
Mr. Yazeed Al Humied	✓	✓	✗	✓
Mr. Hashem Al-Hekail	✓	✓	✓	✓
Dr. Abdullah AlShwer	✓	✓	✓	✓
Mr. Omar Alhoshan	✓	✓	✓	✓
Mr. Abdulrahman Alodan	✓	✓	✓	✓

2. AC Roles and Responsibilities

Following are the main responsibilities of AC in line with the mandate assigned through its approved charter:

- **Oversight of financial reporting**, including:
 1. Reviewing the consolidated financial statements of Saudi Tadawul Group Holding Company;
 2. Providing technical opinions as to Board Report and financial statements in terms of their compliance with the regulatory requirements;
 3. Examining unusual transactions in the financial statements;
 4. Verifying accounting estimates; and
 5. Reviewing financial and accounting policies.
- **Oversight of internal control systems**, including:
 1. Reviewing internal and financial control and risk management systems and ensuring their effectiveness through regular reports from the Internal Audit Division (or External and Regulatory Auditors) and following up on the implementation of recommended action; and
 2. Reporting to the Board of Directors in respect of adequacy of internal control systems.
- **Oversight of Internal Audit**, including:
 1. Supervising the IAD and verifying its effectiveness in carrying out its role and responsibilities;
 2. Reviewing and approving the annual audit plan;
 3. Reviewing reports prepared by IAD and following up on the implementation of recommended actions;
 4. Ensuring independence of IAD; and
 5. Evaluating performance of IAD and Chief of IAD.
- **Oversight of external auditors**, including:
 1. Recommending the appointment or dismissal of the external auditor and determining their fee after assessing their performance, independence, scope of work and terms of engagement;
 2. Verifying the independence of the external auditor;
 3. Reviewing the external audit plan and verifying its compliance with the applicable regulations;
 4. Answering external auditor's queries and providing requisite support for conducting the external auditing; and
 5. Reviewing reports prepared by the external auditor and following up on the implementation of recommended actions.
- **Oversight of compliance**, including:
 1. Reviewing reports prepared by regulatory bodies in respect of Saudi Tadawul Group Holding Company's compliance with the applicable regulations and following-up on the implementation of recommended actions;
 2. Establishing appropriate procedures for internal reporting of violations of internal control systems; and
 3. Establishing appropriate procedures for follow-up on any reported violation (including independence of such procedures), and where relevant, making recommendations to Board of Directors in respect of the foregoing.

3. Accomplishments in 2022

- **Committee Governance:**
 - Ensured Confirmation of Independence;
 - Declared Potential Conflicts (where applicable).
- **Compliance Reports:**
 - Reviewed all Code of Conduct Violations Cases presented to AC.
- **Financial Statements:**
 - Reviewed Financial Policies;
 - Reviewed Financial Auditors Selection Proposals.
 - Endorsed the Consolidated Financial Statements for Saudi Tadawul Group Holding Company.
- **Internal Audit Governance:**
 - Ensured that Internal Audit Governance documents (charters, policies) are updated and relevant;
 - Reviewed and Approved Internal Audit Divisional KPIs and Performance Assessment.
- **Internal Audit Operations:**
 - The Internal Audit Division carried out planned audits in accordance with the Internal Audit plan and changes required during the year, as approved by the Saudi Tadawul Group Holding Company Audit Committee to evaluate, objectively and independently, the adequacy and effectiveness Of Internal Control Systems.
 - Internal Audit Department reports functionally to Audit Committee and administratively to the Chief Executive Officer of Saudi Tadawul Group Holding Company. In carrying out its duties, Internal Audit ensured its independence and objectivity. The Internal Audit Division operates in accordance with International Internal Auditing Standards (IIA Standards). As part of its mandate, during the year, Audit Committee reviewed/approved following, but not limited to, deliverables/outputs:
 - Reviewed and Approved Annual Risk Assessment
 - Reviewed and Approved Internal Audit Plan;
 - Reviewed Internal Audit Progress Reports; and
 - Reviewed Resolution Progress of Observations

Furthermore, Internal Audit maintains an internal quality assurance and improvement program, covering all aspects of the internal audit activities, to evaluate and continuously improve these activities.

Internal Audit Division regularly issued audit progress reports to the Audit Committee during the year covering the audit plan progress, audit activities /outcome and overall update / view on internal controls effectiveness and related subjects. The Internal Audit continued its significant progress made in closing and verifying audit findings along with strengthening the follow-up /closure process.

4. Audit Committee Opinion

The internal control system has an important role to play in the success of any organization. Saudi Tadawul Group Holding Company is committed to ensuring an effective internal control system to achieve regulatory objectives, asset protection, accurate internal and external reporting, risk reduction and adherence to regulatory requirements.

The Audit Committee oversees the Internal Audit work, which periodically reviews the adequacy and effectiveness of the internal control system, to provide a continuous assessment of the internal control system and its effectiveness. The Committee also reviews the External Auditor's reports and management letter, which might include any lack of internal control noted by the External Auditor as part of his internal controls assessment.

Based on the above, the Audit Committee believes that the internal control system within Saudi Tadawul Group Holding Company are appropriately designed and effectively serves organizational objectives, operational efficiency, financial reporting reliability and regulatory compliance without any material deficiency or material weakness.

The Audit Committee also extends its sincere thanks to the Board of Directors for its support to the Committee to fulfill its roles and responsibilities and the Executive Management for providing all the data requested to perform the duties of the Committee.