

Directors' Report

Savola Group Audit Committee Report continued

4 Audit Committee members' qualifications

The schedule below describes current and previous positions, qualifications and experience of the Audit Committee members as follows:

No	Member name	Current positions	Previous positions	Qualifications	Experience
Audit Committee members (for new office term began July 1, 2019):					
1.	Mr. Fahad Abdullah Al Kassim				
2.	Mr. Mohammed Ibrahim Al Issa	Current and previous positions, qualifications and experience were mentioned earlier in the Director's Report.			
3.	Mr. Bader Hamad Al-Rabiah				
4.	Dr. Abdul Rauf Suliman Banaja	Holds number of membership in boards and committees such as Audit Committee member in Herfy and other Joint Stock Companies.	Advisor to the Deputy Governor, the Saudi Arabian Monetary Agency (SAMA) Economic Advisor, Ministry of Finance	PhD in Economics, University of California, Santa Barbara, United States, 1981	Assumed several positions in a number of local and regional banks.
5.	Dr. Ammr Khaled Kurdi	CEO of Business services at Saudi Industrial Investment Co. (Dusar)	Chief Financial Officer at Saudi Arabian Amiantit Company. Chief Audit Executive at King Fahd University of Petroleum & Minerals	<ul style="list-style-type: none"> Bachelor's degree in Accounting from King Fahad University of Petroleum & Minerals in 2001 Master's degree in Accounting from the University of Arizona, United States, 2004 PhD in Accounting, University of North Texas, United States, 2010 Certified Management Accountant (CMA), and member of Global Board of Directors of the Institute of Management Accountants, United States 	Has extensive experience in a number of areas, including Accounting, Auditing, Financial Management, Corporate Governance, and Risk Management. In addition, he is Audit Committee member in several Joint Stock Companies.
Ex- Member of Savola Group Audit Committee until 30/06/2019:					
-	Mr. Abdulaziz Khaled Al Ghufaily	Current and previous positions, qualifications and experience were mentioned earlier in the Directors' Report.			

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5 Audit Committee attendance:

The members of the Audit Committee attendance for the meetings of the Committee held during the year 2019 are listed below:

Sr.	Name	Previous office term ended June 30, 2019		New office term began July 1, 2019		Total
		17 Mar	8 May	19 Aug	28 Oct	
1	Mr. Fahad Abdullah Al Kassim (Chairman) (Independent, Savola Board member)	✓	✓	✓	✓	4 of 4
2	Mr. Mohammed Ibrahim Al Issa* (Non-executive, Savola Board member)	✓	✓	✓	✓	4 of 4
3	Mr. Bader Hamad Al-Rabiah** (Independent, Savola Board member)		NA	✓	✓	2 of 2
4	Dr. Abdul Raouf Suliman Banaja (Independent, External member)	✓	✓	✓	✓	4 of 4
5	Dr. Ammr Khaled Kurdi (Independent, External member)	✓	✓	✓	✓	4 of 4
-	Mr. Aly Asim Barakat (Committee Secretary)	✓	✓	✓	✓	4 of 4
Ex-member of Savola Group Audit Committee until June 30, 2019:						
-	Mr. Abdulaziz Khaled Al Ghufaily (Non-executive, Savola Board member)	✓	✓		NA	2 of 2

Note: * Mr. Mohammed Ibrahim Al Issa was an independent Board member for the period from 01/01/2019 until 26/10/2019. Afterwards, Mr. Al Issa membership has been reclassified as non-executive Board member due to his appointment as a Board member in Kinan International for Real Estate Development Co that has commercial transactions with one of the Group's subsidiaries.
** Mr. Bader Hamad Al-Rabiah was appointed by the Group Board as a member in the Audit Committee of the Savola Group (as an independent Board member) for the new office term effective 01/07/2019 for three years and three months ending on 30/09/2022.

6 Audit Committee remuneration for 2019 (Saudi Riyals):

Sr.	Name	Title	Fixed Remuneration (Except for the allowance for attending meetings)	Allowance for attending meetings	Total	Other expenses
1	Mr. Fahad Abdullah Al Kassim (Independent, Savola Board member)	Chairman	150,000	20,000	170,000	
2	Mr. Mohammed Ibrahim Al Issa (Non-executive, Savola Board member)	Member	150,000	20,000	170,000	Mentioned in the Board remuneration Table (e-4)
3	Mr. Bader Hamad Al-Rabiah (Independent, Savola Board member)	Member (as of 01/07/2019)	75,000	10,000	85,000	
4	Dr. Abdul Raouf Suliman Banaja (Independent, External member)	Member	150,000	20,000	170,000	-
5	Dr. Ammr Khaled Kurdi (Independent, External member)	Member	150,000	20,000	170,000	9,465
Ex-member of Savola Group Audit Committee until June 30, 2019:						
-	Mr. Abdulaziz Khaled Al Ghufaily (Non-executive, Savola Board member)	Member	75,000	10,000	85,000	Mentioned in the Board remuneration Table (e-4)
Total			750,000	100,000	850,000	9,465

Directors' Report

Savola Group Audit Committee Report continued

7 Summary of Audit Committee duties, responsibilities and achievements executed in 2019

a Financial reporting

- Review and recommend to the Group's Board of Directors the approval of the preliminary quarterly results and year-end consolidated financial statements focusing particularly on the reliability of the information disclosed therein, changes in accounting policy, significant and unusual events, reasonableness of accounting estimates for significant issues, as well as compliance with accounting standards and other legal requirements.

b Internal audit

- Review and approve the Group's internal audit department charter, plan and outputs and ensure whether the function has the necessary authority and resources to carry out its work while maintaining its independence.
- Review and assess Savola Group internal audit reports and monitor the tracking and follow-up of implementation process determining whether or not appropriate actions are taken in respect of the internal audit recommendations therein.

c External audit

- Review the external auditors service delivery plan, scope of work, the results of the financial audits, the relevant audit reports and management letter together with management responses or comments to the audit findings.
- Ensure that appropriate assistance was given by the Group's executive management team to the external auditors and that no difficulties were encountered during the course of the audit, including any restrictions on the scope of activities or access to required information.

d Related party transactions

- Review the results of external auditors' limited review of Savola related party transactions for 2019 included in the related party transactions report prepared by the chairman of Board of Directors in relation to the related party transactions executed by the Company during the year and provide any recommendation to the Board based on the results, if any.

e Savola Integrity Hotline

- Oversee the Group's wide whistleblowing reporting facility "Integrity Hotline" which captures and records matters raised by any stakeholders, including the executive management team, senior managers and employees (permanent, temporary and part-time), shareholders, trainers, clients, individuals, agency staff, consultants, suppliers and vendors. These matters are communicated to the management and regular procedures for follow-up are adopted.

Savola Group Audit Committee Report continued

8 The annual review of the effectiveness of internal control producers and its results at the Group

- The executive management of the Group and its subsidiaries certifies on an annual basis their responsibility for establishing and maintaining internal control procedures designed to provide reasonable assurance regarding the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws and regulations. The reasonable assurance provided by the signed internal control certifications is supported by the results of a questionnaire completed by all heads of functions across the Group and its subsidiaries designed in line with the Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. The signed internal control certificates for 2019 were handed over and filed with the Group's legal counsel.
- The internal audit department at the Group and its subsidiaries execute the annual audit plan approved by the Audit Committee at the Group and its subsidiaries to evaluate the existing condition of internal control procedures focusing on the assessment of the control environment, organization's structure, risks, policies and procedures, segregation of duties and information systems. A random sample of activities within the planned audit area is selected with the objective of testing the effectiveness and efficiency of internal control procedures design and operation. All internal control recommendations resulting from the execution of annual audit plans are communicated to concerned management parties and followed-up by internal audit departments at the Group and its subsidiaries to support maintaining effective internal control procedures.
- The Group's external auditors conducted their audit in accordance with international auditing standards adopted in Saudi Arabia which require that they plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. This resulted in providing an unqualified opinion on the Group's consolidated financial statements for the year ended at 31/12/2019.
- Based on the results of the above-mentioned procedures, the Group's Audit Committee believes that reasonable assurance was provided regarding the effectiveness of internal control procedures.
- However, we emphasize that due to the geographical spread of the Group's operations locally and regionally we cannot conclude exclusively on the comprehensiveness of the internal control procedures, as these procedures in substance, rely on selecting random samples as above mentioned.
- Accordingly, the Audit Committees at the Group and its subsidiaries efforts are focused continuously to develop and improve the effectiveness and efficiency of the internal control procedures review mechanism in place across the Group and its subsidiaries.

Conclusion

This report was prepared by the Audit Committee during the year 2019 in line with the regulatory requirements and the charter of the Committee and will be submitted to the general assembly when the Board of Directors issue its invitation. The meeting will be held during the first half of 2020 (according to the dates approved by the regulatory authorities). The Committee is glad to answer all inquiries and questions of the shareholders - as stated in this report - during the General Assembly meeting of shareholders, and ALLAH is the guardian of success.