

GCC BOARD DIRECTORS INSTITUTE
AUDIT AND RISK COMMITTEE
TERMS OF REFERENCE

1. PURPOSE

To assist the board of governors in fulfilling its oversight responsibilities for the three legal entities of GCC Board Directors Institute in UAE, Bahrain and KSA in respect to (1) the integrity of the company's financial statements, (2) the company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, (4) the company's risk management and (5) internal controls and any other duties which the board may request.

2. AUTHORITY

The Audit and Risk Committee (ARC) has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- 2.1 Appoint, compensate, and oversee the work of the public accounting firm employed by the organization to produce the company accounts. This firm will report to the ARC as required.
- 2.2 Appoint, compensate, and oversee the work of the public accounting firm employed by the organization to conduct the annual audit. This firm will report directly to the ARC committee.
- 2.3 Resolve any disagreements between management and the auditor regarding financial reporting.
- 2.4 Pre-approve all auditing and permitted non-audit services performed by the company's external audit firm.
- 2.5 Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- 2.6 Seek any information it requires from employees--all of whom are directed to cooperate with the committee's requests--or external parties.
- 2.7 Meet with company officers, external auditors, or outside counsel, as necessary

3. COMPOSITION

The ARC will consist of at least three board governors. The board will appoint the committee members who shall from their number appoint a chairman. Each committee member will be both independent and financially aware.

4. MEETINGS

- 4.1 The committee will meet at least two times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via tele - or video-conference.
- 4.2 The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will meet separately, periodically, with management, with the external accountants, and with external auditors.
- 4.3 Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials.
- 4.4 Minutes will be prepared by the company secretary who shall serve as the secretary of this committee
- 4.5 The quorum of the ARC shall be two who must remain present for the duration of the meeting.

5. RESPONSIBILITIES

5.1 Financial Statements

Review significant accounting and reporting issues and understand their impact on the financial statements. These issues include:

- 5.1.1 Complex or unusual transactions and highly judgmental areas
- 5.1.2 Major issues regarding accounting principles and financial statement presentations, including any significant changes in the company's selection or application of accounting principles
- 5.1.3 The effect of regulatory and accounting initiatives on the financial statements of the company
- 5.1.4 Review analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of

alternative IFRS methods on the financial statements

5.1.5 Review with management and the external auditors the results of the audit, including any difficulties encountered. This review will include any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management.

5.1.6 Discuss the annual audited financial statements and quarterly financial statements with management and the external auditors.

5.1.7 Review disclosures made by the CEO about significant deficiencies in the design or operation of risk management and internal controls or any fraud that involves management or other employees who have a significant role in the company's internal controls.

5.1.7 Review compliance with local laws the Code of Corporate Governance

5.2 Internal Control and risk management systems

5.2.1 Consider the adequacy and effectiveness of the company's internal control system, including internal financial control and business risk management and maintaining effective internal control systems and information technology security and control.

5.2.2 Understand the scope of the external auditors' review of internal controls and risk management over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

5.2.3 Review the Risk Policy and the Risk Matrix

5.3 External Audit

5.3.1 Recommend to the board on an annual basis which firm(s) should be appointed as external auditor(s).

5.3.2 Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit, if any.

5.3.2 Ensure the rotation of the lead audit partner every five years and other audit partners every seven years, and consider whether there should be regular rotation of the audit firm itself.

5.3.3 Present its conclusions with respect to the independent auditor to the full board

5.3.5 On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

5.3.6 Consider the proposed audit fees and make an appropriate recommendation to the Board

5.4 Compliance

5.4.1 Review the effectiveness of the system for monitoring compliance with laws and regulations

5.5.4 Obtain regular updates from management and company legal counsel regarding compliance matters.

6. Reporting Responsibilities

6.1 Regularly report to the board of governors about the committee activities and 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 auditors, and the effectiveness of the internal controls and risk management.

6.2 Provide an open avenue of communication between management, the external accountant, the external auditors, and the board of governors.

6.3 Report annually to the members, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.

6.4 Review any other reports the company issues that relate to the committee's responsibilities.

7. Other Responsibilities

- 7.1 Perform other activities as requested by the board of governors.
- 7.2 Institute and oversee special investigations as needed.
- 7.3 Review and assess the adequacy of the committee's terms of reference annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- 7.4 Confirm annually that all responsibilities outlined in this term of reference have been carried out.
- 7.5 Evaluate the committee's and individual members' performance at least annually.

These Terms of Reference were considered and adopted by the board of governors at their meeting held on 2019