

Sports Club Company

Audit Committee Charter

Version: 2/2024

This Charter was approved by the General Assembly of Shareholders of Sports Club Company in its meeting held on 22/08/2024

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Article 1: Definitions:

The following terms and expressions shall have the meaning they bear as follows unless the contrary intention appears:

- **Charter:** The Audit Committee Charter.
- **Committee:** The Audit Committee of Sports Club Company.
- **Chairman of the Committee:** The Chairman of the Audit Committee.
- **Vice Chairman:** The member who presides over the meeting in the absence of the Chairman.
- **Member:** A member of the Audit Committee, collectively referred to as the "Members."
- **Secretary:** The Secretary of the Audit Committee.
- **Company:** Sports Club Company.
- **Board or Board of Directors:** The Board of the Company.
- **General Assembly:** An assembly consisting of the shareholders in the Company formed in accordance with the provisions of the Companies Law and the Company's bylaws.
- **Authority:** The Capital Market Authority (CMA).
- **Tadawul or Market:** The Saudi Stock Exchange (Tadawul).
- **Companies Law:** The Companies Law issued by Royal Decree No. (M/132) dated 1/12/1443H (corresponding to 30/6/2022), as amended.
- **Corporate Governance Regulations:** The Corporate Governance Regulations issued by the Authority's Board under Resolution No. 8-16-2017 dated 16/5/1438H (corresponding to 13/2/2017), as amended by Capital Market Authority Board Resolution No. 8-5-2023 dated 25/6/1444H (corresponding to 18/1/2023), as amended.
- **Non-Executive Member:** A member of the Board who is not a full-time member of the management team of the Company and does not participate in its daily activities.
- **Independent Member:** A non-executive member of the Board who enjoys complete independence in his position and decisions and none of the independence affecting issues stipulated in the Corporate Governance Regulations apply to him.

- **Internal Audit Department:** Department assesses and monitors the implementation of the internal control system and verifies that the Company and its employees comply with the applicable laws, regulations and instructions, and the Company's policies and procedures.
- **Internal Control System:** It consists of the policies, procedures, and activities that comprise the control framework of each department within the company.
- **External Auditor:** The certified public accounting firm contracted to conduct the auditing and review of the Company's accounting and financial statements. It must be registered with the Authority in accordance with the Rules for Registration of External Auditors of Entities Subject to the Authority's Supervision.
- **Conflict of Interest:** The presence or perception of a direct or indirect interest, whether actual or assumed, held by any member regarding an issue on the Committee's agenda may affect the member's professional judgment and input on the matter at hand.

The definitions provided in the Corporate Governance Regulations and the "Glossary of Terms Used in the Authority's Regulations and Rules" shall serve as a primary reference for any undefined terms used in this Charter.

Article 2: Purpose:

The "Audit Committee Charter" has been developed in accordance with the provisions outlined in Part Four and Chapter two of the same part, of the Corporate Governance Regulations, issued by the Capital Market Authority Board, amended on 25/06/1444H, corresponding to 18/01/2023, pursuant to the Companies Law issued by Royal Decree No. M/132 dated 01/12/1443H (corresponding to 30/06/2022).

The purpose of this Charter is to outline the rules and procedures that govern the Committee's activities, define its responsibilities, set forth the criteria for selecting members, describe the nomination process, specify the duration of membership, detail the compensation for members, and establish the procedure for the temporary appointment of Committee members in case of a vacancy.

Article 3: Formation, Term, and Rules Governing Committee Membership:

A. Formation and Term of Membership

- 1) The Audit Committee shall be formed for a term not exceeding four years. The Committee's term shall conclude either at the end of the designated term or upon the termination of the Board's term.
- 2) Members of the Committee may be reappointed based on the needs of the Committee's composition.
- 3) The Committee shall be formed by a resolution of the Board. The Committee shall consist of a minimum of three (3) and a maximum of five (5) members, who may be selected from the non-executive members of the Board or from external sources, including shareholders or other individuals provided that at least one member to be an independent member

B. Rules and Regulations Governing Committee Membership

- 1) The Chairman of the Board may not be a member of the Audit Committee, nor may the Committee include any executive members of the Board.
- 2) The Committee shall include at least one member with expertise in accounting and financial matters and a comprehensive understanding of accounting standards.
- 3) Individuals who are currently employed, or have been employed within the past two years, in the executive or financial management of the Company, or any of its subsidiaries, or with the Company's external auditor, are not eligible to serve as members of the Committee
- 4) A member of the Audit Committee may not hold membership on the audit committees of more than five publicly listed Companies at the same time.
- 5) Upon the recommendation of the Nomination and Remuneration Committee, the Board shall appoint the members of the Audit Committee. The Committee members shall remain in office until their successors are duly appointed for a new term.
- 6) A nominee or Committee member shall meet the following conditions:
 - Should not have been convicted of any act involving dishonesty, breach of trust, or violation of laws and regulations in the Kingdom of Saudi Arabia or any other country.

- Shall have experience, professional competence, knowledge, and skill.
 - Should not have any direct or indirect interest in contracts or transactions conducted on behalf of the Company, nor engage in any activity that competes with the Company or one of its business activities.
- 7) A Committee member is prohibited from exploiting or benefiting—directly or indirectly—from any of the Company's assets, information, or investment opportunities presented to the member in their capacity as a committee member or to the Company. This includes investment opportunities that fall within the Company's activities or those in which the Company wishes to participate.
- 8) Furthermore, the restriction aforementioned, shall extend to any member who resigns in order to exploit—directly or indirectly—investment opportunities that the Company wishes to utilize and that became known to them during their tenure as a Committee member.
- 9) The candidate's selection shall not violate the relevant laws, regulations, and instructions.
- 10) The Capital Market Authority shall be notified of the names of Committee members and the type of their memberships within five (5) business days of their appointment or any changes thereto within five (5) business days of the date of such changes.
- 11) In the event that a member of the Committee vacates their position during their term, the Committee shall continue to perform its functions until a new member is appointed to fill the vacancy.
- 12) The Board shall appoint a new member to fill the vacant position, and the newly appointed member would complete the term of the predecessor.

C. Termination of Committee Membership:

- 1) A vacancy occurring due to death, incapacitation, or removal by a resolution of the Board in the following circumstances:
- The member voluntary withdrawal of the Committee, provided that such a request is made at an appropriate time acceptable to the Board. The member shall continue to serve until a successor is duly appointed.

- The member misuses his committee position or other behavior that the Board deems harmful to the goals and standing of the Company in general and the Committee in particular.
 - The member fails to attend three consecutive Committee meetings without a valid excuse approved by the Board.
- 2) The tenure of the Committee's membership shall conclude in accordance with relevant laws or regulations that may apply.
 - 3) The member may be removed by the Board, without prejudice to the right of the removed member to claim compensation if such removal is deemed unjustified or occurs at an unsuitable time.
 - 4) If the position of an Audit Committee member becomes vacant during the term of the Audit Committee due to any reason, the Board shall appoint a member to the vacant position, provided that the criteria for membership of the Committee are met. the newly appointed member would complete the term of the predecessor.
 - 5) The Board holds the authority to dismiss a committee member during their term if they breach the stipulations outlined in the Corporate Governance Regulations or for any other valid reason deemed appropriate by the Board.

D. Chairman of the Committee:

- The Committee members shall appoint a Chairman from among themselves for the duration of the Committee's term, provided that the Chairman is an independent member. In the event of the Chairman's absence from a meeting, the attending Committee members shall appoint a Chairman for that meeting.
- The Chairman represents the Committee in meetings of the Board of Directors and related meetings with any other entities.
- The Chairman is in responsible of convening the Committee by specifying the time, date, and location of the meeting after consulting with the members, or at the request of the Board or two Committee members if circumstances require such a meeting, ensuring that the rationale for calling an extraordinary meeting is clearly articulated.

- The Chairman is tasked with preparing the meeting agenda, taking into consideration the topics any member wishes to include.
- The Chairman or an appointed member of the Committee must attend General Assembly meetings to present the Committee's report, respond to shareholders' inquiries, and answer any questions that fall within the Committee's jurisdiction during the meeting.
- The Chairman oversees the activities of the Committee to ensure adherence to this Charter, managing and monitoring the Committee's duties with the assistance of the Committee Secretary.
- The Chairman is responsible for ensuring that all decisions and recommendations made by the Committee are well-founded, based on sound knowledge, and aimed at furthering the Company's objectives and strategic plans.
- The Chairman shall prepare periodic reports on the Committee's activities, submits its recommendations, and conveys the actions, findings, or decisions made to the Board, while also ensuring the follow-up on the implementation of decisions or recommendations issued by the Committee.

E. Members:

Committee members, in the course of fulfilling their duties, shall adhere to the following:

- Collaborate effectively to achieve the objectives of the Committee.
- Commit to attending and actively participating in Committee meetings. Each member shall attend at least two-thirds of the meetings held annually.
- Contribute opinions and express viewpoints with responsibility and impartiality, always considering the overall best interests of the Company.

F. Committee Secretary:

The Committee shall appoint a Secretary from among its members or Company employees, with no voting rights. The Secretary's responsibilities include:

- Preparing and coordinating Committee meetings, including drafting the agenda in coordination with the Chairman.
- Ensuring compliance with the Charter and verifying the need for updates.
- Attending Committee meetings, compiling and documenting minutes, as well as recording votes, voting outcomes, and the members in favor or opposed to decisions or recommendations.
- Providing Committee members and relevant parties (upon request) with copies of the meeting minutes.
- Collecting signatures on the minutes of Committee meetings.
- Maintaining all Committee documentation, including agendas, minutes, and records related to the follow-up of the implementation of Committee decisions and recommendations.
- Monitoring the implementation of recommendations and decisions agreed upon during Committee meetings.

Article 4: Meetings, Procedures, and Operational Regulations of the Committee:

The Audit Committee shall convene periodically, provided that at least four meetings are held during the Company's financial year. It shall also meet regularly with both the Company's external auditor and the internal auditor, each of whom may request a meeting with the Committee as necessary, in accordance with the following:

1. The Chairman may call for a meeting of the Committee when needed, and also has the authority to cancel a meeting with prior notice to the members.
2. The Chairman is responsible for presiding over Committee meetings, including approving the agenda, overseeing the decision-making or recommendation process, and voting, with the assistance of the Committee Secretary.
3. The Committee may hold extraordinary meetings as required, based on a request from the Chairman or the majority of its members.

4. A Committee member is not permitted to delegate attendance or voting rights to another member.
5. Invitations to attend Committee meetings shall be sent in writing by the Chairman, or by an authorized Committee member, or the Secretary, before enough time prior to the meeting date. Members shall also receive the meeting agenda, presentations, and relevant documents in a timely manner before the meeting.
6. If the Chairman is unable to attend a meeting, they may delegate another member to preside over the scheduled meeting.
7. A quorum for Committee meetings is achieved with the attendance of the majority of its members. Meetings may be held at the Company's head-office, or any other location approved by the Board. Meetings may also be conducted through modern communication technologies, including audio or video conference calls, or any other means. The formation of a quorum qualifies the Committee to exercise all its powers, authorities, and make decisions as authorized.
8. If a member is unable to attend a meeting in person, all reasonable efforts shall be made to facilitate their participation via modern communication technologies? Attendance in this manner shall be deemed equivalent to in-person attendance.
9. Each member of the Committee shall have an equal vote, and Committee decisions shall be made by a majority of the members present and represented at the meeting. In the event of a tie, the Chairman shall have a casting vote.
10. The Chairman shall set the agenda for each meeting, with the assistance of the Secretary, taking into consideration the subjects submitted by members, senior management, or any other topics deemed appropriate by the Chairman for inclusion.
11. The Committee may issue its recommendations and make decisions by circulation in cases where a physical meeting is impracticable, by presenting them to all members individually, unless a member requests in writing that a meeting be convened for deliberation. The Secretary shall record the proceedings, including the subject under consideration, the voting results, and the means by which the decision or recommendation was made.

12. The Secretary shall accurately and diligently draft the minutes of each meeting held by the Committee, which shall be maintained in a special and organized register. Each minute shall include the meeting date, number, location, discussions, deliberations, recommendations, voting results, names of attendees, reasons for any absences, expressed reservations, and conflicts of interest, if any. Additionally, the Secretary shall:
- Send a draft of the minutes within five business days of the meeting date. Members shall provide their comments on the draft within five business days. In the absence of comments from the members and no objection from the Chairman within five business days of receiving the draft, it shall be considered as implicitly approved by them.
 - If comments are provided by the members, the Secretary shall amend the draft minutes accordingly within three business days and resend the revised draft to the members. If no further comments are provided within three business days from the receipt of the amended draft, it shall be considered as implicitly approved.
13. The Chairman of the meeting and the attending members shall sign the minutes, and the Secretary shall provide copies of the minutes to the Chairman and members after approval. All relevant documents and records shall be attached to the meeting minutes.
14. The Committee shall submit its recommendations to the Board, and all topics presented to the Board shall be clearly referenced in the minutes and recorded in a follow-up register for the implementation of decisions.
15. The Secretary shall communicate the Committee's decisions and recommendations to the relevant stakeholders and present updates to the Committee on the implementation of these decisions and recommendations, including any delays in implementation.
16. Attendance at Committee meetings is restricted to members of the Committee. No member of the Board or the executive management who is not a Committee member, shall be entitled to attend the Committee meetings unless invited by the Committee to provide their opinion or offer advice, without any voting rights on the Committee's decisions or recommendations. The Committee may delegate any of its responsibilities to a subcommittee comprising one or more of its members.

Article 5: Committee Responsibilities and Purpose:

Without prejudice to the powers and duties of the Board as stipulated in the Companies Law, its implementing regulations, and the Company's internal applicable regulations, the Audit Committee is entrusted with overseeing the Company's activities, ensuring the accuracy and integrity of financial reports and statements, and the adequacy of internal control systems and internal audit management. The specific responsibilities of the Committee include:

A. Internal Audit Responsibilities:

- Reviewing the Company's internal control and risk management systems and prepare a report containing recommendations and proposals regarding them.
- Overseeing the activities of the internal audit department, including the management of the code of conduct and internal compliance, to ensure its adequacy in fulfilling its functions and responsibilities. Review and approve the annual internal audit plan and verify its adequacy.
- Examine internal audit reports and monitor the implementation of corrective actions regarding the observations noted in the reports.
- Providing a recommendation to the Board the appointment of the head of the internal audit unit or department, or the internal auditor, and evaluate their performance, as well as propose their compensation.
- Nominating the Firm responsible for conducting external audit to ensure the quality of internal audit performance.
- Ensuring that the Company has appropriate arrangements in place that enable the Company'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.

B. Ensuring Compliance:

- Reviewing the findings of supervisory authorities and ensuring that the Company has taken the necessary corrective actions in response.
- Ensuring the Company's compliance with all relevant laws, regulations, policies, and instructions.
- Reviewing the contracts and proposed related parties' transactions and submit its recommendations to the Board in connection therewith.
- 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.
- Monitoring activities related to risk management.
- Reviewing the adequacy of the Company's internal control systems, including controls related to information technology systems and security.

C. External Auditor Responsibilities:

- 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. The number of nominees shall be at least two licensed auditors in the Kingdom, and the appointment shall be made by the General Assembly based on the Board's recommendation.
- Verifying the independence of the external auditor, its objectivity, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards.
- Supervising the work of the external auditor, respond to their inquiries, review any challenges or observations they encounter, and follow up on the resulting actions. Provide necessary proposals and recommendations and meet with the external auditor at least once annually. To Approve any activity beyond the scope of the audit work assigned to them during the performance of their duties
- 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.

- Reviewing the external auditor's reports and its comments on the financial statements and following up the procedures taken in connection therewith.
- Every three years, the Committee shall consider the necessity of the external auditor rotating to uphold independence vis-à-vis the Company. In any event, the Committee shall ensure that the total duration of the auditor's engagement does not exceed seven fiscal years, whether consecutively or separately, and that the supervising partner's engagement does not exceed seven fiscal years, whether consecutively or separately.

D. Financial Reporting Responsibilities:

- 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.
- Examine the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon.
- 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
- Investigate any significant or unusual matters included in the financial reports and accounts, and accurately investigating any issues raised by the Company's chief financial officer or any person assuming his duties or the Company's compliance officer or external auditor.
- Examining the accounting estimates in respect of significant matters that are contained in the financial reports.

In performing its duties set forth in paragraphs (1), (2), (3), and (4) of this Article, the Committee shall adhere to its authorities as stipulated by the Authority Matrix.

Article 6: Committee Authorities:

The Audit Committee, in fulfilling its responsibilities, shall have the following authorities:

- Conducting investigations or studies on matters within its scope of responsibilities or delegate such tasks. The Committee may, at the Company's expense, seek assistance from any experts it deems appropriate, whether from within the Company or an independent external party, as it sees fit. Such actions must be documented in the Committee's meeting minutes, with the name of the expert and their affiliation with the company or executive management.
- The authority to request clarification, information, or the presence of any of the Company's officers, employees, external advisors, or auditors at Committee meetings, or to meet with any of its members or advisors.
- The right to access the Company's records and documents and to request any clarification or information from members of the Board of Directors or the executive management.
- The right to request the Board to convene a General Assembly meeting if the Board obstructs the Committee's work, or if the Company faces significant damages or losses.

Article 7: Confidentiality of Information:

Committee members must keep all information obtained as a result of their committee membership confidential. Such information will be used solely for the purpose of carrying out their duties as committee members. Members agree not to disclose, announce, or share any of this information with any third party, nor to exploit or use it in any way or for any purpose, nor to engage with the media about such information or to speak on behalf of the Company. This obligation to maintain confidentiality continues even after Committee membership is terminated.

Article 8: Conflict of Interest:

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.

If a member has a conflict of interest in a matter on the committee's agenda, he must disclose it before the discussion begins, and this must be recorded in the meeting minutes; otherwise, he may not attend the discussion or vote on the relevant matter.

If a member is unsure whether he has a conflict of interest, he can seek the Chairman's opinion and guidance. The Board shall be kept informed of any developments that affect members' independence or conflicts of interest arising from Committee decisions.

Article 9: Reports:

The Committee shall issue an annual report outlining its performance in fulfilling its responsibilities and duties. The report shall include detailing the Committee's recommendations and opinion on the adequacy of the internal and financial control systems and risk management systems in the Company, which shall be presented to the General Assembly of Shareholders in accordance with the procedures specified by the Companies Law or any other regulations issued by relevant regulatory and supervisory authorities, and in line with best practices. Sufficient copies of the audit committees' report to be available 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: Restriction Periods:

Audit committee members and any of their associates shall not deal in any securities of the Company during the following periods:

- 1) During the (15) calendar days preceding the end of the financial quarter and until the date of the disclosure of the reviewed interim financial statement of the Company.
- 2) During the (30) calendar days preceding the end of the financial year and until the date of disclosing the Company audited annual financial statements.
- 3) The aforementioned trading restriction periods shall also apply to any member who resigns during a restriction period and to any of his associates.

Article 11: Committee Members' Remuneration:

- 1) Without prejudice to the relevant statutory requirements and the Company's bylaws, the remuneration of Committee members shall consist of annual remuneration, in addition to a meeting attendance allowance and reimbursement for travel and accommodation expenses for the members residing outside the city where meetings are conducted, in accordance with the Company's approved remuneration policy.
- 2) Remuneration shall be paid on a monthly or quarterly basis, as determined by the Board.
- 3) The annual remuneration shall be calculated as of the date the Board approves the member to join the Committee.
- 4) Remuneration shall be proportional to the number of meetings attended by the Committee member. Details of the remuneration and allowances received by Committee members shall be disclosed into the Board annual report.
- 5) The Chairman of the Committee shall determine the annual remuneration and/or attendance allowances for the Committee Secretary.

Article 12: Implementation and Amendment:

This charter, along with any subsequent amendments, shall come into force as of the date of its approval by the General Assembly of the Company, upon the recommendation of the Board. The charter shall be posted on Company website, in accordance with the statutory requirements imposed by the competent regulatory.

The charter will be reviewed on a regular basis to ensure its development in accordance with applicable laws and regulations, as determined by the Board of Directors. Amendments to the Charter may only be made on the recommendation of the Board of Directors, and they must be presented to the General Assembly for approval.

The provisions and requirements hereof that are in relation to disclosure, notification, transparency, and reporting that apply to listed companies shall apply to the Company as of the date of listing the Company's shares on the Saudi stock exchange.