



# BOARD AUDIT COMMITTEE CHARTER

January 2016

Version 1.0

## Contents

<b>Glossary.....</b>	<b>1</b>
<b>Board Audit Committee.....</b>	<b>2</b>
1. Purpose and Mission.....	2
2. Scope of Authority.....	2
3. Membership and Term.....	3
4. Secretary.....	3
5. Quorum.....	4
6. Meetings.....	4
7. Responsibilities.....	6
8. Responsibilities of the Internal Audit and Management in supporting the Committee.....	10
9. Committee's Performance Assessment.....	10
10. Confidentiality.....	10
11. Disclosure.....	11
12. Amendments to the Charter.....	11



## **Glossary**

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<b>Term</b>	<b>Definition</b>
The Company or Mushrif	Mushrif Trading and Contracting Company
AGM	Annual General Meeting
The Chairman	Chairman of the Board of Directors
BOD or the "Board"	Board of Directors
BAC	Board Audit Committee
The Charter	Board Audit Committee Charter

## **Board Audit Committee**

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### **1. Purpose and Mission**

The Board Audit Committee (hereinafter the “Committee” or the “BAC”) is a committee of the Board of Directors (the “Board” or the “BOD”) of Mushrif Trading and Contracting Company (“Mushrif” or “the Company”) responsible for assisting the Board in fulfilling its responsibilities relating to oversee the quality and integrity of the accounting, auditing, internal control, financial reporting practices and review the effectiveness of the Company’s risk management framework and corporate governance framework as well as the Company ’s relationship with its external auditors.

This charter has been prepared in line with the CMA regulations related to Corporate Governance and other related regulatory requirements and is considered as part of the Company’s Corporate Governance Framework.

Wherever the provisions of this charter contradict with any newly issued statutory or regulatory requirements, the statutory and regulatory requirements will take precedence over the provisions of this charter till the charter is properly updated and approved.

### **2. Scope of Authority**

The Board authorizes the Committee within the scope of its responsibilities to:

1. Perform activities within the scope of its Charter.
2. Investigate any activity within its Charter and in the context of investigation.
3. The Committee, in performing its functions, may as appropriate have unrestricted access to Company records and any other documents, reports, material or information in the possession of any employee or external advisor of the Company.
4. The Committee may outsource an independent party for consultation at the Company’s expense with prior approval of the board.
5. Meet with Company officers, internal and external auditors, or external counsels, whenever required.

### **3. Membership and Term**

1. The Committee shall consist of 3 non-executive members, one of them at least should be an independent member. The Chairman of the Board cannot be a member of the BAC.
2. At least one of the members of the Committee should have educational qualifications and/or hands on experience or certificate in financial and accounting areas. The committee is allowed to resolve to external parties for assistance based on board's approval.
3. The membership will run concurrently with the term spent on the Board and will be for a period of three (3) years that can be renewed as long as the member is still a member of the Board.
4. The members of the committee shall not be absent two consecutive meetings. Where this happens, the Board shall be notified and action might be taken accordingly.
5. The committee is compensated according to the Company's Remuneration Policy.

#### 4. Secretary

1. The Board Secretary may be nominated as the Committee Secretary. If not, the Secretary shall be appointed by the Committee.
2. The Secretary of the Committee shall fulfill the following responsibilities:
  - Prepare and issue meeting invitations and agendas;
  - Prepare and submit for approval the contents of the agenda for all meetings of the Committee, which are convened; and
  - Prepare the minutes of each meeting held by the Committee and maintain for future reference.
3. In the absence of the Secretary, the Committee Chairman shall appoint another member or any of the attendees, to take the role of the Secretary during the meeting.

#### 5. Quorum

1. Only members of the Committee and the Committee Secretary shall be entitled to attend Committee meetings. However, members of management or

representatives and other specialists may be invited to attend meetings upon request of the Committee.

2. The quorum necessary for Committee meetings shall be two members (majority of members).
3. A duly convened meeting of the Committee at which a quorum is present, shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee as specifically delegated by the Board.
4. The Committee Secretary will record the attendance of the members in every meeting.
5. The Audit Committee meetings can be held in person or via various means of telecommunication.

## 6. Meetings

### Notice to the meetings, agenda and Frequency of Meetings

1. The Committee shall meet four times a year, at least once every quarter (to coincide with key dates in the Company's financial reporting cycle), when necessary, or upon the request of the Committee's Chairman or the other two members or other related parties.
2. The Head of Internal Audit and The External auditors may request a meeting with the Committee through a request to the Committee Chairman any time during the year without the presence of Executive Management.
3. The Committee Secretary should coordinate with the Committee Chairman and members shall decide the timing of the meetings.
4. It is the responsibility of the Secretary of the Committee to schedule and call all meetings of the Committee and provide the Committee with a written agenda for all meetings along with the meeting information pack at least three working days before the meeting.
5. The Secretary of the Committee shall prepare the agenda based on the direction of the Committee Chairman. Committee members and Internal Audit Manager (if needed) shall be consulted if they like to add additional items to the agenda.
6. During the absence of the Committee Chairman, members shall elect one of themselves to act as the Chairman for the meeting.
7. The Committee has to hold periodic meetings with external auditors and 4 annual meetings at least with the Internal Audit Manager.

### Attendees

The Committee has the authority to invite any member of the Executive Management, internal or external auditor or any other party as deemed necessary. The Committee shall hold public or private meetings with attendees to perform its duties.

#### Conflict of Interest

1. In case of a potential conflict of interest is identified, the respective member shall inform the Chairman as soon as the member is aware of this potential conflict and should not participate in the Committee's deliberations and resolution on the matter concerned.
2. All conflict of interest incidences should be reported in the minutes of meeting and shall be tracked to be presented to the Board.
3. Committee members follow the Company's policy related to Conflict of Interest.
4. In the event of any conflict between the Committee's recommendations and decisions of the Board of Directors, including when the board rejects the recommendations of the Committee with respect to internal or external auditors, the board should include a detailed statement in the corporate governance report which clearly details such recommendations and the reason(s) for the board's decision not to follow such recommendations.

#### Minutes of Meetings

1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
2. The meeting minutes shall be signed by all members who have attended the meeting and should be made available prior to the following meeting.
3. Minutes of the Committee meetings shall be circulated promptly to all members of the Committee and, once signed, to all members of the Board.
4. The Committee will maintain written minutes of its meetings, along with a table tracking the Committee's decisions which will be filed with the minutes of the meetings. These minutes should be made available for regulatory inspectors and authorized persons.
5. Copies of the resolutions will be maintained at the Company's Head Office and will be circulated to the concerned management to take necessary action.

#### Annual General Meeting

The Committee members are encouraged to attend the Annual General Assembly Meeting to respond to shareholders queries.

## 7. Responsibilities

### Internal Control

1. Asses the level of adequacy and effectiveness of internal control systems implemented within the Company and prepare reports containing the Committees' input, opinion and recommendations to be presented to the Board, including (1) Information Security, (2) Accounting and Financial Controls (3) The effectiveness of the Company's framework to monitor and manage risks, (3) The effectiveness of the Company's Corporate Governance Framework, and (4) The Company's legal and ethical compliance programs as well as appointing external consultants if deemed necessary.
2. Obtain assurance from management, internal auditors and external auditors on whether the Company's financial and operating controls are adequate and functioning effectively, including measures take to mitigate fraud and illegal acts, safeguard the Company's assets, identify deficiencies in internal control or other similar areas.
3. Understand the scope of internal and external auditors' review of internal control over financial reports and obtain reports on significant findings and recommendations, together with management's responses.
4. Review reports issued by regulators and ensure that necessary actions were taken.

### Internal Audit

1. Technical supervision over the internal audit department in the Company to monitor its effectiveness in doing its duties assigned by the board.
2. Review and approve the charter, Internal Audit methodology , risk-based audit plans suggested by the internal auditor, activities, staffing and organizational structure of the Company's Internal Audit function and provide comments.
3. Ensure the adequacy of the scope of Internal Audit to provide assurance about the effectiveness of the Internal Control, Risk Management and Governance framework of the Company.



4. Establish internal audit function, and Review and approve the appointment, replacement, relocation, dismissal and performance evaluation of Internal Audit Manager and employees at supervisory level within the Internal Audit Department.
5. Monitor the independence of the Audit Manager and that he/ she has direct access to the Chairman of the Board and the Committee
6. On a regular basis, at least four (4) times, meet with the Internal Audit Manager to discuss any matters that the Committee or Internal Audit believe should be discussed.
7. Review the internal audit results and ensure appropriate action is taken in regards to the reported findings.
8. Ensure that concerned departments allow proper access to all information, records, etc. sought for and required by internal auditors during the performance of their formal duties is/are made available to them by management in an unhindered manner. Report findings to the Board with recommendations and advice.

#### External Audit

1. Recommend to the Board of Directors the appointment, re-appointment or change of the external auditor including setting their compensation and reviewing their appointment letter. Wherein the general assembly appoints the external auditor upon the Board's recommendation with the following requirements met:
  - The external auditor is a licensed auditor by the CMA and has fully met all registration requirements stated by the CMA.
  - The external auditor is independent from the Company and from the Board and no additional work other than external audit related is performed which may affect neutrality and independence.
2. The Committee shall discuss opinions with the External auditor before submitting financial statements to the Board of Directors to agree on accordingly. The auditor shall attend the annual general assembly meeting to present the report prepared to shareholders explaining any obstacles or interruptions faced by the auditor and caused by the board during the course of

their work. The external auditor should also raise any significant violations or obstacles in detail to the CMA.

3. Ensure the audit efforts of both internal and external parties are coordinated as part of the external auditors approach and discuss the effectiveness of audit performed in accordance with International Auditing Standards, IFRS and other applicable regulations.
4. Review the observations of external auditors on the financial statements and follow up on actions taken accordingly.
5. On a regular basis, meet with the external auditors to discuss any matters that the Committee or auditors believe should be discussed.

#### **Budgeting and Financial Reporting**

1. Review significant accounting and reporting issues, including complex or unusual transactions, highly judgmental areas and recent professional or regulatory pronouncements, proposed transactions with related parties and understand their impact on the financial statements of the Company including all subsidiaries and related entities (if any) falling under any jurisdiction inside or outside Kuwait.
2. Review the periodic financial statements (annually, semi-annually and quarterly reports) prior to submission to the related authorities. Also, consider whether they are accurate, valid, complete, and consistent with the information known to committee members and reflect appropriate accounting standards and principles prior to proposing it to the BOD and provide recommendations to the board to ensure integrity and transparency of financial statements.
3. Review the approved accounting policies and provide recommendations to the board and ensure that the financial statements and reports are in compliance with accounting policies and practices determined by the regulatory bodies and with disclosure rules and any other requirements relating to the preparation of financial reports.
4. Understand how management develops financial statements.
5. Review any legal matters that could significantly impact the financial position of the Company.
6. Ensure that a proper budgeting process is in place and review the Company's annual budget including capital, manpower, variance analysis and provide recommendations to the board by receiving periodical reports/ analysis

related to Company's actual financial performance and compare against the approved budget to allocate variances.

**Other Responsibilities**

1. Review proposed transactions with related parties and provide recommendations for BOD on such transactions.
2. Any other investigations assignments delegated by BOD.
3. Ensure compliance with regulations and related policies, guidelines or instructions.

**Presenting Reports**

1. Regularly report to the BOD about committee activities, issues and related recommendations. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its ambit where action or improvement is needed.
  2. Report to the Board on issues of integrity of financial statements, compliance matters and significant audit issues and recommendations.
  3. Assign an independent party to assess and review the effectiveness of the internal control system on an annual basis and prepare an annual Internal Control Report (ICR) to be submitted to the CMA. Additionally, assign another party to review and assess the performance of the internal audit function periodically (every 3 years) and provide the Board with a copy of the report.
- 8. Responsibilities of the Internal Audit and Management in supporting the Committee**
1. The Management and Internal Audit Function shall ensure that all information required for the Committee to discharge its responsibilities is provided to the Committee in a timely manner (as requested by the Committee).
  2. The Management and Internal Audit Function will also ensure that matters of material concern that are relevant to the Committee's responsibilities are brought to the attention of the Committee promptly.
  3. The Internal Audit Function shall ensure that internal audit reports are executed and submitted for discussion with the Committee in a timely manner and in accordance with the Company's approved internal audit plan.
  4. The Internal Audit Function should also highlight to the Committee findings of high risk/ impact (i.e. violations or incompliance with regulatory requirements,

etc.) and findings where no corrective action have been taken for the Committee to be able to take necessary action/ decisions.

#### **9. Committee's Performance Assessment**

The Committee shall conduct an annual self-assessment of its' performance, in coordination with the Board Nomination and Remuneration Committee, to assess the Committee's effectiveness in comparison to responsibilities detailed in this Charter. The results of such assessment shall be reported to the Board upon completion of the assessment process.

#### **10. Confidentiality**

Members of the Committee and other persons who attend the Committee meeting must maintain the confidentiality of all documents they receive, on the contents of deliberations and on all confidential information and classified information of the Company; that are disclosed to them in the course of their work on the Committee.

#### **11. Disclosure**

The membership of the Committee including names and, roles and responsibilities, and a description of its duties and activities during the year shall be disclosed in the Company's Annual Report.

#### **12. Amendments to the Charter**

This Charter would be subject to at least an annual review or whenever the need arise by the Committee in order to:

- Ensure compliance with regulatory requirements.
- Keep abreast of the latest developments in corporate governance practices and standards, both domestic and international.
- Any other required amendments.

Any proposed amendments to the Charter will be recommended to the Board for approval.