

Policy for Selection and Independence of the External Auditor

1.) Policy for Nominating and Selecting the External Auditor:

- The decision-making mechanism regarding the appointment/reappointment of the external auditor in the company is based on the recommendations submitted by the board members and the approval obtained from the general assembly of shareholders.
- It must be ensured that the external auditor is independent and impartial from the company and its board of directors.
- The annual ordinary general assembly appoints the company's external auditor based on the board's proposal, provided that the following is taken into consideration:
 - The appointment of the auditor should be based on a recommendation from the audit committee submitted to the board of directors.
 - The auditor must be one of those registered in the official registry with the authority, fulfilling all conditions outlined in the authority's decision regarding the registration system for auditors.
 - It must be ensured that the external auditor is independent of the company and its board of directors, and that they do not engage in any additional work for the company outside of auditing and reviewing that might affect their neutrality or independence.
 - The auditor should be allowed to discuss their opinions with the audit committee before submitting the annual accounts to the board of directors for a decision.
 - The external auditor should be enabled to attend general assembly meetings and present their report to the shareholders, explaining any obstacles or interventions faced by the board of directors during their work, and the external auditor must report to the authority any significant violations or obstacles along with their details.
- The board of directors or the external auditor must answer the questions posed by the shareholders during the general assembly to the extent that it does not jeopardize the interests of the company.

2.) Criteria for Nominating and Selecting the External Auditor:

The criteria for nominating and selecting an external auditor are governed by the following rules:

1. Compliance with regulatory and licensing requirements:

- The auditor must be registered in the register of practicing auditors at the Ministry of Commerce and Industry, and must have been performing the duties of an auditor for at least five years from the date of registration in category (A) in the mentioned register.
- The auditor must provide proof of registration in the auditors' register in the State of Kuwait, as well as a certificate demonstrating the validity and duration of the license obtained from the Capital Markets Authority.

2. Professional competency standards:

- The external auditor must have a qualified team with sufficient experience appropriate to the company's activities.
- Both the partner and the audit manager, as well as the head of the audit team, must hold any of the professionally recognized auditing certificates within the State of Kuwait, such as CPA, CA, ACCA, or their equivalents.

3. Independence standards:

- The offices nominated to provide external auditing services must have complete independence and must not provide any services other than those authorized for the external auditor in accordance with international standards and relevant laws and regulations.

- The independence of the external auditor must be verified, and the auditor should not have any familial ties, up to the second degree, with any members of the board of directors or the executive management of the company.
- The auditor should not provide consulting services to subsidiaries, the parent company, or any of the group companies that may have a significant impact on the company's financial statements or any consulting services that conflict with the independence and objectivity of the external auditor.
- There should be no significant business or financial relationships between the external auditor and the company or any of the board members or executive management that could affect the independence of the external auditor.
- Commitment not to accept assignments that involve a conflict of interest or compromise the integrity of the profession.

4. Reputation Criteria

- The external auditor must have a good and sound reputation.
- There has been no final ruling against them for any crime involving dishonor or trust or related to money laundering or corruption crimes.

3.) Appointment/reappointment of the external auditor:

- The nomination of the external auditor shall be based on a recommendation from the audit committee submitted to the board of directors. The board of directors will then recommend the appointment of the external auditor to the shareholders. The external auditor is appointed based on the approval of the company's general assembly for both the initial appointment and reappointment.
- The company must notify the authority within a maximum of five working days from the date of the appointment, dismissal, or resignation of the external auditor.
- The audit committee shall evaluate the performance of the external auditor and verify their independence annually.

4.) Rotation/Alternation of the External Auditor:

The company's auditor is changed every four consecutive financial years unless the company is in liquidation. The company may reappoint the auditor after a continuous break of two consecutive years in accordance with the instructions issued by the relevant regulatory authorities.

5.) Related services allowed by the external auditor:

The external auditor is permitted to provide auditing services or services related to auditing. Below is a statement of those services that the external auditor may perform:

- Issuing audit opinions on financial statements.
- Reviewing interim financial statements.
- Advising on accounting policies and financial reporting.
- Reviewing financial regulatory reports.
- Auditing and issuing opinions and reports on information provided by the company upon request from a third party.
- Providing any reports or requirements requested by regulatory authorities from the external auditor.
- Providing a report regarding contracts in which a member of the Board of Directors has a personal interest.

6.) Services that affect the independence and objectivity of the external auditor:

- No additional services should be provided to the company or its subsidiaries other than those required by the auditing profession that may impact on the auditor's independence and neutrality, such as the following:
 - Internal auditing.
 - Designing and implementing financial information systems.
 - Assessing the adequacy and appropriateness of the internal control system of the company or its subsidiaries by the same work team.
 - Maintaining books and records.
 - Administrative tasks.
 - Investment and valuation consultancy.
 - Legal affairs.
 - Secondment/loaning of employees.
 - Any advisory activities that may affect the independence and objectivity of the external auditor.
- Approval must be obtained from the audit committee for any additional work related to the company or its subsidiaries from the external auditor to ensure that such work is allowed under the regulations and relevant laws and does not affect the independence and neutrality of the external auditor.

7.) Meeting with the Audit Committee:

- The external auditor must review the details of his work plan and the results of the audit process with the audit committee, ensuring he is granted full access to all necessary documents to carry out his auditing tasks.
- The external auditor or his representative should periodically meet with the audit committee at the client's invitation before presenting interim and annual financial statements to the board of directors for decision-making or recommendations. He or his representative may meet with the audit committee or the company's board of directors whenever necessary, and the company is obliged to invite the external auditor in this regard.

8.) Meeting with the company's Management:

- The external auditor must inform the company's management, board of directors, or shareholders about any matters of material importance within the scope of the audit and review mission through the auditor's report, such as the company's ability to continue its operations.
- The external auditor must inform the company's management or board of directors about any violations discovered or suspected of non-compliance with applicable laws, regulations, and company bylaws. In the case of significant and material violations, the auditor must also inform the authority simultaneously while notifying the company's management or board about those violations, and they must also inform the company's annual general assembly.