

# Audit Committee Charter

## A. PURPOSE

The main purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities related to the: integrity of the company's financial statements, the company's compliance with legal and regulatory requirements, the independent auditor's qualifications and independence, and the performance of the company's internal audit function and independent auditors.

## B. AUTHORITY

The Committee is empowered to:

1. Supervise the work of the external auditor employed by the organization to conduct the annual audit and follow up on their independence and objectivity.
2. Adopt a set of general guidelines for appointing the external auditors.
3. Resolve any disagreements between management and the external auditor regarding financial reporting.
4. Seek any information that is required from any employee and the management, to the extent it deems necessary or appropriate, to retain legal, accounting or other advisors for advice and assistance. Such advisory services will be obtained by means of Audit Committee resolutions up to the amount of QR 500K; for any advisory services exceeding such amount the Audit Committee must obtain approval of the Board of Directors.
5. Have full access to the Company's records, employees, and internal or external auditors (with or without the presence of management) relevant to the subject matter under review.
6. Meet with external auditors or outside counsel, as necessary.
7. Decide on appointment and dismissal of the Chief Audit Executive, and approve the organizational structure of the Internal Audit department by determining the positions, promotions and remuneration of all the internal audit unit employees after coordinating with the Governance, Remuneration and Nomination Committee in this regard. The Committee shall, without prejudice to the powers and authorities of the Governance, Remuneration and Nomination Committee, review and approve the Internal Audit charter, plans, resource requirements and budget, ensuring consistency and compliance with the Company's Internal Audit methodology and approach and the availability of sufficient resources to execute the Annual Internal Audit Plan..

## C. RESPONSIBILITIES

The Audit Committee will carry out the following responsibilities:

### 1. Financial Reporting Process and External Audit of Financial Statements

- 1.1 Adopt a set of general guidelines for appointing the external auditors and to report to the Board of Directors any matter that, in the opinion of Audit Committee, requires action.
- 1.2 Review the contract for appointing the external auditor, its work plan and any other significant enquiries that he might require from the senior management of the company in respect with the accounting records, financial accounts or control systems and the responses and comments of the executive management.
- 1.3 Supervise and follow up the independence and objectivity of the external auditors and discuss with them about the nature of the audit, its effectiveness and scope according to the International Auditing Standards and International Financial Reporting Standards.

- 1.4 Oversee the accuracy and correctness of the financial statements, annual, semi annual and quarterly reports and review these statements and reports with the concerned personnel who prepared them within a set schedule/time limit in compliance with the stock exchange regulations or any other local regulations. Focus shall be on the following in particular:
  - 1.4.1 Any changes in the accounting policies and the applications/practices relevant to the account;
  - 1.4.2 The aspects subject to discretionary judgments made by senior executive management;
  - 1.4.3 Essential adjustments resulting from audit;
  - 1.4.4 Going concern and continuing business successfully;
  - 1.4.5 Compliance with the accounting standards;
  - 1.4.6 Compliance with rules of listing in the 'market';
  - 1.4.7 Compliance with the disclosure rules and other requirements pertaining to the preparation of the financial reporting.
- 1.5 Ensure external auditor submits a formal written statement delineating all relationships between themselves and the Company.
- 1.6 Coordinate with the Board of Directors and financial controller of the company or the person who undertakes his duties and meeting the external auditors once at least in the year.
- 1.7 Study any significant and extraordinary issues included or will be embedded in the financial reports and accounts and scrutinize any issues raised by the financial controller of the company or the person who undertakes his duties or compliance officer or the external auditors.
- 1.8 Provide the prompt reply to the Board of Directors on inquiries and issues raised in the letters or reports of the external auditors.
- 1.9 Resolve any disagreements between management, the external auditor and/or the internal auditor regarding financial reporting.
- 1.10 Review the financial and accounting policies and procedures.

Ensure coordination between the internal and external auditors, whenever required.

## **2. System of Internal Control**

- 2.1. Review the financial, internal control, and risk management systems.
- 2.2. Discuss the internal control system with the management and ensure that the management performs its duties towards developing effective internal control systems.
- 2.3. Review the findings of the essential investigations in the internal control issues vested by the Board of Directors or initiated by the Audit committee and approved by the Board of Directors.
- 2.4. Review the finance and accounting policies. .
- 2.5. Receive reports from the Chief Audit Executive or Head of Finance on any fraud, whether or not material, that involves Management or other employees who have a significant role in the Company's internal controls.

## **3. Internal Audit Process**

- 3.1. Oversee the work of internal audit unit.
- 3.2. Review with management and the Chief Audit Executive charter, plans, activities, staffing, budget, qualifications, and organizational structure of the internal audit function.
- 3.3. Ensure that internal audit unit has no unjustified restrictions or limitations to access company's data and personnel.
- 3.4. Discuss, when required, the internal control system with Chief Audit Executive.

3.5. Assure and maintain, through the organizational structure of UDC and by other means, the independence of the internal audit process.

3.6. Approve the annual audit plan.

**4. UDC's Processes for Monitoring Compliance with Laws and Regulations and the Ethics Policy, Code of Conduct and Fraud Policy**

4.1. Oversee the Company's compliance with relevant Qatar Exchange (QE) and Qatar Financial Markets Authority (QFMA) regulations.

4.2. Supervise the compliance of the company with the professional conduct rules.

4.3. Ensure that the work rules related to these duties and powers as delegated by the Board of Directors are applied appropriately.

**5. Whistleblower Mechanism**

5.1. Develop rules through which the employees of the company could inform confidentially about their doubts about certain matters that may give rise to suspicion in the financial reports, internal control or any other matter and ensure the existence of appropriate arrangements that allow conducting an independent and fair investigation about these issues. The employee shall be provided with secrecy and protection from any adverse reaction or damage and propose such rules to the Board of Directors to approve them.

5.2. Study any matter identified by the Board of Directors.

**6. Audit Committee Reporting Responsibilities**

6.1. Regularly report to the Board of Directors about all Audit Committee activities, issues, and related recommendations.

6.2. Periodically review and assess the adequacy of the Audit Committee Charter, requesting Board of Directors' approval for proposed changes to this charter, and ensure appropriate disclosure as may be required by law or regulation.

6.3. Provide the prompt reply to the Board of Directors on inquires and issues raised in the letters of the external auditors.

6.4. If requested, submit reports to the Board of Directors on issues stipulated in this Charter.

**7. Comprehensive Communication Responsibility**

7.1. Provide an open avenue of communication between internal audit, the external financial statement auditors, other external auditors, and the Board of Directors.

**D. COMPOSITION**

1. The members of the Audit Committee shall be from time to time appointed by the Board and shall consist of three members at least, majority of them shall be independent Directors. The Audit Committee should include one member at least who has financial experience in the field of audit. In the event that the number of the independent Directors of the Board is insufficient to form the Audit Committee, it is possible for the Company to appoint Directors in the Committee other than independent Directors provided the Chairman of the Committee shall be independent Director.

2. A quorum shall be a simple majority of the Audit Committee members. The Audit committee shall take its decisions by simple majority of t of the Audit Committee members. The Audit Committee can take its decisions by circulation.

3. Any person who is or has been employed by the Company's external auditors within the past 2 years may not be member of the Audit Committee.

## **E. MEETINGS**

1. The Audit Committee will meet as needed and regularly at least once every three months and shall keep minutes of its meetings. Meeting notices will be provided to interested parties in conformance with applicable laws, regulations, customs and practices.
2. The Chief Executive Officer will attend all the meetings of the Committee in order to provide any clarification needed on the discussed items, and he shall have no voting right on any of the Committee's decision.
3. The Committee has the right, through the Chief Executive Officer or directly, to invite any of the executive managers, the Head of Finance, external auditors, internal auditors and/or others to attend meetings and provide pertinent information, as necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials.
4. The Committee shall, when needed, meet without the presence of the Chief Executive Officer.
5. If the Chairman is not present, the Chairman shall nominate his replacement. In case this is not feasible, the Audit Committee members present shall nominate an alternate Chairman who shall be appropriately qualified for the purpose of that specific Audit Committee session.
6. A Committee member may invite an attendee, but will notify the Chairman and other Committee members at least two days in advance. The attendance of any party so invited will be at the sole discretion of the Chairman.
7. A Committee member can request a meeting be held with appropriate notice to other members. The Committee may meet, separately, with each of the Internal Auditors and the External Auditors on an as-requested basis.
8. The Chief Executive Officer, Head of Finance, External Auditors, and Chief Audit Executive shall also have the right to request a meeting if they deem necessary, subject to approval of Audit Committee Chairman.
9. An Audit Committee secretary shall be appointed and record minutes of each meeting.
10. In case of any disputes within the Committee members or difference in interpretation of the Charter's rules then the Board of directors is the ruling authority. The Board of Directors' decision shall be conclusive and final.

**Issued by the Board of Directors of the United Development Company on 24/10/2013**