



2019

Audit Committee Charter

AUDIT COMMITTEE CHARTER | REVIEWED ON FEBRUARY 2019

APPROVED BY: BOARD OF DIRECTORS

RAYA HOLDING FOR FINANCIAL INVESTMENTS



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Audit Committee Charter

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Introduction

The listing requirements of the Egyptian Stock Exchange (EGX) require that listed companies should have an established Audit Committee. The committee shall have a written “Charter” that addresses its significant duties and responsibilities.

Raya Holding for Financial Investments (Herein after “Raya” or “the Company”) Audit Committee has the responsibilities and powers set forth in this charter and it complies with EGX and the Financial Regulatory Authority (FRA) requirements as well as leading practices for corporate governance.

The committee shall take appropriate actions to set overall “Corporate Tone” for quality financial reporting, sound business risk practices and ethical behavior.

The charter is divided into the following sections:

Governance Requirements

Purpose

The purpose of Raya’s Audit Committee is to provide assistance to the Board of Directors in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community and others relating to:

- The integrity of the Company’s financial statements;
- Company’s compliance with legal and regulatory requirements;
- The external auditor’s qualifications and independence; and
- The performance of the Company’s Internal Audit Function and external auditors.

Composition

The Board of Directors shall appoint an Audit Committee (“The Committee”) comprising of at least three non-executive members of the board of directors other than those entrusted with the executive tasks within the Company. It shall continue to function throughout the tenure of the Board of Directors.

The Audit Committee can comprise of members from outside the Company as well who are knowledgeable of the Investments Management industry and have the relevant financial knowledge and expertise required for assuming their responsibility.

The audit committee shall hold a meeting every three months at most. The committee, in performing its activity, may seek the assistance of whomever it chooses, and shall submit its recommendations to the Company’s Board of Directors.

The following attributes should be considered when selecting the Committee members:

Qualifications

- At least one member with accounting or related financial management expertise and all members financially literate, through possession of:
 - An understanding of the fundamental financial statements, including the balance sheet, income statement and cash flow statement;
 - An understanding of the Investment sector’s financial statements’ requirements; and
 - An up-to-date knowledge of issues affecting the Investment sector, and general accounting and auditing developments and / or declarations.

- The Chairperson should possess the following qualities:
 - Leadership experience or Audit Committee membership experience;
 - Appropriate people skills and relationships with others;
 - Proactive in approaching responsibilities and tasks; and
 - Possesses a strong finance, accounting, and/or business background.

- The Chairperson should undertake the following responsibilities:
 - Direct the meetings, prioritize topics, and determine that all important topics are addressed;
 - Meet with management, internal audit, and the external auditors prior to meetings to agree upon the meeting agenda;
 - Obtain brief summary of the presentations prior to the meeting; and
 - Be available for ad hoc meetings with management and external auditors, as needed.

Independence

- Independence promotes objective assessments of the Company and ensures that the members fulfill their objective oversight and are able to hold management accountable to shareholders;
- Ideally, all members should be independent in the sense of not having business and/ or personal relationships with the Company or members of management that might interfere with their judgment;
- Members must act in the best interests of the shareholder body as a whole. Each member relationship to the Company should be thoroughly reviewed to obtain reasonable assurance that:
 - There are no financial arrangements or family relationships with management;
 - There are no significant direct or indirect arrangements with the Company; and
 - Member compensation from the Committee is not a major source of the member's income or net worth.

Rotation

- Changing the composition of the Committee is an effective way to maintain interest and enthusiasm. Rotation should be staggered in order for the Committee to benefit from both continuity and the fresh outlook, knowledge and expertise of new members; and
- A common term of enrollment is 1 to 3 years, with possible reappointment for a second term.

Meetings

- The Audit Committee shall meet upon an invitation of its Chairman, whenever it is necessary, pursuant to a decision of the Board of Directors of the Company, or upon a request of its other two members.

Frequency

- The Audit Committee shall meet at least once every three months;
- External Auditors shall attend Committee Meetings upon invitation from Audit Committee Chairman or at the request of the External Auditor;
- The Audit Committee shall maintain a meeting planner to hold regular ongoing contact with internal and external auditors and management, and to coordinate activities related to overall expectations.

Participants

- A Committee meeting shall be legal where at least two members are attending. The recommendations of the Committee shall be passed by unanimous or majority vote;
- The head of the Internal Audit Division, and the Governance and Compliance division of the Company shall be called to attend the meetings of the Committee, whenever required;
- In addition to the above, other participants are often present (i.e. Management Team Member, Division Head, etc...), by invitation, at meetings.

Agenda

- A detailed written agenda should be prepared for meetings and should be distributed to Committee members in advance to allow consideration of the enclosed papers;
- The Committee should refer to its terms of reference regularly so that the meeting agenda are designed to meet the Committee's objectives; and

- The Audit Committee Chairman shall appoint Audit Committee Secretary who is responsible for meetings coordination and preparation as well as documenting its minutes.

New Member Induction

Depending on all individual level of knowledge about the company and prior audit committee experience, new member should:

- Be provided with sufficient background information and training in order to fulfill their Audit Committee role;
- Begin as soon as the candidate is appointed where the member should meet with the Executive Management to ensure they have an appropriate understanding of the Company, its products and services, areas of risk, its internal control and financial reporting systems, and requirements and objectives of the Audit Committee; and
- Review the terms of reference, minutes of previous meetings and any recent reports made by the Committee to the Board of Directors.

Training Needs

- The Committee members should be provided with continuing education and training. This can be done by management and/ or external auditor.
- The type of continuous training may include:
 - i. Financial and risk management;
 - ii. Accounting and corporate reporting developments; and
 - iii. Developments in wider business sector trends, business politics and corporate governance.

Authority

- The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:
- Recommend to the Board of Directors and to the General Assembly the appointment and compensation along with termination of the external auditor/s to be employed by Raya Holding for Financial Investments.
- Oversee the work of any external auditor/s employed by Raya Holding for Financial Investments.

- Approve the appointment, compensation, removal, or replacement of the audit executive.
- Oversee the operations of the Internal Audit Activity.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all non-audit services to be provided by the external auditor and related fees, whilst preserving their required independence.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees — all of whom are directed to cooperate with the committee's requests — or external parties.
- Meet with company officers, external auditors, or outside counsel, as necessary.

Duties and Responsibilities

The Audit Committee is empowered within its duties and responsibilities for the following:

1. Financial Statements Reporting

- The Committee shall review and discuss the quarterly financial statements, including Management's Discussion and Analysis (MD and A) of Financial Condition and Results of Operations, with management and the independent auditors prior to the filing of the Company's Quarterly Report. Also, the Committee shall discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditors under the Egyptian Auditing Standards or IFRS.
- The Committee shall review and discuss the annual audited financial statements, including MD and A of Financial Condition and Results of Operations, with management and the independent auditors prior to the filing of the Company's Annual Report. The Committee's review of the financial statements shall include:
 - i. Major issues regarding accounting principles and financial statement presentations, including any significant changes in the company's selection or application of accounting principles, and major issues as to the adequacy of the company's internal controls and any specific remedial actions adopted in light of material control deficiencies.

- ii. Discussions with management and the independent auditors regarding significant financial reporting issues and judgments made in connection with the preparation of the financial statements and the reasonableness of those judgments;
 - iii. Consideration of the effect of regulatory accounting initiatives, as well as off-balance sheet structures on the financial statements;
 - iv. Consideration of the judgment of both management and the independent auditors about the quality, not just the acceptability of accounting principles; and
 - v. The clarity of the disclosures in the financial statements. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under professional standards.
- The Committee shall receive and review a report from the independent auditors, prior to the filing of the Company's Annual Report, on all critical accounting policies and practices of the Company; all material alternative treatments of financial information within the Egyptian Accounting Principles that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the independent auditor; and other material written communications between the independent auditors and management.
 - The Committee shall review and discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.
 - The Committee shall review management's assessment of the effectiveness of internal control over financial reporting as of the end of the most recent fiscal year and the independent auditors' report on management's assessment.
 - The Committee shall determine the appropriate funding needed by the Committee for payment of:
 - i. Compensation to the independent audit firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the company;
 - ii. Compensation to any advisers employed by the Committee; and
 - iii. Ordinary administrative expenses of the Committee that is necessary or appropriate in carrying out its duties.

2. Internal Control

- Consider the effectiveness of Raya Holding's internal control system, including information technology security and control.
- Review and discuss with the CEO, CFO and others as appropriate; Raya Holding's internal/disclosure controls and procedures and any material control weaknesses and fraud, if any.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Ensure the adequacy of internal controls over significant business processes or business units.
- Assess the risk of material misstatement and potential risk factors for fraudulent reporting.
- Evaluation of corporate culture and environment (e.g. tone at the top).
- Plan and timetable for required corrective actions related to significant findings from audits.

3. Internal Audit

- The Committee shall discuss with the internal audit Head the overall scope and approve the audit plans, review the results of their work, any changes in the planned scope, and the extent of control testing to be performed.
- Criteria used to establish and prioritize the internal audit plan and its integration with the company's business risk management program.
- The appointment, replacement, reassignment, or dismissal of the internal audit head, including the direct reporting to the audit committee. The committee shall also conduct the annual appraisal of the internal audit head.
- Planned scope of audits and timely interim reviews, as well as coordination of internal and independent auditor activities.
- Review the quality and experience of internal auditors as well as their objectivity. The committee also considers the adequacy of staffing and compensation with a focus on staff quality and continuity.
- Review the Internal Audit function Charter.

- The Committee shall discuss with management and the internal auditors the adequacy and effectiveness of internal control over financial reporting, including any significant deficiencies or material weaknesses identified by management of the Company in connection with its approved policies and procedures. In addition, the Committee shall discuss with management and the internal auditors any significant changes in internal control over financial reporting that are disclosed, or considered for disclosures.

4. External Audit

- The Committee shall be directly responsible for the appointment, compensation, retention, and oversight of the work of the independent auditors (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the listed issuer, and the independent auditors must report directly to the Committee.
- At least annually, the Committee shall obtain and review a report by the independent auditors describing:
 - i. The firm's internal quality control procedure;
 - ii. Any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and
 - iii. All relationships between the independent auditors and the Company (to assess the auditors' independence).
- After reviewing the foregoing report and the independent auditors' work throughout the year, the Committee shall evaluate the auditors' qualifications, performance and independence. Such evaluation should include the review and evaluation of the lead partner of the independent auditors and take into account the opinions of management and the Company's personnel responsible for the internal audit function.
- The Committee shall pre-approve all audit and non-audit services provided by the independent auditors and shall not engage the independent auditors to perform non-audit services prohibited by laws or regulations. The Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any Committee member to whom pre-approval authority is delegated must be presented to the full Committee at its next scheduled meeting.

- The Committee shall regularly review with the independent auditors any audit problems or difficulties encountered during the course of the audit work, including any restrictions on the scope of the independent auditors' activities or access to requested information, and management's response. The Committee should review any accounting adjustments that were noted or proposed by the auditors but were "passed" (as immaterial or otherwise); and any "management" or "internal control" letter issued, or proposed to be issued, by the audit firm to the Company.

5. Compliance

- The Committee shall review and approve all related party transactions.
- The Committee shall review the Company's compliance systems with respect to legal and regulatory requirements and review the Company's code of conduct and programs to monitor compliance with such programs. The Committee shall receive corporate legal reports of evidence of a material violation of securities laws or other regulatory requirements.
- The Committee shall discuss the Company's policies with respect to risk assessment and risk management, including the risk of fraud. The Committee also shall discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- The Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- The Committee shall review the process for communicating the code of conduct to Company personnel, and for monitoring compliance therewith.

In addition to the above topics, Audit Committees that have been delegated responsibility for business risk and compliance matters by the Board of Directors may consider the following topics for quarterly discussion.

- Processes to identify, monitor, evaluate, and address enterprise-wide business risks.
- Review and assessment of emerging business risks areas that may require the audit Committee's attention (e.g., e-business, new ventures, new information systems, security).
- Program established to monitor compliance with the Company's code of conduct.

- Conflicts of interest or other violations of the code of conduct reported and how they were resolved.
- New or emerging business and industry trends and developments (e.g., status of competition, margins, customer demand, product obsolescence).
- An update on current risks faced by the Company such as those related to litigation, insurance, operational, and environmental risks.
- Information on the security, privacy, confidentiality, and reliability of information and the supporting systems.
- Access to capital markets and financial position relative to competition.

6. Reporting Responsibility

- The Committee shall regularly report to the Board of Directors (at least quarterly) about its activities, issues, and related recommendations. Considering complying with the “recommendations’ reporting due dates” and procedures dictated by the regulatory authorities.
- Assure that the board of directors has received a report from an independent consultant regarding executed agreements and transactions with related parties, along with their related impacts over the company and its shareholders.
- The Committee shall provide an open avenue of communication between the Internal Audit, the External Auditors, and the Board of Directors.
- The Committee shall report annually to the shareholders, describing the Committee’s composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Ensuring that the company adheres to the recommendations of the auditor and the Financial Regulatory Authority (FRA).
- The board required to adopt the audit committee’s recommendations within 15 days of receiving notice of such recommendations. If the board does not follow the recommendations, the Chairman of the audit committee must notify both the FRA and the EGX.

7. Other Responsibilities

- The Perform other activities related to this charter as requested by the board of directors.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Review and discuss with management, the internal auditors, and the independent auditors the company's policies with respect to risk assessment and risk management, control, and governance.

Internal Audit Charter

Internal Audit Charter	Issue No. 02	
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Purpose

- Internal Audit Activity is to provide an independent objective assurance and consulting activity designed to add value and improve Raya Holding’s operations. The function helps Raya Holding accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- The purpose of the internal audit Activity is to provide the Audit Committee and the Chief Executive Officer (CEO) an independent appraisal of the adequacy and the effectiveness of Raya’s systems of internal administrative and accounting controls and the quality of performance when compared with the established standards. The primary objective is to assist the audit committee, the executive officer and Raya Holding’s executive management in the effective discharge of their responsibilities.

Authorization and Independence

- The Internal Audit Activity is established by the board of directors, and its responsibilities are defined in this charter which is approved by the audit committee of the board of directors. The Audit Executive (Director of the Internal Audit) reports functionally to the audit committee of the board of directors and administratively to the executive officer.
- The approval of the audit committee is required for the hiring, compensation, removal, or replacement of the Chief Audit Executive (CAE). It is the policy of the audit committee to devote a portion of each of its meetings to an executive session at which only the CAE is present.

- Authorization is granted for full and complete access to any of Raya Holding's records (either manual or electronic), physical properties, and personnel relevant to an audit engagement. Documents and information given to Internal Auditors during a periodic review will be handled in the same prudent manner as by those employees normally accountable for them.
- All employees shall cooperate fully in making available any material or information requested by an auditor. Further, all employees are expected to bring to the attention of the CEO & CAE any suspected situation involving improper activity or noncompliance with applicable policies, plans, procedures, laws, or regulations of which they have knowledge.
- The Internal Audit Activity has complete independence with respect to the units under audit and, consequently, is not subject to restriction in the scope of its work by operating unit or staff management. Further, corporate management does not place any restrictions on the scope of the audits. However, it is recognized that corporate management and the audit committee provide general direction as to the scope of work and the activities to be audited, and may request the Internal Audit Activity to carry out special reviews or audits.
- The CAE is authorized to obtain the necessary assistance of personnel in units of Raya Holding where they perform audits, as well as other specialized services from within or outside Raya Holding.
- The CAE and staff of the Internal Audit Activity are not authorized to perform any operational duties for Raya Holding or its affiliates / subsidiaries, Initiate or approve accounting transactions external to the Internal Audit Activity, and Direct the activities of any organization employee not employed by the Internal Audit Activity except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist the Internal Auditors.
- Only personnel assigned to the Internal Auditing Activity will be referred to as *Internal Auditors*, and only their work will be referred to as *Internal Audit activities*. Others performing work involving normal review and verification of various aspects of the enterprise's operations will not be referred to as auditors, and their work will not be referred to as audit activities.

Responsibilities and Scope

- Review the adequacy and effectiveness of management's processes for risk management, internal control, and governance, along with reviewing the quality of performance in carrying out assigned responsibilities.

- The audit executive should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.
- Perform assurance and consulting services that would encompass the design/development of new business and computer systems. Consulting services are performed beyond internal auditing's assurance services, to assist management in meeting its objectives. For each consulting engagement, Audit Activity establish an understanding with management about objectives, scope, responsibilities, and other expectations. In performing consulting engagements, audit Activity ensure that scope of the engagement is sufficient to address the agreed-upon objectives, otherwise to be discussed with management to determine whether to continue with the engagement.
- The audit executive establishes and communicate to senior management and the board a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.
- Periodically report audit findings and status of corrective action to the audit committee of the board of directors.
- Annually review the Internal Audit charter, modify as appropriate, and submit to audit committee for approval.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.
- Conduct special examinations at the request of management or the audit committee of the board of directors.
- Internal Auditors have no direct responsibility or any authority over any of the activities or operations that they review. They should not develop and install procedures, prepare records, or engage in activities that would normally be reviewed by Internal Auditors.
- Many specialized activities of the company can be more effectively reviewed by other than the Internal Activity. However, it will remain the responsibility of auditing to review and report on any matters of deficiency that may come to their attention in these specialized areas during the course of their regular audit coverage.
- Operating management is responsible for corrective action on reported weaknesses. The corrective action plans as agreed with Internal Auditing are to be submitted within 5 working days of first report and should include acknowledgement of the issue, corrective action plans, and

completion dates. Internal Auditors will periodically review progress and provide executive management and the audit committee with status reports.

- If management response to any audit finding is not considered adequate, Internal Audit personnel shall consult with the management of the function being audited and attempt to reach a mutually agreeable resolution. If an agreement is not reached, Internal Audit management shall pursue the matter through channels to appropriate members of management for resolution. The status of unresolved items shall be reported to the audit committee.
- The audit executive is responsible for ensuring that all Internal Audit activities are carried out in conformity with Raya Holding’s Standards that are guided by the International Standards for the Professional Practice of Internal Auditing. Indicating that the internal audit activity conforms to the Standards is appropriate only if supported by the results of the quality assurance and improvement program that meet the standard requirements.
- When nonconformance with the Code of Ethics or the Standards affects the overall scope or operation of the internal audit activity, the audit executive must disclose the nonconformance and the impact to senior management and the board.

Approval

Version	Prepared by	Reviewed by	Approved by	Review Date
2.1	Ahmed N. Hassan	Medhat Khalil, Chairman and CEO	Board of Directors	Feb 2019