اسمنت أم القرى
Umm Al Qura Cement

Audit Committee Report

To the Ordinary General Assembly

For the fiscal year ending on December 31, 2022

Umm Al Qura Cement Company

Saudi Joint Stock Company شركة مساهمة سعودية
السعودية الرياض س.ت ١٠١٠٣٨٢٥١٤ رقم العضوية ٣٨٨٣١ ص.ب ١٠١٨٢ الرقم البريدي ١١٤٣٣ هاتف ٠١١٤٨٧٤٤٧٧ فاكس ٠١١٤٨٧٤٤٣٦
Riyadh, Saudi Arabia C.R. 1010382514 C.M 38831 P.O.Box 10182 Riyadh 11433 Tel 0114874477 Fax 0114874436
www.uacc.com.sa | info@uacc.com.sa

Introduction:

In compliance with article (104) of the Companies Law, the audit committee of the Umm Al Qura Cement Company (UACC) is pleased to present its annual report about the adequacy of the internal control regulation and the works carried out by the committee for the financial year 2022 to the board of directors of the company and shareholders of the company at the meeting of the annual general assembly in accordance with paragraph (a) of article 91 of corporate governance regulations issued by Capital Market.

Composition of the AC Committee:

On 28 April 2021, the Ordinary General Assembly approved the formation of the Audit Committee and determined Audit Committee members' responsibilities, scope of work and rewards. The Audit Committee term started since July 04, 2021, for the period of three years ending on July 03, 2024.

The current committee is composed of three independent non-executive members and conduct its duties in line with the approved Audit Committee Charter.

The committee is currently composed of the following members:

01 **Mr. Yousef Alsohibani**
Chairman of the Audit Committee, independent member from outside of the board

02 **Mr. Fawaz Hamad Alfawaz**
Independent member of the Audit Committee, from the outside of the board

03 **Mr. Saud Mohamed Alsabhan**
Independent member of the Audit Committee, member of the Board of Directors

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The works of the committee during 2022:

1. Financial Reporting

The Audit Committee reviewed the quarterly & annual financial statements for the year 2022. The results and clarifications were discussed with the external auditors and the executive management, and their recommendations were submitted to the board of directors to consider their approval. Major areas were;

a) Discussed the financial statements, financial & accounting policy with management.
b) Examined the cement mill interruption's impact on revenue, and its disclosure in the financial statements and on the Saudi Stock Exchange.

2. External Audit

a) Assessed and ensured Independence & objectivity of external auditors (RSM) during review of UACC financial statements.
b) Discussed the key audit matters and reviewed / audited financial statements with the external auditor (RSM).
c) Recommended two audit firms to the Board of Directors to be approved by the General Assembly.

3. Internal Audit

a) The Audit Committee reviewed internal audit reports during the year 2022 and discussed the Executive management on audit findings & remediation measures as per the internal audit plan.

b) The Audit Committee reviewed and ensured functional reporting of internal audit to the Audit Committee to maintain independence & objectivity.

c) The Audit Committee reviewed internal audit root cause analysis report of cement mill # 1 interruption.

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4. Governance Review

The Audit Committee of the Umm Al Qura Cement Company carried out the several tasks in 2022 to fulfill its obligations under governance including review of the corporate governance framework, policies & procedures, bylaws, and implementation of the policies & procedures.

Opinion of the Committee on the Adequacy and Effectiveness of internal controls & Risk Management System:

The Audit Committee concluded that the company's internal control system and risk management system are reasonably adequate and effective in general. However, it needs development and improvement in several areas to keep pace with the size and nature of the company's business. The Audit Committee discussed the observations reached through internal and external audits with the executive management and reviewed the corrective measures plan to mitigate risks and internal controls. The Audit Committee would follow up on the implementation of the corrective actions plan during the year 2023.

Audit Committee Member	**Audit Committee Member**	**Chairman Audit Committee**
Fawaz Hamad Alfawaz,	Saud Mohamed Alsabhan,	Mr. Yousef Alsohibani,
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