



لوبريف
luberef



Audit Committee Report 2023



Dear Shareholders,

I am pleased to present my report for the year ending in December 31, 2023. This report highlights the Committee's dedicated efforts, focusing on ensuring the integrity and transparency of our financial reporting.

Throughout the year, we scrutinized financial statements, internal controls, and compliance matters. Additionally, the Committee collaborated with the Board to assess emerging risks and provided guidance on risk management strategies.

The committee oversees internal audit activities ensuring objectivity, independence and effectiveness. It prioritizes the enhancement of internal audit strategy and procedures to strengthen governance and control processes.

In response to the dynamic cybersecurity landscape, we closely collaborated with management to evaluate and strengthen the cybersecurity framework, mitigate risks, and enhance resilience against potential threats.

The committee maintained a watchful eye on the external auditor relationship, overseeing matters related to their appointment, remuneration, performance, and independence.

Looking ahead to 2024, our key priorities include:

- Maintaining oversight over internal audit, external auditor, risk management and internal control processes.
- Advance the maturity level of compliance and cybersecurity functions.
- Overseeing the Implementation of Internal Audit continues improvement program.

I trust that this report offers valuable insights into the committee's operations and activities throughout the year.

Dr. Khalid Dawood Y. Al-Faddagh
Chairman of the Audit Committee

Committee Membership

Saudi Aramco Base Oil Company ("Luberef" or the "Company") has an Audit Committee, which was formed by the General Assembly. The Audit Committee is composed of three members, who were appointed on 09/02/144H (corresponding to September 5, 2022).

The Audit Committee consists of the following serving members:



Khalid Dawood Y. Al-Faddagh
Chairman



Abdulatif Saleh A. Al-Shami
Member



Mohammed Faiz S. Al-Ahmari
Member

Oversight Responsibilities

The Audit Committee is an independent committee of the Board of Directors who exercise oversight and monitor Company's activities to ensure the integrity and effectiveness of the reports, financial statements and internal control systems. The Audit Committee carries out its duties in accordance with its charter and the applicable regulatory requirements, which including by way of example the following duties which the committee carried out during the fiscal year 2023:

- Endorsed interim financials on behalf of the Board of Directors.
- Reviewed annual financial statements to ensure their integrity, fairness and transparency.
- Examined the accounting estimates in respect of significant matters that are contained in the financial reports.
- Examined the financial and accounting policies adopted by the Company.
- Supervised and monitored the performance of the internal audit function, to ensure the availability of the necessary resources and verifying its effectiveness in carrying out its duties and responsibilities.
- Recommended to the Board regarding the appointment or dismissal of external auditors and determining their fees, after assessing their performance, independence, scope of work, and terms of engagement.
- Reviewed the external auditor's plan and work to ensure that they do not provide any technical or administrative work that are beyond its scope of work.
- Studied the external auditor's reports and its observations on the financial statements and following up on the actions taken in this respect.
- Reviewed major risks identified by management, and associated response plans.

Committee Meetings

The Committee met six times during the year and attendance at these meetings below:

The President & Chief Executive Officer, the Chief Financial Officer, the General Auditor and Committee Secretary, as well as representatives of the external auditor are invited to attend meetings of the Committee. When required, other key executives and senior management are invited to attend to present and provide deeper insight on various topics as are required by the Committee to discharge its duties.

The General Auditor and the external auditor had direct access to the Committee Chairman and met with the Committee, without other Executive Management being present, in order to provide additional opportunity for open dialogue and feedback.

After each Committee meeting, the Chairman of the Committee reported to the Board on the key issues.

Risk Management

In 2023, a significant progress was made to redefine the risk management program to align with industry best practices. Furthermore, this refinement was empowered by the Operational Excellence program, which provided a detailed review and subsequent improvements to risk management process.

Internal Audit

The Audit Committee is responsible for monitoring and reviewing the operation and effectiveness of Internal Audit function including its focus, plans, activities and resources. To fulfil these duties the Committee:

- Analyzed and reviewed internal audit's regular reports and the results of special investigations and following up on the implementation of corrective actions.
- Examined and reviewed internal and financial control systems and risk management system.
- Endorsed the revised Internal Audit strategy to ensure internal audit function remains effective and adds value to the organization.
- Endorsed audit follow-ups and escalation procedures to ensure timely attendance of audit recommendations.
- Overseen the Internal Audit Department quality assurance and improvement programs.
- Approved the annual audit plan for 2024, internal audit budget and resource plan.

Compliance

During the year, the Audit Committee overseen the progress made to compliance framework and ongoing efforts to adopted parent company's global compliance program. In addition, the services of external compliance advisor were obtained to enhance the current compliance program.

Cybersecurity

The Audit Committee has been actively engaged in overseeing the cybersecurity landscape ensuring robust measures to safeguard digital assets and maintain operational integrity. Below is a summary of cybersecurity activities:

- Conducted a comprehensive risk assessment, prioritizing and addressing cybersecurity risk in collaboration with management.
- Conducted several awareness and training sessions for employees to foster a cyber-resilience culture.
- Strengthen the security posture of Cloud, achieving multi-cloud environment security.
- Enhanced incident response plan to ensure swift and effective responses to operational cyber incidents.
- Expanded Security Scorecards to include other stakeholders, ensuring the same high standards across our workforce.
- Enhanced security toolset in the areas of endpoint protection, access management, patch management, vulnerability scanning, sand boxing, threat Intelligent feeds, email security and security monitoring.
- Architected a Global Network Security, which establishes a standardized network security design and enables faster application onboarding for critical cloud applications.

External Auditors

Our collaboration with the external auditor remains steadfast in promoting transparency and accountability. The committee ensured external auditor independency and overseen for implementing appropriate safeguards. Prior to the finalization of the 2023 Financial Statements, the Audit Committee received a detailed presentation and final report from PwC. In assessing the effectiveness of the external auditor, the Audit Committee also considered the following:

- Quality of presentations to the Board and Audit Committee;
- Key audit findings, including their robustness and perceptiveness in handling of key accounting and audit judgements; and
- Their understanding of Luberef's business and key risks.

On the basis of the above the Committee is satisfied with the effectiveness of the external auditor.

Audit Committee Opinion

The internal control procedures and policies were prepared on sound basis by Luberef. In addition, Luberef has ensured that sound financial and operational systems and appropriate control systems for the management of potential risks are in place.

Based on the reports of the Executive Management and the external auditor, as well as the Internal Audit's; and considering the matters discussed with the external auditor, General Auditor and the Executive Management in relation to the adequacy and effectiveness of the internal control systems; the Committee hasn't identified any matters of significant impact to be stated in this report.

The Audit Committee is of the opinion that Luberef's Executive Management has maintained an effective internal control, financial and risk management systems capable of providing reasonable assurances; and that the audits outcome together with the Audit Committee meeting discussions, have all provided reasonable grounds for formulating this opinion.