

**Detailed Audit Committee Report for
the year ended 31/12/2023**

Date: 23/01/2024

Dear Shareholders of Eastern Province Cement Company

May the peace, blessings, and mercy of God be upon you

The Audit Committee is pleased to present to the shareholders of the Eastern Province Cement Company its annual report on the details of its performance of its competence and tasks, its opinion on the adequacy of internal and financial control systems and risk management in the company, and the Committee's observations for the financial year ended 31/12/2023, and the following are the details of the report:

Objectives and Competence of the Audit Committee

The Audit Committee aims to verify the adequacy of the internal control system and its effective implementation and to submit any recommendations to the Board of Directors that would activate and develop the system in order to achieve the company's purposes and protect the interests of shareholders and investors with high efficiency and reasonable cost, to assist the Board of Directors in implementing its responsibilities related to internal control, accounting policies and financial reports and to support the independence and objectivity of internal and external audit.

Composition of the Audit Committee and Number of Meetings:

Upon the proposal of the Company's Board of Directors, the Ordinary General Assembly formed an Audit Committee consisting of five non-executive board members, three independent board members and a fifth independent member from outside the board of directors, namely:

1)	Mr. Ibrahim bin Salem Al-Ruwais	(Board Member - Non-Executive)	Chairman of the Committee
2)	Mr. Waleed Mohammed Al-Jaafari	(Board Member - Independent)	Committee Member
3)	Mr. Abdulaziz bin Abdul Rahman Al-Khanin	(Board Member - Independent)	Committee Member
4)	Mr. Majid bin Saleh Al-Rajhi	(Board Member - Independent)	Committee Member
5)	Dr. Jassim bin Shaheen Al-Rumaihi	(Independent non-Board Member)	Committee Member

During 2023, the Committee held five meetings in accordance with the Committee's approved plan and compatible with the Corporate Governance Regulations.

Functions and Responsibilities of the Audit Committee:

The Audit Committee shall perform its duties in accordance with the scope of work set forth in the Corporate Governance Regulations prepared in accordance with the Corporate Governance Regulations issued by the Board of the Capital Market Authority. In general, the Audit Committee is responsible for monitoring the company's business and verifying the integrity and integrity of the financial reports and statements and its internal control systems, and the committee has the right to access the company's records and documents, in order to perform its duties.

In particular, the functions of the Committee include :

First: With regard to financial reports:

- 1) Study the interim and annual financial statements, the company's financial statements and announcements related to its financial performance and express its opinion before presenting them to the Board of Directors, to ensure their integrity, fairness and transparency, and that they include information that allows shareholders and investors to evaluate the company's financial position, performance, business model, and strategy. To this end, the Audit Committee studied the interim and annual financial statements, financial statements and declarations related to the company's financial performance for year 2023 and expressed its opinion and recommendation thereon to the Board of Directors.
- 2) Study any important or unusual issues contained in the financial reports and accounts, and carefully research any issues raised by the company's financial director, his assume, or the auditor. For this purpose, the Committee studied and reviewed the memorandum submitted by the Executive Management related to the exclusion of fixed assets from the Company's asset register after exhausting their estimated life in accordance with the requirements of International Accounting Standard No. (16) and the approved financial regulations, and the Committee submitted its recommendation in this regard to the Board of Directors.
- 3) Verifying the accounting estimates in the material matters contained in the financial reports, and for this purpose, the Committee studied and reviewed the memorandum of the Executive Management regarding the request for an increase and composition of some allocations and the Committee submitted its recommendations to the Board of Directors as follows:
 - a) Increase the allocation for obsolete and slow-moving spare parts.

- b) Increase the provision for impairment in the value of the company's investments in the Arab Yemen Cement Company Ltd.
- c) Custom configuration for inventory differences in clinker and raw materials.
- d) Formation of the financial difference provision for the claim of the Ministry of Industry and Mineral Resources for the amount of limestone exploitation for the years 2019 - 2020 - 2021
- 4) Study the accounting policies followed in the company and express an opinion and recommendation to the Board of Directors thereon.

Second: With regard to the internal control system:

The Audit Committee verifies the efficiency and effectiveness of the company's internal control system by controlling and supervising the performance and activities of the Internal Audit Department, verifying its independence from the executive management, evaluating policies and procedures related to risk management, verifying the application of the provisions of the corporate governance rules adopted by the company and compliance with the relevant laws and regulations, and for this purpose, the Audit Committee held (5) meetings during 2023 During which the effectiveness of internal control procedures in protecting the company's property, assessing business risks and measuring the adequacy of performance according to the following points:

- 1) The Audit Committee discussed the reports of the Internal Audit Department prepared through the approved annual work plan for the year 2023, directing the Internal Audit Department in coordination with the executive management to follow up the implementation of corrective actions for the observations and improvements contained in the reports of the Internal Audit Department.
- 2) The Committee discussed the observations submitted by the Company's external auditor related to evaluating the effectiveness and efficiency of the internal control system through his audit of the Company's accounts, and the Committee recommended that the Company's management examine and analyze the observations and suggestions received from the Company's auditor and activate the recommendations that help improve the Company's internal control system.
- 3) The Committee requested the Company's Risk Department to submit a report that includes the highest (10) expected risks to which the Company may be exposed, and after reviewing, discussing and answering all inquiries, the Committee found the availability of sufficient resources and systems for risk management and that the company's management developed comprehensive risk management procedures commensurate with the nature and size of the company's

activities and determined an acceptable level of risk to which the company may be exposed and maintained and not exceeded by the company.

Third: With regard to internal audit:

- 1) The Committee shall monitor and supervise the performance and activities of the Internal Audit Department, to verify the availability of the necessary resources, their effectiveness in performing the work and tasks entrusted to it, and their independence from the executive management.
- 2) Study the internal audit reports and follow up the implementation of corrective actions for the observations contained therein.
- 3) Study and approve the annual work plan of the Internal Audit Department for the year 2023.

Fourth: With regard to the auditor:

- 1) The Committee reviewed a list of the names of the audit offices nominated to audit the company's accounts for the year 2023, approved the names of the nominated offices to submit their proposals to audit the company's accounts for the year 2023 and the first quarter of 2024, and requested the company's management to provide it with a report to analyze the offers submitted by the audit offices that were invited and submitted its recommendation to the Board of Directors to nominate two suitable chartered accountants according to specific work controls.
- 2) The Committee is working to study the results of the reports of the regulatory authorities and verify that the company has taken the necessary measures in this regard, and for this purpose it reviewed the management letter submitted by the company's auditors, which includes some observations, recommendations and directives related to the financial statements for the year 2023, and discussed the observations contained therein and expressed its opinion on the observations and recommended the executive management to work on their fulfillment, and directed the Internal Audit Department to follow up on the completion of its recommendations on the observations of the external auditor and their statement including what is being done in this regard.
- 3) During 2023, the Audit Committee met with the Company's auditor without the presence of the executive management to ensure their independence from the executive management and the extent of cooperation of the company's departments in providing data, information and observations that he sees the committee briefed on, and the auditor

stressed their independence from the executive management and praised the cooperation of the executive management in providing the required data and information in quality and in a timely manner.

- 4) The Committee studied the plan and work of the Company's auditor, and expressed its views thereon.
- 5) The Committee answered all inquiries of the Company's auditor addressed to it.

Fifth: With regard to ensuring compliance:

The Committee verifies the Company's compliance with the relevant laws, regulations, policies and instructions. To that end, the Committee worked on the following:

- a) The Committee reviewed the report of the General Court Audit, the response of the company's management thereto and the opinion of the Internal Audit Department in the management's response, in order to verify the extent to which the executive management responded to the treatment and take appropriate measures towards it, and made its recommendations in this regard, and directed the Internal Audit Department to follow up on the completion of the observations contained in the report.
- b) The Committee reviewed the draft update to the Audit Committee's Bylaws to comply with the amendments contained in the amended Corporate Governance Regulations issued by the Board of the Capital Market Authority on 18/01/2023 and was approved, presented to the Board of Directors and approved in its final form by the Company's General Assembly.
- c) The Committee reviewed the draft update to the Company's Corporate Governance Regulations to comply with the amendments contained in the amended Corporate Governance Regulations issued by the Board of the Capital Market Authority on 18/01/2023 and approved by the Board of Directors.

The opinion of the Audit Committee on the adequacy of the company's internal and financial control systems and risk management:

The Audit Committee discussed the reports submitted by the Internal Audit Department related to the examination of the internal control system for the year 2023, and the committee submitted its recommendations to the company's management in order to meet some requirements and address the observations it found, and the results of the audit did not show a fundamental weakness in the internal control system and procedures, in addition to that the committee

did not receive any comments or observations, whether from employees or stakeholders of the company regarding any abuse in financial or other reports through the whistle blowing system.) approved and in force in the company.

Based on the data received by the Audit Committee from the Financial Department, the Internal Audit Department and the External Auditor, which supported the Audit Committee's conviction of the adequacy and effectiveness of the Company's internal and financial control systems and procedures and risk management. Any internal control system, regardless of its proper design and effective application, cannot provide absolute assurance.

In conclusion, the Audit Committee extends its sincere thanks and appreciation to the Board of Directors of the company, represented by His Excellency the Chairman of the Board, Mr. Mohammed bin Saad Al-Farraj Al-Subaie, the members of the Board and the CEO of the company for their support and support to the committee to accomplish its tasks and follow up to achieve the goals and aspirations of the company's shareholders, and we also thank the company's employees for their good performance during the year 2023.

God bless ,,,,

Chairman of the Audit Committee
Ibrahim Bin Salem Al Ruwais