

Audit Committee Report

To The General Assembly

For the fiscal year ending 31/12/2024

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الرَّحْمَنِ
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**Audit Committee Report to the General Assembly
For the fiscal year ending 31/12/2024**

Audit Committee Report to the General Assembly

For the fiscal year ending 31/12/2024

**Dear Shareholders of ALDREES Petroleum & Transport Services Company (Aldrees),
Greetings ...**

This report has been prepared based on Article 88 of the Corporate Governance Regulations issued by the Capital Market Authority, which states the report of the audit shall include details of its performance of its competencies and duties stated in these Regulations, provided that the report contains its recommendations and opinion on the adequacy of the internal and financial control systems and risk management systems in the Company. The audit committee is an independent committee formed by the company's Board of Directors.

Committee Meetings:

During the fiscal year 2024, the committee held 5 (five) meetings.

#	Name	2024 M				
		22/1	25/1	24/4	22/7	21/10
1	Mr. Eid bin Faleh Al Shamri	✓	✓	✓	✓	✓
2	Mr. Faraj bin Saad Al Qabbani	✓	✓	✓	✓	✓
3	Mr. Khaled bin Mohammed Al Khuwaiter	✓	✓	✓	✓	✓
4	Mr. Saad bin Hamad Al Drees	✓	✓	✓	✓	✓

✓ Attendance In person

X Attendance by proxy through another member of the Board of Directors

XX Apology

Duties and Responsibilities:

The Audit Committee is responsible for monitoring the company's business and for verifying the soundness and integrity of the reports, financial statements and internal control systems adopted therein, in addition to monitoring accounting policies and supervising internal and external audit work.

Financial Reports:

- Reviewing the Company policies and practices related to financial and accounting reporting, including any significant changes that occur thereto, and discussing them with the Company CFO and external auditor.
- Reviewing the audited annual financial reports, ensuring their quality, reviewing the press releases published thereon, and the audit results for the fiscal year with the external auditors and the relevant management representatives.
- Reviewing the Company quarterly financial results and related press releases, discussing them with management and external auditors, and ensuring their quality before disclosing such information to the public.
- Reviewing significant accounting policies and practices, which includes assessing the consistency of such policies annually.
- Reviewing key topics related to financial reporting, including estimates of unusual transactions that took place during the year, how they impact the financial statements, and methods of disclosure.
- Reviewing material changes, if any, resulting from the audit process.
- Reviewing the assessment of the "continuity of the Company's business" assumption .
- Ensuring compliance with the applicable accounting standards and principles, as well as legal requirements set by the "Capital Market Authority".
- Verifying the clarity of the disclosures and ensuring they are made completely.

Risk and Internal Control Management:

- Studying the soundness of internal control systems related to financial reporting, and monitoring their efficiency.
- Reviewing the effectiveness of the company's process for identifying, evaluating, and reporting significant risks, as well as the company's risk management, and submitting relevant recommendations to the Board of Directors.
- Studying the internal control disclosure reports included in the Company Board of Directors report which report shall be submitted to the shareholders in accordance with the requirements of the "Capital Market Authority", and submitting the relevant recommendations in this regard to the Company Board of Directors.
- Collaborating with management, internal auditors, and external auditors to evaluate the effectiveness of the Company's internal control systems, including monitoring computer-based information systems, and their effectiveness and security.
- Collaborating with external auditors to assess the scope and outcomes of their audit regarding the management's evaluation of the internal control systems related to financial reporting.

External Audit

- Supervising the Company's relationships with the external auditors.
- Supervising the work of the external audit firm, which reports directly to the Committee and which is accountable to the Audit Committee.
- Submitting its recommendations to the Board of Directors regarding the appointment, retention, or dismissal of external auditors.
- Conducting an review at least once a year to assess the effectiveness and objectivity of the external auditors, including evaluating the qualifications, experience, and resources of the external auditor, taking into account the professional and regulatory conditions applied in this effect.
- Ensuring that appropriate audit plans are in place at the beginning of each new annual audit cycle.
- Studying the scope and extent of the annual audit conducted by external auditors. The study conducted by the Audit Committee should include explanations from the external auditors regarding the factors they considered when determining the audit scope, including key risk factors. External auditors shall confirm to the Audit Committee that there were no restrictions on the scope or nature of the audit procedures they followed.
- Reviewing the "Management Letter" issued by the external auditors to the management and the response it made to it.
- Reviewing the results of the audit regarding the financial statements, along with related reports, and reviewing reports on changes that occurred during the year in accounting principles and their applications, if any.
- Reviewing and ensuring the independence of external auditors.
- Studying any issues or difficulties faced by external auditors during conducting the audit process.

Internal Audit:

- Confirming the competencies of internal audit.
- Ensuring that the audit process has sufficient authority, support, and access to the Company's employees, facilities, and records to ensure that it performs its work duties without any restriction or condition.
- Collaborating with internal audit to examine the proposed scope of work for internal audits of the Company's activities and the related plan.
- Reviewing whether the internal audit organization, independence, position, and available resources are adequate for the Audit Committee to achieve its objectives.
- Reviewing the results of the internal audit related to risk management, internal control, financial reporting, corporate governance, and important investigations.
- Receiving reports on key findings, recommendations, and corrective action plans that the management intends to implement. Reviewing the adequacy of corrective actions taken in response to internal audit findings.
- Monitoring and reviewing the effectiveness of the Company's internal audit process.

- Reviewing the progress made in the internal audit program, key findings and the action plans for addressing internal audit discoveries.
- Studying the tangible difficulties encountered by the internal audit process, including any limitations imposed on the scope of the audit.
- Reviewing reports related to disagreements between management and internal audit.
- Appointing, removing, or transferring the head of internal audit.
- Reviewing the coordination between the internal audit function and external auditors function.
- Ensuring the adequacy of procedures for receiving, filing, and processing complaints related to accounting, internal control, or other audit matters, including confidential complaints submitted by employees.

Conflicts of Interest and Other Responsibilities:

- Each one of the Board of Directors should disclose to the Audit Committee and the Board of Directors any financial or personal interest in any contract or transaction that the Audit Committee or the Board reviews for approval. After making such disclosures and responding to any questions raised by the Audit Committee or the Board of Directors, the concerned director should, unless otherwise instructed by the committee or the Board of Directors, refrain from voting on such matter and, if requested, leave the meeting, while the remaining members of the Audit Committee or of the Board of Directors discuss and vote on such matter. The Audit Committee shall inform the Governance Committee about such matter and any developments related thereto.
- Studying all related party transactions defined by the applicable laws, terms, and regulations
- Conducting an annual self-assessment for achieving continuous performance improvement.
- Reviewing the efficiency and accuracy of such powers and evaluating them.
- Studying significant cases involving employee conflicts of interest with the Company's interests, cases involving misconduct or fraud, or any other unethical acts committed by the Company's employees.
- Reviewing any rules issued regarding the Company's ethical standards.
- Reviewing any pending legal matters that may have a material impact on the financial statements with the legal advisor at least once a year, and whenever necessary.
- Studying the program established by management to monitor compliance with the Company's systems, rules, and professional and ethical codes of conduct.
- In addition to the aforementioned responsibilities, the Audit Committee shall be responsible for performing any other duties assigned to it by the Board of Directors.

The Committee shall submit periodic reports to the Board of Directors outlining its conducted inspection operations and the related recommendations.

- Facilitating communication between the CFO, external auditors, the head of internal audit, the chairman of the Audit Committee, or any other member in the Committee whenever necessary regarding any matters within the scope of the Audit Committee's responsibilities

- In the event of the failure to settle any dispute that may arise between the Board of Directors the Audit Committee and the Audit Committee shall ensure that such dispute is formally included in the Board of Directors' report.
- Ensuring coordination between the internal and external audit activities .
- Paying adequate attention to the requirements of the "Capital Market Authority" concerning the registration rules.
- Supervising the implementation pertaining to activities within its scope of work and performing as a tribunal.
- Reviewing any other related matters referred to it by the Board of Directors.
- Conducting an annual audit for the Audit Committee's actions and designated responsibilities, and submitting its recommendations to the Board of Directors to ensure the Committee's optimal and effective execution of its duties.
- If there is a dispute between the recommendations of the Audit Committee and the resolutions of the Board of Directors, or If the Board rejects the Committee's recommendation regarding the appointment, dismissal, fee determination, or performance evaluation of the auditor, or the appointment of the internal auditor, the resolution of the Board of Directors shall include the Committee's recommendation, its justifications, and the reasons for not adopting such recommendation.

Summary of 2024 Audit Committee Activities:

- Overseeing the management of the internal audit and following up the implementation of the approved internal audit plan of 2024.
- Reviewing the internal audit reports and following up the implementation of critical recommendations outlined in the internal audit reports.
- Reviewing all related party transactions defined by the applicable laws, terms, and regulations.
- Reviewing the effectiveness of the process of identifying, evaluating, and reporting significant risks, as well as the company's risk management approach, and submitting relevant recommendations to the Board of Directors.
- Supervising the interim and annual financial statements for the fiscal year ending on 31/12/ 2024 and the auditor's observations on the financial statements, following up the actions taken in response, the results of the financial audit for the Company's fiscal year with the external auditors and relevant management representatives, and submitting a recommendation for approval to the Board of Directors.
- Supervising the auditor.
- Reviewing the Board of Directors letter issued by the auditor.
- Reviewing the auditor's proposals and recommending the appointment of an auditor for the fiscal year ending on 31/12/2024.
- Reviewing the compliance reports reflects the adherence to the legal requirements and supervising the implementation of the recommendations included in reports.

- Reviewing significant accounting policies and practices, which includes assessing the consistency of such policies annually.
- In addition to the responsibilities stated above, the Audit Committee shall be responsible for carrying out any other duties delegated to it by the Board of Directors. The Committee shall submit periodic reports to the Board of Directors outlining its conducted inspection operations and the related recommendations.
- Directing the internal audit department to prepare a report for the Board of Directors and the Committee in accordance with the requirements of Article 75 of the Corporate Governance.

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

The regulatory procedures and their effectiveness are critical and play a central role in achieving the company's objectives. The company's Board of Directors is responsible for establishing a comprehensive and effective internal control system.

This system is designed based on the company's Board of Directors vision and assessment in establishing a control system that aligns with the relative significance of financial risks and other inherent risks within the company's activities. With a reasonable costs and benefits to implement limited controls, the internal control system is designed to manage the risks that do not achieve the objectives, rather than avoiding them. Accordingly, the internal control system is designed to provide reasonable assurance to avoid material errors and related losses. Furthermore, the Audit Committee reviews periodically the reports prepared by both internal and external auditors. These reports shall include an assessment of the adequacy and effectiveness of the internal control system.

Based on what was mentioned, no matters came to the committee's attention that would make it believe that there is a fundamental deficiency that requires disclosure, with regard to internal control systems and anything related to the preparation of financial reports.

Based on the work and reports submitted to the committee and the internal and external audit work, the committee may have a degree of conviction that the company's internal control system is working effectively, which helps to develop a general perception of the risks that the company may face. There are no material events that occurred during the year 2024 that require disclosure

Audit Committee Members:

#	Name	Position	Signature
1	Mr. Eid bin Faleh Al Shamri	President	
2	Mr. Khaled bin Mohammed Al Khuwaiter	Member	
3	Mr. Saad bin Hamad Al Drees	Member	
4	Mr. Faraj bin Saad Al Qabbani	Member	



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