

**Audit Committee Report Submitted to the General Assembly of Rabigh Refining & Petrochemical Company for the Year Ending 31/12/2022**

**Dear Respected Shareholders,**

The Audit Committee of Rabigh Refining & Petrochemical Company – Petro Rabigh – ("the Company") is pleased to present to the Company's esteemed shareholders its Annual Report for the fiscal year ending on December 31, 2022, containing the Committee's opinion on the degree of the sufficiency and integrity of the internal controls system of the Company and the transactions it carried out within its scope of business. The Committee aims to assist the Company's Board of Directors in exercising its control responsibilities pertaining to the Company's major risks and the effectiveness of the measures followed to mitigate such risks; the internal control system; the financial statements and the accounting policies in place; nomination of the External Auditor after verifying the qualifications and the independence of the audit team and evaluating its performance; the internal audit operations; compliance with the laws, regulations and policies pertaining to business ethics and conflicts of interest; and other matters in accordance with the tasks and authorities delegated to the Committee by the Company's General Assembly.

The Committee was formed by a decision of the General Assembly to consist of four members, two of whom are independent directors and two are non-executive directors, as follows:

- Mr. Abdullah bin Jaber Al-Faifi, Committee Chairman (Independent Director)
- Engineer Noreaki Takeshita (Non-Executive Director)
- Engineer Suleman Amer Al-Bargan (Non-Executive Director)
- Engineer Mohammed Abdullatif Al-Omair (Independent Director)

**The Committee held four (4) meetings during the year 2021. Following are the main activities and achievements performed by the Committee, in accordance with the specialties delegated to it, for the fiscal year ending on December 31, 2022:**

**First: financial Statements and Reports:**

- Review of the main accounting matters relating to reports, including complex or unusual transactions, accounting estimates in important matters included in the financial reports, new professional and regulatory announcements, and the scope of their effect on the financial statements.
- Review of the results of the internal audit operation with both the Company's Management and the External Auditor, including any difficulties that had been encountered.
- Study of the preliminary financial statements and approving them prior to announcing the results.
- Study of the Company's annual statements prior to presenting them to the Board of Directors and sharing the Committee's opinion and recommendations regarding the statements in order to ensure their integrity, fairness and transparency.
- Review of the Company's annual financial report and the related issued regulatory matters prior to issuing the report in order to ensure the accuracy and completeness of the information contained therein and that such information is fair, balanced, easy to understand, and includes the information that enables the users to evaluate the Company's financial position, performance, business model and strategy.

- Collaboration with the Company's Management and the External Auditors in reviewing all matters required to be submitted to the Committee as per the acknowledged and commonly accepted auditing and review standards.
- Review of the accounting policies in place and providing the Board of Directors with an opinion regarding any recommendations relevant to such policies.
- Understanding the procedures followed in the preparation of periodical financial data, and identifying the nature and the extent of the internal and external auditors' participation.

### **Second: The External Auditor:**

- Verification of the independence of the external auditors and their qualifications.
- Study of the external auditors' auditing plan and making pertinent recommendations regarding the plan.
- Understanding the scope of the internal audit systems relevant to auditing the financial statements by the internal and the external auditors, and obtaining reports of the major results and recommendations, including the opinion of the Company's Management regarding such reports.
- Review of the audit methodology and scope proposed by the external auditors and making any relevant observations regarding that.
- Supervision of the activities of the external auditors and ensuring the execution of the scope of audit work assigned to them while carrying out their responsibilities.
- Review of the external auditors report and their observations on the Company's financial data, resolving any disagreements between the Company's Management and the external auditors, and follow up on required procedures to be implemented regarding that.

### **Third: The Internal Audit:**

- Study and review of the Company's internal audit and financial systems, including their IT security and controls.
- Overseeing and supervising the performance and the activities of the Company's internal audit management, and ensuring obtaining the information and data required to confirm the effectiveness of the management's activities while performing their tasks and duties, in accordance with the professional standards in place, in addition to compliance with international professional standards for the internal audit function.
- Insuring the non-existence of any restrictions or unjustified controls exercised on the activities of the General Auditor.
- Review and approval of the annual internal audit plan.
- Review of the internal audit reports and follow up on the execution of corrective procedures relevant to the observations contained therein and ensuring non-recurrence of such observations.

### **Fourth: Compliance:**

- Review of the effectiveness of the control system and ensuring compliance with the laws, regulations, and investigation results and follow up thereon, including disciplinary procedures in the case of non-compliance.

- Ensuring the availability of an open means of communication with the internal audit for submitting observations regarding any financial or accounting matters, or suspicion of corruption relevant to the Company's business.
- Obtaining regular updates from the Company's Management and legal advisor relevant to compliance matters.
- Review of proposed contracts and business transactions carried out by the Company with related parties.
- Ensuring the Company's compliance with the governmental systems and procedures, and verifying the extent of appropriateness of reports issued by the Company to the supervisory and control authorities, and the conformity of such reports to the systems, rules, instructions and policies applied by the Company.

#### **Fifth: Risks Management:**

- Review of the activities of the Risk Management Committee, and receipt of regular reports from the committee to verify the extent of the effectiveness and efficiency of the Company's estimation of financial, regulatory, operational and other high risks which may impact the Company's ability to meet its objectives, and verifying the extent of effectiveness of the measures the Company's Executive Management has taken to counter and manage such risks.
- Review of the detailed risk management strategies and policies, in accordance with the Risk Management Committee charter, ensuring that such strategies and policies conform to the Company's activities, supervising their implementation, and ensuring that they are reviewed and updated in accordance with any internal or external change factors in the Company.

#### **Sixth: Other Tasks:**

- On a regular basis, the Board of Directors is kept advised of the Committee's activities and observations about the general internal control system, and appropriate recommendations are made to the Board of Directors regarding any aspect under the Committee's responsibilities that requires taking action or making improvement.

#### **Conclusion**

Based on the information that has been presented to the Audit Committee by the Company's Management and the external auditor, as well as the internal auditor and the other control entities, the Committee does not see any major observations on the Company's business for the year ending on December 31, 2021, and the measures of internal control, financial control, risk management, and compliance have been prepared on sound bases and have been implemented effectively.