

BACC Annual Report for the fiscal year ended 31 December 2022

During the fiscal year of 2022, Audit and Compliance Committee held nine meetings to discuss and examine its annual plan matters in addition to other related topics.

The following table illustrates dates of BACC meetings and attendees' information during 2022:

Meeting Number	Date	Attendees Number	Meeting Number	Date	Attendees Number
First	2 January	All members	Sixth	28 July	All members
Second	30 January	All members	Seventh	26 September	All members
Third	16 February	All members	Eighth	20 October	All members
Fourth	6 March	All members	Ninth	29 December	All members
Fifth	21 April	All members			

Audit and Compliance Committee comprises five members including two Board members and three independent members as follows:

BACC Members – Al Rajhi Bank KSA	
Name	Membership
Abdulatif bin Ali Al Seif	Committee Chairman and Board member
Raeed bin Abdullah Al Tamimi	Committee Member and Board member
Dr. Abdullah bin Ali Al Muneef	Committee Member
Farraj bin Mansour Abothenain	Committee Member
Walid bin Abdullah Tamairik	Committee Member

This report summarizes Audit and Compliance Committee works for the year ended 31 December 2022 including its significant activities and duties it performed and followed up in line with its Charter approved by the Bank's General Assembly.

First: BACC Resolutions

During its meetings in 2022, BACC recommended to the Board to approve (54) resolutions; where execution of (44) resolutions is completed and execution of the remaining (10) resolutions is in progress.

Second: Financial Statements

During its meetings, BACC discussed interim quarterly and annual consolidated financial statements of the Bank for 2022 including many topics related to the management and external auditors as follows:

- Discussed the Bank's quarterly consolidated financial statements with the external auditors and management.
- Discussed the Bank's annual consolidated financial statements as of 31/12/2022 with the external auditors and management.
- Followed up results of Management Overlays in 2022 and related notes with the external auditors and management.
- Followed up results of comprehensive accounting procedures performed by the Bank and its external consultant to acquire Ejada Company.
- Followed up results of recovering VAT, which was paid by the Bank for customers against their first house, from Ministry of Municipal & Rural Affairs and Housing.
- Reviewed the improvements made to the process of calculating expected credit losses in 2022 for retail & non-retail sectors.
- Followed up results of ARB dues at ZATCA against the VAT amounts related to financed properties and paid by the Bank for the first house buyers
- Followed up results of accounting process for Al Rajhi Company for Cooperative Insurance after increasing the Bank's ownership share to 35%.

Third: External Auditors

- Reviewed and discussed disclosure submitted by KPMG regarding many out-of-scope services related to quarterly and annual auditing for financial statements to verify that it has no impact on KPMG independency and to make sure that there is no violation to related laws and regulations.

Fourth: Internal Audit

BACC followed up results of Internal Audit Group activities and progress of the approved strategic and annual plan. Also, it discussed significant observations and corrective actions, and it approved many charters and policies related to Internal Audit Group activities as follows:

- Discussed and approved Internal Audit Group plan and annual plan for 2022, initiatives, and performance KPIs including ARBK & ARBJ.
- Discussed major results of Internal Audit Group activities for 2022 for different sectors of the Bank and international branches as well as Internal Audit Group reports and submitted related recommendations.
- Followed up progress of closing observations and implementing recommendations of IA by the managements and international branches and submitted related recommendations.
- Approved KPIs of the Chief Internal Auditor for 2022.
- Ensured effectiveness and independency of Internal Audit and lack of constraints on its scope of work.
- Discussed and approved Internal Audit Group plan and annual plan for 2023, initiatives, and performance KPIs including ARBK & ARBJ.
- Reviewed Internal Audit Charter and recommended to the Board to approve the same.
- Followed up level of human capital adequacy for Internal Audit Group in the Bank and its international branches including recruiting qualified staff for vacancies in internal audit.

- Reviewed Internal Control Committee approvals to change target dates of closing some observations as per submitted justifications.
- Affirmed the importance of activating role and presence of Internal Audit Group in memberships of audit committees of the Bank's subsidiaries.
- Reviewed results of internal audit environment assessment reports for 2022 and presented a summary for such reports at the Board meeting and submitted related recommendations to the Board for approval.

Fifth: Compliance Group

BACC followed up results of Compliance Group activities and progress of its business plan for 2022 Also, it discussed significant observations, and approved many charters & policies related to Group activities as follows:

- Reviewed Annual Report of Compliance for 2021 and recommended to the Board for approval.
- Discussed and approved annual program and plan of Compliance and Anti-Financial Crimes for 2022.
- Worked on raising level of compliance with laws and instructions issued by SAMA and competent regulators in KSA.
- Continuous enrich of compliance culture in the Bank to avoid risks related to non-compliance, particularly regular risks, reputation risks, and financial penalties risks.
- Reviewed procedures of transferring Anti-Fraud Department from Compliance Group to Risk group and recommended to updated Committee Charter to align with such change and transferring all functions of Anti-Fraud Dept. to Risk Committee.
- Followed up and supported Compliance Group to ensure sufficient staff as per SAMA instructions and requirements of Compliance, AML and CTF departments, commercial concealment, anti-bribery, anti-corruption, and anti-fraud.
- Followed up ARB's performance of implementing Compliance Group plan regarding training, awareness, and efforts exerted by Compliance Group in cooperation with Al Rajhi Training Academy.
- Followed up SAMA inspection visits to Compliance Group and provided full support to the Group including meeting all requirements of inspection team and following up closure of observations monitored by Inspection team and its status and closure target dates.
- During its meetings, reviewed all SAMA and other regulators fines of 2022 and Compliance Group efforts to avoid such fines.
- Discussed progress of existing projects to develop automated systems of Compliance & Financial Crimes Group and supported it with required budget.
- Continuous discussion for Financial Crimes Dept., SAS performance evaluation, combating financial fraud efforts, and major whistleblowing cases.
- Reviewed and Followed up cases of fraud and phishing engineering as well as technical incidents received from Compliance Group.
- Reviewed annual report of customer protection and complaints of ARBK for 2020 and recommended to the Board for approval.
- Reviewed updates on AML & CTF Policy of ARB and recommended to the Board for approval.
- Reviewed significant results of Compliance Committee in ARB during 2022.
- Reviewed updates on Compliance Committee Charter – ARBK and recommended to the Board for approval.
- Discussed the amendments to whistleblowing submitted by the Chairman of the Board of Directors – ARM related to reporting violations of ARBM Board members and approved the same.

- Instructed Compliance Group to ask ARB business groups to urgently abide by SAMA instructions.
- Issued a recommendation to accelerate execution of projects automation to raise level of ARB control systems efficiency.
- Recommended to apply SAMA requirements of digital verification to avoid imposing fines on the Bank.

Sixth: Sharia Group

- BACC reviewed results of Shariah auditing report for 2022 and progress level of Sharia Control Dept. activities as per the approved plan for 2022. In addition, it discussed significant observations related to products and observation closure updates.
- Reviewed targets of Shariah Audit Department for 2023.

Seventh: Other Business

- Approved BACC plan for 2023 in line with approved charter of BACC.
- Followed up updates on Employee Fund treatment process and requested direct coordination between PwC and Clever Chance to unify efforts and apply appropriate governance frameworks and submit their recommendations.
- Followed up progress of implementing Related Party Automated System.
- Reviewed strategic plan of ARB including related targets and indicators.
- Reviewed model and process of assessing Expected Credit Losses (ECL) submitted by ARB Risk Group.
- Reviewed a presentation presented by Risk Group related to impact of applying Basel IV on ARB business.

Eighth: Audit & Compliance Committee's Opinion on Internal Control System for the Year ended 31/12/2022

In 2022, Al Rajhi Bank has exerted all possible efforts to ensure adequacy and effectiveness of internal control system in line with SAMA requirements. In addition, the activities executed in 2022, including review of internal control system adequacy, have resulted in providing reasonable assurances for adequacy of applicable internal control process along with providing an assurance that the systems and procedures required to identify, assess and handle the Bank's high risks are in place and effectively applied.

Thus, the Committee found no significant weaknesses which affect internal control system adequacy.

According to the results of internal control system evaluation process, Al Rajhi Bank has sufficient and adequate internal control system being monitored continuously noting that no internal control system can provide absolute assurances.