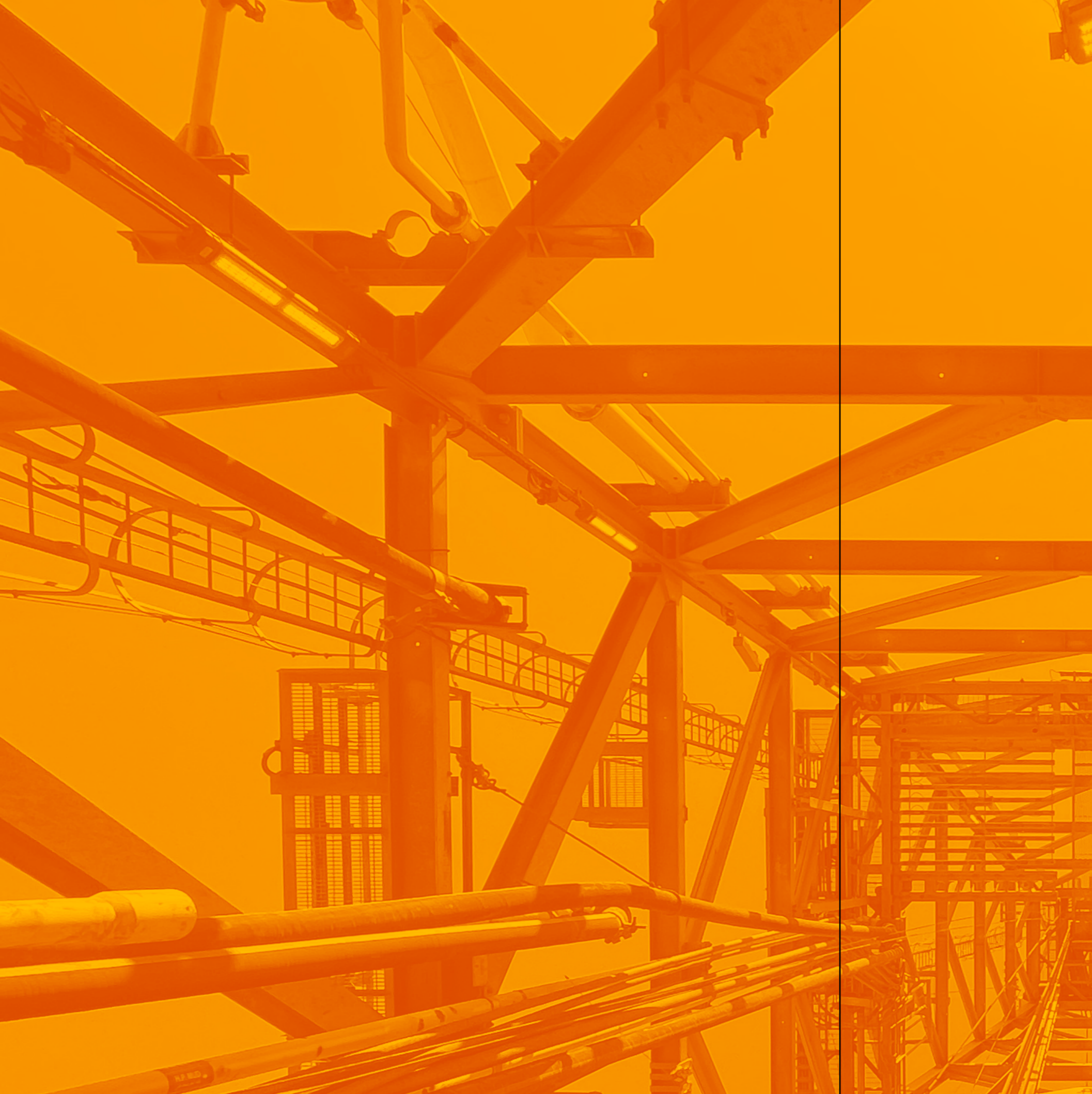


CREATING VALUE ENRICHING IMPACT

ANNUAL REPORT
2021





ARABIAN DRILLING CO.

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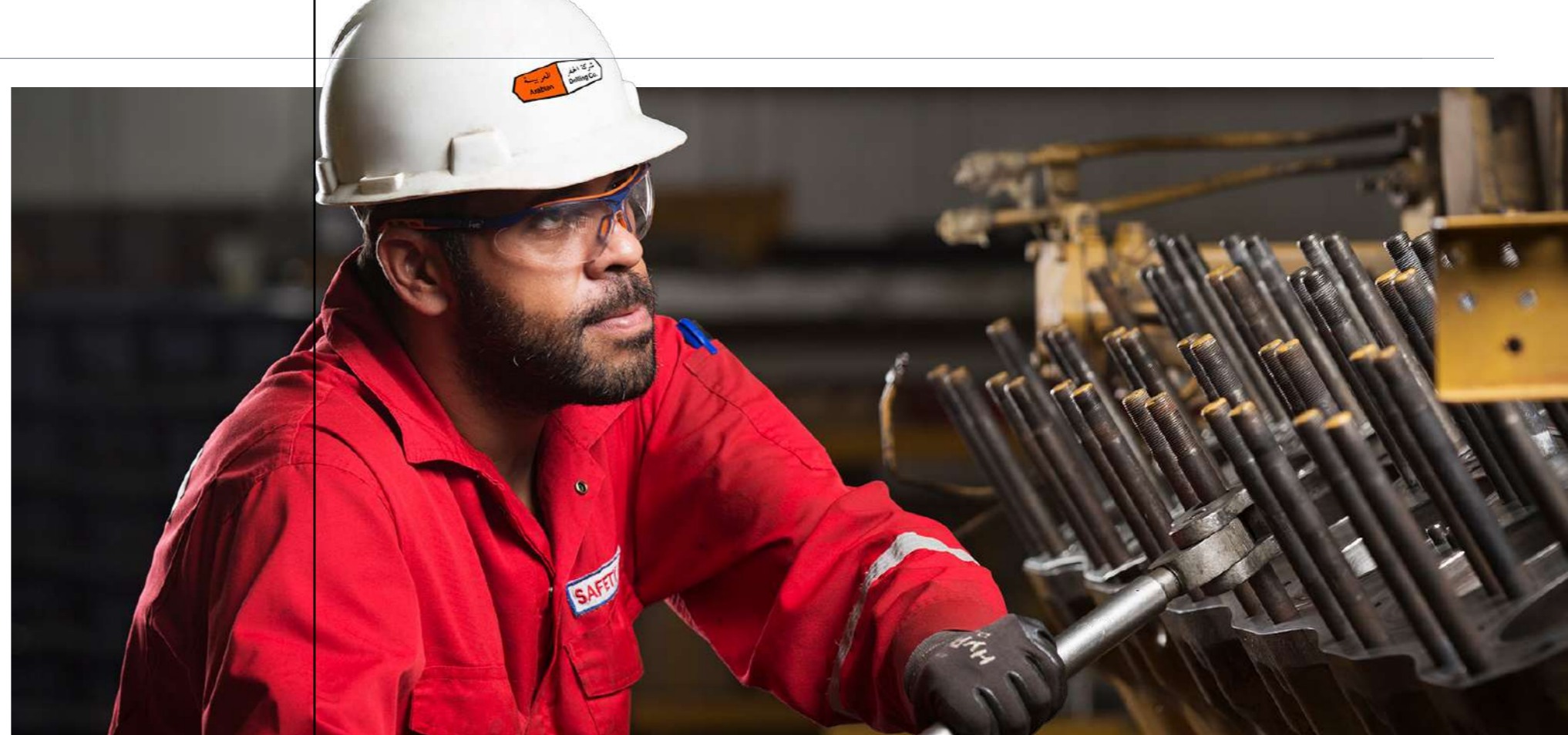
TABLE OF CONTENT

About the Company	06
Departments	10
Corporate governance	20
Risk Management	24
Financials	34



ABOUT THE COMPANY

ABOUT THE COMPANY:



Founded in 1964, the Arabian Drilling Company (ADC) is a mixed closed joint stock company, originally founded as a limited liability company in 1964. The Saudi joint stock company, TAQA (Industrialization & Energy Services Company) owns the major stake in ADC with 51% ownership, and the remaining 49% shares are owned by Services Petroliers Schlumberger S.A., a global leader in oilfield services.

The company supports drilling services with innovative and advanced technology solutions and has contributed tremendously towards enhancing the safety and efficiency in drilling operations over its 5+ decades of operations. Commencing operations with a single rig, the Company has gradually evolved and expanded to 45 offshore and onshore gas and oil drilling rigs. The ADC's clientele mainly includes Saudi Aramco, Al-Khafji Joint operations (KJO) and Schlumberger.

COMPANY ACTIVITY:

The company's main activity is to provide oil and gas field services.

DESCRIPTION OF KEY ACTIVITIES OF AFFILIATES:

OFSAT Arabia LLC: The company provides services for the operation, maintenance, and mobility of oil well drilling machines and logistic works

TOP MARKET DEVELOPMENTS:

- The recovery of global economies during 2021 from the repercussions of the Covid-19 pandemic has led to increased demand for oil products, and in turn increased the demand for oil services. The oil market itself has been affected by the rapid spread of Coronavirus variants in addition to the economic slowdown caused by the Pandemic. However, as the global economy recovers and opens up, a positive upward trend is reflected in the global oil market, with average prices having increased significantly due to positive developments in the oil futures market, leading to continual increment in the scope of drilling and oil exploration services.
- Due to the lack of investments during the COVID-19 pandemic, and consequently the lack of oil production, and we expect that activity in the field of drilling will increase to compensate for the lack of oil production

DESCRIPTION OF THE COMPANY'S IMPORTANT PLANS, DECISIONS, MAIN EVENTS AND FUTURE PROSPECTS FOR THE COMPANY'S BUSINESS:

- The company was changed from a limited liability company into a mixed closed Saudi joint stock company on 02-11-2021 during the extraordinary meeting of the general assembly.
- The company is working to fulfill the statutory requirements for transformation into a public joint stock company.

2021 ACHIEVEMENTS HIGHLIGHTS:



Secured first place among all rigs operated under Aramco

August 2021.

547 

Hired around 547 employees, in both the Arabian Drilling Company and OFSAT.

6 

Recommissioned 6 gas rigs

38.8%

Exceeded the sufficiency goal twice by 38.8%

(initial target 35% and 38% respectively). It is the first time that this has been achieved.



Name the company as the most improved contractor in the field of drilling in the Kingdom by Saudi Aramco

2022 PLANS HIGHLIGHTS:



develop the career progression program (PSTS)



Maintaining a log free of any recordable accidents .



Updating the risk management manual on an annual basis



Conducting a compliance review to ensure the application of Gap Analysis systems for several departments in the company



Raising cultural and legal awareness in all departments of the company.



Holding training sessions regarding governance and emerging regulatory requirements

DEPARTMENTS



HUMAN RESOURCES DEPARTMENT

Department Details

- Compensation and Benefits Section
- Salaries Department
- Employee relations
- Systems and operations
- Medical Services
- Government relations and visas
- Labor cases/issues

2021: Achievements, decisions, and outcomes

- Created a conducive environment that is suitable, aspirational and motivates employees to stay on with the company.
- Enabled the employees to update their own data on the electronic system without the need for direct communication or review.
- Coordinated with the Ministry of Health to facilitate inoculation against Covid-19 for the whole staff, without the need for individual appointment.
- Applied all decisions issued by the Ministry of Labor for professions requiring pre-employment medical examination as well as the examinations required by the Saudi Council of Engineers or Saudi Organization for Chartered and Professional Accountants (SOCPA), which in turn help to recruit professionals and increase productivity of relevant departments.
- Ensured operational continuity of the Operations Department with no delays in arrangement of exit and return permits for employees.

Plans for 2022

- To build the ability to continually update immunization information online.
- Preparing new Human Resources development models based on the administrative resources and digital capabilities of the company.

TALENT DEPARTMENT

Department Details

- Talent development
- Employment
- Training

2021: Achievements, decisions, and outcomes

- Developed potent training & development plans, accelerating rig staff promotions to record times.
- Hired around 547 employees, in both the Arabian Drilling Company and OFSAT.
- Recruited 403 Saudi nationals in various roles, via three recruitment campaigns conducted under the supervision of TAQAT Program for the recruitment of national cadres.
- Localization of certain professions, specifically the ones related to health and safety.
- Completion of the Learning Management System project.

Plans for 2022

- Registering the company's training institute (Echo Academy) as an accredited training service provider by the Technical & Vocational Training Corporation.



OPERATIONS

The Operations Department operates and maintains all onshore and offshore drilling rigs. It consists of the following sections:

- Oil Wells Division
- Offshore rigs Division
- Gas Wells Division

2021: Achievements, decisions, and outcomes

- 20 days of drilling rigs transport were saved/ .
- Ensured compliance with Aramco's KPIs and procedures in relation to health and safety.
- Secured first place among all rigs operated under Aramco - August 2021.
- Maintenance teams efficiently applied maintenance programs and conducted regular check-ups of drilling equipment.
- Achieved the highest levels of performance, safety, and teamwork 2021.
- Recommissioned 6 gas rigs .
- All four ADC offshore rigs delivered exceptional performance over the past 36 months
- Saved total of 54 days of rig moving times in 2021.

Plans for 2022

- Maintaining a log free of any recordable accidents .
- Maintaining an accident-free traffic record throughout the year.
- Enriching the expertise of employees by providing the highest level of training programs.
- Ensuring that there are no individual accidents recorded through the year.

LEGAL AND CONTRACTS

Department Details

- Providing legal advice, opinions, and recommendations to various departments in the company.
- Preparing and reviewing all contracts in Arabic and English and present legal opinion on all that may lead to legal actions/ outcomes.
- Representing the company before various types and degrees of courts and tribunals.
- Representing the company before government entities and committees that do not fall under the judicial bodies and following up on the interests of the company with them, in relation to irregularities and complaints.
- Reviewing grievances and complaints from employees or legal warnings from third parties.
- Contract management:
- Closing and managing contracts including service and supply contracts and contracts for the operation of offshore and onshore rigs.

2021: Achievements, decisions, and outcomes

- Transferred the legal entity of the company from mixed limited liability company to closed mixed joint stock company.
- Updated the company's real estate security instruments.
- Contributed to legally fortifying the decisions issued by the Company's management in accordance with the applicable regulations.
- Reduced disputes and lawsuits against the Company by 50% compared to previous years.
- Prepared and documented the internal regulation for work at OFSAT Arabia.
- Met the legal requirements for the company's inclusion in the Capital Market Authority.
- Negotiated with suppliers and service providers to adjust prices to match current market prices that are affected by the Corona pandemic.
- Ensured timely completion of contracts with major suppliers to reduce rig downtime and costs due to re-accreditation requirements.
- Completion of the application for the qualification of the Arabian Drilling Company with Kuwait Petroleum Corporation (KPC) to participate in the bidding for oil and gas well drilling contracts in Kuwait.
- Qualified by Chevron Kuwait enabling participation in bidding for oil and gas well drilling projects in Kuwait .
- Submitted a tender for a number of oil and gas well drilling projects at the joint Wafra operations in the State of Kuwait
- Updated draft contracts (suppliers and service providers) to keep pace with market developments.
- Agreed to add new service providers to increase competitiveness in tenders.
- Contributing to avoiding operational fines of 750,000 Saudi Riyals
- Submitting bids for a number of oil and gas well drilling projects with a number of comprehensive contract service providers such as Schlumberger, Halliburton, Baker Hughes and Weatherford
- Contribute to the development of relations between the Arabian Drilling Company and a number of clients
- Submission of a tender for a number of gas well drilling projects with Tatweer Petroleum Company in the State of Bahrain

Plans for 2022

- Raising cultural and legal awareness in all departments of the company.
- Participating in the employee training and providing workshops in legal aspects concerned with their work in the company.
- Reviewing all commercial and labor contracts.
- Rehabilitation with KPC to enable the Arabian Drilling Company to participate in tenders for oil well drilling in Kuwait.

RISK AND COMPLIANCE DEPARTMENT

Risks

- A process of measuring and evaluating risks and developing strategies for managing them
- It aims to control risks and reduce them to acceptable levels
- Avoiding risks and minimizing their negative effects

Compliance

- An independent department that identifies, evaluates, advises and monitors and prepares reports on the risks of non-compliance in the company related to its exposure to legal or administrative penalties, financial losses, or what leads to damage to the company's reputation
- Implementation and application of the systems of governance issued by the Capital Market Authority, the company's basic system, and the companies' system issued by the Ministry of Commerce
- Monitoring the company's compliance with all relevant laws, regulations, instructions and circulars issued by the regulatory authorities
- Supervising the application of anti-money laundering, terrorist financing and anti-fraud regulations

2021: Achievements, decisions, and outcomes

- Developing and evaluating the maturity level of the company's departments and issuing the report
- Holding the second annual workshop to update risks
- Review and update risk registers
- Quarterly reports on the status of risks to the company's management and the Board of Directors
- Holding awareness workshops on risk management, which took place with the concerned department heads
- Holding workshops for the company's management regarding the regulatory requirements for governance in the company's transformation into a closed mixed joint stock company
- Holding workshops for the management of the company regarding the statutory requirements before the company becomes a public joint stock company and after the company becomes a public joint stock company
- Holding an awareness session for the Board of Directors regarding the statutory requirements for closed companies and public joint stock companies
- Develop and implement a commitment framework for company departments
- Initiating the development of the Board of Directors report 2021
- Working on reviewing and updating corporate governance policies
- Create a record of compliance reports and follow-up to update it on a quarterly basis
- Create a follow-up form for the application of systems in the company "Gap Analysis" and start following up on the application of systems and regulatory requirements

Plans for 2022

- Continue to submit quarterly reports on the status of risks to the company's management and the Board of Directors
- Updating the risk management manual on an annual basis
- Continuing to conduct training courses on risks
- Holding annual workshops and developing its report
- Conducting a compliance review to ensure the application of Gap Analysis systems for several departments in the company, including corporate governance and high-risk departments
- Holding workshops for relevant departments to increase awareness of regulatory requirements
- Holding training sessions for the Board of Directors
- regarding governance and emerging regulatory requirements
- Holding training courses for the company's management and the Secretary of the Board of Directors regarding governance and emerging regulatory requirements
- Working on developing procedures for all governance policies and taking relevant approvals
- Work to comply with the statutory requirements regarding the company's announcements through the circulation of "disclosure" and the electronic system of the Capital Market Authority and a depository company.

QUALITY OF SERVICE

Department Details

- The department aims to enrich customer experience by enhancing efficiency and implementing behavioural changes of ADC's front-end and support staff. These interventions are made through field visits and customer meetings.
- The main role of the department is to encourage, direct, and influence the Operations team to achieve expected behavior and increase their efficiency.
- Analysis of service quality indicators, identification of triggers for customer dissatisfaction and launch/implementation of exercises in coordination with the training team.
- Providing, implementing and monitoring processes to manage change, encourage team spirit and communication between departments and across sites [Cultural integration].
- Development and implementation of standard business instructions, review lists and act as the focal point between management and operations.

2021: Achievements, decisions, and outcomes

- Membership of the Steering Committee of the Conference of Petroleum Engineers
- Name the company as the most improved contractor in the field of drilling in the Kingdom by Saudi Aramco
- Automate controls and safety instructions and make them available digitally via the OneDrive platform for all e-mail users in the company
- Establishing many safety and quality requirements before starting any work to ensure that they comply with all requirements and controls and to avoid accidents that cause injuries and reduce service quality

Plans for 2022

- ADC's Quality of Service Department will be transformed into ADC's Department for Continuous Improvement under the "Operational Excellence" subdivision. It will aim to enhance continuous growth and performance improvement in all site functions by identifying and leading operational excellence initiatives. The new section will be dedicated to continuous improvement of our Company and will help us choose projects with a clear mandate to to revitalize rigs and will add to the value of the ongoing technological improvement at ADC.
- We will conduct the procedural commitment campaign and associated audits.
- Delivering micro KPIs for drilling rig transfer to identify Invisible Lost Time (ILT) during rig moving and upgrade drilling reporting system with additional analytical features for continuous improvement.



MAINTENANCE

2021: Achievements, decisions, and outcomes

- Collected, organized, and delivered data on rigs and their equipment to the Supply Chain Division.
- Reduced the costs of certifying and authorizing all equipment under maintenance by signing a contract with one of the companies. Enabled the presence of a permanently accredited engineer in the drilling workshop, to oversee maintenance operations and certificates issuance for all equipment and assets of the Company as soon as the maintenance is done and without reference to the parent company for every certification process.
- Launched the Materials List System – Preventive Maintenance (SAP).
- Automated the monthly reporting system for preventive maintenance.
- Tracked the warnings and instructions sent to the drilling crew.
- Signed this partnership contract with the German-based vertically integrated systems provider Bentec.

Plans for 2022

- Start experimenting with using the T-750 upper rig.

INFORMATION TECHNOLOGY

Department Details

- IT infrastructure services
- Information Technology Systems
- Information Technology Network and Security
- Business applications

2021: Achievements, decisions, and outcomes

- ePOB (Basma) – Phase 1, where ADC launched the Electronic Employee ePoB project to implement the automated attendance registration system using biometric devices. It stores vital data such as facial recognition and/or fingerprint.
- The data classification project, which requires the issuance of data classification standards and procedures, as well as the implementation of data classifications. It also allows stored data to be categorized by the level of sensitivity and impact, in order to determine data-related risks
- Created a new Cybersecurity Department (a cybersecurity governance function, separate from IT operations).
- SAP Ariba Application (enabledDirect Resource Performance (SLP), where SAP Ariba's integrated solution helps transform, improve, and simplify the approach in which the Arabian Drilling Company buys and pays for materials and services. Enabled communication with thousands of suppliers, identifying strategic sources, evaluating vendors, smart payment, and analyzing spending.
- Adopted a comprehensive approach to SAP Ariba implementation to mitigate specific high risks.

Plans for 2022

- Updating IT policies, standards, and procedures.
- Automating and improve the drilling platform.
- Electronic billing – Phase II.
- Electronic signatures.

SUPPLY

2021: Achievements, decisions, and outcomes

- Exceeded the sufficiency goal twice by 38.8% (initial target 35% and 38% respectively). It is the first time that this has been achieved.
- Found 62 additional local suppliers.
- Completed the construction of the company's new main central warehouse.
- A 25% reduction in open orders.

Plans for 2022

- Training Saudi stockkeepers on using High-Speed Drills.
- Create an inventory team.

RIG MOVING

Department Details

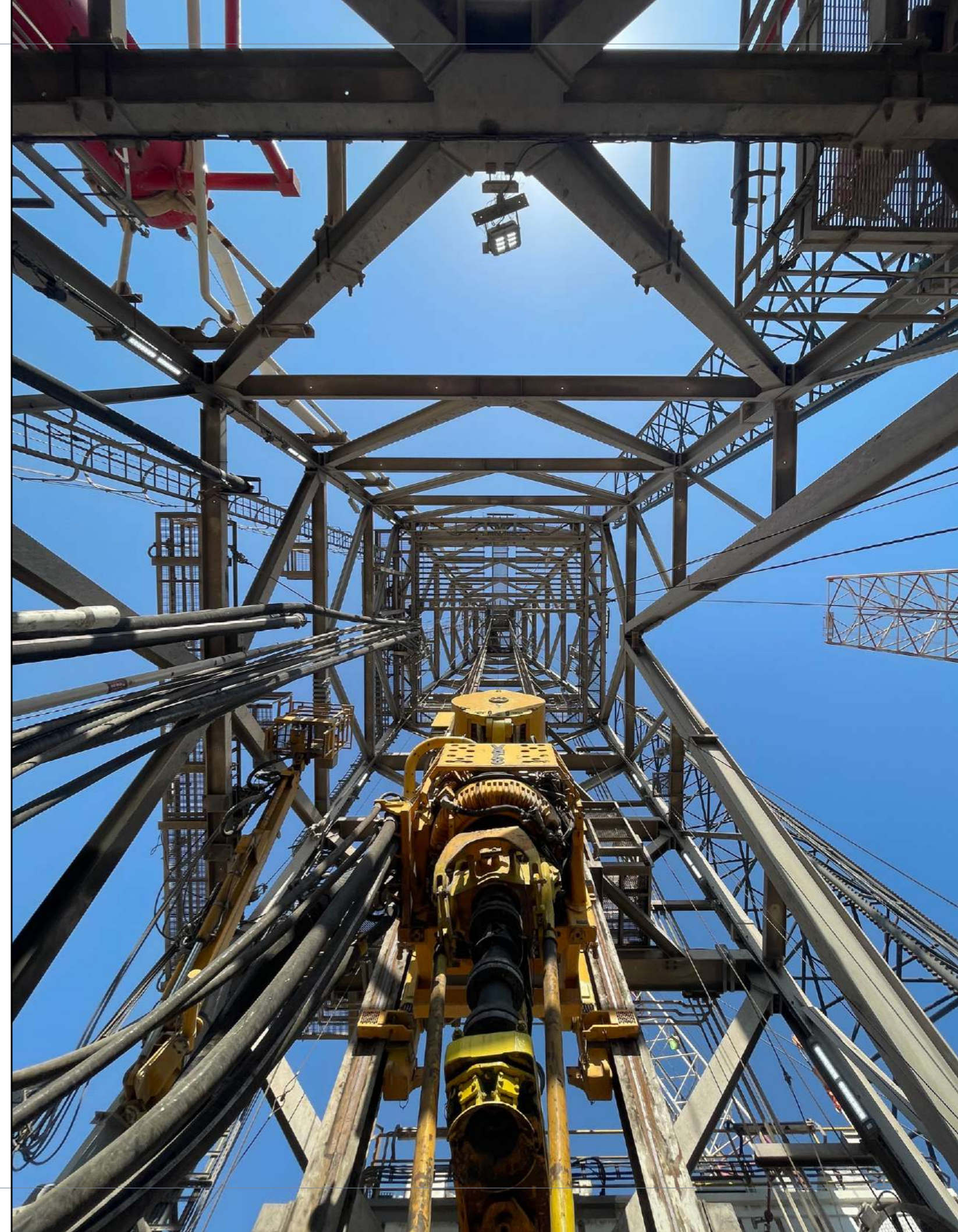
- Follow-up and management of rig moving operations.
- Rig moving equipment.
- Automation of rig moving tracking system.
- Issuing daily, monthly, and annual reports, analyzing data from drilling operations, eliminating all delay factors, and moving rigs on time.

2021: Achievements, decisions, and outcomes

- Completion of the editing and updating rig moving plans for a total of 20 rigs.
- Rigs were moved a total of 274 times, and 648 hours of rig moving time was saved.
- Developed the Mast-Dolly design tool, that will save many rig moving days, resulting in significant revenue increase.
- Worked on a formula for issuing periodic reports and sharing them with various departments such as Operations, Maintenance, and OFSAT Team.

Plans for 2022

- Resume the editing and updating the remaining rig moving plans.
- Monitoring and tracking the efficiency of the new tool and working to avoid any problems or errors resulting from its use.
- Completing the feasibility study and implementing the project.
- Continuing working on reports and raising their efficiency and quality.



CORPORATE GOVERNANCE



BOARD OF DIRECTORS :

Member name	Membership	Membership		
		Independent	Non-executive	Executive
Khalid Mohammed Noah	Chairman	-	✓	-
Tariq Rizk	Vice Chairman	-	✓	-
Hinda Gharbi	Board Member	-	✓	-
Walid Abdullah Al-Mulhem	Board Member	-	✓	-
Shams Ur RahmanZaruaw Khan	Managing Director of Technical Affairs – Board Member	-	-	✓
Ali Hamed Al Ghamdi	Managing Director – Board Member	-	-	✓
Samir Seth	Board Member	-	✓	-

BOARD MEETINGS:

In 2021, the Board of Directors held four (4) meetings as recorded in the attendance register in the below table:

The name	The first 18-03-2021	Second 15-06-2021	Third 20-09-2021	Fourth 06-12-2021
Khalid Mohammed Noah	Attended	Attended	Attended	Attended
Tariq Rizk	Attended	Attended	Attended	Attended
Hinda Gharbi	Attended	Attended	Attended	Attended
Walid Abdullah Al-Mulhem	Attended	Attended	Attended	Attended
Shams Rehman Zaruaw Khan	Attended	Attended	Attended	Attended
Ali Hamid Al Ghamdi	Attended	Attended	Attended	Attended
Samir Seth	Attended	Attended	Attended	Attended

REVIEW COMMITTEE:

In 2021, the review committee held five (5) meetings as recorded in the attendance register, and specified in the table below:

The name	First 11-03-2021	Second 01-06-2021	Third 12-09-2021	Fourth 18-11-2021	Fifth 15-12-2021
Walid Shukri	Attended	Attended	Attended	Attended	Attended
Hani Qureshi	Attended	Attended	Didn Not Attend	Attended	Attended
Nizar Shawa	Attended	Attended	Attended	Attended	Attended
Mostafa Abdullatif	Not appointed yet*	Not appointed yet*	Attended	Attended	Attended
Ahmed Alsheikh	Attended	Attended	End of Contract Period**	End of Contract Period**	End of Contract Period**

* Mr. Mostafa Abdullatif: was appointed only after the First and Second meetings

** Mr. Ahmed Alsheikh: Contract expired on June 30, 2021

ANNUAL REPORT OF THE AUDIT COMMITTEE FOR THE YEAR 2021

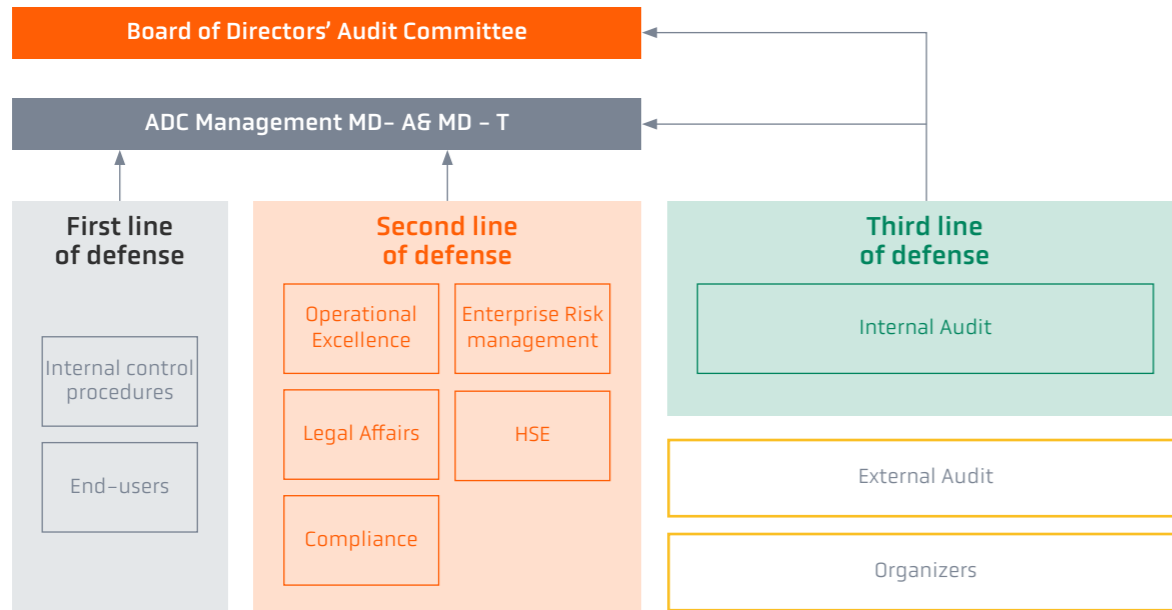
The General Assembly approved the formation of the Audit Committee for the current session of the Board, starting on 02/11/2021 AD. and its duties, its work controls, and the remuneration of its members.

The committee consists of four members, including an independent committee member. The committee is responsible for reviewing the company's financial and administrative policies and procedures. The committee also reviews internal audit reports and notes, and recommends to the board of directors to appoint an external auditor, dismiss them, determine their fees and ensure their independence, study the preliminary and annual financial statements before submitting them to the board of directors and express an opinion on them, and study the legal accountant's notes On the financial statements, as well as studying the audit plan with the external auditor and making its comments on it, and other work on a periodic and regular basis, in a way that enables it to assess the efficiency and effectiveness of control activities, risk management, ensuring compliance, and combating fraud and corruption. The committee held five meetings during 2021.

THE MAIN ROLE OF THE COMMITTEE IS TO ASSIST THE BOARD OF DIRECTORS IN OVERSEEING:

- (1) The integrity, integrity and accuracy of the Company's financial statements and reports, its internal control system, and their accuracy;
- (2) The Company's compliance with legal and regulatory rules and requirements and a code of professional conduct
- (3) The qualifications and independence of the company's external auditor;
- (4) Perform the functions of the company's internal audit and external auditors
- (5) Evaluation and monitoring of the company's risk management system and the steps taken to manage these risks.

RISK MANAGEMENT:



Source: Institute of Internal Auditors (IIA)

ENTERPRISE RISK MANAGEMENT (ERM)

The Arabian Drilling Company applies ERM to identify, evaluate and identify priorities and manage the continuing risks applicable to the company. It is a comprehensive program to proactively and continuously identify and manage real and potential threats/risks that may affect ADC's operations locally and globally.

ADC faces internal and external factors that may create uncertainty in its ability to achieve its specific objectives in its business operations. The impact of this uncertainty on AED's objectives represents a "risk" for the company.

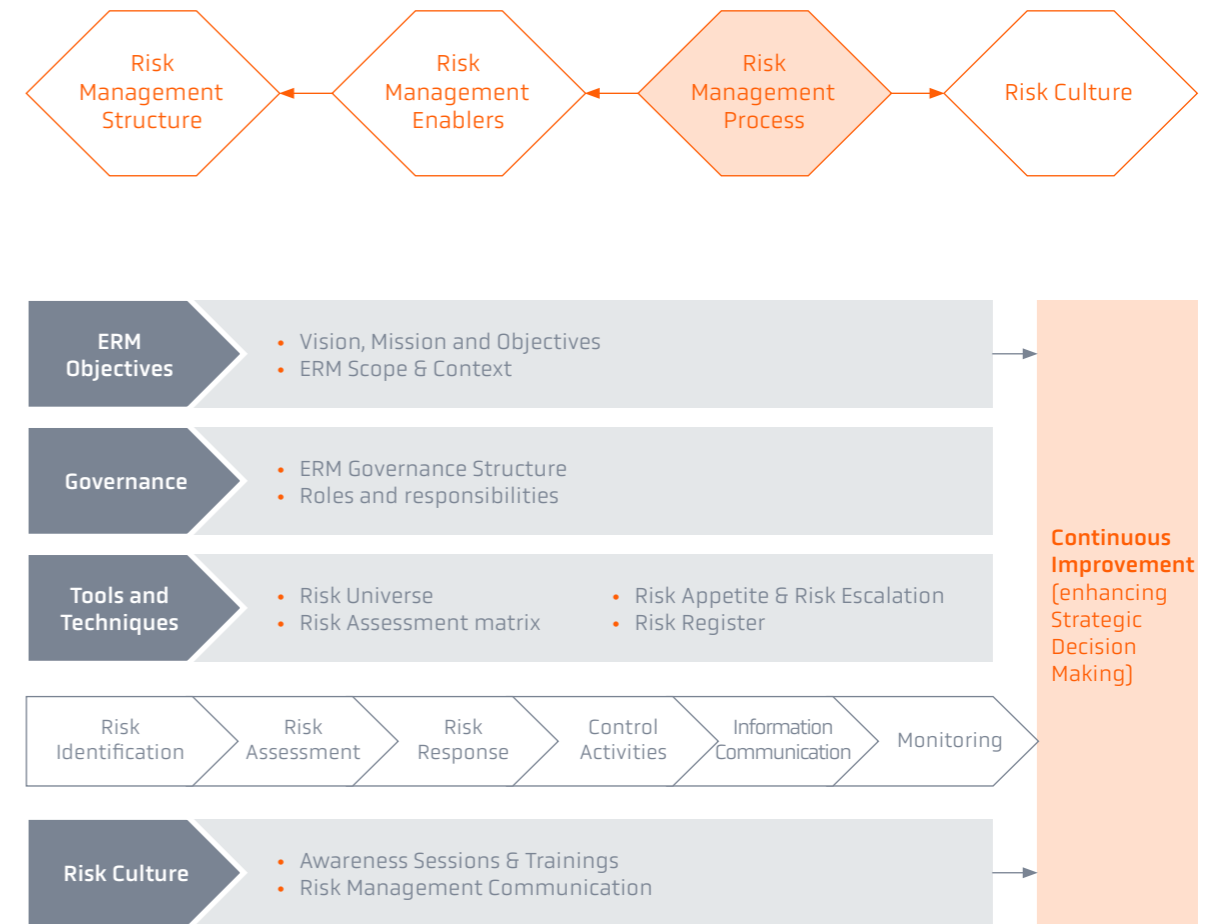
The Enterprise Risk Management (a system that includes managing risks that affect the achievement of ADC's regulatory objectives), is not only aimed at eliminating risks, but also works as an effective enterprise risk management program that aims to create an environment in which risks are embraced, and allows the management to make comprehensive, intelligent and strategic risk decisions.

There are three lines of defence in effective risk management based on the [COSO] framework and that model includes:

- The first line of defense lies with the processes and personnel that involve and manage risks, i.e. end-users and applicable internal control measures.
- The second line of defense consists of processes and personnel that oversee or specialize in risk management, compliance, operational excellence, etc.
- The third line of defense consists of processes and personnel that provide independent assurances, for example: internal audit.

ENTERPRISE RISK MANAGEMENT (ERM) FRAMEWORK

Arabian Drilling Company's Enterprise Risk Management Framework is developed based on the best practices guidelines in the 2017 COSO Framework.



ERM VISION, MISSION, AND OBJECTIVES

Vision

To Promote a culture of risk awareness and reduce uncertainty to support management's performance towards achieving ADC's objectives in an effective and profitable manner.

Mission

To Provide ADC with structured risk identification, evaluation, and management capabilities by promoting and implementing leading practices in enterprise risk management.

Goals

- Addressing and managing a full range of risks at the enterprise level.
- Providing a seamless and integrated infrastructure with the necessary resources to support efficient and effective risk management at all levels of the company.
- Identifying and evaluating all risks that can affect the achievement of ADC's objectives and aims.
- Integrating risk management practices in the decision-making process at ADC.
- Continuous monitoring of information provided to decision makers to help them manage key risks and protect stakeholder interests.
- Ensuring that exposure to unrewarded risks are efficiently handled and managed, and encouraging ADC to take calculated risks and to gain rewards, by exploring opportunities that create value.
- Raising awareness among company employees and stakeholders regarding risk management.

ERM SCOPE AND CONTEXT

Scope

The scope of risk management for the Arabian Drilling Company applies to all departments and activities of the organization.

Context

The context of ERM at the Arabian Drilling Company consists of the internal and external environments surrounding it.

1. Internal environment

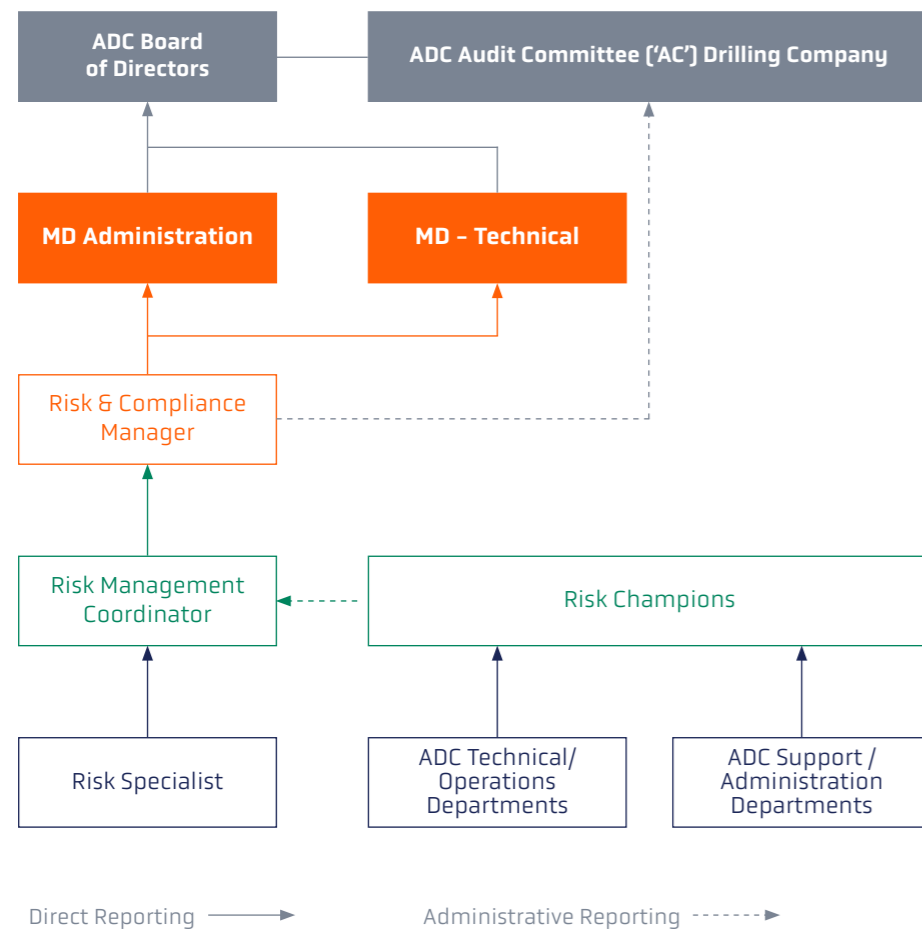
- The company objectives
- Policies and procedures in place at the company.
- The company's resource capabilities such as individuals, systems, processes, structure, governance, roles, responsibilities, etc.
- Information flow channels and decision-making processes.
- Perceptions, values, and culture of the Company.

2. External Environment

- Environmental, cultural, social, political, legal, regulatory, financial, economic, and competitive factors, whether international, national, or regional.
- Key motives and trends that affect the Company's objectives.
- Perceptions and values of external stakeholders.
- Risks/threats to the Company.

ERM GOVERNANCE FRAMEWORK

Description of the Arabian Drilling Company's ERM framework:



ROLES AND RESPONSIBILITIES

THE BOARD OF DIRECTORS

The Board of Directors discuss the company's risks with the company's management and provides supervision as needed. The Board of Directors are informed of the most important/major risks, as well as the actions taken by the management of the Arabian Drilling Company to manage them effectively.

The Board's main responsibilities toward ERM are:

- Approving the company's ERM guide.
- Ensuring that a comprehensive view of risks is taken at the company level, rather than from the management's narrower point of view when choosing strategies to improve risks and rewards for the company as a whole.
- Ensuring that the management allocates sufficient resources to the ERM function for risk management activities.

REVIEW COMMITTEE

The main responsibilities of the Arabian Drilling Company Audit Committee in relation to ERM are as follows:

- Reviewing the ERM guide.
- Reviewing major/the most important risks with management, ERM, internal audit and legal auditors.
- Monitoring management's actions to improve the weaknesses identified in controls for managing major risks.
- Ensuring that a formal risk assessment is conducted annually and that the risk assessment, maintenance, and reporting methodology is effectively implemented across the company.
- Facilitating and enhancing reporting risk issues to the Board of Directors, whenever required.

MANAGING DIRECTOR - TECHNICAL AFFAIRS

- Providing the required resources and ensuring the effective implementation of the company's ERM program.
- Ensuring compliance with risk management activities as defined in the ERM Manual.
- Ensuring that all risks identified at the company level are monitored, addressed, and considered when developing the strategy and annual action plan.
- Allocating accountability to individual risk management at an appropriate high level (e.g., department managers) to ensure that risk response plans are implemented.
- Promoting a culture of risk awareness across the company.

RISK AND COMPLIANCE MANAGER

The Risk and Compliance Manager leads ERM activities at the Arabian Drilling Company. The Risk and Compliance Manager is supported by the Risk Manager, Risk Management Specialists and Risk Managers across departments. The main responsibilities of the Risk and Compliance Manager to the ERM are as follows:

- Facilitating the work of the company's ERM program as defined in the ERM Guide.
- Proposing periodic reviews of the ERM framework and associated documents, if necessary.
- Encouraging an appropriate risk culture within the company, by providing awareness and training to employees, for example.
- Coordinating responses from multiple departments if the risk affects more than one department, for example cross-functional risks.
- Reporting and escalating ERM issues and reporting them to key stakeholders, as appropriate.
- Sharing opinions on risks related to any new initiative by the Arabian Drilling Company (e.g., health, safety and environment, projects, investments, contracts, etc.).

RISK MANAGER

The Risk Manager supports the Risk and Compliance manager and acts as a link between Risk and Commitment Manager, Risk Management Specialist, Risk Managers and Risk Owners. The main responsibilities of the Risk Manager for ERM activities are as follows:

- Supporting the Risk and Compliance Manager in building and continuously developing the ERM capabilities at the Arabian Drilling Company.
- Assisting Arab Drilling Company's department managers and Risk Leaders during the development/ updating of risk records, risk assessment and risk response development.
- Assisting the Risk and Compliance Manager in monitoring the risks of ADC As defined in the risk records.
- Coordinating with departmental managers and Risk Managers to update risk records periodically and ensuring that risks are properly identified, classified, and allocated to responsible parties.
- Sharing views on any new initiative by ADC (e.g., health, safety and environment, projects, investments, contracts, etc.).

RISK SPECIALIST

The Risk Management Specialist supports the risk manager and acts as a link between the Risk Manager, Risk Leaders, and Risk Owners. Their main responsibilities for ERM activities are as follows:

- Supporting the Risk Manager in building and continuously developing ERM capabilities at the Arabian Drilling Company.
- Assisting the Arab Drilling Company's department managers and Risk Leaders during the development/ update of risk records, risk assessment and risk response development.
- Helping the Risk Manager monitor the Arabian Drilling Company's risks as defined in risk records.
- Supporting the Risk Manager in coordination with department managers and Risk Champions, to update risk records periodically and to ensure that risks are identified, classified and allocated to responsible parties.

RISK OWNER

Risk owners across all ADC departments are nominated to determine liability and take over the authority to manage risks and advise risk champions on the status of implementing risk response plans. The main responsibilities of Risk Owners for ERM activities are as follows:

- Coordinating with Risk Leaders to mitigate risks, which include implementing risk response plans to ensure that departments manage risk effectively.
- Reporting to Risk Leaders on risk trends, issues, and bottlenecks in implementing risk response plans.
- Being responsible for identifying, monitoring and mitigating risks in their own departments.

RISK LEADER

Risk Leaders are members nominated from different departments to coordinate risk management activities in their departments. The main responsibilities of Risk Leaders for ERM activities are as follows:

- Responsibility for facilitating risk management workshops to identify risks related to their departments.
- Responsibility for updating risk records based on information obtained from Risk Owners.
- Providing continuous guidance to Risk Owners to ensure the risk records are up-to-date.
- Providing updates to Risk Management on the status of risk responses.

STAFF

- Recognize the risks, responsibilities and daily activities related to their roles.
- Attend workshops, awareness sessions, and training courses about risks.
- Implement or support the implementation of controls, as part of their daily duties.
- Report ineffective and/or inadequate oversight.

RISK CATEGORIES AND FACTORS

The World of Risk at the Arabian Drilling Company consists of different types of risk that may have an impact on the fulfilment its objectives, and there is no certainty that the risk management system will prevent the emergence of such risks. However, the management of ADC monitors these risks closely by identifying the likely types related to the company and puts in place preventive measures and controls to address them, which is necessary for effective risk management.

Following are The main risk areas that may affect the Arabian Drilling Company are as follows:

1. Strategic Risks:

Risks that compromise achieving the company's strategic objectives/ goals or are a threat to the company in general, whether imposed through external threats or resulting from a flawed or a poorly implemented strategy. Strategic risks can arise from obstacles to the successful implementation of an adopted strategy such as changing regulations and legislation, which could have a negative impact on achieving strategic objectives.

2. Operational Risks:

Unexpected disruption to the company's day-to-day operations, which may include a technical failure, such as equipment failure or process negligence. Operational risk may generally occur due to human error or negligent follow-up of technical processes. Sometimes, there may be operational risks beyond control, such as a total power outage, operational system failure, or human errors.

3. Digital Risks:

Risks from cybersecurity, IT, and infrastructure operations. For example, sensitive or confidential data leaks, cyberattacks, technical failures, or communication network failures.

4. Financial Risks:

Risks of a financial nature that could potentially lead to financial losses, such as higher than expected costs, inability to meet financial obligations or financial fraud. An example of that is liquidity risk, lower revenue, reliance on a single source of revenue, or high operating cost.

5. Non-compliance Risks:

are the risks resulting from the company's failure to comply with regulations and legislation in the implementation of its operations, which exposes the company to penalties or punitive measures. For example, non-compliance with regulations and legislation in the implementation of operations such as anti-money laundering and terrorist financing regulations, non-compliance with the terms of contracts with clients, the company's non-compliance with international standards, or failure of employees to comply with professional conduct rules.

6. EHS (Environment, Health, and safety) Risks:

Risks resulting from the company's failure to comply with EHS regulatory requirements. From a health and safety point of view, organized efforts and procedures must be made to identify risks in the workplace and reduce accidents and exposure to harmful conditions and substances. It also includes training staff in accident prevention, incident response, emergency readiness and the use of proper PPE at work. From an environmental point of view, a systematic approach to compliance with environmental regulations, such as waste management or air emissions, must be developed along the way to help reduce the company's carbon emissions.

7. Human Resources Risks:

Employee-related risks are critical and could pose challenge to the company's sustainability goals. Potential human resources risks at the Arabian Drilling Company include:

- The behavioral risks of individuals through illegal matters that are contrary to work ethics (fraud, theft, collusion, exploitation of personal matters).
- Lack of safety and health laws to meet the needs of workers optimally.
- Lack of qualified and skilled staff.
- Medical problems and work injuries.
- Non-compliance towards Saudization rate of employees in the company.
- Training and development not affecting improved performance.
- Critical knowledge leakage arising from outgoing competent employees.
- Lack of clarity of specific performance criteria for measuring and managing performance.
- Inadequate staff succession.

8. External Environment Risks:

Risks resulting from the environment in which the company operates and pursues its objectives. The following factors should be considered as they directly or indirectly affect the business's commercial, social, regulatory, legislative, cultural, competitive, financial and political aspects among others.

- A few external risk factors are:
- New technological innovation
- Macro risk
- Business integration risks
- Competitors
- Catastrophic events
- Changing Customers' needs and desires
- Epidemic risks such as Covid-19

The image features a warm, orange-toned background with a bright sun or light source in the upper right, creating a silhouette effect. Two workers wearing hard hats are positioned on a complex industrial structure, possibly a drilling rig or offshore platform. The structure consists of various beams, railings, and walkways. The workers are silhouetted against the bright light, and their forms are dark against the glowing background. The overall mood is industrial and dramatic.

FINANCIALS

FINANCIALS:

Company assets, liabilities and business results over the last five financial years

"Thousands of riyals":

Statement Year	2017	2018	2019	2020	2021
Operations assets:					
Cash and semi-cash	306,684,678	78,839,725	221,272,841	639,520,647	411,621,031
Short-term investments	0	0	0	0	0
Investments available for sale	0	0	0	0	0
Net Recievable	542,560,450	945,942,948	1,041,709,721	532,049,622	708,784,419
Other assets	5,097,107,197	6,159,033,261	6,063,588,917	5,782,086,711	5,422,287,241
Total assets of operations	5,946,352,325	7,183,815,934	7,326,571,479	6,944,147,229	6,542,692,691
Shareholder assets:					
Cash and semi-cash	0	0	0	0	0
Short-term investments	0	0	0	0	0
Investments available for sale	0	0	0	0	0
Other assets	0	0	0	0	0
Total shareholder assets	0	0	0	0	0
Total assets	5,946,352,325	7,183,815,934	7,326,571,479	6,944,147,229	6,542,692,691
Operations requirements:					
Recieveables	84,119,577	19,484,134	16,000,801	38,381,200	15,189,800
Technical reserves	18,883,921	18,883,921	18,883,921	18,883,921	18,883,921
Other requirements	5,843,348,827	7,145,447,879	7,291,686,757	6,886,882,108	6,512,866,170
Total operations requirements	5,946,352,325	7,183,815,934	7,326,571,479	6,944,147,229	6,546,939,891
Requirements and shareholders' equity:					
Shareholders' requirements	0	0	0	0	0
Shareholders' equity	0	0	0	0	0
Total requirements and shareholders' equity	0	0	0	0	0
Total liabilities and shareholders' equity	5,946,352,325	7,183,815,934	7,326,571,479	6,944,147,229	6,546,939,891

GEOGRAPHICAL ANALYSIS OF THE COMPANY'S REVENUES AND SUBSIDIARIES:

Area	Geographical analysis of the company's revenues and subsidiaries:	
	Total revenue	Ratio
Central	-	-
Eastern Province	2,198,968,512	100%
Western Bank	-	-
Main accounts	-	-
Total	2,198,968,512	100%

FUNDAMENTAL DIFFERENCES IN OPERATING RESULTS FROM PREVIOUS YEAR AND/OR COMPANY'S STATED EXPECTATIONS:

"Thousands of riyals":

Statement	2021	2020	Changes + or -	Rate of change
Excess loss expenses	-	-	-	-
Other income	-	-	-	-
Depreciation	490,203,384	679,701,766	[-]	28%
Other operating expenses	-	-	-	-
Operating profit (loss)	-	-	-	-
Investment profits	-	-	-	-
Other profits.	-	-	-	-
Profit (loss) for the fiscal year ended December 31st (before Zakat)	-	-	-	-
Profit (loss) for document holders	-	-	-	-
Dividend (loss) charged to shareholders for the fiscal year ended December 31st (before Zakat)	-	-	-	-

EXPLAINING THE DIFFERENCE IN ACCOUNTING STANDARDS APPROVED BY THE SAUDI ORGANIZATION FOR CHARTERED AND PROFESSIONAL ACCOUNTANTS (SOCPA):

The external auditor's report states that the company prepared the financial statements in accordance with international standards for financial reports, but not in accordance with Saudi accounting standards. The report confirms that there are no substantial differences or financial impacts however, as a result of the statements prepared in confirmation with international standards.

EQUITY ACTIVITIES AND DEBT INSTRUMENTS:

Tow debt instruments were issued by the company during the financial period ended December 31st , 2021.

Description	Amount
Murabaha Loan	SAR 835,617,643
The current part of the Murabaha loan	SAR 545,472,803
Total Murabaha Loan	SAR 1,381,090,446

STATEMENT OF VALUE FOR REGULAR PAYMENTS PAID AND DUE TO PAY FOR ANY ZAKAT, TAXES, FEES OR OTHER DUES THAT WERE NOT PAID UNTIL THE END OF THE ANNUAL FINANCIAL PERIOD:

Description	2021 AD		Details	Nature of Transaction
	Total Payable Amount [SAR]	Due until the end of the annual financial period and not paid		
Zakat	9,566,851	An estimated allocation of SAR 8,318,755 created until filing of the statement in April 2022.	Paid at SAR 9,566,851 are Zakat payments made in 2021: Zakat due for the period ended 31st December,2020.	Systemic requirement.
Tax	6,934,424	An estimated allocation of SAR 2,645,877 created until filing a statement in April 2022.	Paid at SAR 6,934,424 tax payments made in 2021: tax due for the period ended 31st December,2020.	Systemic requirement.
The General Organization for Social Insurance [GOSI]	78,969,327	5,387,472	Paid in 2021; includes 5,113,102 for December 2020 Due to the Organization for December 2021 subscriptions	Systemic requirement.
Visa and passport costs	3,586,851	-	Visa costs for non-Saudi employees - paid	Systemic requirement.
Human Resources and Social Development fees	10,182,003	-	Resident card fees for non-Saudi employees - paid	Systemic requirement.

STATEMENT OF THE VALUE OF ANY INVESTMENTS OR RESERVES ESTABLISHED FOR THE BENEFIT OF THE COMPANY'S EMPLOYEES

The company does not have a savings program for employees.

NAMES OF JOINT-STOCK AND NON-JOINT STOCK COMPANIES IN WHICH A MEMBER OF THE COMPANY'S BOARD OF DIRECTORS IS A MEMBER OF ITS BOARD OF DIRECTORS, CURRENT AND PREVIOUS JOBS, QUALIFICATIONS AND EXPERIENCE

Name	Qualifications
KHALID NOUH Chairman of the Board – Non-Executive Member	Bachelor's degree – Mechanical Engineering – King Saud University
Current Jobs	Previous jobs
<ul style="list-style-type: none"> The Arab Company for Geophysics and Surveying (Member of the Board of Directors) Taqa Well Services Company (Member of the Board of Directors) Taqa Drilling Solutions Company (Member of the Board of Directors) CEO of Manufacturing and Energy Services Company 	<ul style="list-style-type: none"> President of Baker Hughes Middle East and Asia Chief Technology Officer, Emirates National Oil Company Executive Director of Eternal Consulting

Name	Qualifications
WLEED AL MULHIM Board of Directors Non-Executive Member	<ul style="list-style-type: none"> Bachelor's degree – Petroleum Engineering – University of Southern California MSc – Petroleum Engineering – Stanford University
Current Jobs	Previous jobs
<ul style="list-style-type: none"> Accumulation of experiences from 1990 – 2022 AD through work in the field of oil and gas 	<ul style="list-style-type: none"> Accumulation of experiences from 1990 – 2022 AD through work in the field of oil and gas

Name	Qualifications
TARIQ RISQ Board of Directors Non-Executive Member	Bachelor's degree – Electrical Engineering – Alexandria University
Current Jobs	Previous jobs
<ul style="list-style-type: none"> Head of the Middle East and North Africa region for Schlumberger, Oilfield Services 	<ul style="list-style-type: none"> Member of the Board of Directors of Intel Service
Previous jobs	Previous jobs
<ul style="list-style-type: none"> Head of Drilling & Measurement, Schlumberger, UK, Oilfield Services Division HR Manager – Drilling Group, Schlumberger, UK, Oilfield Services Division Vice President of Wireline – Middle East and Asia, Schlumberger, Oil and Gas Division Vice President of Wireline – Russia and the Caspian Sea Region, Schlumberger, Oil and Gas Sector, 	<ul style="list-style-type: none"> Operations Manager, Schlumberger, Norway and Denmark, Oilfield Services Division Product Officer, Schlumberger, Oilfield Services Division Site Manager, Schlumberger, Oilfield Services Division Field Service Manager, Schlumberger, Oilfield Services Division

DECLARATION:**The Board of Directors hereby confirms and approves:**

1. That the account records were properly prepared.
2. The control system was properly developed and implemented effectively.
3. There the company is fully capable to continue its activities.
4. There are waiver arrangements under which the company shareholders could waive their right to profits.
5. There is no conflict between the recommendations made from the audit committee and the decisions made by the board decisions. Further, there are no recommendations from the Review Committee that the Board rejected or refused to consider regarding the appointment and discharge of the company auditor, the determination of their fees, the evaluation of their performance or the appointment of the internal auditor.
6. There is no clause/section in the auditor's report that contains reservations about annual financial statements.
7. No penalty, precautionary restriction or penalty imposed on any board member of any judicial, supervisory, or regulatory nature in matters associated with the company and their position as a board member.
8. There are major shareholders in the company, namely, Taqa, which owns 51% of the company's shares, and Schlumberger, which owns 49% of the company's shares. The auditor's report does not include reservations on the annual financial statements.

