

ARAMCO

1. Risks related to crude oil supply and demand

Saudi Aramco's results of operations and cash flow are significantly impacted by international crude oil supply and demand and the price at which it sells crude oil.

Sales of crude oil are the largest component of Saudi Aramco's consolidated revenue and other income related to sales. Accordingly, Saudi Aramco's results of operations and cash flow are significantly impacted by the price at which it is able to sell crude oil.

International crude oil supply and demand and the sales price for crude oil are affected by many factors that are beyond Saudi Aramco's control, including:

- market expectations with respect to future supply of petroleum and petroleum products, demand and price changes, including future demand for petroleum products in Asia;
- global economic and political conditions and geopolitical events, including any that impact international trade (including trade routes);
- decisions regarding production levels by the Kingdom or other producing states (the Kingdom is a member country of OPEC) see Section 3: Results and performance;
- the impact of natural disasters and public health pandemics or epidemics (such as the novel strain of coronavirus known as Coronavirus disease 2019 (COVID-19)) on supply and demand for crude oil and general economic conditions.

2. Risks related to economic and political developments in Asia

Saudi Aramco expects crude exports to customers in Asia to continue to constitute a significant percentage of its total export and production volumes. Furthermore, the refined, chemical and petrochemical products that are produced at Saudi Aramco's joint ventures and international operations in Asia are generally sold locally and exported to other Asian countries. If there is a slowdown in economic growth, an economic downturn or recession or other adverse economic or political development in Asia (including the recent outbreak of the novel strain of coronavirus known as Coronavirus disease 2019 (COVID-19)), Saudi Aramco may experience

a material reduction in demand for its products by its customers located in that region.

Moreover, any such development in other parts of the world (including political and social instability or armed conflict in the MENA region) may result in other producers supplying surplus capacity to Asia, thereby increasing competition for customers in Asia and affecting the prices at which Saudi Aramco sells its products to customers there. Any decrease in demand for Saudi Aramco's products in Asia could have a material adverse effect on its business, financial position and results of operations.

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3. Risks related to operational risks and hazards

Saudi Aramco is subject to operational risks common in the oil and gas industry, including:

- crude oil or gas spills, pipeline leaks and ruptures, storage tank leaks, and accidents involving explosions, fires, blow outs and surface cratering;
- power shortages or failures;
- mechanical or equipment failures;
- transportation interruptions and accidents;
- tropical monsoons, storms, floods and other natural disasters; and
- chemical spills, discharges or releases of toxic or hazardous substances or gases.

4. Risks related to insufficient insurance

Saudi Aramco does not insure against all risks and its insurance may not protect it against liability from all potential events, particularly catastrophic events such as major crude oil spills, environmental disasters, terrorist attacks or acts of war.

Risk management

The Board of Directors provides risk oversight as a component of its strategic leadership. The Risk & HSE Committee of the Board oversees the risk management framework and monitors specific major risks.

The primary role of the Risk and HSE Committee is to monitor overall management of risk and activities relating to health, safety and the environment and to assist the Board of Directors with:

- (i) leadership, direction, and oversight with respect to Saudi Aramco's risk appetite, risk tolerance, risk framework and risk strategy;
- (ii) governance and management of strategic and operational risks and sustainability; and
- (iii) fostering a culture within Saudi Aramco that emphasizes and demonstrates the benefits of risk management.

The framework is based on the Three Lines of Defense model

First line of defense:

Business assets and facilities : Identify and manage risk.

Second line of defense:

Risk and control functions : Monitor and report risk, and provide guidance.

Third line of defense:

Internal audit : Provide independent assurance on the effectiveness of internal control systems.