



Audit Committee Report For the year ended December 31, 2020

Introduction

The current Audit committee was formed by the decision of the 10th Extraordinary General Assembly on 14/11/2018, and its charter was approved and its functions applied from 30/11/2018 until the completion the term of BOD, which ends on 29/11/2021, and the Committee is formed from the members of:

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| 1. Othman Mohamed Bafagih | (Chairman of the Audit Committee) |
| 2. Mansour Saleh Alkharboush | (Member of the Audit Committee) |
| 3. Saud Abdullah Alsyari | (Member of the Audit Committee) |

The work of the audit committee in Hail Cement company is governed by regulations and systems issued by the Ministry of Commerce and the Capital Market Authority in addition to the Charter of the audit committee that defined its functions, terms of reference, Authority and responsibilities.

This is a report of the most prominent work done by the Committee during the year 2020:

Committee meetings:

During the year 2020, the Audit Committee held (6) meetings to review and discuss, the quarterly and annual financial statements, internal audit reports and executive management report, in addition to carrying out its tasks including monitoring the company's business and verifying the validity and integrity of financial reports and internal control systems, and the following are the highlights of the committee's work during the year 2020.

First: Financial reports

- Study the quarterly and annual financial statements for the year 31/12/2020 and discuss the observations of the external auditor on the financial statements and follow up on what was done in it.
- Examine the results of the company's financial year review with the company's executive and financial management and ensure that it complies with the standards approved in the KSA.
- Submitting the financial statements to the BOD, Attached to the opinion and recommendation of the Committee for consideration of its approved.
- Review the policies and accounting practices to ensure that they are in accordance with the accounting standards approved in the KSA.

Second: Internal Audit Department.

- In order to activate the department of an internal audit in the company, the Committee during the year hired an Internal Auditor Manager of the company after meeting a number of candidates, as a first step towards the development of internal audit department.
- The committee also supervised the performance of the internal Audit consultant(external), approved the audit plan, followed up activities, met with him periodically and discussed the executive management about the observations.
- Follow-up the implementation of the recommendations of the internal Audit consultant(external) with the company's management and establish controls to ensure that these recommendations continue to be implemented.

Third: External Auditor

- Study and evaluate the proposals received to provide external audit services and recommend the selection of the best external auditor, ensure their independence and cover the scope of their work and the appropriate terms of their engagement.
- Supervising the work of the external auditor and meeting with him on a quarterly basis and discussing his observations with the financial department of the company and making sure that he reaches the required data to express his opinion professionally and independently in accordance with the standards approved in the KSA.

Fourth: Ensure Compliance

- Review the reports and observations of regulators, verify that the necessary actions are taken and follow up the implementation.
- Verify ing the company's compliance with the relevant regulations, systems and policies and expressing opinions about requests transferred from the BOD or the management of the company, the most important of which is the Whistleblowing Policy, the profit distribution policy, the policy of regulating the relationship with stakeholders, and the credit policy.
- Follow-up the status of the cases filed in favor of or against the company with the company's lawyer.

Fifth: Arrangements for the presentation of observiations:

- Develop the appropriate mechanism by which the company's employees can provide feedback on any infringement of the company's internal regulations, including those related to the preparation of financial statements, which include ensuring that the rights of the notice provider are not violated.
- Develop appropriate procedures to proceed, follow up the feedback provided by the company's employees, and ensure the independence of those procedures.

The results of the annual internal audit of the effectiveness and procedures of the internal control system, finance and risk management:

That the company's management is responsible for the preparation of a comprehensive and effective system of internal control, and based on what was exposed to the Committee during the year 2020 did not reach the Committee what shows any fundamental weakness in the internal control systems in the company and we believe that the company has a sound and effective internal control system reasonable, bearing in mind that any internal control system, no matter how efficient it may be, cannot provide absolute confirmation about the internal control systems applied.

Chairman and members of the Audit Committee:

Eng. Othman Bafagih	Chairman Audit Committee	
Mr. Mansour Alkharbous	Member Audit Committee	
Mr. Saud Alsyari	Member Audit Committee	



Recommendation of Auditor assignment

Vote to assign external auditor from the nominated offers based on the recommendation of the Audit Committee to audit the financial statement of the second and third quarter and annual statement of the fiscal year 2021, plus the first quarter of the year 2022, Nominated Auditors are:

- 1) ElSayed El-Ayouty & Co. Certified auditors and accountants.
- 2) Ibrahim Ahmed Al Bassam & Co. Certified Auditors and Accountants