



Audit Committee Annual Report

(For Fiscal Year 2020)

May 2021

TABLE OF CONTENTS

| | Page |
|--|----------|
| I. Introduction..... | 3 |
| II. General Information..... | 3 |
| Audit Committee Role..... | 3 |
| Audit Committee Regulation | 3 |
| Audit Committee Members..... | 3 |
| Audit Committee Meetings..... | 4 |
| III. Major Tasks & Activities | 5 |
| Financial Statements..... | 5 |
| External Auditor | 5 |
| Internal Audit | 5 |
| Affects of Covid-19 Pandamic..... | 5 |
| Dispute with Zakat Authority..... | 6 |
| Situation with SIDF..... | 6 |
| IV. Conclusion | 6 |

I. Introduction:

The Audit Committee at Nama Chemicals Company is pleased to present to its esteemed shareholders its annual report for the fiscal year ending on December 31, 2020, which includes details of its performance of its duties stipulated in the Companies Law and its implementing regulations. The committee also assists the Board of Directors in ensuring the effectiveness and adequacy of internal control systems.

II. General Information

Audit Committee Role:

The Audit Committee is responsible for monitoring the business and performance of the company, and for this purpose it has the right to review its records and documents and request any clarification from the members of the Board of Directors or the executive management. Among the tasks of the committee includes overseeing the internal audit activities and reviewing the results of the internal control evaluation, in addition to reviewing the financial statements and accounting policies used and nominating the external auditor.

In accordance with the tasks and responsibilities assigned to it according to its work rules, the audit committee plays a fundamental and important role in assisting the board of directors to fulfill its duties regarding the integrity of the company's financial statements, the effectiveness of the internal audit, the qualifications and independence of the external auditor, and the evaluation and examination of the adequacy of the company's accounting systems and financial controls.

Audit Committee Regulation:

In accordance with the requirements of governance, the committee's work regulations and rules have been reformulated in accordance with the regulatory provisions and requirements, and they were approved by the extraordinary general assembly of the company, which was held on Rabi Al-Awwal 13, 1441 AH, corresponding to November 10, 2019.

Audit Committee Members:

The audit committee consists of three members specialized in finance, accounting, and internal auditing, and they are:

| Name | Position |
|--------------------------------------|--------------------------|
| Mr. Abdullah Abdul Mohsen Al- Issa | Audit Committee Chairman |
| Mr. Abdulrahman Abdulaziz Balghonaim | Audit Committee Member |
| Mr. Muffadi Ali Atnan | Audit Committee Member |

Audit Committee Meetings:

In 2020, the committee held (6) meetings as follows:

| Committee Member Name | Meeting (1) 8th March | Meeting (2) 22nd March | Meeting (3) 15th May | Meeting (4) 27th July | Meeting (5) 27th Oct | Meeting (6) 27 Dec |
|--------------------------------------|--------------------------|---------------------------|-------------------------|--------------------------|-------------------------|-----------------------|
| Mr. Abdullah Abdul Mohsen AL-Issa | * | * | * | * | * | * |
| Mr. Abdulrahman Abdulaziz Balghonaim | * | * | * | * | * | * |
| Mr. Muffadi Ali Atnan | * | * | * | * | * | * |

Minutes were prepared documenting those meetings and were presented to the Board of Directors, and the committee discussed many issues related to the company's business.

III. Major Tasks and Activities

During the year 2020, the audit committee carried out many activities, and the following is a summary of the most important work:

Financial Statements:

The audit committee studied the quarterly and annual financial statements of the company, where notes were made and discussed with the external auditors. It was confirmed that there were no material observations affecting the fairness of the financial statements. The committee also expressed its opinion and submitted the recommendation to the Board of Directors for approval.

External Auditor:

The committee recommended to the board of directors and the general assembly to nominate the auditor for the company after studying the offers submitted by the audit offices, as the general assembly of the company, which was held on Shawwal 17, 1441 AH corresponding to June 9, 2020, approved the appointment of Al-Kharashi's office and its partners, accountants and legal auditors as the auditor of the company to review and audit the financial statements for the second, third and fourth quarters, and the annual statements of the fiscal year 2020 and the first quarter of the fiscal year 2021, and determine their fees.

Internal Audit:

The committee approved the annual internal audit work plan, and an internal audit manager was appointed on June 1, 2020. In addition, RSM has been appointed to use their services in the execution of the audit plan for the current year. The committee follows up and reviews the periodic reports issued by the internal audit department and monitors the progress in implementing the approved plan, considers the most important observations and gives the necessary directions to address the deficiencies. The committee reviewed the reports submitted by RSM regarding the procurement and finance departments. The committee expressed its opinion on observations submitted and recommended that they should be submitted to the board of directors to direct the executive management to take the necessary actions to ensure that such observations will not occur in the future. Also, audit work for the rest of departments is still undergoing, and reports will be submitted to the committee upon completion, according to the audit plan which approved by the committee.

Discussing effects of the Covid-19 pandemic on the company and actions taken:

The committee reviewed all actions taken by the executive management to reduce effects of the Corona pandemic, and the committee recommended that the company's management should take advantage of government initiatives. Moreover, the company's management should also develop plans and programs to mitigate all effects of the pandemic.

The dispute between NAMA and the Zakat, Tax and Customs Authority:

The committee followed up the status of the dispute between NAMA Company and the Zakat, Tax and Customs Authority regarding zakat provisions for years (2000-2011) (2015-2018). The committee directed the executive management to follow up and take the necessary actions to resolve this dispute.

The current situation between NAMA and the Industrial Development Fund:

The committee followed up the current situation between the company and the Industrial Development Fund regarding rescheduling the loan. The executive management provided the committee with all results of the company's meetings with the Industrial Development Fund. The committee directed the executive management to follow up and take all necessary actions and inform the committee about results.

IV. Conclusion

In conclusion, the Audit Committee thanks the Board of Directors of Nama Chemicals and the Executive Management as well as the Internal Audit Department and all employees for their cooperation during the last period, wishing them continued success.

Audit Committee

30 May 2021



TO: Gentlemen / shareholders in Nama Chemicals Company

Subject: Recommendation for selecting external auditor

Period: Q2,3 and annual for 2021 and Q1 for 2022

Based on the scope of work provided by Nama Chemicals Company and after reviewing the list of auditors registered with the CMA to practice auditing for the listed companies. The committee evaluated all submitted offers and recommended to the board of directors and in turn to the general assembly to appoint:

| Sr. | Auditor | Amount (SAR) |
|-----|--------------------|--------------|
| 1 | Talal Abu Ghazaleh | 975,000 |
| 2 | Al Kharashi & Co | 470,000 |

To review and audit the financial statements for the second, third, and the annual statements of the fiscal year 2021 and the first quarter of the fiscal year 2022.

Greetings

Audit Committee Chairman

Abdullah ALEssa