

Audit Committee Report to the General Assembly

Gentlemen of The Shareholders of Saudi Kayan Petrochemical Company

Peace be upon you and god's mercy and blessings,

Introduction:

The Audit Committee of Saudi Kayan Petrochemical Company (Kayan Saudi Arabia) is pleased to submit to the shareholders of the company its valued shareholders its annual report for the fiscal year ended December 31, 2020, which includes its opinion on the adequacy of the company's internal control system and other work carried out by the Committee within its jurisdiction, based on the relevant regulatory requirements.

First: The adequacy of internal control systems:

Based on the submission supplied by the Executive Management as well as the external auditor and internal auditors' reports issued during 2020, the Audit Committee believes that the Company's Executive Management has maintained an effective internal control system, and that the scope and volume of audits, and the audit committee's discussions during meetings, provided the Committee with a reasonable basis for this view, taking into account that any internal control system, regardless of the integrity of its design and effectiveness of its application, It cannot provide absolute assurance of the effectiveness of the internal control systems in place.

The audit committee reviews the periodic reports prepared by the company's internal audit department as well as the observations of the company's external auditors regarding the evaluation of the company's internal control procedures in terms of its design and implementation, and the above-mentioned reports did not show any fundamental weakness in the company's internal control systems.

Second: The work carried out by the Committee during the fiscal year ended December 31, 2020:

Financial reports

- Review of quarterly financial statements, final financial statements for fiscal year 2020, external auditor's report and related announcements, and recommendation to the Board of Directors.
- To give a technical opinion on the report of the Board of Directors to the General Assembly of the company's shareholders with regard to its preparation in accordance with the regulatory requirements.

External Auditor

- Recommend the Recommending to the Board the appointment or dismissal of External Auditors and determining their fees, after assessing their performance, independence, scope of work, and terms of engagement.
- Reviewing the External Auditor's plan and work to verify the extent of his/her compliance with the relevant regulations and standards Study the auditor's reports and observations on the financial statements and follow up on what has been taken on them.
- Examining the External Auditor's reports and his/her observations and notes on the financial statements; and following up on the actions taken in their respect.

Internal Audit Department

- Supervising and monitoring the work of internal audit management, and verifying its effectiveness in the performance of its functions and responsibilities.
- Review the reports of the Department of Internal Audit periodically, and follow up the implementation of corrective actions for the remarks contained in them.
- Adopting the future management strategy that contributes to building and developing staff competencies and quality and promoting the use of technologies to improve overall performance.

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- Adoption of the quality improvement and continuous management development program implemented during the second quarter of 2020.
 - Update the standards (principles) of internal audit management performance that contributes to better follow-up of management performance.

Ensuring compliance

- Study the regulatory reports on the company's compliance with regulations and instructions, and make sure that the company takes the necessary action on them.
- Ensure that the company complies with relevant regulations, regulations, policies and instructions.
- Reporting and recommending to the Board the actions to be taken in matters that the Committee deems necessary.

Whistleblowing

- Establishing appropriate procedures for Company's employees to report violations of the Company's internal control systems, including the systems relating to financial statement preparation, and ensuring that the whistleblower's rights are not prejudiced.
- Establishing appropriate procedures for pursuing and following-up on reported violations, and ensuring independence of such procedures.