

A Report by the Audit Committee to Arabian Cement Company Shareholders on the Internal Control System

The Ordinary General Assembly Meeting No. 65 on April 11, 2021

Messrs: Honorable Shareholders of Arabian Cement Company

Greetings,

The Audit Committee is pleased to present to the company's shareholders its annual report for the financial year (FY) ending on December 31, 2020, including its opinion on the adequacy of the internal control system in the company, and actions made by the Committee within its scope of competence, in accordance with the Companies Law issued by the Ministry of Commerce and the Corporate Governance Regulations issued by the Capital Market Authority.

The internal control procedures (including policies, procedures and specification of authority levels) play a fundamental role in achieving the company's objectives. The responsibility of the company's Executive Management shall be to ensure that a comprehensive and effective internal control system is in place to avoid defaults, to control information security and risk management, and to compare benefits with cost to enforce the control rules. The Board of Directors follows up on compliance with the control procedures and rectifies any deficiencies in the internal control system. The executive management also signs the annual acknowledgement (Letter of Representation-LOR) about their responsibility to ensure the existence of internal control procedures.

The Audit Committee emanates from the Board of Directors aims to assist the Board of Directors in implementing its responsibilities including the supervision of the preparation and presentation of financial reports, internal control system, and process of compliance with laws and regulations. The functions and responsibilities of the Primary Audit Committee are as follows:

I: Financial Statements:

Policies, accounting procedures and the quarterly and annual financial reports shall be reviewed, and particularly determine the adequacy of the disclosures in the financial statements and the recommendations of the auditors and Executive Management in relation to reviewing the audit results and the necessary provisions.

II: Internal Audit:

Supervising and approving internal audit works, such as the charter, plans, activities, employment, and organizational structure, and ensuring that there are no restrictions or limits for its work and asserting its independence. Assessing the efficiency and effectiveness of the internal control system shall be incorporated within the scope of the internal audit work. Further, the reports that include weaknesses (if any) in the internal control system and the corrective measures shall be submitted to and followed up by the Executive Management and the Audit Committee. The committee shall ensure that the Internal Audit and the Executive Management are in cooperation. The Audit Committee shall periodically submit its reports to the Board of Directors and the General Assembly of shareholders.

III: External Auditor:

Following up and considering the independency and objectivity of the external auditor, discussing the financial statements and management letter to address the observations, and conducting individual and periodic meeting with the external auditor.

IV: Compliance:

Reviewing the efficiency of the system of monitoring compliance with the relevant laws and regulations such as accounting standards and instructions of the Capital Market Authority and other regulations that the company operates accordingly. Moreover, the committee also reviews the independent limited confirmation report and the Chairman of the Board of Directors report submitted to the General Assembly about Board members with interests who have contracts and transactions with the company (Transactions with related parties) as per the assigned functions

Opinion on the Adequacy of Internal Control Systems:

Within the limits of its functions, the committee shall consider the periodic reports prepared by the Internal Audit Department of the company, and review the results of the external auditor work to assess the control environment of the company represented in the (organizational structure, Examination of risks, policies and procedures, the authority matrix, segregation of duties, protection of information systems, code of conducts). The committee shall monitor the recommendations reached by the Internal Audit Department, the external auditor and other regulators to address the observations and follow up on their correction. In addition, the Executive Management of the company shall sign the letter of representation periodically, which confirms its responsibility to comply with the regulations, laws, approved policies and control procedures. Nonetheless, it shall take into account that any internal control system, regardless of its efficiency degree and effectiveness, cannot provide absolute assurance about the effectiveness of the applicable internal control systems. Accordingly, the committee has not established any fundamental weakness in the company's internal control systems

(Signed)

On behalf of the Audit Committee

Eng. Mutaz Kusai Al-Azzawi

April 11, 2021