



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



Custodian of the Two Holy Mosques

King Salman bin Abdulaziz Al Saud



His Royal Highness Prince

Mohammed bin Salman bin Abdulaziz Al Saud

Crown Prince, Deputy Prime Minister and Minister of Defense

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Board of Directors



HRH Prince Abdulaziz bin Mishaal bin Abdulaziz Al Saud

Board Chairman



Mohammed bin Saad Al-Moajil

Board Member



Majid bin Abdurrahman Al-Osailan

Board Member & CEO



Badr bin Omar Alabdullatif

Vice Chairman & Managing Director



Saleh bin Sulaiman Al-Rajhi

Board Member



Omar bin Hamad Al-Mishaal

Board Member



Mohammed bin Hikmat Al-Zaiem

Board Member



In the Name of Allah, the Most Beneficent, the Most Merciful

Report of the Board of Directors to the Shareholders of City Cement Company

For the Fiscal Year Ended 31/12/2021

Presented to the General Assembly of the Company

Dear shareholders,

The Company's Board of Directors is pleased to present to you its annual report on the performance and business results of your company for the fiscal year 2021.



Board Report

Company's Business Activity

City Cement Company (CCC) produces cement of various kinds in its Marat Governorate plant with an annual production capacity of 3.65 MT.

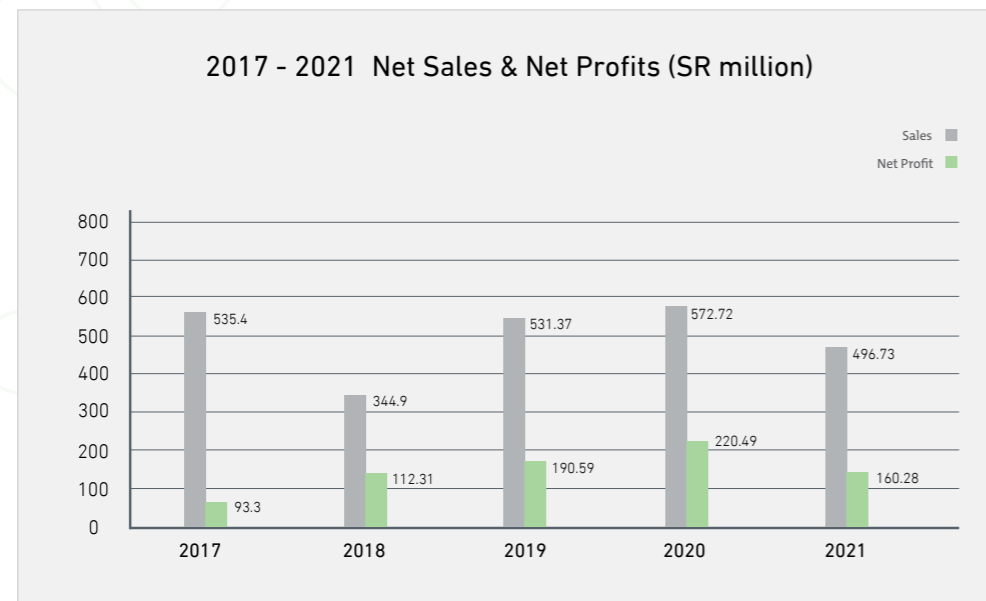
Company's Business Results

Sales & Profits:

The volume of cement sold during 2021 amounted to 2.96 MT, compared to 2.93 MT in 2020, a little increase of 1% attributable to increased demand for cement.

CCC was able to make good profits despite competition. 2021's gross profits amounted to SR (207.87) million, compared to SR (256.96) million in 2020, a decrease of 19.10% resulting from the decrease in the average sale price. 2021's net profits amounted SR (160.28) million, compared to SR (220.49) million in 2020, a decrease of 27.30% attributable to the decrease in the average sale price.

The chart below shows the development of net sales and net profits during the five years from 2017 to 2021:



Production:

The plant's production of clinker in 2021 amounted to 2,499 KT (i.e. 68.5% of the production capacity), compared to 2,021 KT in 2020, an increase of 23.65%. Total inventory at the end of the year equaled 324 KT, compared to 550 KT, a decrease of 41.09%.

Future Expectations:

In 2021, the total demand for cement sales in the Kingdom improved, reaching 51.941 KT compared to 51.081 KT in 2020, with a growth rate of 1.7%. The Company expects that demand growth will, God willing, continue to recover in the coming year.

Company's Revenues Geographically Distributed:

All sales of the Company were within the Kingdom of Saudi Arabia, as shown in the geographical breakdown below:

(Saudi Riyals)

Year	Geographical Breakdown of CCC Revenue			
	Total Revenue	Central Region	Western Region	Eastern Region
2021	496,731,659	425,075,209	64,112,596	7,543,854

Future Projects & Plans

CCC is developing and implementing several policies and projects to rationalize costs and operating expenses and enhance its overall performance, including:

Alternative Fuel Project:

The Company is working to develop additional sources of alternative fuel to reduce dependency on petroleum fuels, reduce carbon emissions and preserve the environment, in line with the Kingdom's Vision 2030.

Loans

The Company declares that as at 31/12/2021 the Company had no outstanding loans payable to banks or any other institutions. However, the Company has in place credit facility agreements governed by the terms and conditions of Islamic finance, totaling SR 90,625,000 against a promissory note.

Subsidiaries

Name	Main Activity	Share Capital	Country of HO & Establishment	Shareholding Percentage
Green Solutions Environmental Services Co.	Provision of environmental solutions for waste treatment	SR 500,000	KSA	100%
CCC Contracting Branch	Specialized subcontracting	Branch	KSA	-

Statutory Payments to Government Agencies

(Saudi Riyals)

Item	2021		Brief Description
	Paid during the year	Outstanding payables till the end of the annual financial period and not paid yet	
Zakat	9,008,622	12,222,798	The Company is subject to the zakat and tax regulations in force in Saudi Arabia. A provision for zakat is made on an accrual basis. The Company obtained the final assessment certificates for the years 2006-2018.
VAT	59,744,902	2,923,083	The Company is subject to the zakat and tax regulations in force in Saudi Arabia. These are paid on a monthly basis within the statutory time limit based on previous month's payables.
Withholding Tax	887,553	-	
GOSI Contributions	3,191,081	250,698	The Company is subject to the Social Insurance Law. GOSI contributions are recognized on an accrual basis.
Quarrying Fees	18,489,705	-	Fees for the exploitation of raw materials are paid in respect of licenses for raw material quarries.

Social Responsibility & Community Service









Social responsibility and community service are among the priorities of the Company. CCC has done, and is still doing, a great deal to support all the requirements of the neighboring areas, including sponsorships and development and awareness-raising contributions covering religious, cultural, social, sports and other walks of life. CCC is keen to contribute to everything that benefits and has added value to society and its various segments, building on strategic plans consistent with the Company's activities and the Kingdom's Vision 2030 in terms of environmental and knowledge initiatives, thus contributing to a thriving social fabric.

Donations and Social Contributions:

- 1 Supported Shaqra Governorate Date Festival.
- 2 Supported the Charitable Association for Rheumatic Diseases.
- 3 Supported Marat Governorate Development Committee to build a park.

QSHE:

CCC affirms its commitment to the implementation of all requirements as per Saudi and international standards to maintain environmental integrity under the supervision and monitoring of Saudi Arabia's General Authority of Meteorology and Environmental Protection, while giving full consideration to maintaining the quality of its products. CCC has received many quality certificates and international awards, including:

SASO Quality Mark (SQM) for adherence to the highest standards of quality	
Latest version of the ISO 9001:2015 Quality Management System Certification	
Latest version of the ISO 14001:2015 Environmental Management System Certification	
Latest version of the BS OHSAS 18001:2007 Occupational Health and Safety Management System Certification	
Latest version of the EN ISO 50001:2011 Energy Management System Certification	
QC 100 GOLDEN	
QC 100 PLATINUM	
The Green Era Award for Sustainability	

Environmental Governance:

Environmental governance is defined as the environmental policy that calls for sustainable development and the management of all human, political, social and economic activities. Out of departure of this principle, we are committed to minimize the environmental impact of our operations and work to develop environment-friendly economy to reduce the consumption of energy, diversify its sources through utilizing wasted thermal energy and transform the wastes of all types into an environment-friendly alternative fuel in an attempt from the Company to rationalize the consumption of fossil fuel which is considered a pillar of the Kingdom's Vision 2030.

In response to the international tendencies calling for taking serious steps with regards to sustainability, City Cement Co. plays an important role in understating the risks and opportunities related to the ESG responsibilities on the level of its operations. We are also keen on accelerating the strategic steps of transformation regarding the field of energy and responding effectively to market changes through implementing the latest technological and digital applications to enhance our position, in addition to the responsible and effective management of our resources. As a leading company in the field of utilizing the alternative fuel and clean energy on the level of the region, we realize our responsibility towards environment and work together with several government authorities and private domestic and international companies to protect and preserve the ecology.

We are also proud of the achievements which we made, and we will continue to make new initiatives for our environment to achieve our common goals in service of the society.

Human Resources

With the aim of achieving its goals in terms of developing and training its human resources, CCC has adopted specialized programs for personnel selection, development and career planning to ensure that positions are filled by qualified and distinguished national competencies. CCC also encourages staff to participate positively in the development of the Company and creates a suitable working environment that promotes teamwork, while continuing to strengthen their skills and qualifications to boost their level of performance. The Company has nationalized many leadership positions and employed national personnel in several departments.

Furthermore, the Company continues to cooperate with local and global entities specialized in providing technical, managerial and marketing training services, in addition to holding in-house workshops and considering the possibility of sending national personnel on scholarships in the cement industry domain within the Kingdom and/or abroad in the future.

It is worth noting that the Company is classified within the Nitaqat Green Range.



Risks

As CCC pays high attention to potential risks resulting from the competition that the Company anticipates at the domestic level, it regularly reviews these risks and establish appropriate measures to address them. It should be noted that the risks described below do not include all the risks that the Company could face, it is possible that there other risks that are not known to the Company at the present time or which the Company deems to be either rare risks or risks with little impact:



1

Operational and marketing risks: The Company pays attention to the potential risks resulting from the competition anticipated at the local level owing to domestic cement companies' high inventories. The Company monitors and regularly reviews these risks and establish appropriate measures to address and mitigate them.

Economic risk: The domestic and global economic situation may have a direct impact on the future business of the Company, including changes in sales performance, the level of market liquidity and financing costs, industrial recession, competition from foreign countries and manufacturers, technical development, prices of fuel, inputs and the Company's end products, inflation, political events that could impact on corporate markets, exchange rate volatility, and product alternatives that could have an impact on the Company's business and revenue.

2

3

Risks related to laws and regulations: The running of the Company's business is governed by multiple laws and regulations. Any changes to or replacements of these laws and regulations by any government entity, regulatory body or judicial authority, or the issuance of an order ceasing the Company's business, or all or some of the Company's products, could impact on the Company's business and revenue.

Risk from focusing on certain customers: Thankfully, the Company's products cover a wide range of customers. The Company depends on distributors for the distribution of its products. If any customer or a group of customers or distributors incurred losses, stopped dealing with the Company or otherwise failed to abide by the established criteria for selling the Company's products, this would impact on the Company's business and revenue.

4

5

Risk from the Company's geographical location and natural disasters: All the Company's business is concentrated in one location. Any directive suspending the Company's business in this location or any natural disasters such as floods or earthquakes occurring therein would have an impact on the Company's business and revenue.

Risk related to mining rights: Mining is an essential part of the Company's activity and mining rights are granted to the Company by the Saudi government's relevant authorities. If those mining rights are canceled or any restrictions imposed thereon, the Company's ability to operate the plant may be affected and as a consequence there would be serious adverse repercussions for the Company's financial position and results of operations.

6

7

Risk related to energy supplies: Cement production consumes large quantities of energy, which account for a large portion of production costs. Therefore, any rise in fuel prices will have a negative impact on the Company's business, financial position and results of operations. Also, failure to secure the required amount of fuel for the second line would have an ongoing negative and substantial effect on the Company.

Corporate Governance

The Company applies all the provisions set out in CMA's Governance Regulations, except for those listed below:

Article	Text of the Article/Paragraph	Partially applied	Not applied	Reason for non-application
Unapplied indicative articles				
	Articles 38, 39, 41, 54(B), 70, 71, 72, 76, 77, 78, 83, 85, 88, 89(3) & 95		√	Indicative articles which will be applied when they become mandatory.
87	The Ordinary General Assembly shall, upon a proposal by the Board of Directors, establish a policy that ensures a balance between its objectives and those of the community with the aim to develop the socio-economic conditions of the community.	√		The article is indicative. Nevertheless, the Company's social contributions are approved by the Board of Directors, and work is underway to formulate the required policy.

Description of Any Deviations from the Accounting Standards Adopted by the Saudi Organization for Certified Public Accountants (SOCPA)

There are no deviations from the accounting standards issued by SOCPA.

a): Names of the Members of the Current Board of Directors in its Fifth Session, Committee Members, their Current and Former Positions, Qualifications, Experience, and Board Memberships in Other Joint Stock Companies (JSCs)

Qualifications, Current & Former Positions, and Experience	JSC Memberships
HRH Prince Abdulaziz bin Mishaal bin Abdulaziz Al Saud Board Chairman	
<ul style="list-style-type: none"> Bachelor of Business Administration. Board Chairman, City Cement Co. President, Tech Services Co. President, Advanced IT Co. GM, First Building Construction, a private establishment. General supervision of several branches affiliated with his private enterprises in various business areas, services and contracting activities. Commercial agent for several US, European and Asian companies. 	<ul style="list-style-type: none"> City Cement Co. (Public JSC)
Badr bin Omar Alabdullatif Vice Chairman, Managing Director & Chairman of the Executive Committee	
<ul style="list-style-type: none"> High School Diploma. Vice Chairman of the Board of Directors, Managing Director & Chairman of the Executive Committee, City Cement Co. Board Member and Member of the Audit Committee, Alabdullatif Holding Group. GM, Alabdullatif Furniture Company. Board Member and Member of the Executive Committee, Future Ceramics Company. Chairman of the Nomination and Remuneration Committee, City Cement Company (formerly). Board Member, Alabdullatif Industrial Investment Company (formerly). Chairman of the Nomination and Remuneration Committee, Alabdullatif Industrial Investment Company (formerly). Chairman of the Audit Committee, Alabdullatif Industrial Investment Company (formerly). Assistant GM, Alabdullatif Furniture Company (formerly). Director of Administration & in charge of all branches countrywide (formerly). Director, Government Relations, Alabdullatif Furniture Company (formerly). 	<ul style="list-style-type: none"> City Cement Co. (Public JSC) Alabdullatif Holding Group Co. (Closed JSC) Future Ceramics Co. (Closed JSC) Alabdullatif Furniture Co. (Closed JSC)

Qualifications, Current & Former Positions, and Experience	JSC Memberships
Majid bin Abdurrahman Al-Osailan Board Member & CEO	
<ul style="list-style-type: none"> Preparing for an INSEAD-accredited global GM certification. Master of Administrative Sciences from the American International University (certified by the Ministry of Higher Education and SACM). Future Managers Program, equivalent to a master's degree in banking, from Riyadh Bank. Various conferences, workshops and training courses within and outside the Kingdom in specialized administrative, financial and technical industrial disciplines / 3000+ hours (INSEAD School of Business, University of San Diego School of Business, Euromoney Institute, Oxford Business Institute, London Institute of Business, Saudi Banking Institute, Leoron International Training Center). Bachelor of Accounting, King Saud University. Board chairman of Natural Gas Distribution Co. Deputy chairman of Alabdullatif Industrial Investment company. Vice president of the national cement industry committee. Board Member, Ajil Financial Services. Board Member and CEO, City Cement. Member of the Executive Committee, City Cement. Member of the executive committee at city cement company. Member of the Saudi International Chamber of Commerce. Board Member, Saudi Makamin Holding Co. (formerly). Chairman of the Audit Committee, Alabdullatif Industrial Investment. Member of the risk management committee at Alabdullatif Industrial Investment company. Member of the Audit Committee, Murabaha Installment Co. (formerly). Head of Finance, Administration & IT, City Cement (formerly). Head of Finance, City Cement (formerly). Corporate Banking Department, Riyadh Bank (formerly). Credit & Risk Department, Riyadh Bank (formerly). Accounting Dept., Fransi (formerly). 	<ul style="list-style-type: none"> Ajil Financial Services Co. (Closed JSC) City Cement Co. (Public JSC) Alabdullatif Industrial Investment Co. (Public JSC) Natural Gas Distribution Co. (Closed JSC)
Mohammed bin Saad Al-Moajil Board Member	
<ul style="list-style-type: none"> Bachelor of Business Administration & Marketing (Honors), American University in Dubai, UAE. Master of Business Administration, Stanford University, USA. Board Chairman, Telal Al Khayr Food. Board Member, City Cement. Board Member & Chairman of the Investment Committee, Tech Investment Co. Board Member and Chairman of the Executive & Investment Committees, Dhahran International Exhibitions Company (Dhahran Expo). Member of the Saudi British Business Council. Member of the Saudi Irish Business Council. Board Member and Head of Investment, AlMoajil Trading & Contracting. Financial Advisor, Atlantic Pacific Capital, UK (formerly). 	<ul style="list-style-type: none"> City Cement Co. (Public JSC) AlMoajil Trading & Contracting Co. (Closed JSC) Telal Al Khayr Food Co. (Closed JSC) Dhahran Expo Co. (Closed JSC) Tech Investment Co. (Closed JSC) Dhahran Chemical Industries and Marketing Co. (Closed JSC)

Qualifications, Current & Former Positions, and Experience	JSC Memberships
Omar bin Hamad Al-Mishaal Board Member	
<ul style="list-style-type: none"> Higher Diploma in Law Studies. Bachelor of Education. Master of Sharia and a PhD researcher in law. Board Member, City Cement. Chairman of the Nomination & Remuneration Committee, City Cement Co. (formerly). CEO, Basiqa Holding. Board Member, CEO & Managing Director, Rakhaha Holding. GM, ABYAT Saudi Arabia. Legal Advisor, Cabinet Office (formerly). 	<ul style="list-style-type: none"> City Cement Co. (Public JSC)
Saleh bin Sulaiman Al-Rajhi Board Member & Chairman of the Nomination and Remuneration Committee	
<ul style="list-style-type: none"> Bachelor of Business Administration. Experience in banking and the management of commercial & investment companies. 	<ul style="list-style-type: none"> City Cement Co. (Public JSC)
Mohammed bin Hikmat Al-Zaiem Board Member & Chairman of the Audit Committee	
<ul style="list-style-type: none"> Bachelor's degree in Electrical Engineering. Holder of several management program certificates. Board Member & Chairman of the Audit Committee, City Cement Company. Board Member & CEO, International Trading and Contracting Co. Ltd (ITCC). Vice Chairman of the Board of Directors and Member of the Executive Committee & the Nomination, Appointment and Remuneration Committee, Riyadh Cables Group Company. Board Chairman, Saudi Modern Company for Specialized Electrical Cables & Wires Industry. Board Chairman, Riyadh Cables Company. Board Member, Saudi Modern Company for Metals, Cables and Plastic Industry. Board Member, Saudi Modern Company for Telephone Cables Industry. Vice Chairman of the Board of Directors and Member of the Executive Committee, Future Ceramics. Board Member, Afaq Al Hikma. Board Member, Al Afaq Development. Board Member, Ajyal Al Hikma. Board Member, Deira Akel Real Estate. Executive Director, Riyadh Cables Group Company (formerly). 	<ul style="list-style-type: none"> City Cement (Public JSC) Future Ceramics (Closed JSC) Saudi Modern Company for Specialized Electrical Cables & Wires Industry (Closed JSC) Saudi Modern Company for Metals, Cables and Plastic Industry (Closed JSC) Saudi Modern Company for Telephone Cables Industry (Closed JSC) Afaq Al Hikma Development (Closed JSC) Riyadh Cables Group (Closed JSC)

Qualifications, Current & Former Positions, and Experience	JSC Memberships
Mohammed bin Hamdan Al-Sorayai Member of the Audit Committee (Non-Board Member)	
<ul style="list-style-type: none"> • Bachelor of Business Administration, USA. • Master of Financial Management, USA. • Several advanced credit & risk management courses. • Several IIA SA internal audit courses. • Member of the Audit Committee and Risk Committee, Alabdullatif Industrial Investment. • Member of the Audit Committee, City Cement. • Corporate and Institutional Banking Department, SABB. • Board Member, United Insulations Co. (formerly). • Head of the Financial Analysis Department, Dar Al Gharbia Financial Consultancy (formerly). 	
Abdurrahman bin Saad Al-Qarni Member of the Nomination & Remuneration Committee (Non-Board Member)	
<ul style="list-style-type: none"> • Bachelor of Security Sciences. • Higher Diploma in Administrative Leadership. • Master of Administrative Science. • Member of the Nomination and Remuneration Committee, City Cement. • GM, Rawdat Al Emaar Contracting Est. • Qasr Al-Hokm Force Director (formerly). • Director of Criminal Investigation, Riyadh Police (formerly). 	

(b): Names of the Members of the Executive Management Team, their Current and Former Positions, Qualifications and Experience

Name	Title	Qualifications, Current & Former Positions, and Experience
1 Turki bin Abdulaziz Alabdullatif	Deputy CEO – Strategic Business Development Council (SBDC)	Bachelor of Public Administration, King Saud University. Started his career in the sales services sector then moved to the banking sector as a sales and marketing services representative and then to the cement industry where he served in various leadership positions including Head of HR, Head of Administration and Chairman of the Development and Organizational Projects Committee, with more than fifteen years of work experience. Received a number of training courses in administrative areas.
2 Abdurrahman Mostafa Ahmed	Deputy CEO – Strategic Business Development SBDC	Master of Business Administration, University of Manchester, UK. Bachelor of Mechanical Power Engineering. Various specialized technical courses and conferences in the cement industry, supply chain management and HR. Head of Strategic Planning Department (formerly). Head of Technical and Development Sector, InterCement (formerly). Director, Performance Improvement & Quality Department, InterCement (formerly). Director, Production Department, Italcementi (formerly). A number of important posts at Italcementi (formerly).
3 Idris Abu Al-Qasim	CFO	Fellow of the American Institute of Certified Public Accountants. Bachelor of Accounting, University of Khartoum. Director, Financial Department. Director of Audit (formerly). Supervises accountants and cashiers. Prepares financial reports and reconciles annual & quarterly financial statements. Financial analysis, performance indicators and feasibility studies. Formulates financial policies and procedures. Participates in the implementation of accounting programs. Designs audit plans and evaluates internal control systems. Prepares estimated budgets and strategic plans. Prepares and examines zakat and tax returns.



Board Committees:

The Audit Committee:

The Audit Committee oversees risk management and internal controls in the various aspects of the Company's business. Its responsibilities include reviewing and discussing the Company's quarterly and annual financial statements. The Committee also makes recommendations to the Board of Directors and the General Assembly on the appointment of the Company's CPA.

Members of the Audit Committee in the Fifth Session of the Board:

Name	Designation	1	2	3	4	5	6
		18/2/21	23/2/21	4/5/21	1/8/21	21/10/21	28/10/21
Mr. Mohammed bin Hikmat Al-Zaiem	Committee Chairman	√	√	√	√	√	√
Mr. Omar bin Hamad Al-Mishaal	Committee Member	√	√	√	√	√	√
Mr. Mohammed bin Hamdan Al-Sorayai	Committee Member (Non-Board Member)	√	√	√	√	√	√

In its fifth session, the Committee held six meetings in 2021.

The Nomination and Remuneration Committee:

The Nomination and Remuneration Committee reviews the structure of the Board of Directors and how effectively its members are performing, makes recommendations on changes that could be made, identifies weaknesses and strengths, ascertains the independence and absence of conflicts of interest on the part of the members, recommends member nominations as needed, and reviews the remuneration and compensation of the Board committees, Executive Management team's salaries and nationalization percentages.

Members of the Nomination and Remuneration Committee in the Fifth Session of the Board:

Name	Designation	1	2
		10/1/21	8/3/21
Mr. Saleh bin Sulaiman Al-Rajhi	Committee Chairman	X	√
Mr. Mohammed bin Saad Al-Moajil	Committee Member	√	√
Mr. Abdurrahman bin Saad Al-Qarni	Committee Member (Non-Board Member)	√	√

In its fifth session, the Committee held two meetings in 2021.

The Executive Committee:

The Executive Committee develops studies and strategic plans, finds appropriate solutions and alternatives, and makes recommendations to the Board.

Members of the Executive Committee in the Fifth Session of the Board:

Name	Designation	1	2
		28/1/21	9/3/21
Mr. Badr bin Omar Alabdullatif	Committee Chairman	√	√
Mr. Majid bin Abdurrahman Al-Osailan	Committee Member	√	√
Mr. Mohammed bin Hikmat Al-Zaiem	Committee Member	√	√

In its fifth session, the Committee held two meetings in 2021.

Committee Members' Remuneration for 2021:

Saudi Rial

Name	Fixed Remuneration	Attendance Fee	Reimbursements and Travel & Accommodation Costs	Total
Executive Committee Members				
1 Mr. Badr bin Omar Alabdullatif	---	6,000	0	0
2 Mr. Majid bin Abdurrahman Al-Osailan	---	6,000	0	0
3 Mr. Mohammed bin Hikmat Al-Zaiem	---	6,000	0	0
Audit Committee Members				
1 Mr. Mohammed bin Hikmat Al-Zaiem	---	18,000	0	0
2 Mr. Omar bin Hamad Al-Mishaal	---	18,000	0	0
3 Mr. Mohammed bin Hamdan Al-Sorayai	50,000	18,000	0	0
Nomination & Remuneration Committee Members				
1 Mr. Saleh bin Sulaiman Al-Rajhi	---	3,000	0	0
2 Mr. Mohammed bin Saad Al-Mojil	---	6,000	0	0
3 Mr. Abdurrahman bin Saad Al-Qarni	50,000	6,000	0	0



The Board of Directors:

1- Board Members:

Members of the Board of Directors and their Remuneration during 2021 in the Board's Fifth Session:

Saudi Rial

	Name	Title	Category	Annual Remuneration	Meeting Attendance Fee	Salary, Compensation & Allowances
1	HRH Prince Abdulaziz bin Mishaal Al Saud	Board Chairman	Independent	200,000	12,000	0
2	Mr. Badr bin Omar Alabdullatif	Vice Chairman & MD	Executive	200,000	18,000	0
3	Mr. Majid bin Abdurrahman Al-Osailan	Board Member	Executive	200,000	18,000	0
4	Mr. Saleh bin Sulaiman Al-Rajhi	Board Member	Independent	200,000	18,000	0
5	Mr. Mohammed bin Saad Al-Moajil	Board Member	Independent	200,000	18,000	0
6	Mr. Omar bin Hamad Al-Mishaal	Board Member	Independent	200,000	18,000	0
7	Mr. Mohammed bin Hikmat Al-Zaiem	Board Member	Non-Executive	200,000	18,000	0

Acting on the recommendation of the Nomination and Remuneration Committee, the Board recommended that a recommendation be made to the next General Assembly to approve annual remuneration payments to the Board members totaling SR 1,400,000 on a distribution basis of SR 200,000 for each member.

The above remuneration was determined in accordance with the Remuneration Policy approved by the General Assembly on 3/5/2018 so as to avoid any material deviations.

2- Board Members' Attendance of Board Meetings in 2021:

The table below shows the meetings of the members of the Board of Directors during 2021 in the Board's fifth session:

	Name	Number of Meetings					
		1	2	3	4	5	6
		1/2/21	28/2/21	10/3/21	25/5/21	27/5/21	11/8/21
1	HRH Prince Abdulaziz bin Mishaal Al Saud	√	√	√	√	x	x
2	Mr. Badr bin Omar Alabdullatif	√	√	√	√	√	√
3	Mr. Majid bin Abdurrahman Al-Osailan	√	√	√	√	√	√
4	Mr. Saleh bin Sulaiman Al-Rajhi	√	√	√	√	√	√
5	Mr. Mohammed bin Saad Al-Moajil	√	√	√	√	√	√
6	Mr. Omar bin Hamad Al-Mishaal	√	√	√	√	√	√
7	Mr. Mohammed bin Hikmat Al-Zaiem	√	√	√	√	√	√



3- Dates of the Shareholders' General Assemblies Held during the Past Financial Year and Board Members who Attended the Same:

	Name	Ordinary General Assembly 29/6/2021
1	HRH Prince Abdulaziz bin Mishaal Al Saud	x
2	Mr. Badr bin Omar Alabdullatif	√
3	Mr. Majid bin Abdurrahman Al-Osailan	√
4	Mr. Mohammed bin Saad Al-Moajil	x
5	Mr. Saleh bin Sulaiman Al-Rajhi	√
6	Mr. Omar bin Hamad Al-Mishaal	√
7	Mr. Mohammed bin Hikmat Al-Zaiem	√

4- Steps Taken by the Board to Inform its Members, and in Particular Non-Executives, of Shareholders' Proposals and Comments about the Company and its Performance:

The Chairman or Vice Chairman of the Board informs the Board members, and in particular non-executives, of shareholders' proposals and comments about the Company and its performance.

5- Disclosure of the Remuneration of the Board Members and Executive Management as Provided for in Article 93 of the Corporate Governance Regulations:

The following is the text of the Remuneration Policy for Board Members, Board Committees and the Executive Management which was approved by the General Assembly on 3/5/2018:

Introduction:

This Remuneration Policy for Board Members, Board Committees and the Executive Management has been prepared with the aim of complying with the Corporate Governance Regulations issued by the Capital Market Authority (CMA) Board pursuant to Resolution 8-16-2017 dated 16/5/1438H, corresponding to 13/2/2017, which stipulate that the Nomination and Remuneration Committee (NRC) shall "prepare a clear policy for the remuneration of the Board members, Board committees and Executive Management, and present such policy to the Board for consideration, in preparation for approval by the General Assembly."

Purpose:

The purpose of this policy is to define clear criteria for the remuneration of Board members, Board Committees and senior executives in light of the Companies Law requirements and CMA regulations. In addition, this policy aims to attract professionals with adequate competence, capabilities and talent to serve on the Company's Board, committees and Executive Management by adopting incentive remuneration schemes and programs linked to performance, thus contributing to the improvement of the Company's performance and achievement of the best interests of its shareholders.

General Criteria for Remuneration:

It is the responsibility of the NRC to make recommendations to the Board of Directors on the remuneration of the Board members, committee members and senior executives of the Company in accordance with the approved criteria, as outlined in the following:

The remuneration shall be commensurate with the Company's activities, strategy, objectives and the skills needed to manage it, and consistent with the magnitude, nature and degree of risks faced by the Company.

The Company shall take into consideration the practices of other companies and those prevailing in the labor market in respect of the determination of remuneration, avoiding unjustifiable increases in remuneration and compensation.

The remuneration shall be determined based on job level, duties and responsibilities, educational qualifications, work experience, skills and performance level.

The remuneration shall be reasonably sufficient to attract, motivate and retain adequately competent and experienced professionals.

The remuneration of a Board member shall be determined such that it reflects the

member's experience, responsibilities, duties, the number of Board meetings attended by the member, etc.

The remuneration shall be suspended and taken back where it turns out that it was given based on inaccurate information provided by the member of the Board or Executive Management, in order to prevent abuse of office to obtain undue remuneration.

Remuneration of the Board Members:

The remuneration of City Cement Company (CCC) Board members shall consist of an annual lump sum, meeting attendance fee, reimbursement allowance, in-kind benefits, or a combination of two or more of these benefits, provided that the ceiling prescribed by the Companies Law and its implementing regulations shall not be exceeded, as shown in the table below:

Attendance fee per meeting	SR 3,000
Transportation and travel allowance for members residing outside the city of venue (Riyadh)	Equal to actual expenses
Annual lump sum per member	Determined annually without exceeding SR 200,000 as stipulated in the Company's Articles of Association
Adjustment & Payment: The annual lump-sum remuneration of a Board member indicated above may be subject to review from time to time on the NRC's recommendation in light of the Company's performance, in which case the approval of the shareholders' General Assembly (GA) shall be obtained.	

The amount of such remuneration may vary in light of a policy issued by the NRC and approved by the Company's GA.

The annual Board report shall include a comprehensive statement of all the amounts received by the Board members during the fiscal year including remuneration, reimbursement allowances and other benefits, as well as all the amounts received by the Board members in their capacities as employees or managers, or in consideration of any technical, administrative or advisory work performed. The report shall also include a statement of the number of Board meetings and the number of meetings attended by each member from the date of the last meeting of the GA.

The Board may set special remuneration payments for the Board Chairman, Vice Chairman and Managing Director in accordance with Article 21(2) of the Company's Articles of Association.

Remuneration of the Committee Members:

The Board shall determine and approve the remuneration, attendance fees and other benefits of the members of its committees, with the exception of the Audit Committee, upon the recommendation of the NRC.

The meeting attendance fee and other benefits shall be paid as described herein in accordance with the table below:

(Attendance fee per meeting (to be paid following each meeting)	SR 3,000
Transportation and travel allowance for members residing outside the city of venue (Riyadh)	Equal to actual expenses
Remuneration of a committee member who is a non-Board member (as approved by the NRC based on the functions assigned thereto)	Up to and not exceeding SR 50,000 per annum
Adjustment & Payment: The annual lump-sum remuneration of a committee member (who is a non-Board member) indicated above may be subject to review from time to time based on a recommendation by the NRC to the Board (which, in turn, shall make a recommendation in case of approval) in light of the Company's performance, in which case the GA's approval shall be obtained.	

The remuneration and meeting attendance fee of the members of the Audit Committee shall be approved by the shareholders' GA upon the Board's recommendation as per the regulations.

Remuneration of the Executive Management:

The NRC shall review and approve the salary scale and incentive schemes for all employees and senior executives on a regular basis upon the recommendation of the Executive Management. The remuneration of the Executive Management team shall include:

A base salary (to be paid on a monthly basis at the end of each Gregorian month), plus allowances including but not limited to: a housing allowance, a transportation allowance, a telephone allowance, a children tuition fee allowance, medical insurance benefits for the team member and his/her family, annual leave, annual air tickets and end-of-service benefits in accordance with the Labor Law and the Company's HR Policy.

A KPI-linked annual bonus based on the relevant annual appraisal.

The annual bonus of all employees and senior executives shall be approved by a resolution of the Board on the recommendation of the NRC.

Further Guidelines on Remuneration & Payment Mechanism:

Board members shall not vote on the agenda item relating to the remuneration of the Board members at a meeting of the shareholders' GA.

The Company shall disclose the remuneration of the Board members, committee members and senior executives in the annual Board report as prescribed by the directives and guidelines issued under the Companies Law and CMA laws and their implementing regulations.

A member shall be entitled to remuneration starting from the date of joining the Board or committee pro rata to the duration of serving thereon.

The remuneration payments of the members of the Board and committees shall be processed by the Board Secretary or committee secretary, as applicable, and approved by the CFO.

The attendance fee for a Board meeting or a committee meeting shall be paid within one week after the meeting.

With the start date of serving on the Board during the expired fiscal year being taken into consideration, the annual remuneration of the Board shall be paid on an annual basis after being approved by the GA. The annual remuneration of a committee member (who is a non-Board member) shall be paid annually within 30 days following the end of the fiscal year, with the start date of serving on the committee during the expired fiscal year being taken into consideration.

Board Secretary's & Committee Secretaries' Remuneration and Attendance Fees:

Board Secretary's attendance fee	SR 2.000
A committee secretary's attendance fee	SR 1.000
Board Secretary's annual remuneration	SR 20.000
A committee secretary's annual remuneration	SR 20.000
Adjustment & Payment:	
The annual lump-sum remuneration of the Board Secretary and committee secretaries indicated above may be subject to review from time to time based on a recommendation by the NRC to the Board (which, in turn, shall make a recommendation in case of approval) in light of the Company's performance, in which case the GA's approval shall be obtained.	

Final Provisions (Review, Amendment & Publication):

This Policy shall enter into force and be complied with by the Company as of 1/1/2017. It shall be reviewed on a regular basis (as needed) by the NRC. Any amendments proposed by the NRC shall be submitted to the Board which, in turn, shall examine and review the proposed amendments and present them to the shareholders' GA for approval.

6- (a) The Interests and Rights of the Members of the Current Board of Directors in its Fifth Session in the Shares or Debt Instruments of the Company or Any of its Subsidiaries, as well as Those of Their Spouses and Minor Children:

Name	Remarks	Shares at the end of 2020		Shares at the end of 2021		Change during the year	
		No. of Shares	Percentage	No. of Shares	Percentage	No. of Shares	Percentage
HRH Prince Abdulaziz bin Mishaal Al Saud Board Chairman	-	708.677	0.506%	708.677	0.506%	-	-
Mr. Badr bin Omar Alabdullatif Vice Chairman	-	1.479	0.001%	1.479	0.001%	-	-
Mr. Majid bin Abdurrahman Al-Osailan Board Member & CEO	-	29.598	0.021%	10.000	0.007%	19.598	-66.2%
Mr. Mohammed bin Hikmat Al-Zaiem Board Member	-	207.188	0.147%	207.188	0.147%	-	-
Mr. Omar bin Hamad Al-Mishaal Board Member	-	710.359	0.507%	710.359	0.507%	-	-
Mr. Mohammed bin Saad Al-Moajil Board Member	Represents AlMoajil Trading & Contracting	3.181.818	2.272%	2.800.000	2%	381.818	-12%
Mr. Saleh bin Sulaiman Al-Rajhi Board Member	-	86	0.0001%	86	0.0001%	-	-

(b) Senior Executives' Interests and Rights in the Shares or Debt Instruments of the Company or Any of its Subsidiaries, as well as Those of Their Spouses and Minor Children:

Name	Position	Remarks	Shares at the end of 2020	Shares at the end of 2021	Change during the year	
					No. of Shares	Percentage
Mr. Turki bin Abdulaziz Alabdullatif	Deputy CEO – SBDC	His shares	10	10	-	-

7- Senior Executives' Remuneration & Compensation:

The remuneration and compensation of the Company's senior executives (namely: the Managing Director, CEO, Deputy CEO – SBDC, Deputy CEO – SBDC, and CFO) were as follows:

	Salaries	Allowances	Bonuses
Total	3,426,100	2,067,892	2,238,838

Company's Declarations

Out of departure of its role and responsibilities in protecting the Company's assets, the Board of Directors, based on the information available to it, the auditor's report, the current market requirement outcomes and the future indicators confirms the following:

- The account books have been prepared properly.
- The internal control system has been prepared on proper bases and implemented effectively.
- There is not doubt at all about the Company's ability to continue the activity.
- There are no investments or reserves created for the benefit of employees (for example, provident, loans, employees' shares...etc.).
- There is no contract with substantial interest for a member of the founding Board of Directors or the Executive Management Team.
- There is no arrangement or agreement under which a member of the founding Board of Directors or the Executive Management Team assigns any salary or remuneration.
- There is no arrangement or agreement under which a founding shareholder assigns any rights to profits.

Shareholders' register has been requested four times for the following reasons:

.S. No	Request Date of File	Purpose of Request
1	11/02/2021	Company procedures.
2	10/03/2021	Distributing the profits.
3	20/04/2021	Holding the General Assembly.
4	19/08/2021	Distributing the profits.

Audit Committee's Recommendations in Conflict with the Board's Resolutions or the Board Refused to Adopt as to the Appointment, Dismissal, Determination of Fees and Performance Evaluation of the Company's Auditor or the Appointment of an Internal Auditor, and Grounds of these Recommendations and Reasons for not Adopting them.

There are no recommendations from Audit Committee that are in conflict with the Board's resolutions or that the Board refused to adopt with regard to the appointment, dismissal, determination of remuneration and performance evaluation of the Company's Auditor or the appointment of Internal Auditor.

Annual Audit of the Company's Effective Internal Control Procedures:

The conclusions of the annual review of the effective internal control procedures of 2021 showed that there are no substantial remarks affecting the Company's activity. KPMG conducts the Company's internal audits, carries out continuous audits to check the effectiveness of the internal control system in protecting the Company's assets, assess the business risks, and submits its reports periodically to the Audit Committee which in turn reviews and audits these reports and directs accordingly. It did not turn out to the Audit Committee that there is substantial weakness in internal control procedures set by the Company. The Executive Committee of City Cement Company recommends to continue improving the efficiency and effectiveness of the applicable control policies and procedures and updating them in conformity with the Company's volume of activity and nature of businesses.

Financial Results

Below is a summary of financial results of the period from 2017 to 2021:

1- Statement of Financial Position:

Value in Thousands of Riyals					
Particulars	2021	2020	2019	2018	2017
Assets					
Current Assets	562,542	488,679	821,508	577,317	676,488
Non-current Assets	1,393,451	1,459,780	1,526,824	1,647,331	1,593,535
Total Assets	1,955,993	1,948,459	2,348,333	2,224,648	2,270,023
Liabilities and Equity					
Current Liabilities	96,344	79,620	67,933	71,197	154,496
Non-current Liabilities	29,527	23,797	23,154	11,542	10,062
Total Liabilities	125,871	103,418	91,087	82,739	164,558
Equity					
Capital	1,400,000	1,400,000	1,892,000	1,892,000	1,892,000
Statutory Reserve	191,498	175,471	153,421	134,411	123,314
Other Reserves	(2,314)	(2,115)	(1,417)	-	-
Retained Earnings	240,938	271,685	213,242	115,498	90,151
Total Equity	1,830,122	1,845,041	2,257,246	2,141,909	2,105,465
Equity and Liabilities	1,955,993	1,948,459	2,348,333	2,224,648	2,270,023

The chart below shows the development of assets and equity during the five years from 2017 to 2021:



2- Statement of Income:

Value in Thousands of Riyals					
	2021	2020	2019	2018	2017
Net Sales	496,731	572,729	531,377	344,896	535,393
Cost of Sales	(288,859)	(315,769)	(300,264)	(244,183)	(406,918)
Gross Profit	207,872	256,960	231,112	100,713	128,475
Total General, Administrative, Sale and Marketing Expenses	(33,510)	(36,913)	(36,080)	(29,401)	(27,079)
Other Revenues/ Expenses	(1,860)	10,157	10,468	52,654	4,079
Zakat	(12,222)	(9,711)	(15,403)	(13,000)	(12,169)
Net Income of the Year	160,280	220,493	190,097	110,966	93,305
Dividend	1.14	1.22	1.00	0.59	0.49

3- Summary of Statement of Cash Flow:

Particulars	2021 (SR thousand)	2020 (SR thousand)
Net Cash Generated from Operating Activities	267,514	381,928
Net Cash Used in Investing Activities	(83,649)	234,554
Net Cash Used in Financing Activities	(178,188)	(634,876)
Net Change in Cash and Cash Equivalents	5,676	(18,394)
Cash and Cash Equivalents – beginning of the Year	50,061	68,456
Cash and Cash Equivalents – End of the Year	55,738	50,061

The Company's financial statements of the fiscal year ended 31/12/2021 form an integral part of this report.

Profits

1- Company's Profit Distribution Policy

The Company's policy in distributing its net annual profits relies on what is indicated in the Company's Articles of Association and the availability of the liquidity required to fulfill the payment of the strategic investments and projects of the Company. Profits are distributed as follows:

1

The Company shall set aside a minimum of 10% of its net profits to create a statutory reserve. The Ordinary General Assembly may decide to discontinue setting aside such percentage when said reserve reaches half of the Company's capital.

The Ordinary General Assembly may, based on the Board's suggestion, set aside a certain percentage of the net profits to create a consensual reserve and designate it for a specific purpose or specific purposes.

2

3

Of the balance of profits, a first payment will be distributed to the shareholders in at least (1%) one percent of the paid-up capital.

A percentage of no more than 10% ten present, after the foregoing, will be designated as Board's remuneration in compliance with the regulations and instructions issued by the Ministry of Commerce and Investment in this respect. Then, the balance will be distributed to the shareholders as additional share of profits.

4

2- Distribution of Profits during 2021

- The Board of Directors in its meeting held on 16/02/1442H, corresponding to 28/02/2021 decided to distribute cash profits of the second half of 2020 totaling (SR 70,000,000) in (SR 0.5) per share.
- The Board of Directors in its meeting held on 03/01/1443H, corresponding to 11/08/2021 decided to distribute cash profits of the first half of 2021 totaling (SR 105,000,000) in (SR 0.75) per share.

Audit of 2021

1- Appointment of the Company's Auditor for 2021 and Q1 of 2022

The Company's Ordinary General Assembly agreed in its meeting held on Tuesday 08/09/1442H, corresponding to 20/04/2021 to appoint Dr. Mohamed Al-Amri and Co. to audit, examine and review the financial reports for the Q2, Q3 and Q4 of the fiscal year 2021 and Q1 of 2022 and determine its fees.

2- Appointment of the Company's Account Controller for 2021

The Auditor's report shows that the Company's financial statements for year ended 31/12/2021 is free from material misstatement, and there are no observations on them.

3- Accounting Standards

The financial statements have been prepared according to the International Financial Reporting standards that have been adopted and approved by the Saudi Organization for Certified Public Accountants (SOCPA). There are no differences from these accounting standards on the auditing of the Company's financial statements.



Thanks and Recognition

In conclusion, the Board of Directors in this occasion is pleased to extend its great thanks and gratitude to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud, may Allah preserve him, to his Crown Prince HRH Prince Mohamed bin Salman bin Abdulaziz Al Saud, Deputy Prime Minister and Minister of Defense and to our wise government. The Board of Directors beseeches God Almighty to protect the leaders of this country, grant success to our wise government for the good of this homeland and citizens, protect this country from every evil and maintain the blessing of security, safety and peace.

Besides, the Board of Directors also extends thanks and recognition to the Ministry of Energy, Industry and Mineral Resources, the Ministry of Commerce, the Ministry of Investment, Capital Market Authority, the National Center for Monitoring Environmental Compliance and all relevant government authorities for their continuous collaboration and support as well as the shareholders and clients for their precious support and confidence and the Company's personnel for their fruitful efforts.

And Allah is the Grantor of success.

Board of Directors



