

## INDEPENDENT AUDITOR'S REPORT

(1/4)

To the Shareholders of  
Eastern Province Cement Company  
(A Saudi Joint Stock Company)  
Dammam, Kingdom of Saudi Arabia

### Opinion

We have audited the financial statements of Eastern Province Cement Company – a Saudi Joint Stock Company (the “Company”), which comprise the statement of financial position as at December 31, 2021 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by Saudi Organization for Chartered and Professional Accountants (SOCPA).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics as endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matter

The Company’s financial statements for the year ended December 31, 2020, have been audited by another auditor, who issued an unqualified opinion dated March 10, 2021.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR'S REPORT (Continued)**

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To the Shareholders of  
 Eastern Province Cement Company  
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**Key Audit Matters (Continued)**

Key audit matter	How the matter was addressed
<p><b>1- Existence and valuation of inventories</b></p>	
<p>The Company's stock of the work in progress stock amounted to SR 271 million (mainly consisting of clinkers stored in the form of piles in yards built for this purpose) as at 31 December 2021.</p> <p>The determination of the quantity of work in progress inventory, require management estimates for the quantities available at the end of the year for measuring inventory piles and converting the measurements into unit volumes using the angle of repose and quantitative density. Management used its experts to estimate the quantities, who used some practical methodological measurement calculations and apply density conversion methods used for similar types of inventory in the cement industry.</p> <p>Given the significance of such inventory balances and related estimates used in determining the quantities, the existence and valuation of inventory was considered as a key audit matter.</p> <p>The accounting policy for inventories is outlined in Note 2.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>- Attending the physical count conducted by the Company and its experts.</li> <li>- Evaluating the efficiency, qualifications, and objectivity of the experts.</li> <li>- Obtaining the inventory count report submitted by the experts regarding the main inventory items and checking them on sample basis.</li> <li>- Assessing the reasonableness of inventory piles measurements carried out by management and experts during the physical count and recalculating the conversion of volumes into quantities.</li> <li>- On a sample basis, testing the inventory valuation at the end of the year, and assessing judgments and estimates used in estimating the damages and the impairment by management.</li> <li>- Assessing the completeness and adequacy of the disclosures related to inventory for the year ended December 31, 2021.</li> </ul>
<p><b>2- Revenue recognition</b></p>	
<p>During the year ended December 31, 2021, the Company recognized total revenue of SR 758 million.</p> <p>The Company recognize the revenue mainly when the control of goods is transferred and accepted by the customer in accordance with IFRS 15.</p> <p>Revenue recognition has been identified as a key audit matter given the significant volume of sales transactions involved and the factors associated with the revenue recognition and the risk that management may override controls in order to misstate revenue transactions, either by recognizing sales on unapproved products or inappropriate assessments of returns and rejections.</p> <p>The accounting policy for revenue is outlined in Note 2.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> <li>- Evaluating the design and implementation, and testing the operating effectiveness of relevant key controls over the revenue cycle;</li> <li>- Assessing the appropriateness of revenue recognition accounting policies of the Company;</li> <li>- Inspecting sales transactions taking place at either side of year-end to assess whether revenue was recognized in the correct period;</li> <li>- Performing substantive test of details and analytical procedures.</li> <li>- Assessing the completeness and sufficiency of disclosures relating to revenue in the financial statements.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT (Continued)

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To the Shareholders of  
Eastern Province Cement Company  
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Dammam, Kingdom of Saudi Arabia

### **Other Information Included in the Company's 2021 Annual Report**

Other information comprises the information included in the Company's annual report, other than the financial statements and our auditor's report thereon. The management is responsible for the other information in its annual report. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### **Responsibilities of the Management and Those Charged with Governance for the Financial Statements**

The management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA, Company's By-laws and the applicable requirements of the Companies' regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (i.e. Board of Directors) are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs, as endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used, the reasonableness of accounting estimates and related disclosures made by the management.

**INDEPENDENT AUDITOR'S REPORT (Continued)**

(4/4)

To the Shareholders of  
 Eastern Province Cement Company  
 (A Saudi Joint Stock Company)  
 Damman, Kingdom of Saudi Arabia

**Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exist related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosure in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Al-Bassam & Co.**  
 P.O. Box 4636  
 Al Khobar 31952  
 Kingdom of Saudi Arabia

**Ibrahim A. Al Bassam**  
 License No.337

March 15, 2022  
 Shaban 12, 1443



Detailed Audit Committee Report  
For the year ended December 31, 2021

**EASTERN PROVINCE CEMENT CO.**

P.O. Box 4636 Dammam 31412 - Saudi Arabia

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C.R. 2050013400 - Chamber of Commerce Membership (131)

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**شركة أسمنت المنطقة الشرقية**

ص.ب. 4636 الدمام 31412 - المملكة العربية السعودية

ت. 8812222 (0096613) - فاكس : 8812000 (0096613)

س.ت.رقم 2050013400 - رقم اشتراك الغرفة التجارية (131)

الرقم الضريبي : 300439763400003

To Shareholders of The Eastern Province Cement Company

Greetings;

The Audit Committee is pleased to present to the shareholders of Eastern Province Cement Company its annual report on the details of its performance of its competence, functions and the Committee's observations for the fiscal year ended 31 December 2021, as follows:

### **Objectives and competence of the audit committee:**

The audit committee aims to verify the adequacy of the internal control system and implement it effectively and to make any recommendations to the Board of Directors that will activate and develop the system in order to achieve the purposes of the company and protect the interests of shareholders and investors efficiently and at a reasonable cost, to assist the Board of Directors in implementing its responsibilities related to internal control, accounting policies and financial reports and support the independence and objectivity of internal and external review.

### **Composition of the audit committee:**

At the recommendation of the Company's Board of Directors, the AGM formed a five-member in audit committee, one of them is a non-executive board member, three are independent board members and a fifth is an independent member from outside the Board of Directors:

- 1- Mr. Ibrahim Salem Al-Ruwais, Member of the Board of Directors - Non-Executive) Chairman of the Committee.
- 2- Mr. Walid Mohammed Al-Jaafari (Board Member - Independent) Member of the Committee.
- 3- Mr. Abdul Aziz Abdul Rahman Al-Khanin (Board Member - Independent) Member of the Committee.
- 4- Mr. Majid Saleh Al Rajhi (Board Member - Independent) Member of the Committee.
- 5- Dr. Jassim Shaheen al-Rumaihi (Independent Member from outside the Board of Directors).



In 2021, the Committee held four meetings in accordance with the committee's approved plan and in accordance with the Corporate Governance Regulations.

### **The functions and responsibilities of the audit committee:**

The audit committee performs its functions in accordance with the scope of work contained in the corporate system issued by the Ministry of Commerce and the company's governance regulations prepared in accordance with the Corporate Governance Regulations issued by the CMA Board. In general, the Audit Committee is responsible for monitoring the company's work and verifying the integrity and integrity of its reports, financial lists and internal control systems, and in order to perform its functions, the Commission has the right to access the company's records and documents.

### **In particular, the Commission's functions include:**

#### **First: With regard to financial reports:**

- 1) Study the initial and annual financial statements as well as the company's financial statements and announcements regarding its financial performance and express its opinion before submitting it to the Board of Directors, to ensure its integrity, fairness and transparency and that it includes information that allows shareholders and investors to assess the company's financial situation, performance, business model and strategy. In order to do so, it examined the initial and annual financial statements, financial statements and announcements relating to the company's financial performance for 2021 and expressed its opinion and recommendation to the Board of Directors.
- 2) Study any important or unusual issues contained in financial reports and accounts, and thoroughly examine any issues raised by the company's chief financial officer, handler or auditor.
- 3) Verification of accounting estimates in core issues contained in financial reports.

- 4) Study the company's accounting policies and express an opinion and recommend them to the Board of Directors.

### **Second: with regard to the internal control system:**

The audit committee checks the efficiency and effectiveness of the company's internal control system by monitoring and supervising the performance and activities of the internal audit management and verifying its independence from executive management. In order to do so, the Audit committee (4) held meetings during 2021 during which it discussed the effectiveness of internal control procedures in protecting the company's property, assessing the risks of work and measuring the adequacy of performance through the approved annual internal audit management action plan, where the Internal Audit Department submitted its reports until the end of 2021 and the audit committee studied and discussed it and directed the Internal Review Department in coordination with the executive management in following up on the implementation of corrective actions for observations and improvements contained in the Internal audit management reports, in addition to discussing the effectiveness and efficiency of the internal control system by evaluating the effectiveness and efficiency of the internal control system through its review of the company's accounts, where the committee recommended the management of the company to examine and analyze the observations and suggestions received by the company's auditor and activate recommendations that help improve the company's internal control system.

### **Third: With regard to internal review:**

- 1) The Committee monitors and supervises the performance of the activities and management of internal audit, to verify the availability of the necessary resources, their effectiveness in the performance of the work and their tasks and their independence from executive management.
- 2) Study internal audit reports and follow up on the implementation of corrective actions for the observations contained in them.



- 3) Study and adoption of the Internal Audit Management Action Plan for 2020.

**Fourth: With regard to the auditor:**

- 1) In 2021, the Committee adopted the names of the appropriate offices to submit their presentations after reviewing a list of audit offices nominated for the company's audit for 2021 and the first quarter of 2022, and studied and analyzed the offers made by the audit offices that were invited to audit the company and recommended to the Board of Directors to nominate two appropriate chartered accountants in accordance with specific work controls.
- 2) One of the committee's tasks is to meet with the company's auditor without the presence of the executive management to ensure their independence from the executive management and the extent to which the company's departments cooperate in providing the data, information and observations that the Committee is considered to have been informed of, and met during 2021 with the auditor and the auditor confirmed their independence from the executive management and praised the cooperation of the executive management in providing the required data and information of quality and in a timely manner.
- 3) The Committee examined the company's auditor's plan and work, and showed its views on it.
- 4) Answering the inquiries of the company's auditor addressed to the Committee.

**Fifth: With regard to ensuring commitment:**

- 1) Review the results of the reports of supervisory and supervisory authorities and verify that the company has taken the necessary action on them. In order to do so, I reviewed the management letter submitted by the Company's auditors, which included some observations, recommendations and guidance, and the Committee discussed the observations contained in the management letter and expressed its opinion, recommended that the Executive Department work to meet the observations requiring completion, and directed the Internal Audit Department to follow up on its recommendations on the observations of the external auditor and inform them of what is done in this regard, as well as the report of the General

Accounting Office (General Count Audit). The company's management responded to it and the internal audit department's opinion in the management's response and made its recommendations in this regard, and directed the Internal Review Department to follow up on the completion of the observations contained in the report.

- 2) In order to do so, the Committee worked to study and review the contracts and transactions proposed to be conducted by the company with the relevant parties and submitted its visuals and recommendations to the Board of Directors.
- 3) To submit to the Board of Directors what it considers necessary issues to take appropriate action and make recommendations about them.

#### **Sixth: Electronic invoice:**

The committee asked the company's management about what was done about the requirements and standards of the electronic billing regulation issued by the Zakat, Tax and Customs Authority and the readiness of the company in the process of converting and issuing invoices and notices city and creditor and processing them in an orderly electronic format and in integrated electronic coordination, and the company stated that the process of electronic billing is ready for application on the date of its mandatory by the Zakat, Tax and Customs Authority.

#### **Seventh: The impact of the COV pandemic on the company's business:**

The Committee inquired the company's management about the possible developments and effects of the company's activity due to the CORONA virus during 2021, in which it became clear that the management of the company took many precautionary and preventive measures to mitigate the effects resulting in stability in the company's operations and the management did not notice any material impact on the results of the company's business until the end of 2021.

The audit committee's opinion on the adequacy of the company's internal and financial control and risk assessment systems.

The audit committee discussed the reports submitted by the Internal Audit Department concerning the examination of the internal control system for 2021, and the committee made its recommendations to manage the company in order to meet certain requirements and process observations, and the results of the review did not show a fundamental weakness in the internal control system and procedures. ) Approved and commissioned in the company. Based on the data received by the audit committee from both the Financial Department, the Internal Audit Department and the external auditor, this supported the audit committee's conviction that the internal and financial control systems and procedures of the company were adequately and effectively. Any internal control system, regardless of the integrity of its design and the effectiveness of its application, cannot provide absolute confirmation. In conclusion, the audit committee thanked the Board of Directors of the company, represented by His Excellency the Chairman of the Board, Mr. Mohammed Saad Al Faraj Al-Subai'i, and the members of the Board and the CEO of the company for their support and support to the committee to accomplish its tasks and follow up to achieve the goals and aspirations of the company's shareholders, as well as the company's employees for their good performance during 2021.

Thank you

Audit Committee Chairman  
Ibrahim Salem Al Ruwais

Date: 13/03/2022

**The Board of Directors submits the names of the auditors to the General Assembly**

Based on the recommendation of the Audit Committee submitted to the Board of Directors in its letter dated January 23, 2022, regarding the nomination of auditors from among the offices who submitted their offers to audit the company's accounts for the year 2022 in order to present it to the company's general assembly so that the assembly can appoint one of them as an auditor for the company during 2022.

Therefore, the Board of Directors recommends to Messrs. Al-Bassam & Co. Allied Accountants PKF with an annual amount of (SR325,000) and Ernst & Young with an annual amount (SR445,000) to choose one of them as the company's auditor during 2022. However, the chosen firm must Auditing the company's accounts during the second quarter of 2022 until the end of the first quarter 2023, including the final accounts for the year 2022 and reviewing the quarterly financial reports for the above-mentioned periods. The Board of Directors considers that the two offices have submitted the best offers to audit the company's accounts based on the technical and financial evaluation criteria and their experience in corporate accounting.

**Chairman of the Board**  
Mohammed Saad Batti Al-Faraj

**Vice Chairman**  
Ibrahim Salem Al-Ruwais

**Board Member**  
Waleed Mohammed Al Jafari

**Board Member**  
Dr. Zamil A. Al-Mokrin

**Board Member**  
Mohammed W. Al-Harbi

**Board Member**  
Abdulaziz A. Al-Khaneen

**Board Member**  
Ahmed Ibrahim Al-Shathry

**Board Member**  
Shaikhah A. Al-Jubair

**Board Member**  
Majed Saleh Al-Rajhi

Date: 23/01/2022

**H.E Chairman and Members of the Board of Directors**

**Dear Sirs,**

The Audit Committee which was formed by our 48<sup>th</sup> General Assembly meeting dated 04/11/2021, held its 95<sup>th</sup> meeting on Sunday 20/06/1443 H corresponding to 01/23/2022, which included considering the nomination of the independent auditor who will audit the company's accounts for the fiscal year ending on December 31, 2022 including the accounts of first quarter of the year 2023. The auditor shall work in line with the guidelines and instructions contained in the Corporate Governance Regulations issued by the Capital Market Authority.

In this regards, the audit committee reviewed the offers submitted by the following audit firms:

No.	Audit Firm	Fees (SR)
1-	KPMG Al-Fawzan and Al-Sadhan KPMG	500,000
2-	Ernst & Young EY	445,000
3-	Al-Bassam & Co. Allied Accountants PKF	325,000
4-	Al Kharashi and Co., Mazars of Saudi Arabia	460,000
5-	Allied Accountants RSM	411,000
6-	Price Waterhouse PWC	No offer

Furthermore, the committee also reviewed the comparative analysis table and the Technical Financial Analysis table of the offers submitted by the auditing offices prepared by the our Finance Dept. in cooperation with the Internal Audit Dept. for selecting the auditor for the year 2022. After extensive discussion of all offers, the committee recommended the following:

Based on the foregoing, and after reviewing and analyzing the offers, the committee decided to recommend to the honorable board of directors to nominate two of the auditors who submitted the above offers to present them to the General Assembly to appoint one of them. So, the committee recommends:

- 1- M/s Al-Bassam & Co. Allied Accountants PKF, with a quoted fees of (SR325,000).
- 2- M/s Ernst & Young EY, with a quoted fees of (SR445,000.)

The above office are those who submitted the best offer - in the committee's assessment - to audit the company's accounts based on the technical and financial evaluation criteria and due to their experience in corporate business, to carry out the task of auditing the company's accounts starting from the second quarter of the year 2022 until the end of the first quarter of the year 2023. The assigned work also include reviewing the final accounts for the year 2022 and examining the quarterly financial reports. In this regards, the audit Committee favored the offer submitted by M/s Al-Bassam and Co. Allied Accountants PKF to audit the company's accounts since it is the current auditor of the company for the year 2021 as it has good experience in corporate business as well as comprising experienced auditors who obtained high evaluation ratio (financial and technical) among the applicants to audit the company's accounts.

Best Regards,

**Signed/-**

**Head, Audit Committee**

**Ibrahim bin Salem Al Ruwais**

A statement of cash dividends distribution recommended by the  
Board of Directors of the Eastern Province Cement Company for the year 2021

Description	First Half of 2021	Second Half of 2021	Total
The Total amount distributed	SAR 120,400,000	SAR 94,600,000	SAD 215,000,000
Number of Shares Eligible for Dividends	86,000,000 Shares	86,000,000 Shares	86,000,000 Shares
Dividend Per Share	SAR 1.40	SAR 1.10	SAR 2.50
Percentage of Dividend to the Share Par Value (%)	14%	11%	25%
Board Decision Date	Monday 1442/12/23 Corresponding to 2021/08/02	Sunday 1443/08/10 Corresponding to 2022/03/13	
Eligibility Date <sup>2</sup>	Sunday 1442/12/29 Corresponding to 2021/08/08	Monday 1443/09/10 Corresponding to 2022/04/11	
Distribution Date	Monday 1443/01/15 Corresponding to 2021/08/23	Tuesday 1443/09/25 Corresponding to 2022/04/26	

<sup>2</sup> The eligibility is for company's shareholders who own the shares on the date of eligibility, and who are registered in the company's shareholders' register at Securities Depository Center Company (Edaa) by the end of second trading day following the eligibility date.



Messers: Shareholders of Eastern Province Cement Co.

Subject: Notification the General Assembly of the transactions and contracts in which the Members of the Board of Directors have a direct or indirect interest according to according to article number 71 of companies law

We hereby would like to notify youeseleve the transactions and contracts where Board Members have a direct or indirect interest:

- 1- The transactions and contracts that will be concluded between the company and the Arab Yemen Cement Company Limited (an associate company) in which the members of the Board of Directors mentioned below have an indirect interest without any preferential advantages, where the Eastern Province Cement Company is represented in the Board of Directors of the Arab Yemen Cement Company Limited by three members of its Board of Directors and they are: (1) Mr. Mohammad Saad Al Faraj Al Subaie (Non-Executive). (2) Mr. Ibrahim Salem Al Ruwais (Non-executive). (3) Eng. Fahd Rashed Al Otaibi (Executive). The nature of these transactions and contracts is represented in cash sums that the Eastern Province Cement Company will receive from the associate company in order to transfer them to some of the associate's suppliers, as the associate company faces some difficulties finalizing its bank transfers to and from the Republic of Yemen, noting that the balance of these transactions and contracts has reached SAR (545) thousand as on 31/12/2021G compared with (SAR 7 million as on 31/12/2020G). Such transactions and contracts will continue until the difficulties facing the associate are over.
- 2- The transactions and contracts concluded between the company and Al-Dawaa Medical Services Company Ltd., where the Chairman of the Board of Directors of the Eastern Province Cement Company Mr. Mohammad Saad Al Faraj Al Subaie (Non-Executive) is the Board of Directors and CEO of Al-Dawaa Medical Services Company Ltd., and vice chairman of Eastern Province Cement Compant Mr. Ibrahim Salem Al-Rwais (Non-Executive) is a vice chairman of Al-Dawaa Medical Services Company Ltd., and the member of the Board of Directors of the Eastern Province Cement Company Mr. Waleed Mohammad Al-Jaafari (Independent) is a Board of Directors of Al-Dawaa Medical Services Company Ltd., and the nature of these transactions and contracts is to rent administrative offices to Al-Dawaa Medical Services Company Ltd. in the Eastern Province Cement Company tower for a period of about four Hijri years at an amount of (SAR 2,312,170) per annum, as part of the ordinary businnesses that have offered no preferential advantages.
- 3- The transactions and contracts concluded between the company and Wala Cooperative Insurance Co., where the member of the Board of Directors of the Eastern Province Cement Company, Mr. Waleed Mohammad Al-Jaafari (Independent) is a Board of Directors of Wala Cooperative Insurance Co., and the nature of these transactions and contracts is to provide Insurance services to Eastern Province Cement Company for three years at an amount of (SAR 1,526,661.14) per annum, as part of the ordinary businnesses that have offered no preferential advantages.

This notification has been issued according to article number 71 of companies law related to transactions and contracts in which the Members of the Board of Directors have a direct or indirect interest.

Chairman, Board of Directors



Mohammad Saad Al Faraj Al Subaie

The Shareholders of  
Eastern Province Cement Company  
(A Saudi Joint Stock Company)  
Dammam, Kingdom of Saudi Arabia

## **REPORT ON THE DECLARATION SUBMITTED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS**

As an auditor of Eastern Province Cement Company (the “Company”), we have undertaken a limited assurance engagement in respect of the accompanying declaration of related party transactions and contracts for the year ended 31 December 2021 relating to Eastern Province Cement Company prepared by the Chairman of the Board of the Directors of the Company in accordance with the applicable criteria mentioned below so as to comply with the requirements of Article (71) of the regulations for companies (the “Declaration”).

### **Subject matter**

The subject matter for our limited assurance engagement is the Declaration prepared by the management of the company and approved by the chairman of the Board of Directors as attached to this report and submitted to us.

### **Criteria**

The applicable criteria are the requirement of Article (71) of Regulations for Companies issued by the Ministry of Commerce (2015-1437H) which states that the Company shall declare such interests for the approval of the General Assembly of the Company. The Board member must notify the Board of such interest and excuse himself in vote by the Board to approve such transactions or contracts. The Chairman of the Board will notify the General Assembly of transactions and contracts in which a member of the Board has a direct or indirect interest.

### **Management’s responsibility**

Management of the Company is responsible for the preparation of the Declaration in accordance with the Criteria and ensuring its completeness. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of the Declaration that is free from material misstatement, whether due to fraud or error.

A member of the Board of directors must inform the board of his direct and indirect interest in the transactions and contracts that have been performed to the company.

### **Our independence and quality control**

We have complied with the independence requirements of the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, and the ethical requirements that are relevant to our limited assurance engagement and other professional requirements endorsed in the Kingdom of Saudi Arabia, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

## **REPORT ON THE DECLARATION SUBMITTED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS (Continued)**

### **Our independence and quality control (Continued)**

Our firm applies International Standard on Quality Control, as endorsed in the Kingdom of Saudi Arabia, and accordingly maintains a comprehensive system of quality control that ensures professional conduct and ethics, including detailed independence that is founded on fundamental principles of integrity, objectivity, professional competence and due care, professional conduct and behavior, and the statutory and regulatory applicable requirements.

### **Our responsibilities**

Our responsibility is to express a limited assurance conclusion on the Declaration based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information', as endorsed in the Kingdom of Saudi Arabia. This standard requires that we plan and perform this engagement to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Company has not complied with the applicable requirements of Article 71 of the Regulation for Companies in the preparation of the Declaration, for the year ended 31 December 2021.

The procedures selected depend on our judgment, including the assessment of risks such as failure of systems and controls, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's compliance with the requirements of Article 71 of the Regulations for Companies in the preparation of the Declaration. Our procedures included examining, on a test basis, evidence supporting systems and controls in respect of the preparation of the Declaration in accordance with the requirements of Article 71 of the Regulations for Companies.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

### **Summary of work performed**

We have planned and performed the following procedures to obtain limited assurance over the Company's compliance with the requirements of Article 71 of the Regulations for Companies in the preparation of the Declaration:

- Discussed with the Company's management the process for conducting business and entering into contracts with any of the Board members.
- Obtained the accompanying Declaration that includes the lists of all transactions and contracts entered into by any of the Board members of the Company, either directly or indirectly, with the Company during the year ended 31 December 2021.

## REPORT ON THE DECLARATION SUBMITTED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS (Continued)

### Summary of work performed (Continued)

- Reviewed the minutes of the Board meetings that indicates that the concerned Board member notified the Board on the transactions and contracts entered into by that Board member and further that the concerned board member did not vote on the resolution issued in this regard at the meetings of the Board.
- Reviewed the confirmations obtained from the concerned board member on the transactions and contracts participated by the board member during the year.
- Tested the consistency of the transactions and contracts included in the Declaration with the disclosure in note 20 to the audited financial statements.

### Inherent limitations

Our procedures regarding systems and controls relating to the preparation of the Declaration in accordance with the requirements of Article 71 of the Regulations for Companies, are subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Furthermore, such procedures may not be relied upon as evidence of the effectiveness of the systems and controls against fraudulent collusion, especially on the part of those holding positions of authority or trust.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 (Revised) as endorsed in the Kingdom of Saudi Arabia. Consequently, the nature, timing and extent of the procedures outlined above for gathering sufficient appropriate evidence were deliberately limited relative to a reasonable assurance engagement, and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

Our procedures did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements as endorsed in the Kingdom of Saudi Arabia and accordingly we do not express an audit or a review opinion in relation to the adequacy of systems and controls.

This conclusion relates only to the Declaration for the year ended 31 December 2021 and should not be seen as providing assurance as to any future dates or periods, as changes to systems or controls may alter the validity of our conclusion.

### Limited assurance conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with the applicable requirements of Article 71 of the Regulations for Companies in the preparation of the Declaration of related party transactions for the year ended 31 December 2021.




**REPORT ON THE DECLARATION SUBMITTED BY THE CHAIRMAN OF THE  
BOARD OF DIRECTORS (Continued)****Restriction of use**

This report, including our conclusion, has been prepared solely upon the request of the management of the Company, to assist the Company and its Chairman of the Board of Directors in fulfilling their reporting obligations to the General Assembly in accordance with Article 71 of the Regulations for Companies. The report should not be used for any other purpose or be distributed to or otherwise quoted or referred to, without our prior consent to any other parties other than the Ministry of Commerce, Capital Market Authority and the shareholders of the Company.

**Al Bassam & Co.**

P.O. Box 4636  
Al Khobar 31952  
Kingdom of Saudi Arabia

  
**Ibrahim Ahmed Al-Bassam**  
Certified Public Accountant  
License No. 337



March 31, 2022  
Sha'ban 28, 1443H

## Remuneration Policy of Board members, Committees, and Executive Management

(Before Amendment)

### Introduction:

This policy is prepared in accordance with Article 61, paragraph 1 of the CMA Board's Corporate Governance Regulations, which aims to set clear criteria for the remuneration of board members, committees, and senior executives, this policy was approved by the 48th Ordinary General Assembly Meeting dated 29-08-1442 Corresponding to 11-04-2021

### Article (1): General standards of Remuneration:

The Remuneration and Nominations Committee is competent to recommend to the Board of Directors the remunerations of board members and members of the committees that emanate from it and the remunerations of executive management, and must observe the following criteria:

1. Remunerations must be commensurate with the company's activity and the skills needed to manage it.
2. Remunerations must be commensurate with the company's strategy and objectives, size, nature, and degree of associated risk.
3. The company should consider the practices of other companies and the prevailing situation in the labour market in determining remunerations while avoiding the resulting unjustified rise in remunerations and compensation.
4. Remunerations must be fair and proportionate to the terms of reference of the member or senior executives, the task, and responsibilities he undertakes and assumes, in addition to the objectives set by the Board of Directors to be achieved during the fiscal year.
5. Remunerations should be reasonably sufficient to attract competent and experienced board members and executives and be able to motivate and maintain them.
6. The remunerations of board members and committees may vary in amount to reflect the member's experience, competences, tasks, quality of performance, number of meetings attended and other considerations.
7. The company will bear the costs of tickets and accommodation for the members of the Board of Directors and committees in the event of a meeting outside the member's residence city.
8. The member is entitled to remuneration as of the date he or she joins the Board or committee, and the amount must be proportional to the actual duration of his or her membership.



## Remuneration Policy of Board members, Committees, and Executive Management

(Before Amendment)

### Article (2) Board members' remunerations:

1. The remuneration of board members consists of a certain amount, attendance allowance for meetings, in-kind benefits, or a certain percentage of net profit, and two or more of these benefits may be combined.
2. The total amount of remunerations and financial or in-kind benefits received by a board member may not exceed SAR 500,000 per year.
3. The eligibility for a board member's remuneration must be proportional to the number of attended meetings.
4. The board member is entitled to an annual remuneration to be determined on the recommendation of the Remuneration and Nominations Committee.
5. The board member is entitled to a attendance allowance for each meeting he attends.
6. The annual remuneration is payable within 15 days from its approval by the General Assembly of Shareholders.
7. The allowance for attending meetings is payable within 15 days from the date of the meeting.

### Article (3) Remunerations for board members:

1. The Board of Directors determines and approves the membership remunerations of its committees, except for the audit committee, and attendance allowances on the recommendation of the Remuneration and Nominations Committee.
2. The remuneration of membership of the audit committee is approved by the General Assembly of Shareholders on the recommendation of the Board of Directors.
3. Committee membership remunerations consist of an annual remuneration, meeting attendance allowances, or both.
4. The Board of Directors determines and approves the remuneration of members of the interim committees that are formed for a specific purpose as well as the remuneration of its Secretary and CEO.

### Article (4) Executive Management remuneration:

- The annual executive management remuneration is determined and approved by the Board of Directors according to the recommendation of the Remuneration and Nominations Committee.

### Article (5) Details of the remuneration of board members and committees:

Without prejudice to this policy, the standard value of remunerations and attendance allowances is determined as follows:

Number	Statement	Amount
1	Annual Remuneration for Board membership	SAR 200,000
2	Annual remuneration for membership of the audit committee	SAR 100,000
3	Annual remuneration for membership of the Executive Committee	SAR 70,000
4	Annual remunerations for membership of the Remuneration and Nominations Committee	SAR 50,000
5	Allowance of attending any board or committee meeting	SAR 2,000

## Remuneration Policy of Board members, Committees, and Executive Management

(After amendment)

### Introduction:

This policy is prepared in accordance with Article 61, paragraph 1 of the CMA Board's Corporate Governance Regulations, which aims to set clear criteria for the remuneration of board members, committees, and senior executives, this policy was approved by the xxx Ordinary General Assembly Meeting dated xx-xx-xxxx Corresponding to xx-xx-xxxx

### Article (1): General standards of Remuneration:

The Remuneration and Nominations Committee is competent to recommend to the Board of Directors the remunerations of board members and members of the committees that emanate from it and the remunerations of executive management, and must observe the following criteria:

1. Remunerations must be commensurate with the company's activity and the skills needed to manage it.
2. Remunerations must be commensurate with the company's strategy and objectives, size, nature, and degree of associated risk.
3. The company should consider the practices of other companies and the prevailing situation in the labour market in determining remunerations while avoiding the resulting unjustified rise in remunerations and compensation.
4. Remunerations must be fair and proportionate to the terms of reference of the member or senior executives, the task, and responsibilities he undertakes and assumes, in addition to the objectives set by the Board of Directors to be achieved during the fiscal year.
5. Remunerations should be reasonably sufficient to attract competent and experienced board members and executives and be able to motivate and maintain them.
6. The remunerations of board members and committees may vary in amount to reflect the member's experience, competences, tasks, quality of performance, number of meetings attended and other considerations.
7. The company will bear the costs of tickets and accommodation for the members of the Board of Directors and committees in the event of a meeting outside the member's residence city.
8. The member is entitled to remuneration as of the date he or she joins the Board or committee, and the amount must be proportional to the actual duration of his or her membership.

## Remuneration Policy of Board members, Committees, and Executive Management

(After amendment)

### Article (2) Board members' remunerations:

1. The remuneration of board members consists of a certain amount, attendance allowance for meetings, in-kind benefits, or a certain percentage of net profit, and two or more of these benefits may be combined.
2. The total amount of remunerations and financial or in-kind benefits received by a board member may not exceed SAR 500,000 per year.
3. The eligibility for a board member's remuneration must be proportional to the number of attended meetings.
4. The board member is entitled to an annual remuneration to be determined on the recommendation of the Remuneration and Nominations Committee.
5. The board member is entitled to a attendance allowance for each meeting he attends.
6. The annual remuneration is payable within 15 days from it is approval by the Board of Directors.
7. The allowance for attending meetings is payable within 15 days of the date of the meeting.

### Article (3) Remunerations for board members:

1. The Board of Directors determines and approves the membership remunerations of its committees, except for the audit committee, and attendance allowances on the recommendation of the Remuneration and Nominations Committee.
2. The remuneration of membership of the audit committee is approved by the General Assembly of Shareholders on the recommendation of the Board of Directors.
3. Committee membership remunerations consist of an annual remuneration, meeting attendance allowances, or both.
4. The Board of Directors determines and approves the remuneration of members of the interim committees that are formed for a specific purpose as well as the remuneration of its Secretary and CEO.

### Article (4) Executive Management remuneration:

- The annual executive management remuneration is determined and approved by the Board of Directors according to the recommendation of the Remuneration and Nominations Committee.

### Article (5) Details of the remuneration of board members and committees:

Without prejudice to this policy, the standard value of the remuneration due for fiscal year 2021 onwards and attendance allowances due from the date of the General Assembly's approval of this policy are determined onwards as follows:

Number	Statement	Amount
1	Annual remuneration to the Chairman of the Board for his work as Chairman of the Board of Directors in accordance with the relevant regulations and regulations and the company's bylaws	SAR 200,000
2	Annual remuneration for board membership	SAR 300,000
3	Annual remuneration for membership of the audit committee	SAR 100,000
4	Annual remuneration for membership of the Executive Committee	SAR 70,000
5	Annual remunerations for membership of the Remuneration and Nominations Committee	SAR 70,000
6	Allowance of attending any board or committee meeting	SAR 3,000