



شركة اليمامة للصناعات الحديدية  
Al Yamamah Steel Industries Company



# Annual Board Report For the Results of the Fiscal Year 2021

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## Annual Board Report of Al Yamamah Steel Industries Company For the Fiscal Year Ended September 30, 2021

### To the respected shareholders of Al Yamamah Steel Industries Company

Peace be upon you and God's mercy and blessings

The Board of Directors is pleased to submit to the shareholders its annual report on the performance of Al Yamamah Steel Industries Company (the Company) and the consolidated audited financial statements (of the Group) for the fiscal year ended September 30, 2021, which includes its financial statements and the financial statements of the subsidiary (Al Yamamah Company For Reinforcing Steel Bars), which includes the auditor's report, the statement of financial position, the statement of income, statement of cash flows and the statement of changes in Shareholders equity and the accompanying notes to the financial statements for the year ended compared with the previous fiscal year. It should be noted that the consolidated financial statements for the fiscal year ended September 30, 2017, have been modified and the impact of the modification has been stated in pages 5-7 and presented in accordance with the international standards of the financial report that have been applied since October 1, 2017. The company is characterized by the service of the construction sector through its activity and the activity of the subsidiary in manufacturing of steel products, which includes steel towers, space structures and reinforcing steel bars, service of the electricity and telecommunications sector through the production of poles and steel masts for the distribution of electrical energy and streets lighting and the production of steel towers to transfer the electric power and antennas carrier in the field of communications, and service of the renewable energy sector by producing steel artifacts for solar energy tracking systems.

## Vision

To build a visionary institution and become the leader in the metal business in MENA, leveraging on synergies and values while ensuring an enduring commitment to the community.

## Mission

**Stakeholders:** Maximizing the values for our stakeholders and enhance investment attractiveness.

**Financial:** Enhance performance across all financial parameters and be cost conscious and mindful of risks.

**Customer:** Maintain mutually beneficial relationships by offering value for money and responding to customer needs.

**Innovation:** Challenge the status quo and encourage continuous development.

**Individuals:** Build a great place to work and help people to achieve their full potential.

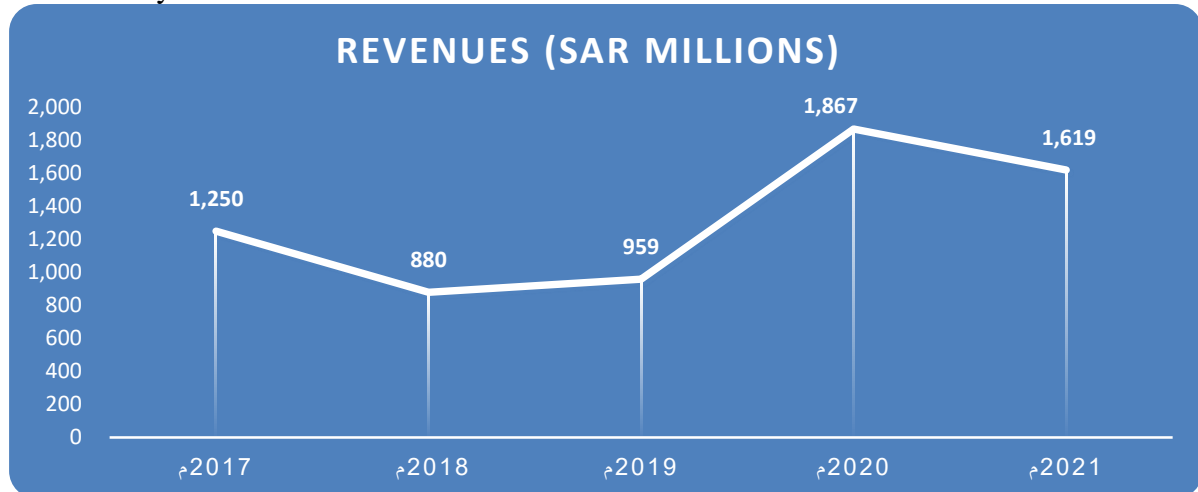
**First:**

**General Performance of Al Yamamah Steel  
Industries Company  
During the Fiscal Year 2021**

## 1. The company's performance during the fiscal year 2021:

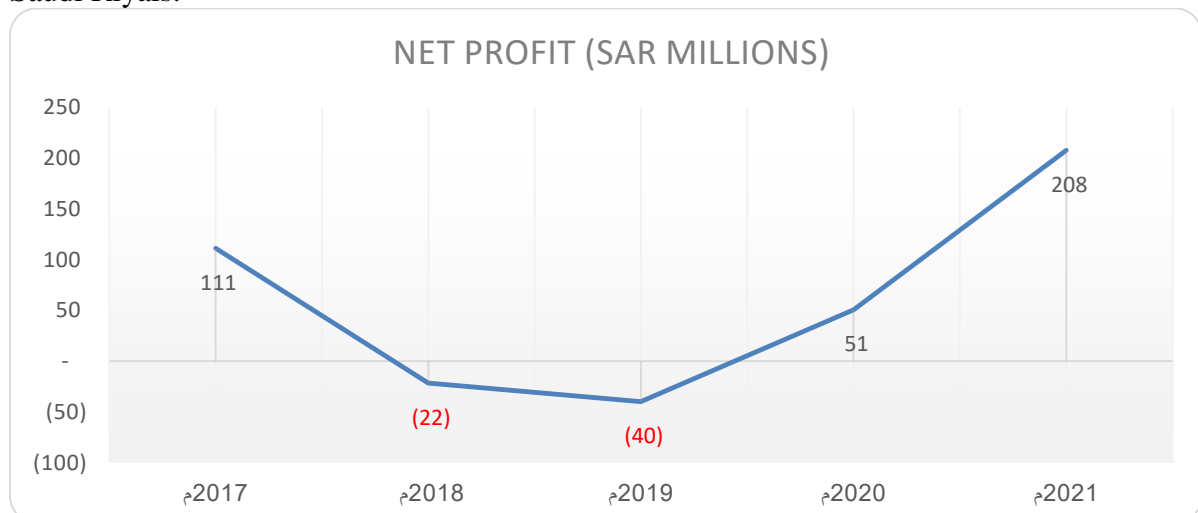
The company's revenues for the fiscal year ended September 30, 2021 decreased by 13.30% from SAR 1,867 Million to 1,619 Million compared to the previous fiscal year due to the decrease in the sold quantities by 30%.

The following chart shows the consolidated revenues for the years (2017-2021) in Millions of Saudi Riyals:



the company achieved net profit amounted SAR 207.8 Million in the fiscal year ended September 30, 2021, compared to net profit amounted SAR 50.7 Million in the previous fiscal year, this result was due to the increase in the selling prices by 32% in the construction sector as well as the increase in revenues in the electricity sector due to the increase in the sold quantities by 26%. The company has achieved the benefit of the steel cost cycle in reduction of the cost of revenues which has been reflected positively in the profitability of the company in the year ended September 30, 2021.

The below chart shows the company's net profit (loss) for the last five years in Millions of Saudi Riyals:

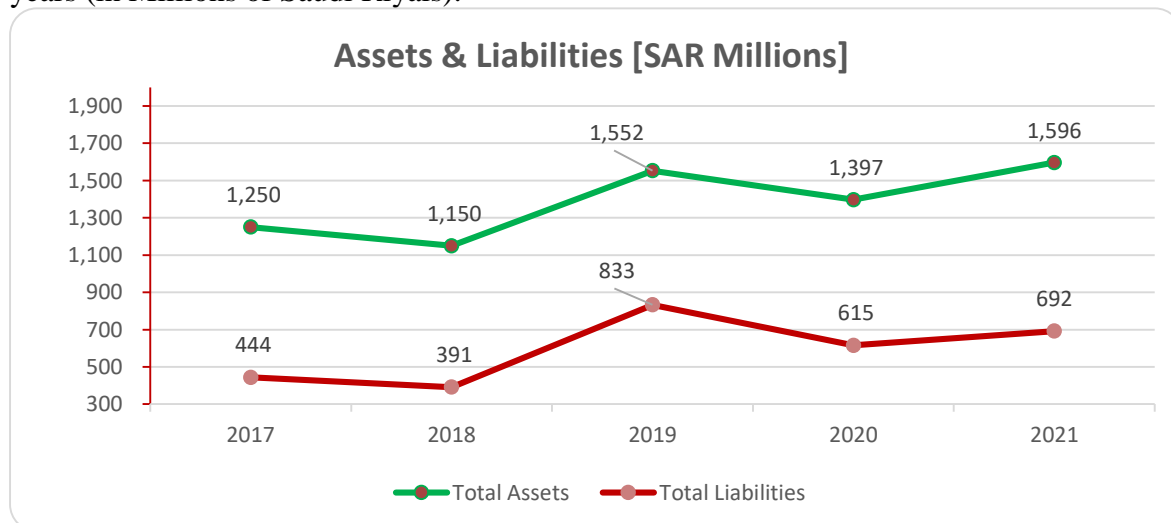


Summary of the company's consolidated balance sheets for the last five years  
(in thousands of Saudi Riyals):

Statement	2021	2020	2019	2018	2017
Current assets	1,115,788	909,613	1,074,370	678,222	781,239
Non-current assets	480,632	487,279	477,754	471,905	468,931
<b>Total assets</b>	<b>1,596,420</b>	<b>1,396,892</b>	<b>1,552,125</b>	<b>1,150,127</b>	<b>1,250,170</b>
Current liabilities	608,689	521,032	752,269	320,348	396,995
Non-current liabilities	83,034	94,440	80,247	70,657	46,957
<b>Total liabilities</b>	<b>691,723</b>	<b>615,472</b>	<b>832,516</b>	<b>391,005</b>	<b>443,952</b>
Total shareholders' equity	763,331	642,520	592,255	632,949	679,456
Non-controlling minority interest	141,366	138,900	127,354	126,173	126,762
<b>Total liabilities &amp; Equity</b>	<b>1,596,420</b>	<b>1,396,892</b>	<b>1,552,125</b>	<b>1,150,127</b>	<b>1,250,170</b>

- Total current assets increased during 2021 by 23% compared to 2020, mainly due to the increase in cash & cash equivalents and the increase in inventory balances.
- Total current liabilities increased during 2021 by 17% compared to 2020, mainly due to increase in short loans.
- Non-current liabilities decreased by 12% compared to 2020, mainly due to a decrease in the balance of long-term loans by about SAR 10 Million, paid during the fiscal year 2021.
- Shareholders' equity increased by 19% in 2021 compared to 2020 as a result of the increase in the retained earnings as a result of net profit for 2021.

The following chart shows the comparison of total assets and total liabilities for the last five years (in Millions of Saudi Riyals):



The following table shows the net book value per share for the last five years:

Year ended September 30	Total shareholders' equity (thousands of Saudi riyals)	Book value per share (SAR)	Change from the previous year (SAR)	Percentage change from the previous year	State of change from the previous year
2021	763,331	15.03	2.38	19%	Increase
2020	642,520	12.65	0.99	8%	Increase
2019	592,255	11.66	(0.80)	-6%	Decrease
2018	632,949	12.46	(0.92)	-7%	Decrease
2017	679,456	13.38	(0.08)	-1%	Decrease

The following table shows the results of the group's operation results for the last five years (in thousands of Saudi Riyals):

Description	2021	2020	2019	2018	2017
Net Sales	1,619,027	1,867,420	959,275	879,528	1,249,752
Cost of sales	(1,254,854)	(1,665,749)	(925,891)	(823,712)	(1,020,353)
<b>Gross Profit</b>	<b>364,173</b>	<b>201,671</b>	<b>33,384</b>	<b>55,816</b>	<b>229,399</b>
Other operating revenues	1,552	463	15,904	1,092	67
Sales & Distribution Expenses	(915,33)	(43,527)	(19,125)	(16,923)	(22,690)
Administrative expenses	(49,959)	(46,776)	(41,650)	(44,154)	(47,701)
<b>Operating Income (Loss)</b>	<b>281,851</b>	<b>111,831</b>	<b>(11,487)</b>	<b>(4,169)</b>	<b>159,075</b>
Other revenue/expenses	393	--	--	--	--
IPO Costs	--	--	--	--	--
Financing & Interests costs	(13,310)	(21,782)	(19,446)	(10,759)	(14,412)
<b>Profit (Loss) before Zakah</b>	<b>268,935</b>	<b>90,049</b>	<b>(30,933)</b>	<b>(14,928)</b>	<b>144,662</b>
Zakah	(24,392)	(14,103)	(7,530)	(7,144)	(9,560)
<b>Profit (Loss) before MOI</b>	<b>244,543</b>	<b>75,946</b>	<b>(38,463)</b>	<b>(22,072)</b>	<b>135,102</b>
Non-Controlling Interests	36,711	25,290	1,412	(547)	23,925
<b>Net profit (Loss)</b>	<b>207,832</b>	<b>50,656</b>	<b>(39,876)</b>	<b>(21,525)</b>	<b>111,177</b>

**Items that will not be classified as profit or loss items (thousands of Saudi riyals):**

Remeasure employee benefits obligations

**Total comprehensive income**

**Total comprehensive income attributed to:**

Company shareholders

Minority interest portion

2021

2020

2019

2,010

(385)

(1,049)

246,553

75,561

(39,513)

209,711

50,266

(40,694)

36,842

25,295

1,181

246,553

75,561

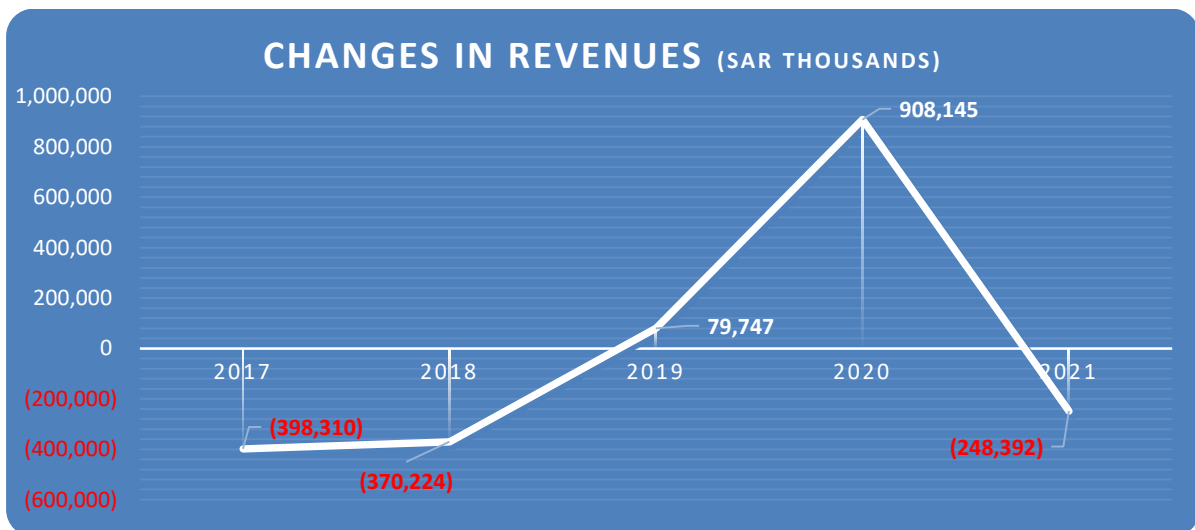
(39,513)



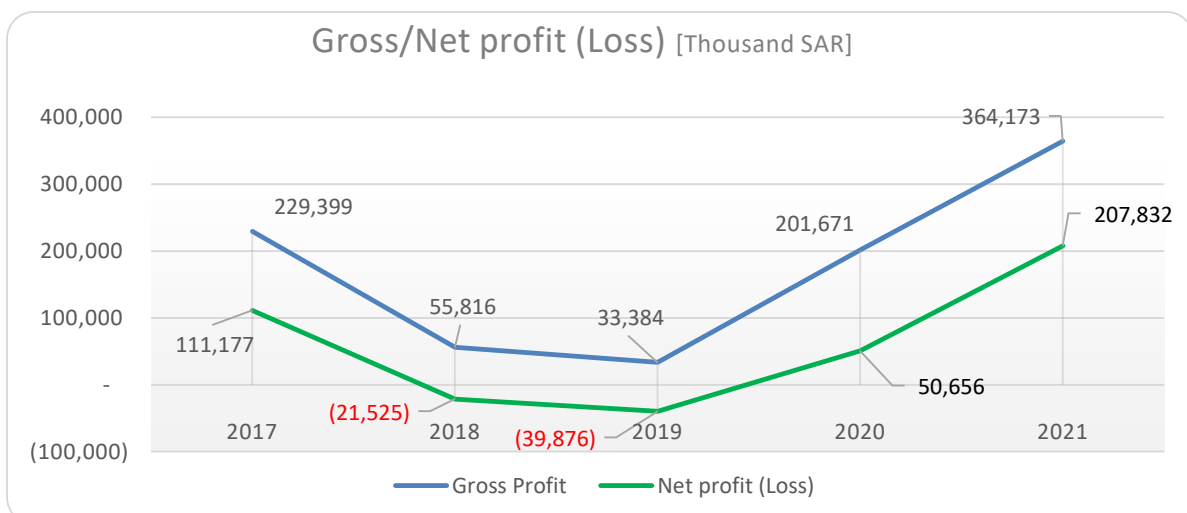
The following table shows the change in consolidated revenues for the last five years (in Thousands of Saudi Riyals):

Years	Revenues	Changes than prior Year	Changes % than prior Year	State of change from the previous year
2021	1,619,028	(248,392)	-13%	Decrease
2020	1,867,420	908,145	%95	Increase
2019	959,275	79,747	9%	Increase
2018	879,528	(370,224)	-30%	Decrease
2017	1,249,752	(398,310)	-24%	Decrease

The following chart shows the change in consolidated revenues for the last five years (in Thousands of Saudi Riyals):

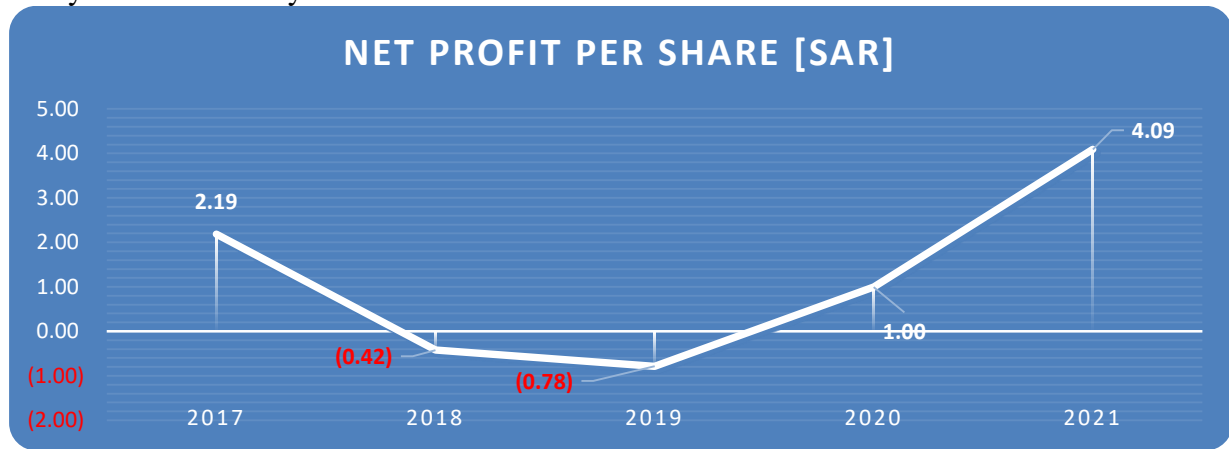


The following chart shows net profit (loss) and Gross profit for the last five years (thousands of Saudi riyals):





The following chart shows the profitability (loss) per share of net profit (loss) for the last five years in Saudi Riyals:



### o Segment analysis of the company results:

The following is an explanation of the revenues and net profits (losses) of the business sectors in millions of riyals:

Segment	Sales & Revenues		Net Profits	
	2021	2020	2021	2020
Year				
<b>Constructions Segment</b>	1,238	1,525	254	112
<b>Electrical Segment</b>	381	342	(10)	(36)
<b>Total</b>	<b>1,619</b>	<b>1,867</b>	<b>244</b>	<b>76</b>

## I. Construction Sector:

The values and quantities of revenues/ sales decreased by 38% and 19%, respectively in the current fiscal year compared to the previous fiscal year (from about 720,000 tons to about 444,000 tons), while profit increased from SAR 112.1 Million to SAR 253.8 Million due to the benefit from the cycle of steel prices in favor of the cost and the company's maintaining of competitively priced of steel stock, which directly contributed to the increase in gross and net profit for the sector.

## II. Electricity Sector:

The quantities and value of revenues/ sales increased by 26% and 12%, respectively in the current fiscal year compared to the previous fiscal year, this increase was attributed mainly to the activity of the steel towers by exploiting the full production capacity of the galvanization in galvanizing Towers activity products and Solar energy activity, in addition to the increase in the quantities and value of the revenues of Electric Poles Factory, which contributed to decrease the losses compared to the year 2020 by about SAR 26 Million.

○ **Differences in the operating results:**

The following table shows the differences in operating results between 2021 and 2020 (in Thousand of Saudi riyals)

Statement	2021	2020	Change between the two years	
			Amount	Percentage (%)
<b>Gross profit</b>	<b>364,174</b>	<b>201,671</b>	<b>162,503</b>	<b>80.58%</b>
<b>Profit (loss) from operation</b>	<b>281,852</b>	<b>111,831</b>	<b>170,021</b>	<b>152%</b>
<b>Net profit (loss)</b>	<b>207,832</b>	<b>50,656</b>	<b>157,176</b>	<b>310%</b>

Total gross profit increased by 81%, from SAR 202 Million in the previous year 2020 to SAR 364 million of the current year 2021. Despite of the decrease in sold quantities by 30% and decrease in revenues/ sales by 13% coupled with a decrease in cost of sales by 25%. The profit from operations increased from SAR 111.83 Million to SAR 281.85 Million and the net profit increased from SAR 50.7 Million in 2020 to SAR 207.8 Million in 2021.

The following table shows the most important financial indicators for 2021 and 2020:

Statement	2021	2020
<b>Return on total assets</b>	13%	3.6%
<b>Growth rate/(decline) of revenues</b>	(13%)	94.7%
<b>Return on revenues</b>	12.8%	2.7%
<b>Rate of increase net profit</b>	310%	227%
<b>Earning per share from net profit</b>	4.09	0.997

The following table shows a summary of the list of cash flows for 2021 and 2020 (in Thousands of Saudi Riyals):

Statement	2021	2020
Net cash flow available from operational activities	273,007	327,959
Net cash flow used in investment activities	(34,276)	(28,310)
Net cash flow used in financing activities	(75,826)	(310,297)
<b>Net change in cash and cash equivalents</b>	<b>162,905</b>	<b>(10,648)</b>
Cash & cash equivalent at the beginning of the year	18,457	29,105
<b>Cash &amp; cash equivalents at the end of the year</b>	<b>181,362</b>	<b>18,457</b>

## ○ Investments and reserves of the company's employees

The company has not made any investments for the benefit of its employees and the following table shows the reserves that have been registered for the benefit of the company's employees as of September 30, 2021 (in Thousands of Saudi Riyals):

Statement	2021	2020
End-of-service compensation allowance*	33,624	34,323
Accrued Bonus**	4,650	2,091

\*The end-of-service compensation allowance includes about SAR 11.5 million and SAR 11.1 million for 2021 and 2020, respectively, for employees of the subsidiary.

\*\* Accrued Bonus for the parent company

## Total debts of the company and the subsidiary:

### I. Short-term financing:

The Group has obtained Shariah-compliant banking facilities from local banks in the form of Tawarruq for financing letters of credit, Islamic overdraft and Islamic letters of guarantees, subject to Murabaha rates in line with the prevailing commercial rates. These facilities are secured by order notes and guarantees from the company and the subsidiary.

### II. Long-term financing:

The company paid all due installments and loan follow-up fees to the Saudi Industrial Development Fund on June 4, 2021 and the mortgaged land was released on which Al Yamamah Factory for Electrical Poles and accessories in Al-Khumreh, Jeddah City is erected.

In 2019 and 2020, the parent company obtained a long-term loan from Arab National Bank amounted SAR 40 Million, contributed in financing the construction of Al Yamamah Solar Power Systems Factory, which will be paid in equal quarterly installments during the years 2020 to 2023.

The following table shows the total consolidated utilized financing by the company for 2021 and 2020 (in Thousands of Saudi Riyals):

Type of financing	2021	2020
Short-term financing	469,500	397,253
Long-term financing – current & non-current portion	22,500	32,500
<b>Total</b>	<b>492,500</b>	<b>408,900</b>

The below table shows the movement of total short-term Tawarruq (financing of the purchased raw materials), the current and non-current portions of the long-term loans financing (Twarruq) as of September 30, 2021 (in Thousands of Saudi Riyals):

Item/ Company	Parent Company		Subsidiary Company		Consolidated	
	2021	2020	2021	2020	2021	2020
Short-term Tawarruq	469,500	376,400	-	20,853	469,500	397,253
Long-term loans- current portion	10,000	10,000	-	--	10,000	10,000
Long-term loans - non-current portion	12,500	22,500	-	--	12,500	22,500
<b>Total</b>	<b>492,000</b>	<b>408,900</b>	<b>-</b>	<b>20,853</b>	<b>492,000</b>	<b>429,753</b>

The following table shows the total financing movement of the consolidated company for the year 2021 (in Thousands of Saudi Riyals):

Statement	Opening balance	Funding used	Outstanding funding	Balance
Short term loans and current portion of long-term loans	407,254	1,926,212	1,853,965	479,500
Long-term loans- non-current portion	22,500	--	10,000	12,500
<b>Total</b>	<b>429,754</b>	<b>1,926,212</b>	<b>1,863,965</b>	<b>492,000</b>

The following table shows the long-term financing of the consolidated company for the year 2020 (Thousands of Saudi Riyals)

Bank/ Description	Financing Type	Base Amount	Financing Period	Paid up to 30/09/2021	Remaining Balance 30/09/2021
Arab National Bank	Private	40,000	5 years	17,500	22,500
<b>Total</b>		<b>40,000</b>		<b>17,500</b>	<b>22,500</b>

The following table of financing shows the short-term financing movement of consolidated company for 2021 (in Thousands of Saudi Riyals)

Bank/ Description	Type of funding	Outstanding Balance on 30/09/2020	Utilized Financing	Settled Financing	Balance on 30/09/2021
Arab National Bank	Private	307,753	1,408,212	1,382,465	333,500
Saudi Fransi Bank	Private	89,500	508,000	461,500	136,000
<b>Total</b>		<b>397,253</b>	<b>1,916,212</b>	<b>1,843,965</b>	<b>469,500</b>

### ○ Clarification about the company's application of international accounting standards:

The company has started applying the international accounting standards on October 1, 2017 and based on that all accounting transactions, reports, policies and financial statements have been recorded and approved in accordance with the international financial reporting standards and there is no difference in agreeing with this.

### ○ Geographical analysis of the company's total revenue:

The following table shows that revenues/ sales are compared by geographical location of local markets for fiscal years 2021 and 2020 (in Thousands of Saudi Riyals):

Sector	2021		2020	
	Revenues	Rate	Revenues	Rate
Central Province	420,942	%29	515,330	30%
Western Province	527,123	%36	607,107	35%
Eastern Province	69,295	%5	118,306	7%
Southern Province	200,468	%14	212,337	12%
Northern Province	235,010	%16	262,528	15%
<b>Total</b>	<b>1,452,838</b>	<b>%100</b>	<b>1,715,608</b>	<b>100%</b>

The following table compares revenues/ sales from the local and foreign markets for fiscal years 2021 and 2020 (in Thousands of Saudi Riyals):

Year	Revenues from the Local market		Export market	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
<b>2021</b>	1,452,838	90%	166,189	10%
<b>2020</b>	1,715,608	92%	151,813	8%

### ○ Equity activities and debt instruments:

1. Neither the company nor the subsidiary issued shares or debt instruments during the fiscal year ended September 30, 2021.
2. Neither the company nor the subsidiary, during the fiscal year ended September 30, 2021, have any interests for persons other than (board members, senior executives, their spouses and minors) of the shares category which has the right in voting.
3. During the fiscal year 2021, the Company did not issue or grant any debt instruments convertible into shares, contractual securities, IPO notes or

similar rights, and there is no compensation obtained by the company in return.

4. During 2021, the Company did not issue or grant any transfer or underwriting rights under debt instruments convertible into shares, any contractual securities, IPO notes or similar rights.
5. Neither the company nor its subsidiary, during 2021, made any purchase, refund or cancellation of any recoverable debt instruments.
6. The Company has not made any arrangements or agreement under which any of the company's shareholders waived their rights in profit.
7. The Company has not made any arrangements or agreement under which a board member or a senior executive will waive a salary or compensation.
8. During 2021, the company did not make any investments or other reserves created for the benefit of the company's employees.

## 2. Company activities and strategy

Al Yamamah Steel Industries Company was established as a Saudi joint stock company, registered in Riyadh with the commercial register No. 1010070794 and the date of 01/06/1409 H, and the company was licensed under industrial license No. (144/Y) on 22/22/1409 H. 03/1409H and subsequent adjustments, the CMA listed the company's shares on the financial market on 15/08/1437 E, corresponding to 22/05/2016.

The company's authorized and paid-up capital is (508,000,000) SR only Five hundred eight million Saudi riyals and divided into (50,800,000) shares only fifty millions eight hundred thousand shares of equal value, each with a nominal value of SAR 10, all of which are ordinary shares in kind and cash paid by shareholders in full value.

The company and the subsidiary are engaged in manufacturing steel products to serve the construction sector in the Kingdom, which includes steel tanks, space structures and rebar, and service of the electricity and communications sector through the production of Poles and highmasts for the distribution of electric power and street lighting, production of steel Towers for the transmission of electric power and the carrier antennas in the field of communications and production of works for steel necessary for Solar systems, which was commercially operated during the second quarter of 2019, Construction is under going for Al Yamamah project to produce the steel towers needed for wind power systems in Yanbu Industrial City, and the project is expected to be completed and commissioned during the third quarter of fiscal year 2023.

## 3. Subsidiary: Al Yamamah Company for Reinforcing Steel Bars (closed stock company)

Al Yamamah Company for Reinforcing Steel Bars was established in Riyadh with fully paid-up capital of SAR 300 million and divided into 30 million shares with a value of SAR 10 each, Al Yamamah steel Industries Company



owns 21,750,000 shares, equivalent to 27.5% of the capital and there are no debt instruments issued by it.

The subsidiary is engaged in the production and wholesale trade and retail of reinforcing steel bars, and the company's factory is located on the industrial city in Yanbu, Saudi Arabia belonging to the Royal Commission of Jubail and Yanbu, and all the company's sales are local.

#### **4. Intrinsic developments during fiscal year 2021:**

##### **Pipes activity:**

The company announced through Tadawul website the expansion project of pipes production plants in Jeddah and Dammam, the Board of Directors approved during their meeting held on September 30, 2021 the start of the expansion of the pipe plants in Jeddah and Dammam at a cost around SAR 33 Million, to be financed through cash flows of the company, The expansion , will increase the profitability of the company in line with the increase in production capacity. Moreover it will increase the company market share and availability of wide range of pipes and tubes sizes, and supply solar projects with their needs from steel pipes and tubes. Dammam's factory expansion is expected to be completed during the second quarter and Jeddah's factory expansion during the fourth quarter of fiscal year 2022.

##### **Wind Power Systems Activity:**

The company announced through Tadawul website the latest developments of the previously announced developments for the approval of the Board of Directors on September 2, 2021 to start the execution of Al Yamamah Wind Power Systems Factory project as the design works and contractors' tenders for civil and electro-mechanical works have been completed. The expected date of completion of the project will be during the third quarter of 2023. It was also confirmed that the project will be executed in accordance with international standards to produce steel Towers for Wind Power Systems, and in accordance with the requirements of the turbine suppliers' companies. The project site, in Yanbu Industrial City, is leased from the Royal Commission of Jubail and Yanbu was handed over to construction contractor and building permits was obtained. Construction contractor started construction on November 2021 for eighteen months.

#### **5. Related Parties Transactions**

The company's commercial transactions in selling the company's products for the fiscal year 2021 amounted SAR (728) Million, representing 45% of revenues/sales compared to 46% of the company's revenues/ sales for the previous year 2020, which are also type of dealings of board members for direct or indirect interest with the company which the General Assembly of Shareholders held on



February 15, 2021 had authorized, knowing that there are no preferential conditions in all transactions.

The table below shows the company's consolidated revenues from related parties (no preferential conditions) (thousands of Saudi riyals)

Name	Relationship	2021	2020
Abdulkadir Al Muhaidib and Sons Company *	Founder shareholder, represented by a member of the Board of Directors, Mr. Raed bin Ibrahim AlMudaiheem.	465,571	576,200
Rashid Abdul Rahman Al-Rashed and Sons Company **	Founder shareholder, represented by s member of the Board of Directors, Mr. Khalid bin Abdullah Al-Shami.	10,085	45,206
Al-Muhanna Trading Company	Founder shareholder	143,965	94,640
Al-Muhana Steel Group	Owned by a member of the Board of Directors, Mr. Muhanna Abdullah Al-Muhanna and a founding shareholder	90,716	66,186
Al-Moajel Trading and Contracting Company	Founder shareholder and Chairman of the Board of Directors, Mr. Saad bin Ibrahim Al-Moajel represent it and he is a shareholder	5,738	10,805
Madar Building Materials Company (formerly Al Fozan Building Materials Company)	A shareholder in the subsidiary company	11,551	64,408
<b>Total</b>		<b>727,626</b>	<b>857,445</b>

\*Transactions with Abdulqadir Al Muhaidib & Sons include Masdar Building Materials Company and Thabat contracting company.

\*\*Includes dealing with Rashid AbdulRahman al, Rashid Sons the Saudi Electrical and Mechanical Business Services Company Al-Rashid company for building materials.

The table below shows the company's consolidated purchases from related parties (no preferential conditions) in thousands of Saudi riyals.

Name	Relationship	2021	2020
Abdulqadir Al-Muhaidib & Sons*	Founder shareholder represented by The Board of Directors member Mr. Raed bin Ibrahim Al-Mudaiheem	1,058	1,737
Rashid Abdul-Rahman Al Rashid & Sons Company **	Founder shareholder represented by the Board of Directors member, Mr. Khalid bin Abdullah Al-Shami	2	142
Al Muhanna Steel Group	Owned by the Board Member, Mr. Muhanna Abdullah Al-Muhanna and a founding shareholder	-	14
Madar Building Materials Co., Ltd.	Shareholder in the subsidiary	170	78
<b>Total</b>		<b>1,230</b>	<b>1,971</b>

\*Includes dealings with Masdar Building Materials Company and Masdar Technical Equipment Company.

\*\*Includes dealings with Al-Rashid Building Materials Company and Al Rashid Stabilizers Company.

Note: Purchases from related parties are related to the operating supplies.

The below table shows the contracts of projects implemented during fiscal year 2021 with Saudi Services for Electro Mechanic Works for the supply of electric towers (SAR):

Project	Contract date	Duration of the contract	Contract value	Execution till 9/30/2021	Execution in the year 2021	Remarks
Wadi Al Soman Al Qaisoumah	6-2-2018	(1 Year, extendable +- (10% of contract value)	59,570,000	61,359,372	204,429	Completed 103%
Remal Al Kharj	25-2-2019	(1 Year, extendable +- (10% of contract value)	44,055,900	40,231,861	8,926,368	Continuous 91%

## 6. Future outlook and risks:

The company expects to have improved results during the fiscal year ending September 30, 2022, for the electricity sector, especially the activity of electric towers. This is due to the operation of tower's capacity expansion and securing many local contracts to supply steel towers for power transmission lines' projects. In addition to, the expansion of pipes capacity expansion to serve solar projects. Moreover, the new steel galvanization plant will serve the expansion of towers and solar activities with their galavanizing needs.

The construction sector will continue to provide the market with its pipe and tubes needs for all sizes through the company's pipe manufacturing activity and Rebar subsidiary Company will provide reinforcing steel bars to its approved distributors in proportional to cost and selling price.

The company will continue to take care of fluctuations in the prices of raw materials and their impact on cost and inventory evaluation by reducing its negative impact and maximizing the benefit of its positive effects on the company's results. Al Yamamah strong financial position and the strength and durability of the company's relationship with raw materials' supply chains will allow to secure the supply of raw material with competitive price and on time from local and international resources.

The company will continue to maintain its citizens and expatriates' staff and implement the necessary plans and attract the distinguished staff to occupy the vacancies resulting from the operation of expansions of the company's business activities.

## 7. Statutory payments:

The table below shows a comparison of regular payments due, and amounts made during fiscal year 2021 and fiscal year 2020 (thousands of Saudi riyals):

Statement	Accrued		Paid	
	2021	2020	2021	2020
Zakat *	30,978	21,325	14,739	7,979
VAT	2,764	11,153	187,505	72,567
General Organization for Social Insurance	588	458	6,806	5,948

### \*Zakat Status:

#### Al Yamamah Steel Industries Company

The Company has submitted Zakat declarations for the years from the beginning of the establishment until the year ended 30 September 2019. Accordingly, the Company paid the due Zakat and obtained a valid Zakat certificate up to 30 January 2021.

The Company has received Zakat assessments for the years from 2008 through 2011, in which the ZATCA raised additional Zakat differences amounting to SR 9.9 million. The Company objected against the said assessments. The Company's objection was filed with the Primary Zakat and Tax Committee, according to which the Company submitted a letter of guarantee to ZATCA with the claimed amount. A decision was issued by the committee to accept the objection for the fiscal year 2011.

The Tax Appeal Committee issued its decision No. (1875) dated 26/6/1439H, corresponding to 14/3/2018, that is approved by the Minister of Finance under the letter No. (4989) dated 13/6/1439H, corresponding to 1/3/2018, where the Company's appeal was formally accepted before the Primary Committee for the fiscal years ended 30/9/2008 until 30/9/2010. The resolution No. (1875) endorsed the Appeal Committee's decision to approve the deduction of the Company's contribution to the land of Melissa for the fiscal year ended 30/9/2011, which represents the main item in the controversial differences of fiscal years ended 30/9/2008 until 30/9/2010. The Company approved the majority of the objectionable items for the fiscal year ended 30/9/2011. Therefore, the final zakat assessment for the fiscal year 2011 has not been issued to date, noting that the total differences from the fiscal years from 2008 to 2010 amounted to SR 7.5 million.

The General Secretariat of the Tax Committees in Jeddah has requested during the month of June 2020 from the Company to set a date for the session for the lawsuit filed by the Company against the General Authority for Zakat and Tax for the fiscal years ending from 30 September 2008 till 30 September 2010, and the Company did so and received the date from the General Secretariat for Tax Committees during August 2020, which is 13 October 2020. The session was held online on that date, and the judicial authority issued a decision not to accept the lawsuit for lack of the territorial jurisdiction, and the Company will raise a new lawsuit to the General Secretariat for Tax Committees in Riyadh for these years.

On 23 March 2020, the General Authority of Zakat and Tax has requested some detailed and analytical documents and data for the years from 30 September 2015 to 30 September 2019, and the Company has provided them to ZATCA during May 2020. During the month of September 2020, ZATCA has provided the Company with the initial zakat assessments for the fiscal years 2015 through 2019, and ZATCA has requested the Company to provide them - if desired - with documents that could reduce the zakat differences for these years, and the Company has provided ZATCA with them during the same month. ZATCA has issued the revised zakat assessments for these fiscal years during the month of October 2020, which showed zakat differences amounting to about SR 4.7 million, and the Company will object against the zakat differences during December 2020.

Al Yamamah Steel Industries Company received the final Zakat Assessment for the Year Ended September 30, 2021 in October 2021 from ZATCA, which raised Zakat differences amounted SAR

9.742 Million, the company settled SAR 12,589 and appealed against the remaining SAR 9.730 Million to ZATCA and issued a bank guarantee to ZATCA for half of the appealed amount.

No assessment has been received for the years from 2012 to 2014.

#### **Al Yamamah Company for Reinforcing Steel Bars**

The company submitted its zakat returns for the years from the beginning of the activity until the fiscal year ending on September 30, 2020, and paid the zakat due in those returns, and a final zakat certificate was obtained, valid until January 30, 2022. The company ended its zakat position with the Authority for the years from the date of the company's establishment until the fiscal year ending on September 30, 2019.

The movement in zakat during the year ended September 30, 2021 (In Saudi riyals) is as follows:

Statement	2021	2020
Balance at the beginning of the year	21,325,153	15,201,088
Added: Comprised during the year and previous years diff.	24,392,120	14,102,826
Deducted: Payments during the year	(14,739,312)	(7,978,761)
<b>Balance at the end of the year</b>	<b>30,977,961</b>	<b>21,325,153</b>

## **8. Dividends Policy:**

Dividends and its amount are based on the net profit achieved and the company's cash flows in line with the distribution policy contained in the company's articles from (45) to (47) as follows:

The company's net annual profits are distributed after deducting all general expenses and other costs, including zakat, which is legally imposed as follows:

- 10% of the net profit is avoided to form a statutory reserve, and the General Assembly may suspend this reserve when the reserve in question reaches 30% of the paid-up capital.
- The General Assembly has the right at the suggestion of the Board of Directors to avoid a 10% of net profit to form a sufficient, agreemental reserve allocated for certain purposes.
- The rest is then distributed as a down payment to shareholders representing 5% of the paid-up capital.
- The General Assembly, in determining the share stake in net profits, decides to form other reserves, to the extent that it is in the company's interest or ensures that fixed dividends are distributed as much as possible to shareholders. The Association may also deduct from net profits amounts to establish social institutions for the company's employees or to assist existing institutions.
- Taking into account the provisions established in article (21) of the Statute, article 76 of the corporate system allocates after the above 10% ten percent of the rest to reward the Board of Directors not in any case exceeding the total amount of rewards and financial or in-kind benefits received by the board member, in accordance with the controls established by the competent

authority and the entitlement of this reward shall be commensurate with the number of sessions attended by the member.

- The rest is then distributed to shareholders as an additional share of profits or will be moved to the following years as approved by the General Assembly.
- The ordinary general assembly of the shareholders of the company, which was held on February 15, 2021, approved the recommendation of the Board of Directors on December 22, 2020 to distribute cash dividends to the company's shareholders for the fiscal year ending on September 30, 2020 amounting to SAR 50,800,000, at the rate of SAR 1 per share,
- On May 6, 2021, the Board of Directors approved the distribution of SR 0.75 per share for the first half and on December 12, 2021, approved the distribution of SR 1 per share for the second half, thus the total distribution for the current fiscal year is SAR 1.75 per share.

The following table reveals dividends per share for the results of the past five financial years (SAR):

Fiscal year	2021	2020	2019	2018	2017
Dividends (SR per share)	1.75	1	No distribution	No distribution	1.5
Distribution-to-nominal share value ratio	17.50%	10%	—	—	15%

\*\*\*\*\*

## **Second: Company Governance**

## 1. The ownership structure of the company

The following is a list of shareholders directly owned more than 5% of the company's capital as of 30/09/2021, and there are no debt instruments issued by the company.

M	Shareholder's name	Number of shares	Direct ownership rate
1	Al-Moajel Trading and Contracting Co.	5,074,141	9.99%
2	Rashid Abdulrahman Al Rashid & Sons Co.	4,900,000	9.65%
3	Abdelkader Al-Muhaideb & Sons Co.	4,083,461	8.04%
4	Al-Mouhana Trading Co.	3,440,384	6.77%
5	Abdul Karim Hamad Al-Moajel	2,962,556	5.83%

The following table shows the ownership of shares by board members, their wives, and minor children as on 30/09/2021, and there are no debt instruments issued by the company.

M	Shareholder's name	Post	Number of shares on 30/09/2020	Change	Number of shares on 30/09/2021
1	Mr. Mouhana Abdullah Al-Muhanna	Board member	1,629,386	-26 %	1,200,115
2	Mr. Abdulhamid Abdulaziz Al-Ohali	Board member	10,000	-80%	2,000
3	Mr. Adnan Abdulrahman Al Mansour	Board member	4,000	-99%	40

There is no equity ownership belonging to senior executives, their wives, and minor children during the financial year 2021 (01/10/2020 to 30/09/2021).

## 2. Structure of Board of Director and Members Classifications

Among the most Important duties and responsibilities of the Board of Directors of Al Yamamah Steel Industries Company, as it is the supreme administrative body and is directly responsible in front of the General Assembly of shareholders and government regulatory authorities for the management of the company, and according to the company's bylaws and related laws and regulations, the board's role can be outlined in drawing up and approving the strategic directions and main objectives of the company, setting and following up internal control and governance procedures, ensuring their efficiency and effectiveness, approving main budgets and financial policies, following up and monitoring the company's performance and the performance of its executive management, as well as setting policies that regulate The relationship with stakeholders and protects their rights, including the development and adoption of policies that confirm and ensure the application and



supervision of the implementation of laws and statutory regulations, and the obligation to disclose material information related to the company and its performance, which would assist the company's shareholders and its investors in evaluating the company's assets and liabilities.

Article (17) of Al Yamamah Steel Industries Company bylaws stipulates (The company Management shall be assumed by a Board of Directors consist of seven members appointed by the Ordinary General Assembly for three years. The number of independent members of the Board of Directors elected by the Ordinary General Assembly shall be three members Independent at all times, also the majority of the members of the Board of Directors shall be from non-executive members at all time), and accordingly, in application of the provisions of the above-mentioned article, the Board consists of seven members (7), which is in line with the Companies Law, the Corporate Governance Regulations issued by the CMA and the relevant laws and regulations. The Board was elected by the General Assembly of Shareholders held on March 18, 2020 for the current session, which began its work on June 26,2020 for a period of three years ending on June 25, 2023.

The following table shows the members of the Board of Directors, their classification and membership, and their membership in the joint stock companies (listed):

Member's name	Position	Membership status	Membership in listed companies / other than al-Yamamah company in his personal capacity or representative of a legal person
<b>Mr. Saad Ibrahim Al-Moajel</b>	Chairman	Non-executive member	-
<b>Mr. Raed Ibrahim Al-Mudaiheem</b>	Vice chairman	Non-executive member	- Northern Cement Co. - Bawan Co. - Saudi lines Catering Company
<b>Mr. Mouhhana Abdullah Al-Mouhana</b>	Board member	Non-executive member	-
<b>Mr. Khalid Abdullah Al-Shami</b>	Board member	Non-executive member	-
<b>Mr. Abdulhamid Abdulaziz Alohali</b>	Board member	Independent Member	-
<b>Mr. Adnan Abdulrahman Al Mansour</b>	Board member	Independent Member	-
<b>Mr. Fouad Jwayed Alsherebi</b>	Board member	Independent Member	-

The following table outlines the most important past and current positions, experiences, and qualifications of board members:

Name	Current positions	Previous positions	Qualifications	Experiences
Mr. Saad Ibrahim Al-Moajel	<ul style="list-style-type: none"> <li>- Chairman of the Board of Directors of Al Yamamah Company for Reinforcing Steel Bars</li> <li>- Chairman of the Board of Directors of Al-Moajil Trading and Contracting Company</li> </ul>	<ul style="list-style-type: none"> <li>- Chairman of the Coordinating Board of National Committees of the Board of Saudi Chambers.</li> <li>- Chairman of the Board of Trustees of the Riyadh Economic Forum.</li> <li>- Chairman of the Industrial Committee of Riyadh Chamber</li> <li>- Chairman - United Mining Industries Co.</li> <li>- Chairman of the Board of Directors - Al Yamamah Marble and Granite Company</li> <li>- Vice Chairman of the Board of Directors of the Chamber of Commerce in Riyadh</li> <li>- Board member of the Chamber of Commerce and Industry in Riyadh</li> <li>- Member of the Board of Directors of the Saudi Chambers representing Riyadh Chamber.</li> <li>- Member of the Supreme Preparatory Committee for the Local Industrialization of the Armed Forces.</li> <li>- Board member - Manufacturing and Energy Services Company</li> <li>- Board member - Technical Investment S.A.</li> <li>- Member of the Board of Directors - Dhahran International Exhibitions Company Dammam</li> <li>- Board member - Food Industries Company (DIMA)</li> <li>- Member of the Board of Directors Saudi Ceramic Company</li> <li>- Board of Directors Member - Arab Precision Industries Co.</li> <li>- Board Member - Arabian Pipe Company</li> <li>- Board Member - Eastern Cement Company</li> </ul>	<ul style="list-style-type: none"> <li>- Master of Chemical Engineering 1975</li> <li>- Bachelor of Chemical Engineering 1973</li> </ul>	<p>During the past decades he has held several positions in the presidency and membership of the boards of directors of several companies till now and he participated in some different industrial and commercial organizations as well as participated in some different charitable and social organizations.</p>
Mr. Raed Ibrahim Al-Mudaiheem	<ul style="list-style-type: none"> <li>- Chairman - United Mining Industries Co.</li> <li>- Vice Chairman - Saudi Airlines Catering Company.</li> <li>- Vice Chairman - Northern Cement Company</li> <li>- Vice Chairman - Masdar Building Materials Co.</li> <li>- Board Member - Bawan Co.</li> <li>- Board Member - Riyadh Cables Company.</li> </ul>	Board Member of Saudi Pipes Company	<ul style="list-style-type: none"> <li>- Master of Electrical Engineering 1992</li> <li>- Bachelor of Electrical Engineering 1986</li> </ul>	<p>He has more than 35 years' experience in the engineering fields, including the field of water and energy, the field of trade and industry of building materials, as well as the field of trade and industry of iron and timber. He has extensive management experience that includes the supervision and implementation of many acquisitions and mergers and the development of strategies</p>
Mr. Mouhana Abdullah Al-Mouhana	Chairman of the Board of Directors in Al-Muhanna Steel Group	Former Deputy General Manager of Al-Muhanna Commercial Company	High School	He has more than 50 years of experience in the trade of building materials and iron processing and attending international and local conferences and exhibitions on building materials.
Mr. Khaled Abdullah Al-Shami	- Chief Executive Officer of the Industrial Sector of Rashid Abdul-Rahman Al Rashid & Sons.	<ul style="list-style-type: none"> <li>- General Manager of Al Rashid Poly-styrene Factory Company</li> <li>- Assistant General Manager and Director of Sales and Marketing / Amjad Paper Industries Factory Company</li> <li>- Executive Engineer Co-Learning Program / Technology Advice</li> <li>- Administrative employee / Al Jazeera Containers and Cold Rooms Factory</li> </ul>	Bachelor of Industrial Engineering	He has experience in leadership, senior management, financial planning, performance development and improvement and crisis management.

The following table outlines the most important past and current positions, experiences and qualifications of

Name	The current positions	Previous positions	Qualifications	Experiences
Mr. Abdulhamid Abdulaziz Al-Ohali	- Board Member Ajwaad Holding Company - Board Member - Kayan International Co.	- CEO of United Electronics Company (Extra) - CEO of Al-Fawzan Metals - Board Member - United Electronics Company (Extra) - Member of the Board of Directors - Al Majal Real Estate Development	Bachelor in Science	He served on several boards of directors over the past years and continues to serve as CEO of Extra, CEO of Al-Fawzan Metals, General Manager of Al Rajhi Industrial Group, General Manager of Al Rajhi Cooperative Insurance Company and Assistant Marketing Manager at The National Cooperative Insurance Company.
Mr. Adnan Abdulrahman Al Mansour	- Board member - Al-Qadi Holding Company. - Chairman of Board Al-Qadi Umbrellas Company. - Board member - Zajel Rapid Logistics Company - Chairman of the Audit Committee at Zajel Rapid Logistics Company - Member of the Audit Committee of Jazz Arabian Services	- CEO of Zamil Steel - Vice President for Executive Affairs - Saudi Electricity Company	- Bachelor in Civil Engineering. - Strategic Management Program at Stanford University, California.	More than 42 years of experience in engineering, quality management, strategic planning, leadership and human capital
Mr. Fouad Jwayed Al-Sherebi	Board Member - Nesma Holding Company - Chairman - Nesma Tata - Chairman Nesma Telecom & Technology Co. - Chairman Modern Bus Company Makkah	Executive Vice President of Obstetrics Activity - Saudi Electricity Company Deputy General Manager for Sector Distribution and Subscriber Services - Saudi Electricity Company	- Master in Electrical Engineering - Bachelor in Electrical Engineering	More than 36 years of experience in the electricity sector, including several positions in Saudi Electricity Company for 32 years.

Audit committee members who are outside the Board of Directors:

Name	Current posts	Previous posts	Qualifications	Experiences
Mr. Ziyad Abdulqader Altoumi	- Consultant in Impact capital Company	-Vice President of Banking Investment at Samba Capital Assistant Director for Special Services at Citibank Morocco - Director of Corporate Banking Services At Citibank Tunis	- Master in Banking Behavior. - Bachelor in Banking Behavior.	More than 24 years of experience in banking. investments, relationships with companies, risk management and corporate governance.
Mr. Abdullah Abdulkarim Al-Mouhana.	Chief Financial Officer of Saudi Arabian Automobile & Motorcycle Association.	- Chief Financial Officer of the Saudi Falcons Club - Member of the NR Committee of the Saudi Falcons Club. - Secretary of the Audit Committee of the Saudi Falcons Club. - Chief Financial Officer at Damman Pharma Pharmaceutical Company - Professional Finance and Regulatory at Mobily - Assistant of Finance Manager and Tax Senior Consultant at SPIMACO Addawaeih -Assistant Manager and Senior Accountant in Ernst & Young Co. - Assistant Auditor in Talal Abu Ghazaleh Certified Public Accountants.	- Master in Business Administration and Accounting. - Bachelor in Accounting	He has more than 16 years of experience in audit, financial management and regulatory reports.

The following table outlines the most important past and current positions, experiences and qualifications for senior executives:

Name	The current positions	Previous positions	Qualifications	Experiences
Youssef Saeed Bazaid	CEO	- General Manager of Watania Plastics Factory - Head of petrochemicals sector at Saudi Consulting House	- Bachelor in Civil Engineering	He has more than 35 years of experience in industrial consultancy and industrial entities management.
Mohammad Baker Abu Farhah	Chief Financial Officer of the Company	- Chief Financial Officer at Qassim Cement Company - Finance Director at Watania for Industries. - Vice President - Finance at Alajhi Ekhwan. - Group Financial Controller at Saudi Printing and Packaging Company. - Audit supervisor at BODAI CPA. - Chief Accountant at Al Wahda Express Saudi LLC. - Auditor at Deloitte – Dubai, United Arab Emirates.	- Professional Certificate: Certified Public Accountant (CPA) from the United States of America. - Bachelor in Accounting. - Diploma in English Language	He has more than 23 years of experience in accounting, financial management, and audit.
Sahal Mukhdar Al-Thobaiti	Chief Operating Officer	-Sales engineer at Zahid Company -Business Unit Head of Al Yamamah Electrical Poles and Accessories Factory in Al Yamamah Steel Industries Co	- MBA - Bachelor in Mechanical Engineering - Bachelor of Accounting	He has more than 21 years of experience in the industry and management of the electrical poles business.

### Board of Directors Meetings:

The Board of Directors' meetings during the fiscal year 2021 reached (5) meetings using video conference, within the framework of the precautionary measures imposed by the health authorities in the country and to limit the spread of the Corona virus, it is worth noting that the attendance of Board meetings has reached 100 %, which indicates the keenness of all members of the Board of Directors to attend the meeting, the following table shows the attendance of members of the Board of Directors for Board meetings:

Member's name	Meeting date Dec 22 2020	Meeting date FEB 08 2021	Meeting date May 06 2021	Meeting date Augst 11 2021	Meeting date Sept 27 2021	NO	Attendance
Saad Ibrahim Al-Moajel	✓	✓	✓	✓	✓	5	100%
Raed Ibrahim Al-Mudaiheem	✓	✓	✓	✓	✓	5	100%
Mouhana Abdullah Al-Mouhana	✓	✓	✓	✓	✓	5	100%
Khaled Abdullah Al-Shami	✓	✓	✓	✓	✓	5	100%
Adnan Abdulrahman Al Mansour	✓	✓	✓	✓	✓	5	100%
Abdulhamid Abdulaziz Al-Ohali	✓	✓	✓	✓	✓	5	100%
Fouad Jwayed Al-Sherebi	✓	✓	✓	✓	✓	5	100%

o **Remuneration and compensation of board members, committees, and senior executives**

In accordance with the Remuneration policy for the Board of Directors Members and Senior Executive Officers which is approved by the General Assembly, the compensation for their efforts for the fiscal year ended September 30, 2021 as mentioned below:

	Fixed Remunerations						Variable Remunerations						End of Service benefit	Grand Total	Expenses allowance	
	Specified amount	Allowances of attending Board meetings	Total allowance for attending committee meetings	Noncash advantages	Remunerations of Consultations & Managements works, management and	Remuneration the Chairman, Managing Director or Secretary if he is a member	Total	Profit ratio	Periodic Bonus	Short term motivation plan (value is entered)	Long-term incentive plans	Shares awarded (value is entered)				Total
<b>First: Independent members</b>																
1. Abdulhamid Abdulaziz Al-Ohali	260,000	20,000	12,000	0	0	0	292,000	0	0	0	0	0	0	0	292,000	0
2. Adnan Abdurrahman Al-Mansour	250,000	20,000	9,000	0	0	0	279,000	0	0	0	0	0	0	0	279,000	0
3 Fouad Jwayed Al-Sherebi	200,000	20,000	0	0	0	0	220,000	0	0	0	0	0	0	0	220,000	0
<b>Subtotal</b>	<b>710,000</b>	<b>60,000</b>	<b>21,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>791,000</b>							<b>0</b>	<b>791,000</b>	
<b>Committees Members from outside the Board</b>																
1. Ziad Abdelqader Altoumi	60,000	12,000	0	0	0	0	72,000	0	0	0	0	0	0	0	72,000	0
2. Abdullah Abdulkarim Al-Mouhana	60,000	12,000	0	0	0	0	72,000	0	0	0	0	0	0	0	72,000	0
<b>Subtotal</b>	<b>120,000</b>	<b>24,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>144,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>144,000</b>	<b>0</b>
<b>Second: Non-executive members</b>																
1. Saad Ibrahim Al-Moajel	200,000	20,000	0	0	0	0	220,000	0	0	0	0	0	0	0	220,000	0
2. Raed Ibrahim Al-Mudaiheem	400,000	20,000	21,000	0	0	0	441,000	0	0	0	0	0	0	0	441,000	0
3- Mouhana Abdullah Al-Mouhana	450,000	20,000	30,000	0	0	0	500,000	0	0	0	0	0	0	0	500,000	0
4. Khaled Abdullah Al-Shami	450,000	20,000	30,000	0	0	0	500,000	0	0	0	0	0	0	0	500,000	0
<b>Subtotal</b>	<b>1,500,000</b>	<b>80,000</b>	<b>81,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,661,000</b>							<b>0</b>	<b>1,661,000</b>	
<b>Total</b>	<b>2,330,000</b>	<b>140,000</b>	<b>126,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,596,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,596,000</b>	<b>0</b>

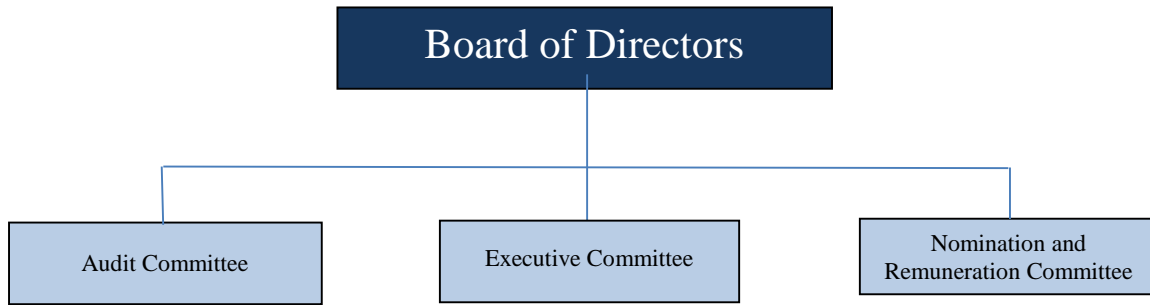
	(Excluding attendance allowance)	Allowance of attending sessions	Total
<b>Members of Audit Committee</b>			
1. Abdulhamid Abdulaziz Al-Ohali	60,000	12,000	72,000
2. Ziad Abdelkader Altoumi	60,000	12,000	72,000
3. Abdullah Abdulkarim Al-Mouhana	60,000	12,000	72,000
<b>Subtotal</b>	<b>180,000</b>	<b>36,000</b>	<b>216,000</b>
<b>Members of the Executive Committee</b>			
1. Raed Ibrahim Al-Mudaiheem	200,000	21,000	221,000
2. Mouhana Abdullah Al-Mouhana	200,000	21,000	221,000
3. Khaled Abdullah Al-Shami	200,000	21,000	221,000
<b>Subtotal</b>	<b>600,000</b>	<b>33,000</b>	<b>663,000</b>
<b>Members of N &amp; R Committee</b>			
1. Adnan AbdulRahman Al-Mansour	50,000	9,000	59,000
2. Mouhana Abdullah Al-Mouhana	50,000	9,000	59,000
3. Khaled Abdullah Al-Shami	50,000	9,000	59,000
<b>Subtotal</b>	<b>150,000</b>	<b>27,000</b>	<b>177,000</b>
<b>Total</b>	<b>930,000</b>	<b>126,000</b>	<b>1,056,000</b>

The following schedule shows the highest five senior executives who received remuneration during the fiscal year 2021:

Senior executive positions	Fixed Remunerations				Variable Remunerations						End of service benefit	Total executive Remuneration for the board, if any	Total
	Salaries	Allowances	Noncash advantages	Total	Periodic Bonus	Profits	Short term motivation plan (value is entered)	long term motivation plan (value is entered)	Shares awarded (value is entered)	Total			
1. Chief Executive Officer	1,200,000	302,900	23,883	1,526,783	1,311,228	0	0	0	0	0	62,621	0	2,900,632
2. Chief Financial Officer	612,000	163,000	70,117	845,117	300,000	0	0	0	0	0	32,291	0	1,177,408
3- Chief Operating Officer	810,000	205,400	97,206	1,112,606	936,592	0	0	0	0	0	84,617	0	2,133,815
4. Business Unit Head of Space Structures	780,000	297,900	146,416	1,224,316	.	0	0	0	0	0	89,825	0	1,314,141
5. General Manager of Poles and Towers Business Units	480,000	130,000	97,206	707,206	49,838	0	0	0	0	0	25,417	0	782,461
<b>Total</b>	<b>3,882,000</b>	<b>1,099,200</b>	<b>434,828</b>	<b>5,416,028</b>	<b>2,597,658</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>294,771</b>	<b>0</b>	<b>8,308,457</b>

### 3-Board committees

The committees emanating from the Board of Directors practice their duties and responsibilities based on the corporate governance regulations issued by the Capital Market Authority and the Governance Manual of Al Yamamah Steel Industries Company, and on the tasks and competencies that determine its powers and work procedures, which include the rules for selecting members of the committees, the duration of its membership and the method of work of the committees and in accordance with the requirements of the corporate governance regulations issued by the Capital Market Authority.



## ▪ Audit Committee:

The Audit Committee was formed with the approval of the General Assembly on March 18, 2020, for a period of three years. The General Assembly also approved the Scope and terms of the Audit Committee and the remuneration of its members. The committee is responsible for reviewing the company's financial and administrative policies and procedures and the procedures for preparing financial reports and their outputs. The committee also reviews the internal audit reports and notes. It recommends to the board of directors to appoint the External Auditors, dismiss them, determine their fees, and ensure their independence. The committee reviews the interim and annual financial statements before submitting them to the board of directors and expressing an opinion about it, reviews the notes of the external auditors about the financial statements, it also reviews the audit plan with the external auditor and provides him with its observations about it. In addition to other regular works on periodic basis which enable it to evaluate the efficiency and effectiveness of control activities, risk management, ensuring compliance, and combating fraud and corruption. The committee was elected, headed by Mr. Abdulhamid Abdulaziz Al-Ohli, independent board member, and the membership of Mr. Ziad Abdelkader Al-Toumi and Mr. Abdullah Abdul Karim Al-Muhanna. The committee held four meetings during the fiscal year 2021 as shown on the table below:

Member's name	03/12/2020	04/02/2021	05/05/2021	10/08/2021	No	Percentage.
Abdulhamid Abdulaziz Al-Ohali	✓	✓	✓	✓	4	100%
Ziad Abdelkader Al-Toumi	✓	✓	✓	✓	4	100%
Abdullah Abdulkarim Al-Mouhana	✓	✓	✓	✓	4	100%

## ▪ Responsibilities of the audit committee:

1. The adequacy and integrity of internal control systems, financial accounting, reports, policies, procedures and effectiveness of internal audit and auditor functions.
2. Ensure the company's compliance with relevant regulations, rules, policies, and instructions.



3. The adequacy and integrity of policies and procedures regarding the safety and security of the company's assets, and the integrity of the company's financial statements.
4. Ensure the independency, objectivity and fairness of the external auditor and the effectiveness of audit procedures, taking into consideration the concerned basis and standards.
5. Contribute to the review and evaluation of strategic risks and receive regular reports on these emerging risks.
6. The Audit Committee is responsible for preparing and publishing the Committee's annual report to the Board of Directors and other reports required of it in accordance with the applicable rules, laws, and regulations.

▪ **Audit Committee Endorsement:**

- 1- That account records were properly prepared.
- 2- The internal control system has been properly prepared and effectively implemented.
- 3- There's no doubt about the company's ability to continue its activities.

▪ **Nominations and Remuneration Committee:**

The nominations and remuneration committee composed of three members, the committee has been appointed by the Board of Directors on 26/06/2020 consists of three Members and for three years, chaired by Mr. Adnan Abdulrahman Al Mansour (Independent member of the Board) and two non-executive board members Mr. Muhanna Abdullah Al-Muhanna and Mr. Khalid Abdullah Al-Shami. the committee held three meetings during the fiscal year 2021 explained as follows:

Member's name	22/11/2020	09/03/2021	08/07/2021	No	Percentage
<b>Adnan AbdulRahman Al Mansour</b>	✓	✓	✓	3	100%
<b>Mouhana Abdullah Al-Mouhana</b>	✓	✓	✓	3	100%
<b>Khaled Abdullah al-Shami</b>	✓	✓	✓	3	100%

## **Responsibilities of the the Nominations and Remuneration Committee:**

- 1- The Committee assists the Board in identifying the Candidates who are eligible to become board members, recommending to the Board the members nominated for election for the annual General Assembly of shareholders, and the Committee should not consider, at its own discretion, Candidates proposed by the shareholders and management.
- 2- Annual review of the required skills and appropriate membership of the Board of Directors and prepare a description of the capabilities and competencies required for such membership, including the time required to conduct the board's activities.
- 3- The Committee reviews the composition of each committee of the Board and recommends the Board of Directors to approve the members of each committee.
- 4- The Committee assists the Board in selecting, developing, and evaluating potential candidates for executive positions, including the CEO, and overseeing the development of plans to succeed the CEO.
- 5- The committee follows up on the orientation programs of the new members.
- 6- The Committee develops and recommends to the Board to approve the Board's annual self-assessment process and oversees the Board's annual self-assessment.
- 7- The Committee assists the Board on an annual basis in determining the compliance of each member and CEO with the company's code of conduct and ethics and any violations of the regulations must be reported to the Board.
- 8- Review the structure of both the Chairman and members of the Board of Directors, including size, rewards, skills, knowledge, and experience, as well as recommend appropriate differences in this regard.
- 9- Identify the strengths and weaknesses of the Board of Directors and recommend solutions that are in the company's interest.
- 10- Ensure the independence of independent members and the absence of any conflict of interest if a board member acts as a member of another company's board.

Through a questionnaire in which all members of the Board participated, the Committee assessed the Board's performance and presented to the Board on its meeting dated 06/05/2021, the Board approved the N & R Committee Recommendations and assign it to implement and follow up the development progress on the Board Performance.

## Responsibilities for determining compensation and remuneration:

The Nominations and Remuneration Committee recommends to the Board of Directors the rewards of its board members, its committees and the company's senior executives in accordance with the Board of Directors' Remuneration Policy, committees, and executive management, which was adopted by the General Assembly on 18/03/2020 and its latest amendment on 01/08/2021. Also the General Assembly has approved the rewards for the Fiscal year 2020.

The Board of Directors discusses the report of the Nominations and Remuneration Committee for board members, committee members and senior executives, and the Board approves the awards of its members and its committees and senior executives in accordance with the regulations and policy adopted, except for the remuneration of members of the Audit committee which the General Assembly is competent to approve the.

The Allowances of board members consist of a certain amount or allowance to attend the meetings or an expense allowance or benefits or a percentage of profits may be combined between two or more of these benefits and not exceed the stipulated by the Company law or the Instructions issued by the competent authority.

### Executive Committee:

The executive has been appointed by the resolution of the Board of Directors on 26/06/2020 for three years composed of three members, headed by Mr. Raed Ibrahim Al-Mudaiheem (non-executive member) and two non-executive board members Mr. Muhanna Abdullah Al-Muhanna and Mr. Khalid Abdullah Al-Shami. The committee held its meetings with the executive management team of the company represented by the CEO Mr. Yousef Saeed Bazaid and the COO Mr. Sahal Makhdr al-Thobeti and The Chief Financial Officer Mr. Mohammad Baker Abu Farhah, the committee held seven meetings during the fiscal year 2021, as follows:

Member's name	08/12/2020	06/01/2021	27/01/2021	05/04/2021	21/04/2021	28/06/2021	09/09/2021	Attendance	Percentage
<b>Raed Ibrahim Al-Mudaiheem</b>	✓	✓	✓	✓	✓	✓	✓	7	100%
<b>Mouhana Abdullah Al-Muhanna</b>	✓	✓	✓	✓	✓	✓	✓	7	100%
<b>Khaled Abdullah Al-Shami</b>	✓	✓	✓	✓	✓	✓	✓	7	100%

## Responsibilities of the Executive Committee:

- 1- The committee must assist the board in performing the activities and tasks delegated to it by the board of directors to facilitate smoothly the operations of the company.
- 2- The committee assists the board in setting the company's main strategic objectives and investment strategies, and the board approves them.
- 3- The committee contributes to facilitating the definition and setting of the vision and the special tasks of the Board.
- 4- The committee sets an action plan which helps the Board to define the company's vision, mission and business direction.
- 5- It sets the main strategic objectives that contribute to achieving the required results of the company.
- 6- The committee assists the board in conducting a strategic review of the company's performance on a regular basis to determine whether the company has achieved its goals in the short and long term.
- 7- The committee participates in reviewing and approving all main investment decisions, in line with the company's approved strategies.
- 8- The committee is responsible for forming or reconfiguring any joint venture or partnership, including the expenses associated with the project.
- 9- The committee helps to develop the company's investments, such as increasing its market share and achieving the maximum profit for the shareholders.
- 10- The committee shall promote and develop the technologies and technical support of the company.
- 11- The committee is responsible for managing vendor relationships with major suppliers.
- 12- The committee shall be responsible for setting the commercial operations, policies and operational procedures that must be followed during the implementation of the daily operations of the company, and the committee should also monitor compliance with these procedures, identify the obstacles that prevent adherence to these policies and procedures, and submit action plans that contribute to overcoming these obstacles.
- 13- The committee should monitor the overall development of the employees by ensuring the regular training and developing general skills.
- 14- The committee shall explore means of developing the business in a manner that is cost-effective, efficient, and satisfying to clients.
- 15- The committee must ensure proper coordination and exchange of information and opinions between senior executives and directors of key departments.
- 16- The committee should update the succession plan of positions periodically to ensure that business requirements are met.
- 17- The committee should monitor the performance of the CEO and the executive management regarding the implementation of the business plan established by the Board.
- 18- The committee reviews the ability of the commercial partner's participation in the projects carried out by Al Yamamah Steel Industries Company, if any.
- 19- Determining the investment strategy and policies are subject to the board approval and guideline principles, including policies and guidelines on asset categories, diversity of assets, prohibited investments and evaluation.
- 20- Review proposals for the new investments and monitor the compliance of these investments with investment policies and procedures.
- 21- Consider whether the proposed investment is beneficial to the related parties, and requires special attention, and review the board approval.
- 22- Periodically review and approve the standards or other measurement devices which the company uses to monitor the performance of its investments.

- 23- Review the treatment of Zakat or Taxes and review the compliance issues of Zakat or Taxes associated with investment deals.
- 24- Review the accounting treatment and disclosure of each investment transaction and ensure that the valuation is done in accordance with the accepted accounting standard.
- 25- Continuous monitoring of the performance of investment advisors in the company and taking the decision to either retain or terminate their services as they see fit.
- 26- Periodic evaluation of the investment results and submission of the required reports to the board of directors, including:
  - Review the recommendations of the executive management.
  - Review the components of the current and future investment portfolio.
  - Ensure that those in charge of managing funds adhere to the investment policy.
  - Review buying and selling decisions

#### 4- Corporate governance system:

Al Yamamah Steel Industries Company aims from the corporate governance to provide a series of relations between the company and its top management, board of directors, Shareholders, and other relevant and related parties, so that provides a method which clarifies the goals of the company and the methods that lead to achieving these goals, and the company has a clear division of responsibilities between the board of directors and top management of the company.

Al Yamamah Steel Industries Company pledges to fully adhere to the corporate governance regulations issued by the Capital Market Authority and considers it an important factor in its success, which implementation requires a clear framework of transparency and disclosure to ensure that the board of directors works to achieve the best interests of the shareholders and provides a clear and fair picture of the company's financial results and the results of its business.

The board of directors of Al Yamamah Steel Industries approved the version (Fifth) of its corporate governance manual on 03/11/2021 and its appendixes, which are in line with the company's Bylaws, the new companies' law and the Capital Market Authority's laws and regulations.

The company applies all the stated articles in the corporate governance regulations issued by the Capital Market Authority, except for the below guiding articles:

Article No.	Article text	Reasons for non-application
Article 39	Training of board members	Guiding Article
Article 41	Evaluation of board members	Guiding Article
Article 70	Formation of the Risk Management Committee	Guiding Article
Article 71	Terms of reference of the Risk Management Committee	Guiding Article
Article 72	Meetings of the Risk Management Committee	Guiding Article
Article 85	Motivating Employees	Guiding Article
Article 95	Formation of the Corporate Governance Committee	Guiding Article

## 5- Disclosure Policies:

The charter (regulation) of the policy of disclosure of information is an integral part of the governance regulation guide for Al Yamamah Steel Industries and any shareholder can view it at the company's headquarter or on the company's website ([www.yamsteel.com](http://www.yamsteel.com)). The company has disclosed the most important events and changes at the time of their occurrence, and the company has disclosed its quarterly and annual financial results and the most important material events that affect the results of the company and the meeting of the shareholders' General Assembly according to the period specified by the Capital Market Authority and it was announced on the company's page at the Saudi Stock Market's website (Tadawul).

## 6- Results of the annual audit of the effectiveness of internal control procedures:

The audit committee emanating from the board of directors of Al Yamamah Steel Industries Company considers in relation to the effectiveness of internal control procedures by reviewing the work of the external auditor of the company, PKF - AL Bassam & Co, reviewing the work of the company's internal audit department and drawing the relevant recommendations to improve it and raise it periodically to the board of directors to ensure the efficiency and effectiveness of the internal control system in general and in relation to the fairness of the financial statements, to provide a continuous evaluation of the internal Audit system and the extent of its effectiveness and to pay attention to any observations that appear and to deal with them very seriously, bearing in mind that it is not possible to absolutely assert the completeness of the evaluation processes by the internal and external auditors, the evaluation is done by examining random samples with the aim of obtaining reasonable assurances about the effectiveness of internal control procedures.

The audit committee believes that the internal control procedures applied in the company during the fiscal year 2021 are highly effective and efficient, and considering the work carried out by the committee, it does not have any fundamental observations or significant deficiencies that require alerting to it or disclosure of it by the executive management of the company or its subsidiary.

## 7 - Penalties, restrictions, and sanctions against the company:

There are no penalties of material effects, precautionary restrictions or other sanctions imposed on Al Yamamah Steel Industries by any regulatory, supervisory, or judicial authority for the fiscal year 2021.

## 8 - The report of the company's external auditor:

According to what was stated in the report of the external auditor of the company, PKF - Al Bassam & Co, who stated in his opinion that “the consolidated financial statements” present fairly, in all material aspects, the consolidated financial position of Yamamah Steel Industries and its subsidiary (the “Group”) as of September 30, 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).



## 9 - Qualifications of the External Auditor on the annual financial statements:

The external auditor of the company, PKF - AL Bassam & Co, has no qualifications about the annual financial statements for the year ended 30/09/2021.

## 10- Procedures taken by the Board of Director to inform its members with the shareholder's proposals and observations:

The board of directors takes several measures to inform its members of the comments, suggestions, and opinions of the shareholders through the periodic board meetings, inquiries and opinions are received in the discussions that take place during the General Assembly meetings about the company and its performance. In addition to receiving inquiries and proposals by e-mail or phone by the shareholder affairs official, and accordingly, the board is informed of the latest developments in this framework through the executive management so that the board takes what it deems appropriate about these issues.

## 11-General Assemblies of the Shareholders and shareholders register:

During the fiscal year 2021 the company held two Assemblies, the Ordinary General Assembly held on 15 February 2021 and the Extraordinary General Assembly held on 1 August 2021, the attendance of the Borad Members was 100% in the two meetings.

The following table shows the number of the company's requests for shareholders' register, the dates and reasons for those requests.

No.	Order date	The Reason
1	01/2/2021 & 15/02/2021	Ordinary General Assembly & cash dividends.
2	23/05/2012 & 27/05/2021	Cash dividend.
3	28/07/2021	Extra Ordinary General Assembly



## 12-Social responsibility:

Al Yamamah Steel Industries Company is one of the listed companies in the Kingdom of Saudi Arabia, listed in Saudi Stock Market “Tadawul”. The company is constantly keen to perform its duty towards the young Saudis who are the backbone of the society and to carry out responsibilities towards them in a way that serves their interests and develops their contribution in the society, depends on them to achieve the future goals and development in the country. The company actively participated in the year 2021 in community service, as it carried out the following actions:

- Training of 66 students from technical colleges in the Kingdom in preparation for them to join its technical staff upon graduation.
- Receiving visits from students of the Faculties of Electrical Engineering in the universities of the Kingdom to closely examine the latest findings of modern technologies in the design and manufacture of electrical equipment.
- The company participated in training of 18 Students from several Saudi universities, including King Abdulaziz University and King Fahad University for Petrol and Mines within the required bachelor's graduation program.
- Attend employment Summits sponsored by the Ministry of Human Resources and Social Development.
- The company has succeeded in attracting many Saudi competencies to work in the company, with the support of the Human Resources Development Fund, as the number of Saudi employees reached 238 as of September 30, 2021, representing a rate of 34% of the total employees.
- The company is keen to use the latest technologies in its production methods, which do not produce any harmful or unhealthy materials, as a contribution to preserving the environment and society.

The company will continue to diversify its participation initiatives in its social responsibility towards the beloved homeland and its esteemed citizens in a manner that serves the public interest.

## 13-Declarations of the Board of Directors and the Company's Management:

The Board of Directors and the Company's Management confirm and acknowledge the following:

- The accounting records were prepared correctly.
- The internal control system was prepared on a sound basis and was implemented effectively.
- There is no doubt about the company's ability to continue its activity.

The Audit Committee does not have any qualifications about the external auditor of the company PKF - Al Bassam & Co. and it has not submitted a recommendation to the Board of Directors to replace them or terminate their contract before the agreed period of the contract.

## Conclusion:

The company achieved excellent results according to what is included in this report and the closing statements attached to the fiscal year ended September 30, 2021. This is due to excellent management of raw materials procurement and steel cycle during 2021. This leads to availability of company's products to meet demand and enhance the profit margins especially for the construction sector as raw materials prices in favour to cost. The loss of Electricity sector was reduced due to the better utilization of production capacities and expecting to achieve better results in the fiscal year 2022.

The company has overcome, thankfully, the obstacles and difficulties of logistics in supply chains as a result of the consequences of the Corona pandemic globally by scheduling and following up its needs and diversifying the sources of supply, which has enhanced the company's products availability and meeting the delivery schedule of the contracted projects locally and in the GCC, especially the continuation of supply of solar project for Dubai Solar Park in the United Arab Emirates, as well as the availability of its products for building materials customers and authorized distributors. Al Yamamah 32 million SAR new galvanizing plant is expected to be commissioned in the third industrial city of Jeddah during the first quarter of 2022. New galvanizing plant will serve electric towers capacity expansion and steel component for tracking systems for solar projects with their galvanizing needs.

Building construction work is on going for Al Yamamah Wind Power Systems Factory in Yanbu. Also, production lines are under negotiation with machines suppliers. Continuous communication with international suppliers of wind turbines, especially those who have an interest to participate in wind energy projects in Saudi Arabia is on going to introduce the company and its wind towers factory and to consider their requirements and needs. Al Yamamah Wind Power System Factory is expected to be commissioned during the third quarter of 2023.

### Board of Directors

### Al Yamamah Steel Industries Co.