



# Al Jouf Cement Company

**Board of Directors Annual Report  
For the Financial Year Ending as at 31/12/2020**

**Content:**

No.	Item	Page Number
1	Message From the Chairman	3
2	Company activity	4
3	Company message	4
4	Production and sales	4
5	Company strategy and future outlook	6
6	Summary of financial results	7
7	The Major differences in the operating results	8
8	Affiliate	8
9	Investments	9
10	Human Resources	9
11	information technology	10
12	Company social responsibility	10
13	Preserving the environment and reducing pollution	10
14	Zakat	11
15	Loans	11
16	Quality Certificate (ISO)	13
17	Risks	13
18	Results of the annual review of the effectiveness of the company's internal control procedures	13
19	Company governance	14
20	Board of Directors	15
21	Board of Directors Committees	27
22	Related parties	31
23	Purchases or contracts that benefit Board of Directors members and executive officers	32
24	Regular payments to government agencies	33
25	Dividend policy	33
26	Dividends during the year 2020	33
27	Sanctions and penalties from the Capital Market Authority	35
28	Company Acknowledgments	34
29	Assurances of the Board of Directors	34
30	Number of shareholder records requested	35

Gentlemen / shareholders of Al Jouf Cement Company

Greetings,

On behalf of the members of the Board of Directors, I am pleased to welcome you and thank you for accepting the invitation to attend the Ordinary General Assembly session. We are pleased to present the annual report for the fiscal year ending 12/31/2020.

The company has achieved a significant increase in the production quantities and the sales value, after God's help in maintaining its effective performance, as the company was able to continue its positive results in terms of production and marketing operations. The company is working to continue to support its existing operations and projects in light of the company's strategy that keeps pace with the Kingdom's vision 2030 AD, and the company has maintained its market share, and in turn we strive to develop in accordance with modern economic data and what the wise leadership seeks under the auspices of the Custodian of the Two Holy Mosques King Salman bin Abdul Aziz - may God protect him and his trustworthy Crown Prince His Royal Highness Prince Muhammad bin Salman, may God protect him.

On behalf of the Board of Directors, I also have the pleasure to extend my sincere thanks and appreciation to all shareholders of Al Jouf Cement Company for their good confidence in the Board of Directors and to all the employees of the company for the achievement and success of the company.

Chairman of Board of Directors

Mohammed bin Saeed Attia

**1- Company activity:**

The company's activity is to produce all kinds of cement, wholesale and retail trade in the company's products, building materials and own land, and in achieving that purpose the company has the right to establish or participate in establishing industrial services companies, with the aim of providing maintenance and services to factories inside and outside the Kingdom, managing and operating cement factories of all kinds, and owning Patents for invention and benefiting from them in achieving its industrial objectives inside and outside the Kingdom, as well as establishing or participating in establishing companies that complement or complement the company's activity and establish factories of cement derivatives such as ready-mixed concrete, block and tile factories, and others in the same field and commercial agencies.

**2- Company Mission:**

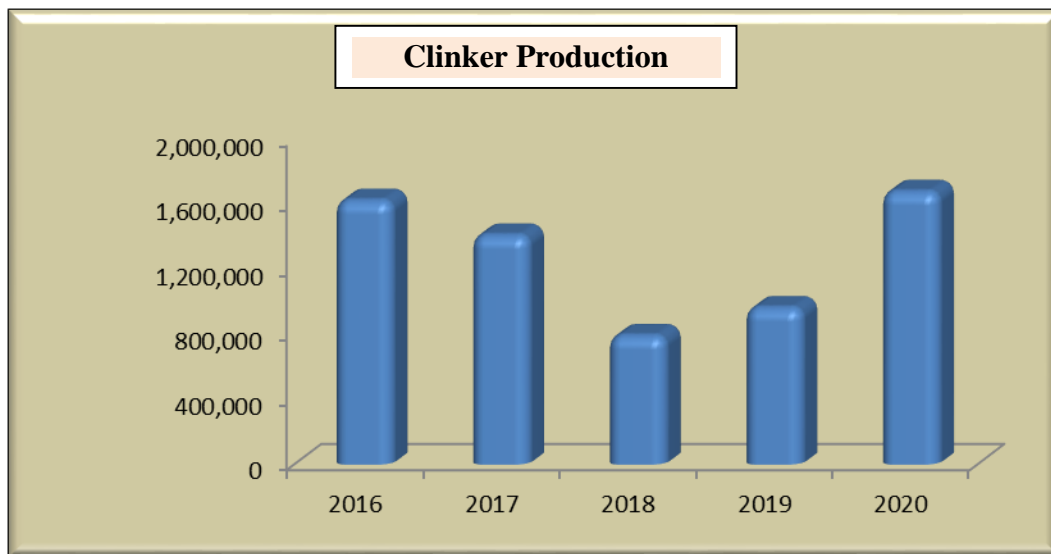
Achieving the expectations of shareholders through quality in production and focusing on effective strategic planning that achieves the strategic plans of the company to keep pace with the vision of the Kingdom 2030 AD and high-quality performance in all production and administrative stages.

**3- Production and sales:**

Cement production and sale started at the end of the first quarter of 2010.

**3/1 Clinker Production:**

The amount of clinker produced was (1,686,070) tons in 2020 compared to (968,844) tons for the year of 2019 AD with an increase of 74%.

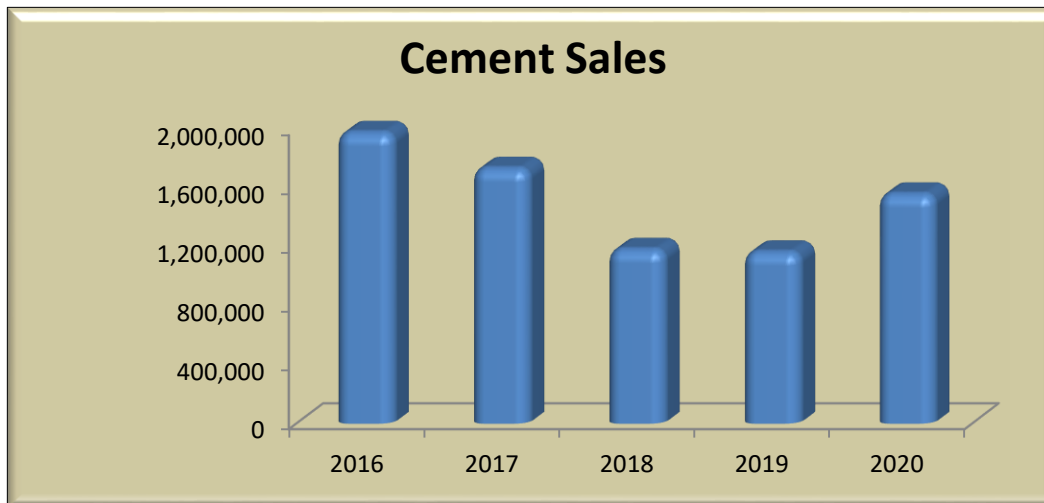


**3/2 Cement Production:**

The quantity of cement produced reached (1,614,850) tons in 2020, compared to (1,131,277) tons in 2019, with an increase of 43%.

**3/3 Sales:**

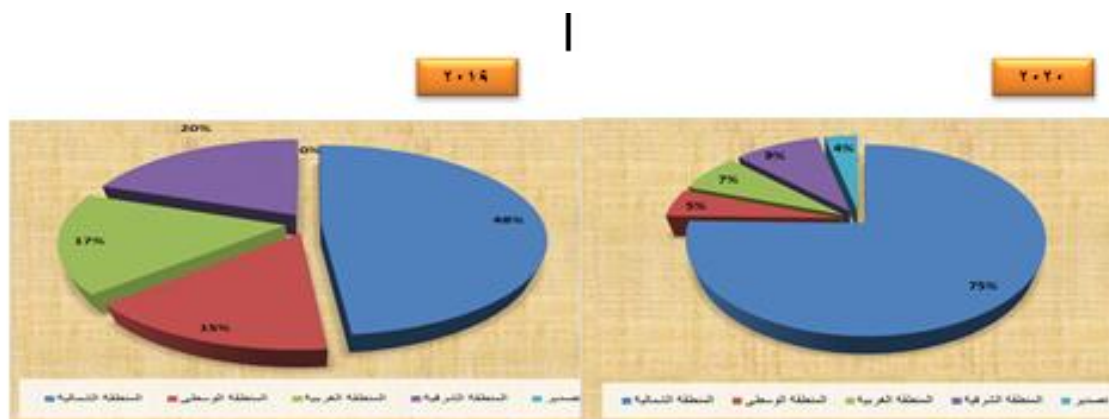
- The quantity of cement sold during 2020 was (1,563,426) tons, compared to (1,168,241) tons for the year 2019, with an increase of 34%.



- The sales value during 2020 AD reached (252,003,743) Saudi riyals compared to (169,750,830) Saudi riyals for the year 2019 with an increase of 48%.

The details of Cement Sales are as follows:

Item	2020	2019
	Ton	Ton
The Northern Province	1,178,535	564,445
Central Province	75,676	177,712
Western Province	106,254	198,762
Eastern Province	146,059	227,322
Export	56,902	0
<b>Total</b>	<b>1,563,426</b>	<b>1,168,241</b>



Export	Eastern Province	Western Province	Central Province	Northern Province
--------	------------------	------------------	------------------	-------------------

### Production and Sales of Cement

Year	2020	2019	2018	2017	2016
Production quantity	1,614,850	1,131,277	1,215,122	1,714,648	1,974,553
Quantity of sales	1,563,426	1,168,241	1,185,648	1,738,257	1,982,850

#### 4- The company's strategy and future expectations:

1/4 The Company's plans focus on the following:

- **Security, safety, health and the environment**  
Working within the highest standards with continuous development to achieve the same
- **The quality**  
The company continues to maintain the quality of the product as it was entrusted with during the last period.
- **Marketing**  
Continuing to make efforts to achieve the goals of the company and expand the area of customers.
- **Internal efficiency**  
Continuing to create a spirit of belonging among the affiliates while attracting those with experience and distinguished performance
- **Finance resource**  
Continuing to raise the company's financial efficiency for session operational and financing needs
- **Localization**  
Continuing to raise the percentage of Localization

#### 4/2 Future Expectations:

The company expects a good development in its sales for the year 2021, God willing

#### 4/3 Export:

- Continuous renewal of the export license.
- Continuous export of cement and clinker products
- The company seeks to increase the number of clients in the foreign market

#### 5- Summary of financial results:

##### 5/1 Consolidated Income Statement:

Saudi Riyal

Item	2020 AD	2019 AD	2018 AD	2017 AD	2016 AD
Activity revenues	252,004	169,751	137,672	265,895	319,890
Activity costs	(172,406)	(138,037)	(145,207)	(186,425)	(211,659)
<b>Total profit of the activity</b>	<b>79,598</b>	<b>31,714</b>	<b>(7,535)</b>	<b>79,470</b>	<b>108,231</b>
Administrative, general and marketing expenses	(25,252)	(23,356)	(27,690)	(24,795)	(29,535)
Financing expenses and provisions	(122,855)	(2,839)	(4,851)	(16,115)	(11,630)
Other income – net	(1,818)	937	565	4,250	7,002
Zakat	(3,000)	(1,200)	0	(1,700)	(2,000)
<b>Activity Revenues</b>	<b>(73,327)</b>	<b>5,256</b>	<b>(39,511)</b>	<b>41,110</b>	<b>72,068</b>

**5/2- The Consolidated Financial Statement:**

Item	2020 AD	2019 AD	2018 AD	2017 AD	2016 AD
<b>Current assets</b>	273,727	348,366	325,642	437,461	464,621
<b>Other long-term assets</b>	0	0	30,744	52,404	125,478
<b>Fixed assets</b>	1,936,186	1,971,620	1,923,916	1,928,365	1,923,097
<b>Total assets</b>	2,209,913	2,319,986	2,280,302	2,418,230	2,513,196
<b>Current liabilities</b>	143,569	196,670	217,253	286,990	348,045
<b>Non-current liabilities</b>	9,209	8,049	17,947	17,145	27,181
<b>long term loans</b>	594,591	577,522	512,071	482,365	545,954
<b>Total liabilities</b>	747,369	782,241	747,271	786,500	921,180
<b>paid Capital</b>	1,430,000	1,430,000	1,430,000	1,430,000	1,300,000
<b>Reserves and retained earnings</b>	55,480	128,807	123,552	200,590	289,480
<b>Shareholders' equity</b>	1,462,544	1,537,745	1,533,031	1,631,730	1,592,016
<b>Total liabilities and shareholders' equity</b>	2,209,913	2,319,986	2,280,302	2,418,230	2,513,196

**5/3- The following is a breakdown of the total revenues of the company and its subsidiaries:**

Year	The company	The type of revenue	Saudi Arabia	Jordan	Total
2020	Al Jouf Cement	Cement	252,003,743	-	252,003,743
	Al Jouf Investments	investment	-	-	-
	Jouf Cement Jordan	import and export	-	-	-
2019	Al Jouf Cement	Cement	169,750,830	-	169,750,830
	Al Jouf Investments	investment	-	-	-
	Jouf Cement Jordan	import and export	-	-	-

## 6- Major Differences in operating results:

Statement	2020	2019	Change	Percentage of change	Resasons
Sales / revenue	252,003,743	169,750,830	82,252,913	48.46%	The reason for the increase in operating profit during this year compared to the previous year is due to the increase in the quantity and value of sales, and the decrease in the cost of sales per ton as a result of increased production.
Cost of sales / revenue	172,406,236	138,036,867	34,369,369	24.90%	
Gross profit	79,597,507	31,713,963	47,883,544	150.99%	
General, administrative and marketing expenses	25,250,920	23,356,436	1,894,484	8.11%	
Other operating revenues	0	0	0	0.00%	
Other operating expenses	0	0	0	0.00%	
Operating profit	54,346,587	8,357,527	45,989,060	550.27%	

## 7- Affiliate Companies:

The company owns the following companies:

Company Name	Contribution rate	Capital	Currency	Paid up capital	Headquarters
Al Jouf Investments Company (1)	100%	1,000,000	Saudi Riyal	100%	Riyadh- Saudi Arabia
Al Jouf Cement Company "Jordan" (2)	100%	525,000	Saudi Riyal	100%	Oman – Jordan



1- Al Jouf Investments Company was established with limited liability and registered under the C.R. No. 1010298795 in Riyadh on 12/15/2010 and according to the company's incorporation contract, 99% of the company's capital shares are registered in the name of the company and the remaining -1% is registered in the name of the Chairman of the Board of Directors The previous, and the company obtained a written confirmation from the Chairman of the Board of Directors that he owns this share on behalf of the company, Al Jouf Investments Company has become a one-person company wholly owned by Al Jouf Cement Company according to the articles of incorporation issued on 2/13/1440 AH corresponding to 10/22/2018 and the commercial register No. 1010298795 issued on 2/26/1440 AH corresponding to 11/4/2018 AD

The company's activity is represented in the wholesale and retail trade in cement and its derivatives, the establishment of ready-mixed concrete factories, cement factories and its derivatives, block and tile factories, the purchase of lands for the construction of buildings on them, the exploitation of real estate and its investment for the benefit of the company and the brokerage in other than money exchange and real estate, commercial undertakings, import and export services and marketing to others and commercial agencies, and the main place For the company's operations in the Kingdom of Saudi Arabia.

2- Al Jouf Cement Company in Jordan was established with limited liability status in the Free Zone in the Hashemite Kingdom of Jordan, registered under the C.R. No. 1688 issued from the city of Amman on 11/1/2010 AD. The authorized activity of the company is the import, export, wholesale and retail trade of Al Jouf Cement Company products and materials. Construction, and the main place for the company's operations, the Hashemite Kingdom of Jordan.

## 8- Investments:

### - Available for sale investments

Statement	Headquarters	Legal Type of Entity	Ownership percentage	2020	2019
Eastern Industrial Company	Saudi	Closed Saudi Contribution	10%	46,000,000	46,000,000
Provision for impairment of investments				(46,000,000)	(25,000,000)
Kassab City Real Estate Fund	Saudi	Real estate investment fund	Do not apply	7,823,239	9,605,364
<b>Total</b>				7,823,239	30,605,364

The company has subscribed to one million units at a nominal value of 10 Saudi riyals for each unit, noting that the fund was established by KASB Financial Group (a major shareholder in Al Jouf Cement) and it is a medium-term closed public fund.

## 9- Human Resources:

Senior management has taken upon itself since the company was established the importance of human resources being the most important elements of the production process, which requires searching for good competencies capable of outstanding performance and giving. Therefore, the Human Resources Department has taken care to make its employees able to achieve human resources goals in particular and achieve the company's goals in a way. Year. Human resources work at the same time to achieve the legitimate private

goals of employees and reach them to distinguished performance through good selection, development and development of skills, raising efficiency, effectiveness and stability, as well as achieving belonging and loyalty through available job opportunities and creating appropriate climatic conditions and work environment in addition to fair wages and administrative transactions and provision of social care and health services. This helps us to employ and invest human resources as an effective entry point for managing and maintaining other resources, and as a result of that, the company, thanks to God, jumped to a high position commensurate with the size of the exerted effort until, by the end of 2020, the number of worlds became about 320 employees, of whom 142 are Saudi 45%, and the company is now working to raise that percentage during the coming periods through several plans that have been put in place to achieve this goal.

### **10- Information Technology:**

Al Jouf Cement Department, through the company's Information Technology Department, intended to technically advance the company's level to serve the company's internal departments and all relevant parties to the company, including customers, shareholders and suppliers, by applying the latest information technology systems, and this is a continuation of the applications it has started in an effort to keep up with the latest technologies to serve the company and improve its level among companies It has implemented the Security System project through the cameras at the factory sites (IPs Camera). Work is underway to add other cameras and add the ability to access them from anywhere in addition to the updates that have been made in the design of the pages of the website, where the new site will allow the ability to raise the traffic for applicants and publishing company news. The company's website has also been linked with the Arqam website, and the linking pages have been launched on the company's website. A company-specific application was also created as part of a numbers agreement; in order for the shareholders to view the company's share status easily and conveniently from our main website. Al Jouf Cement always seeks to implement everything that serves customers and shareholders by applying the latest technologies and what modern science has reached in sensing the size of responsibility, appreciation and investment of the shareholder and client's right. The company has also started implementing the Enterprise Resource Planning (ERP) project because of the importance of this project in regulating the company's transactions. And reduce costs by using appropriate computer programs.

### **11- Company Social Responsibility:**

The company pays special attention to charitable, social and humanitarian work in addition to its economic and developmental role. The company is also keen to build a culture of social responsibility among employees, as the company contributes to a number of social and charitable activities at the level of the Kingdom in general and the region in particular.

#### **Development programs and community and youth awareness service:**

- Supporting the Health Endowment Fund to confront the Coronavirus (COVID-19) pandemic
- Supporting the Emirate of Al Jouf region
- Participation in the Civil Defense Day
- Supporting the food basket for the blessed month of Ramadan
- Support for the National Social Development Committee in Tarif (Homeland Achievement Contest)
- Sponsoring the National Day Competition of the Social Development Committee in Tarif
- Supporting the Falcon Festival

### **12- Preserving the environment and reducing pollution:**

The company believes that preserving the environment, health and safety is an integral part of its business and its culture, and it constantly strives to improve it so that it is in line with laws and legislation. The company has paid great attention to working to protect and preserve the environment, and has been keen from the beginning to achieve the highest environmental standards with the aim of preserving The environment in the vicinity of the factory, and the company has allocated annual budgets to improve the

environmental situation in the factory by purchasing and installing the best types of filters from companies specializing in this field,

### 13- Zakat:

The company established an allowance for Islamic zakat in the amount of 6.4 million riyals, and obtained a zakat certificate from the Department of Zakat and Income for the year 2019 ending on 4/30/2021 AD, and work is underway to obtain a Zakat certificate for the year 2020 AD.

### 14- Loans:

#### 1- Saudi Industrial Development Fund:

The company obtained a loan amounting to 483,500,000 riyals on the date of February 27, 2010, to be repaid within 7 years in semi-annual installments, and the last installment of this loan is due on November 15, 2017, and this loan is guaranteed by the mortgage of all buildings in the concession area granted to the company located in the southeast of the city of Turaif on which the factory is located and its area is 22 0.6 km with the entire plant, its equipment, machinery, tools, accessories and accessories that were obtained or will be acquired for the project, including transportation, cars and office furniture.

#### Loan movement during 2020:

Saudi Riyals

The principal	Balance as of 01/01/2020	Withdrawals during the year	Paid during the year	Balance as of 12/31/2020
483,500,000	82,999,985	-	7,000,000	75,999,985

#### 2- The Saudi British Bank (SABB):

On Safar 17, 1433 AH, corresponding to January 11, 2012 AD, the company obtained a long-term loan from the Saudi British Bank in the amount of 350 million Saudi riyals under the Islamic banking facilities agreement concluded with the bank. The financing ceiling for this agreement is 365 million Saudi riyals. This loan was obtained in the form of murabaha financing "Tawaruq". The finance shall be repaid in semi-annual installments in addition to the profit margin. The loan is secured by a promissory note issued by the group.

On June 30, 2015, an Islamic Murabaha financing contract was signed with the Saudi British Bank amounting to 350 million riyals, guaranteeing the signing of a promissory note with the aim of extending the period of the previous financing.

Saudi Riyals

#### Loan movement during 2020:

The principal	Balance as of 01/01/2020	Withdrawals during the year	Paid during the year	Balance as of 12/31/2020
365,000,000	210,459,754	-	12,000,000	198,459,754

### 3- Alinma Bank:

On the 27th of Safar 1437 AH (corresponding to December 9, 2015 AD), Al Jouf Cement Company signed a bank facilities agreement to obtain a long-term loan from Al-Inma Bank, and the financing ceiling for this agreement amounts to 450 million Saudi riyals. This loan was obtained in the form of financing a 7-year term sale. . The

financing was granted for the purpose of settling the outstanding obligations of the Jouf Cement Company at Al-Rajhi Bank.

Saudi Riyals

**Loan movement during 2020:**

The principal	Balance as of 01/01/2020	Withdrawals during the year	Paid during the year	Balance as of 12/31/2020
350,000,000	350,000,000	10,000,000	10,000,000	350,000,000

**4- Bank Al-Jazira:**

The facilities in exchange for the debt of the Eastern Petrochemical Company resulted from the Jouf Cement Company guaranteeing the company's loan from Bank Al-Jazira and the company did not fulfill its obligations.

Saudi Riyals

**Loan movement during 2020:**

The principal	Balance as of 01/01/2020	Withdrawals during the year	Paid during the year	Balance as of 12/31/2020
37,461,888	37,461,888	-	-	37,461,888

**Information related to the company's loans: (one thousand riyals)**

Thousand riyals

No.	Name of the Donor	The principal amount	Loan term (year)	Addition during the year	Amounts paid during the year	The remaining amount	Total indebtedness of the company and its subsidiaries
1	Saudi Industrial Development Fund	483,500	7		7,000	76,000	76,000
2	SABB Bank	365,000	7		12,000	198,460	198,460
3	Development Bank	350,000	7	10,000	10,000	350,000	350,000
4	Al Jazeera Bank	37,462	4		0	37,462	37,462
	<b>Total</b>	<b>1,235,962</b>		<b>10,000</b>	<b>29,000</b>	<b>661,922</b>	<b>661,922</b>

**There are no loans for the company on Board of Directors members, senior executive officers, or any other party.**

### **15- Quality Certificate (ISO):**

Al Jouf Cement Company obtained the accreditation of the German company (TUV) the international ISO certificate for total quality (ISO 9001-2008) for the plant on 09/24/2012, renewed annually by auditing, and the current certificate expires in 2022, due to the enjoyment of the Jouf Cement Factory in the application of standards Global in the cement industry of all kinds.

### **16- Risks: -**

The company pays attention to potential risks, as the risk committee formed by members of the Board of Directors supervises the updating of risk assessment continuously under the direct supervision of the Board of Directors, and the risks are hedged through cooperation and documentation between the company's departments, assessing the possibility of their occurrence and assessing the consequences thereof; Then, necessary measures are taken to reduce these risks as much as possible to avoid any damages that may occur, God forbid. Among the most important risks that the company may face, which affect the achievement of its future plans, are the following:

- The risks related to the level of sales in light of competition, the increase in supply, and the increase in costs.
- Risks related to fuel supply, which is exclusively provided by Saudi Aramco
- Financial risks, including:
  - o Commission rate risk:

They are multiple risks related to the impact of changes in commission rates in the market on the financial position of the company and its cash flows. The company does not have substantial assets or liabilities that carry floating commission rates. The company manages its cash flow by monitoring the timing between the cash flow collected and the cash flow used.

- o Risks of changing exchange rates:

It is the risk of change in the value of financial instruments due to changes in foreign exchange rates. The management monitors fluctuations in foreign exchange rates and believes that the company is not exposed to the risk of changing exchange rates to a large extent because the official currency of the company is the Saudi riyal, which is the basic currency in which the company deals and its price is currently fixed With a slight margin against the US dollar.

- o Credit risk:

It is the risk of the inability of other parties to fulfill their obligations towards the company, which leads to the company incurring a financial loss. Financial instruments that may expose the company to debt concentration risk consist mainly of cash balances and debtors 'accounts. The company deposits its cash balances in a number of financial institutions with creditworthiness. It pursues a policy to limit the size of its deposits deposited in every financial institution, and the company does not believe that there are significant risks of inefficiency in these financial institutions.

- o Liquidity risk:

It is the risk that the company will encounter difficulties in obtaining funds to meet the liabilities associated with financial instruments. Liquidity is managed by periodically checking that it is available in sufficient amounts to meet any future liabilities and the company does not believe that it is exposed to substantial liquidity risks.

### **17- Results of the annual review of the effectiveness of the company's internal control procedures:**

The Audit Committee works to develop and support internal control and control systems, and based on the risk-based annual audit plan that aims to evaluate the internal control and control system; the Internal Audit Department submits periodic reports to the Audit Committee on the operational, administrative and financial audits that it carries out on an ongoing basis. It aims to achieve a reasonable degree of ensuring the achievement of the company's objectives, represented in protecting the company's assets, the accuracy and

completeness of accounting records, and adherence to the systems and policies adopted by the management to achieve the company's goals and is constantly monitored by the audit committee. The internal control and control procedures are a fundamental weakness in the internal control and control system of the company, and most of the observations were mainly in the areas of improving performance, activating the operational departments, raising their efficiency, completing and documenting their procedures with the aim of strengthening the company's internal control system. Based on those studies carried out by the Audit Committee, it confirms, with a reasonable degree of assurance, the effectiveness and efficiency of the internal control system procedures.

#### 18- Company Governance:

The company applies the highest standards of governance system in order to adhere to the best governance practices that ensure the protection of the rights of shareholders and stakeholders, and in the interest of the company on the rights of its shareholders as well as stakeholders dealing with it. Finance, on 15/09/1440 AH corresponding to 20/05/2019 AD, whereby the company applies all the mandatory articles contained in the Company Governance Regulations referred to above, with the exception of the following:

Article / Paragraph	The text of the article / paragraph	Reason
Article (39) Training	2) Establishing the necessary mechanisms for the members of the Board of Directors and the executive management to have continuous programs and courses; In order to develop their skills and knowledge in areas related to the company's activities.	The article is indicative and will be applied upon compliance with it
Article (41) Evaluation	A) The Board of Directors, based on the proposal of the Nomination Committee, establishes the necessary mechanisms to annually evaluate the performance of the Board of Directors, its members, committees, and executive management; This is done through appropriate performance indicators related to the extent to which the strategic objectives of the company are achieved, the quality of the risk management performance, the adequacy of the internal control systems, etc.	The article is indicative and will be applied upon compliance with it, and the evaluation is currently done without developing performance indicators
	E) The Board of Directors shall make the necessary arrangements to obtain an evaluation by a competent external body of its performance every three years.	The article is indicative and will be applied when adhered to
Article (54) Composition of the audit committee	B) The Chairman of the Audit Committee must be an independent member.	The article is indicative and will be applied when adhering to it.
Article (85)	1) Forming committees or holding specialized workshops to listen to the opinions of company employees and discuss with them the issues and topics that are the subject of important decisions.	The article is indicative and will be applied when adhering to it
	2) Programs granting employees shares in the company or a share of the profits it realizes and retirement programs, and the establishment of an independent fund to spend on these	The article is indicative and will be applied upon

	programs	compliance with it
	3) Establishing social institutions for the company's employees.	The article is indicative and will be applied upon compliance with it
Article (87) Social Responsibility	The Ordinary General Assembly, based on the proposal of the Board of Directors, sets policies that ensure a balance between its goals and the goals that society aspires to achieve, with the aim of developing the social and economic conditions of the society.	Work on it and The article is indicative and will be applied when adhering to it
Article (88) Social work initiatives	1) Establishing measurement indicators linking the company's performance with the initiatives it offers in social work, and comparing that with other companies of similar activity.	The article is indicative and will be applied upon compliance with it
	4) Establishing community awareness programs to introduce the company's social responsibility	The article is indicative and will be applied upon compliance with it
Article (95) The formation of the Company Governance Committee	In the event that the Board of Directors establishes a committee devoted to Company governance, then it must delegate to it the terms of reference established under Article 94 of these regulations, and this committee must follow up on any issues related to governance applications, and provide the Board of Directors, at least annually, with the reports and recommendations it arrives at.	The article is indicative and will be applied upon compliance with it

## 19- Board of Directors:

### 1/19 composition and classification of the Board of Directors and attendance of the sessions for the year 2020 AD:

According to the approval of the Ordinary General Assembly held on 07/23/2020 AD, members of the Board of Directors were elected for the fifth session, which starts from 6/8/2020 AD to 5/8/2023 AD, with (7) members, and the number of Board of Directors sessions held during the year reached 2020 AD Four sessions were taken during which a package of decisions and recommendations included in the agenda of those sessions and the following table shows the most important information about the members of the Board of Directors:

No.	Name	Classification	Board of Directors sessions for the year 2020				Joint stock companies he participated in its membership
			1	2	3	4	
			08/07	26/8	27/12	27/12	
1	Eng. Mohamed Saeed Attia Chairman of the Board of Directors	Non-executive	√	√	√	√	-

2	Mr. Abdul-Ilah Saleh Kaaki (1) Vice Chairman of the Board of Directors	Non-executive	√	√	---	---	Chairman of the Board of Directors of Marsh Insurance Company
3	Mr. Saad Sunaitan Hudayeb (2)	Non-executive	X	---	---	---	- Kassab Financial Company - Food Development Business Company
4	Mr. Ashry Saad Al-Ashry (3)	Non-executive	X	---	---	---	- Kassab Financial Company - Food Development Business Company
5	Mr. Faisal Hamza Al- Khouli	Non-executive	√	√	√	√	-
6	Mr. Ibrahim Mazen Khashoggi	Independent	√	√	√	√	-
7	Mr. Abdel Aziz Abdel-Ilah Kaaki	Non-executive	√	√	√	√	-
8	Mr. Saad Ammash Al- Shammari (4)	Independent	--	√	√	√	
9	Mr. Talal Othman Al- Muammar (5)	Independent	--	√	√	√	
10	Dr. Othman Abdullah Al- Sowaih (6)	Independent	--	---	√	√	

#### **Clarification:**

- 1) His Excellency Mr. Abdullah Kaaki, may God have mercy on him, passed away on September 25, 2020
- 2) The membership of His Excellency Mr. Saad Sunaitan Hudayeb in the Board of Directors ended at the end of the fourth session of the Board of Directors on August 5, 2020
- 3) The membership of His Excellency Mr. Ashry Al-Ashary in the Board of Directors ended at the end of the fourth session of the Board of Directors on August 5, 2020
- 4) The Board of Directors was elected for the fifth session at the Ordinary General Assembly session on July 23, 2020 AD, and His Excellency Mr. Saad Al-Shammari entered the new Board of Directors
- 5) The Board of Directors was elected for the fifth session at the Ordinary General Assembly session on July 23, 2020 AD, and His Excellency Mr. Talal Al-Muammar entered the new Board of Directors
- 6) His Excellency Dr. Othman Al-Swaih was appointed according to Board of Directors Resolution No. 10, to be passed on 10/21/2020, provided that the final approval is made at the first session of the Society

#### **19/2: Interest and Rights of Board of Directors Members and Senior Executive officers:**

##### **19/2/1: The interests and rights of the members of the Board of Directors:**

No.	The name of the person who has the interest	Beginning of the year		End of the year		Net change	Percentage of change
		Number of Shares	%	Number of Shares	%		



No.	The name of the person	Beginning of the year		End of the year		Net	Percentage
1-	Eng. Mohamed Saeed Attia	110,000	0.0769%	110,000	0.0769%	0	0.00%
2-	Mr. Abdul Ilah Muhammad Salih Kaaki	2,648,342	1.8520%	2,648,342	1.8520%	0	0.00%
3-	Mr. Ashry Saad Al-Ashry	5,500	0.0038%	5,500	0.0038%	0	0.00%
4-	Mr. Saad Sunaitan Al-Hudayeb	5,500	0.0038%	5,500	0.0038%	0	0.00%
5-	Mr. Abdulaziz Abdul-Ilah Muhammad Salih Kaaki	1,001	0.0007%	1,001	0.0007%	0	0.00%
6-	Mr. Ibrahim Mazen Abu Al-Hoda Khashoggi	1,100	0.0008%	1,100	0.0008%	0	0.00%
7-	Mr. Faisal Hamza Bahi Al-Din Al-Khouli	5,500	0.0038%	5,500	0.0038%	0	0.00%
8-	Mr. Saad bin Ammash Al-Shammari	454,800	0.3180%	0	0.0000%	(454,800)	-100.00%
9-	Mr. Talal Bin Othman Al-Muammar	0	0.0000%	0	0.0000%	0	0.00%
10-	Mr. Othman Abdullah Othman Al-Swaih	0	0.0000%	0	0.0000%	0	0.00%

### 19/2/2 Rights of wives and minor children of Board of Directors members:

No.	Name of the person who has the interest	Kinship	Beginning of the year		End of the year		Net change	Percentage of change
			Wife - son - daughter	Number of Shares	%	Number of Shares		
1	Mrs. Faten Abdel Aziz Ragab	The wife of Mr. Abdul Ilah Kaaki	160,000	0.1119%	179,042	0.1252%	19,042	11.90%
2	Mrs. Abeer Abdul-Ilah Muhammad Salih Kaaki	The wife of Mr. Ibrahim Mazen Khashoggi	37,000	0.0259%	37,000	0.0259%	0	0.00%

### 19/2/3 Interest and Rights of Senior Executive officers:

No.	Name of the person who has the interest	Beginning of the year		End of the year		Net change	Percentage of change
		Number of Shares	%				
1	Eng. Jamal Salem Al Amer (General Manager)	4,150	0.0029%	1,150	0.0008%	(3,000)	-72.29%
2	Mr. Hamid Saeed Al-Ghamdi (Financial Director)	2,200	0.0015%	2,200	0.0015%	0	0.00%

Otherwise, the senior executive officers of the company or their wives or minor children do not own any shares in the company.

### **19/3 Actions taken by the Board of Directors to inform its members, especially non-executive officers:**

The chairman of the Board of Directors, in the first session of the Board of Directors, informs the members of the Board of Directors, especially the non-executive officers, of the shareholders' proposals and their comments about the company, its performance and the results of its work.

### **19/4 The means adopted by the Board of Directors in evaluating its performance and the performance of its committees and members:**

This is done by the Nomination and Remuneration Committee, where it identifies the strengths and weaknesses of the Board of Directors and proposes to address them. The committee evaluates the members of the Board of Directors, while the Nominations and Remuneration Committee is evaluated by the Chairman of the Board of Directors.

### **5/19 Disclosure of remuneration policies for members of the Board of Directors, Board of Directors Committees and Executive Management:**

The following is the policy of remuneration for members of the Board of Directors, Board of Directors Committees and Executive Management in accordance with Article 93 of the Company Governance Regulations

These policies aim to set clear standards, controls and procedures for compensation and remuneration of members of the Board of Directors and members of the committees emanating from the Board of Directors, in implementation of the provisions of Paragraph (1) of Article Sixty-one of the Company Governance Regulations in the Kingdom of Saudi Arabia issued by the Board of Directors of the Capital Market Authority in accordance with Resolution No. ( 03-57-2019) and the date 09/15/1440 AH corresponding to 05/20/2019 AD.

#### **First: Remuneration for Board of Directors Members:**

The remuneration of the members of the Board of Directors is the amounts, allowances, profits and so on, periodic or annual Remunerations associated with short or long-term performance and incentive schemes, and any other benefits in kind except for reasonable actual expenses and expenses incurred by the company for the member of the Board of Directors. Such remuneration may be a certain amount, a hearing allowance, and benefits in kind or a certain proportion of the net profit, and two or more of these benefits may be combined. If the remuneration is a certain proportion of the company's profits, it may not exceed (10%) of the net profits, after deducting reserves established by the General Assembly in application of the Regulations and Rules of the Company articles of association, and having distributed a profit to the

shareholders at least (5%) of the company's capital, within the limits of the Company Regulation, the Company Governance Regulation and the Company articles of association.

## **Second: Standards, controls and procedures for remuneration of members of the Board of Directors, Board of Directors Committees and Executive Management:**

- 1- That the remuneration be fair and proportional to the member's competencies and the works and responsibilities that the Board of Directors members carry out and bear, in addition to the goals set by the Board of Directors to be achieved during the fiscal year.
- 2- Remuneration must be based on the recommendations of the nomination committee. Remuneration.
- 3- That the remuneration be commensurate with the activity of the company and the skill required to manage it. Its size and the experience of members of the Board of Directors and Board of Directors committees in the business related to the company.
- 4- That the remuneration is reasonably sufficient to attract Board of Directors members with appropriate expertise and competence.
- 5- A member of the Board of Directors may obtain a remuneration in return for his membership in the audit committee formed by the General Assembly, or for any business, executive, technical, administrative or advisory positions - under a professional license - additional to be assigned to the company, in addition to the remuneration that can To obtain it in his capacity as a member of the Board of Directors and in the committees formed by the Board of Directors, in accordance with the Companies Law and the Company's Articles of Association. And that the total remuneration obtained by a member according to the above does not fall within the scope of the maximum remuneration provided for in paragraph (3) of Article (76) of the Companies Law described in paragraph (4) above.
- 6- The remuneration of the members of the Board of Directors may be of varying magnitude to reflect the member's experience, competencies, tasks entrusted to him and his independence, the number of sessions he attends, and other considerations.
- 7- The remuneration of the independent members of the Board of Directors should not be a percentage of the profits achieved by the company or be based directly or indirectly on the profitability of the company. This is in order that the association of their Remunerations with the performance of the company or any other factors does not affect the independence of their decisions.
- 8- According to the provisions of Article Twenty-one of the Company's Articles of Association, the Board of Directors, and according to its discretion and decision, determines the special remuneration that the Chairman of the Board of Directors, his Deputy and the Managing Director receive for each of them in addition to the remuneration determined for the members of the Board of Directors, within the limits of what is stipulated in the Companies Law and its Bylaws.
- 9- Board of Directors members may not vote on the Board of Directors members remuneration item at the general assembly session in order to ensure the independence of the decision issued by the company's general assembly regarding the Board of Directors members remuneration item.
- 10- If the General Assembly decides to terminate the membership of a member of the Board of Directors who is absent from attending three successive sessions of the Board of Directors without a legitimate excuse, then this member is not entitled to any remuneration for the period following the last session he attended, and he must return all the remuneration that was paid to him for that period.
- 11- If the audit committee or the Financial Market Authority finds that the remuneration paid to any of the Board of Directors members is based on incorrect or misleading information that was presented to the general assembly or included in the annual Board of Directors' report, he must return them to the company, and the company has the right to ask him to return them. This does not exempt the member of the Board of Directors from any liability for any damages that occurred to the company or its shareholders or any other related persons as a result of that.
- 12- The Board of Directors must disclose in its annual report the details of the policies related to remuneration and the mechanisms for determining them, the amounts and the financial and in-kind benefits paid to each member of the Board of Directors for any executive, technical, administrative or advisory work or positions.

## **Third: Remuneration and remuneration of members of the Board of Directors and Board of Directors Committees:**

According to the above, the remuneration and fees of the Board of Directors are calculated as follows:

- 1- Annual remuneration for membership of the Board of Directors and committees emanating from the Board of Directors of 250,000 riyals.
- 2- Annual bonus for membership in committees emanating from the Board of Directors for members:

1/2. The Audit Committee 50,000 riyals

2/2. Other committees 25,000 riyals

- 3- The allowance for attending the sessions of the Board of Directors and the committees emanating from the Board of Directors for all members is 3,000 riyals for each session.
- 4- The Board of Directors, according to its discretion and a decision from it, determines the additional remuneration that the Chairman, Vice President, and Managing Director shall receive, in exchange for the effort and additional work that they perform, in addition to the remuneration determined for the members of the Board of Directors.

#### **Fourth: Remuneration for senior executive officers in the company (executive management):**

- 1- Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors determines the types of remuneration that are granted to senior executive officers in the company, such as fixed bonuses, performance-related bonuses and incentive bonuses that do not conflict with the regulatory controls and procedures issued to joint stock companies.
- 2- The remuneration aims to attract and reward executive officers, retain qualified and competent employees, and maintain the high level of skills needed by the company.

#### **Fifth: Remunerations for the Secretary of the Board of Directors and Secretaries of the Committees emanating from the Board of Directors:**

The Board of Directors determines the remuneration of the Board of Directors Secretary and the Secretaries of the Board of Directors Committees in accordance with the details mentioned in the Board of Directors' policies and procedures.

#### **Sixth: Date of implementation:**

These policies shall be enforced from the date of approval by the General Assembly

#### **19/5/1 Remuneration for Board of Directors Members, Board of Directors Committees and Senior Executive officers:**

The following is a statement of the company's total payments to Board of Directors members and Board of Directors committee members for five senior executive officers, including the general manager and chief financial officer:

#### **Remuneration of Board of Directors Members:**

Determined Amount	Fixed Remunerations				Variable Remunerations					EOB	Total	Fuel Allowance
	Attendance Allowance for the Board of Directors Meetings	Benefits in-Kind	A statement of what Board of Directors members have received as employees, administrators, or employees What they received in return for technical, administrative, or consulting work	Total	percentage of profits	Periodic Remunerations	Short-term incentive plans	Long-term incentive plans	Awarded Shares (to be entered)			
<b>First: Independent Members</b>												

Mr. Ibrahim Mazen Khashoggi	224,306	12,000			236,306						0		236,306	
Mr. Abdul Aziz Abdul Ilah	224,306	12,000			236,306						0		236,306	
Mr. Faisal Hamza Al-Khouli	224,306	12,000			236,306						0		236,306	
Mr. Talal Al-Muammar					0						0		0	
Mr. Saad Al-Shammari					0						0		0	
Dr. Othman Al-Swaith					0						0		0	
<b>Total</b>	<b>672,918</b>	<b>36,000</b>	<b>0</b>	<b>0</b>	<b>708,918</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>708,918</b>	<b>0</b>

**Second: Non-executive members:-**

Eng. Mohammed Saeed Al-Artawah	224,306	12,000		1,300,000	1,536,306						0		1,536,306	
Mr. Abdul-Ilah Muhammad Kazaki	224,306	9,000		550,694	784,000						0		784,000	
Mr. Saad Sunaitan Al-Hudayeb	150,000	0			150,000						0		150,000	
Mr. Ashry bin Saad Al-Ashry	0	3,000			3,000						0		3,000	
<b>Total</b>	<b>598,612</b>	<b>24,000</b>	<b>0</b>	<b>1,850,694</b>	<b>2,473,306</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,473,306</b>	<b>0</b>

**Third: Executive members:-**

<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
--------------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------

Total	598,612	24,000	0	1,850,694	2,473,306	0	0	0	0	0	0	0	2,473,306	0
-------	---------	--------	---	-----------	-----------	---	---	---	---	---	---	---	-----------	---

#### Remuneration of the committees' members:

	Fixed Remuneration (other than the allowance for attending sessions)	Allowance for attending sessions	Total
--	--	----------------------------------	-------

#### First: Audit Committee members:-

Mr. Abdul-Ilah Muhammad Kaaki		35,862	35,862
Mr. Saad Sunaitan Al-Hudayeb		0	0
Mr. Ibrahim Mazen Khashoggi		38,862	38,862
Mr. Faisal Hamza Al-Khouli			0
Mr. Abdel Wahab Abed			0
Total	0	74,724	74,724

#### Second: Members of the Remuneration and Nominations Committee

Mr. Abdul-Ilah Muhammad Kaaki		20,931	20,931
Mr. Ashry bin Saad Al-Ashry		0	0
Mr. Abdul Aziz Abdul-Ilah Kaaki			0
Mr. Mohammed Saeed Al-Attiyah		20,931	20,931
Mr. Ibrahim Mazen Khashoggi			0
Mr. Faisal Hamza Al-Khouli		20,931	20,931
Total	0	62,793	62,793

#### Third: Members of the Risk Committee

Mr. Mohammed Saeed Al-Attiyah		23,931	23,931
Mr. Talal Al-Muammar			0
Mr. Faisal Hamza Al-Khouli		23,931	23,931
Mr. Abdul Aziz Abdul-Ilah Kaaki		23,931	23,931
Total	0	71,793	71,793

#### Fourth: Members of the Investment Committee

Engineer Saad Al-Shammari			0
Eng. Mohammed Saeed Attia			0

Mr. Ibrahim Mazen Khashoggi			0
Dr. Othman Al-Swaih			0
Total	0	0	0

Gross Total	0	209,310	209,310
-------------	---	---------	---------

### Remunerations for Senior Executive officers

	Fixed Remunerations				Variable Remunerations						EOB	Total remuneration for the Board of Directors executive	Total
	Salaries	Attendances	Benefits in-Kind	Total	Periodic	Profits	Short-term incentive plans	Long-term	Awarded Shares	Total			
5 senior executive officers, including the General Manager and Chief Financial Officer	2,242,164	521,762		2,763,926	0					0	115,164		2,879,089

19/6 The names of the members of the Board of Directors, the members of the committees, and the executive management, and their current and previous positions, qualifications and experiences

19/6/1 Board of Directors Members:

	Name	Current position	Previous jobs	Education	Experience
1	Eng. Mohamed Saeed Attia	<ul style="list-style-type: none"> <li>Chairman of the Board of Directors of Al Jouf Cement Company</li> <li>Member of the Nomination and Remuneration Committee, Al Jouf Cement Company</li> <li>Member of the Risk Management Committee, Al Jouf Cement Company</li> <li>Member of the Investment Committee, Al Jouf Cement Company</li> </ul>	<ul style="list-style-type: none"> <li>Chairman of the Review Committee of Al Jouf Cement Company</li> <li>Member of the Board of Directors and Managing Director of Al Jouf Agricultural Company</li> </ul>	Bachelor of Agricultural Engineering and Bachelor of Sharia	During his career, he held many executive positions and Board of Directors memberships in companies

2	Mr. Abdul-Ilah Saleh Kaaki	<ul style="list-style-type: none"> <li>• Vice Chairman of the Board of Directors of Al Jouf Cement Company</li> <li>• Chairman of the Audit Committee, Al Jouf Cement Company</li> <li>• Member of the Nomination and Remuneration Committee, Al Jouf Cement Company</li> <li>• Chairman of the Investment Committee, Al Jouf Cement Company</li> <li>• Chairman of the Board of Directors of the Saudi International Trade and Marketing Company Ltd.</li> <li>• Chairman of the Board of Directors of the Saudi Marsh Insurance Company</li> </ul>	-	Bachelor's degree in Economics and Business Sciences from the United States of America	Held the position of Honorary Consul of Spain and has experience in the field of Board of Directors memberships for several joint stock companies and managing audit committees
3	Mr. Saad Sunaitan Hadeeb	<ul style="list-style-type: none"> <li>• Member of the Board of Directors of Al Jouf Cement Company</li> <li>• Member of the Audit Committee, Al Jouf Cement Company</li> <li>• Member of the Investment Committee, Al Jouf Cement Company</li> <li>• Chairman of the Board of Directors of KASB Financial Group</li> <li>• Member of the Board of Directors of the Food Development Business Company</li> </ul>	Managing Director of Al Jouf Cement Company	Bachelor of Business Administration	Experience in the field of Board of Directors memberships for several joint stock companies and chairing Board of Directorss
4	Mr. Ashry Saad Al-Ashry	<ul style="list-style-type: none"> <li>• Member of the Board of Directors of Al Jouf Cement Company</li> <li>• Chairman of the Nomination and Remuneration Committee, Al Jouf Cement Company</li> <li>• Chairman of the Board of Directors of the Food Development Business Company</li> <li>• Member of the Board of Directors of KASB Financial Group</li> </ul>	Managing Director of Al Jouf Cement Company	Bachelor of Accounting	Experience in Board of Directors memberships, managing directors, and audit committees



5	Mr. Faisal Hamza Al-Khouli	<ul style="list-style-type: none"> <li>Member of the Board of Directors of Al Jouf Cement Company</li> <li>Member of the Nomination and Remuneration Committee, Al Jouf Cement Company</li> <li>Member of the Risk Management Committee, Al Jouf Cement Company</li> <li>Vice-Chairman of the Board of Directors of Al-Kholy Group of Companies</li> </ul>		Bachelor of Science in Communications and Marketing	Experience in managing international commercial and industrial companies
6	Mr. Ibrahim Mazen	<ul style="list-style-type: none"> <li>Member of the Board of Directors of Al Jouf Cement Company</li> <li>Member of the Audit Committee, Al Jouf Cement Company</li> <li>CEO of Tamrad Woodworking Industrial Company.</li> </ul>	<ul style="list-style-type: none"> <li>Assistant Project Manager - Samba Financial Group</li> <li>Insurance &amp; Risk Consultant - Marsh Insurance Company</li> </ul>	Bachelor of Business Administration and Master of Business Administration	Experience in consulting, project management and risk management
7	Mr. Abdel Aziz Abdel-Ilah Kaaki	<ul style="list-style-type: none"> <li>Member of the Board of Directors of Al Jouf Cement Company</li> <li>Chairman of the Risk Management Committee, Al Jouf Cement Company</li> <li>Member of the Investment Committee, Al Jouf Cement Company</li> <li>Vice-Chairman of the Board of Directors of the Saudi International Trade and Marketing Company Ltd.</li> <li>General Director of the Abdul Aziz Abdul Ilah Kaaki Trading Corporation</li> <li>Member of the Board of Directors of the Mediterranean Company for Agricultural Products - MAPCO</li> <li>Member of the Board of Directors of Lacto Egypt</li> <li>Member of the Board of Directors of the Nobarria company for the production of seeds, Nubasid</li> </ul>		Bachelor's degree in International Economics	He held a number of managerial and leadership positions during membership in the Board of Directors

8	Mr. Saad bin Ammash Al-Shammari	<ul style="list-style-type: none"> <li>Member of the Investment Committee, Sharma Al-Ahsa Development</li> <li>Member of the Nomination Committee, Misk Company</li> <li>Member of the Audit Committee, Al-Samaani Company</li> <li>Member of the Board of Directors, Kassab Financial Company</li> </ul>	<ul style="list-style-type: none"> <li>SABIC Development Engineer</li> <li>General Manager of Strategic Planning, National Industrialization Company</li> <li>CEO of an advanced company</li> <li>Managing Director of Al-Ahsa Development Company</li> </ul>	Bachelor and Master in Chemical Engineering	During his career, he held many executive positions
9	Mr. Talal Bin Othman Al-Muammar	<ul style="list-style-type: none"> <li>Executive Vice President, Risk Management, Al Rajhi Takaful Company</li> </ul>	<ul style="list-style-type: none"> <li>Akhtar Office - Saudi Fund for Development</li> <li>Head of Risk Management MedGulf Insurance</li> <li>Head of Risk Management, Tawuniya Insurance Company</li> </ul>	BA and MA in Business and Finance Administration	14 years of experience in risk management and insurance
10	Dr. Othman Abdullah Othman Al-Swaih	<ul style="list-style-type: none"> <li>Chairman of the Board of Directors of Al-Safa Medical Supplies Company.</li> <li>Chairman of the Board of Directors of the Safa Warehouse Company</li> <li>Member of the Board of Directors of the Arab Company for Investment Projects - a public shareholding company in Jordan.</li> <li>Member of the Board of Directors of the Jordan Pipes Company - a public shareholding company in Jordan.</li> <li>General Manager of Safa Communications Company.</li> <li>Managing Director of Elite Al Safa Contracting Company.</li> </ul>	<ul style="list-style-type: none"> <li>Worked in the management of Kafea Ready Mix concrete factory</li> <li>Safaa Factory for Cement Products</li> <li>Al-Andalus Factory for Cement Products</li> <li>Safaa Trading Company</li> </ul>	Doctorate in pharmacology	During his career, he held many executive positions in the contracting and construction fields

#### 19/6/2 Executive Management:

19/7 A statement of the dates of the general assemblies of the shareholders held during the last year and the names of the members of the Board of Directors

Attendees of these associations:

No.	Name	Attendance record for the 2020 Ordinary General Assembly	
		29/ 06	23/07
1	Eng. Mohamed Saeed Attia	√	√
2	Mr. Abdul-Ilah Saleh Kaaki	X	X
3	Mr. Saad Sunaitan Hadeeb	X	X
4	Mr. Ashry Saad Al-Ashry	X	X

5	Mr. Faisal Hamza Al-Khouli	√	√
6	Mr. Ibrahim Mazen Khashoggi	X	√
7	Mr. Abdel Aziz Abdel-Ilah Kaaki	√	√

## 20 - Board of Directors Committees:

### 1/20 Audit Committee:

The review committee was reconstituted for the fifth session ending on 5/8/2023, and its members were approved on the rules for selecting the members of the committee, their term of membership, and the method of work of the committee at the ordinary general assembly session held on 07/23/2020, and the details of which are as follows:

No.	Name	Classification	Audit Committee sessions for the year 2020			
			08-07	26-10	17-11	27-12
1	Mr. Abdul Ilah Bin Muhammad Kaaki - Chairman of the Committee (1)	Non-executive	√	---	---	---
2	Mr. Saad Sunaitan Hudayeb (2)	Non-executive	X	---	---	---
3	Mr. Ibrahim Mazen Khashoggi	independent	√	√	√	√
4	Mr. Faisal Hamza Al-Khouli (3)	independent	---	√	√	√
5	Mr. Abdul Wahhab Bin Ahmed Abed (4)	Independent (outside the Board of Directors)	---	√	√	√

### Note:

- 1) His Excellency Mr. Abdullah Kaaki, may God have mercy on him, passed away on September 25, 2020
- 2) The membership of His Excellency Mr. Saad Sunaitan Hudayeb in the Board of Directors ended at the end of the fourth session of the Board of Directors on August 5, 2020
- 3) A review committee was formed and His Excellency Mr. Faisal Al-Kholy joined the Ordinary General Assembly session on July 23, 2020
- 4) His Excellency Mr. Abdel Wahab Abed (a member from outside the Board of Directors) was appointed according to Board of Directors Decision No. 10 to be passed on 10/21/2020, provided that the final approval is made at the first session of the Association.

The company has an independent audit department that reports directly to the Board of Directors and the audit committee emanating from the Board of Directors. The company has taken positive steps to strengthen its internal control system and preserve the company's assets. Among the tasks and functions of the audit committees include:

The Audit Committee is responsible for monitoring the company's business and verifying the integrity and integrity of the reports, financial statements, and internal control systems therein. The committee's tasks include, in particular, the following:

1. Study the initial and annual financial statements of the company before submitting them to the Board of Directors and express opinion about them and recommend them to ensure their integrity, fairness and transparency.
2. Providing a technical opinion upon the request of the Board of Directors on whether the report of the Board of Directors and the financial statements of the company is fair, balanced and understandable and includes information that allows shareholders and investors to evaluate the financial position of the company, its performance, business model and strategy.
3. Examine any important or unfamiliar issues included in the financial reports.
4. Carefully researching any issues raised by the company's financial manager, whoever assumes his duties, the company's compliance officer, or the auditor.
5. Verify the accounting estimates in the fundamental issues mentioned in the financial reports.

6. Study the accounting policies and principles followed in the company and its subsidiary companies according to the nature of its work, and express opinion and recommendation to the Board of Directors regarding it.
7. Control and supervise the performance and activities of the internal auditor and the internal audit department in the company, in order to verify the availability of the necessary resources and their effectiveness in carrying out the work and tasks assigned to it.
8. Study the internal audit reports and follow up the implementation of corrective measures for the observations contained therein.
9. Study and review the company's internal, financial and risk management systems.
10. Recommending to the Board of Directors to appoint a director of an internal audit unit or department or the internal auditor and suggesting his remuneration.
11. Recommending to the Board of Directors to nominate and dismiss auditors, determine their fees, and evaluate their performance. After confirming their independence and reviewing the scope of their work and the terms of contracting with them.
12. Verifying the auditor's independence, objectivity and fairness, and the effectiveness of the audit work, taking into account the relevant rules and standards.
13. Reviewing the company's auditor's plan and his work, ensuring that he has not submitted technical or administrative works that are outside the scope of the audit work, and expressing its views on that.
14. Answer the inquiries of the company's auditor.
15. Study the auditor's report and his notes on the financial statements and follow up on what has been taken in their regard.
16. Review the results of the reports of the regulatory authorities and verify that the company has taken the necessary actions in this regard.
17. Verify the company's compliance with the relevant laws, regulations, policies and instructions.
18. Review the contracts and proposed transactions that the company conduct with related parties, and submit their opinions on this to the Board of Directors.
19. Raise the issues it deems necessary to take action in their regard to the Board of Directors, and make recommendations on the measures to be taken.
20. The committee should set up a mechanism that allows the company's employees to submit their observations in secrecy regarding any infringement of financial or other reports. The committee should verify the application of this mechanism by conducting an independent investigation commensurate with the size of the error or abuse and adopting appropriate follow-up procedures.

#### 20/2 Nomination and Remuneration Committee:

In the extraordinary general assembly session on 7/18/2017, the work regulations of the Nomination and Remuneration Committee were approved, and in the Board of Directors session held on 06/08/2020, the Nomination and Remuneration Committee was reconstituted, the details of which are as follows:

No.	Name	Classification	Nomination and Remuneration Committee sessions for the year 2020			
			1	2	3	4
			22/6	06/08	18/10	17/11
1	Abdul Aziz Abdul-Ilah Kaaki - Chairman of the Committee	Non-executive	---	√	√	√
2	Mr. Ashry Saad Al-Ashry	Non-executive	√	----	----	----
3	Mr. Ibrahim Mazen Khashoggi	independent	---	√	√	√
4	Mr. Abdul-Ilah Saleh Kaaki	Non-executive	√	√	---	---
5	Eng. Mohamed Saeed Attia	Non-executive	√	√	√	√
6	Mr. Faisal Hamza Al-Khouli	independent	√	---	---	√

**Note:**

1) The membership of His Excellency Mr. Ashry Al-Ashary in the Board of Directors ended at the end of the fourth session of the Board of Directors on August 5, 2020

**The committee's functions, tasks and responsibilities include:**

1. Preparing a clear policy for remuneration for members of the Board of Directors and the committees emanating from the Board of Directors and the Executive Management, and submitting it to the Board of Directors for consideration in preparation for approval by the General Assembly, taking into account in this policy the following standards related to performance, disclosure of them, and verification of their implementation.
2. Clarify the relationship between the bonuses granted and the applicable remuneration policy, and indicate any material deviation from this policy.
3. Periodic review of the remuneration policy, and evaluation of its effectiveness in achieving the objectives sought from it.
4. Recommending to the Board of Directors the remuneration of members of the Board of Directors, the committees emanating from it, and the senior executive officers of the company, in accordance with the approved policy
5. To propose clear policies and standards for membership in the Board of Directors and executive management.
6. Recommending to the Board of Directors to nominate its members and re-nominate them in accordance with taking into account not to nominate any person previously convicted of a breach of trust.
7. Preparing a description of the capabilities and qualifications required to be a member of the Board of Directors and occupy executive management positions
8. Determine the time that the member should allocate to the work of the Board of Directors.
9. Annual review of the necessary needs of skills or appropriate expertise for Board of Directors membership and executive management functions.
10. Reviewing the structure of the Board of Directors and executive management and making recommendations regarding the changes that can be made.
11. Checking on an annual basis the independence of the independent members, and the absence of any conflict of interest if the member is a member of the Board of Directors of another company.
12. Establish job descriptions for executive members, non-executive members, independent members and senior executive officers.
13. Establishing special procedures in case the position of a member of the Board of Directors or a senior executive becomes vacant
14. Determine the strengths and weaknesses of the Board of Directors, and propose solutions to address them in line with the company's interest.

**20/3 Risk Management Committee:**

In the Board of Directors session held on 06/08/2020, the Risk Management Committee was reconstituted and approved the Risk Committee work bylaw, the details of which are as follows:

No.	Name	Classification	The Risk Management Committee sessions for the year 2020	
			1	2
			20-07	09-09
1	Mr. Talal Othman Al-Muammar - Chairman of the Committee (1)	Independent	---	√
2	Mr. Abdul Aziz Abdul-Ilah Kaaki	Non-executive	√	√

3	Engineer / Mohamed Saeed Attia	Non-executive	√	√
4	Mr. Faisal Hamza Al-Khouli	Independent	√	√

**Note:**

- 1) The Board of Directors was elected for the fifth session at the Ordinary General Assembly session on July 23, 2020 AD, and His Excellency Mr. Talal Al-Muammar entered the new Board of Directors

**The committee's functions, tasks and responsibilities include:**

- 1- Developing a comprehensive risk management strategy and policies commensurate with the nature and size of the company's activities, verifying their implementation, reviewing and updating them based on the internal and external variables of the company.
- 2- Determine an acceptable level of the risks that the company may be exposed to, maintain an analysis and verify that the company does not exceed it.
- 3- Verifying the feasibility of continuing the company and successfully continuing its activity, with identifying the risks that threaten its continuation during the next twelve months.
- 4- Supervising the company's risk management system and evaluating the effectiveness of the systems and mechanisms for identifying, preventing and following-up the risks that the company may be exposed to, in order to determine its deficiencies.
- 5- Reassessing the company's ability to withstand risks and its exposure to them periodically (by conducting stress tests, for example).
- 6- Preparing detailed reports on exposure to risks and the proposed steps for managing these risks, and submitting them to the Board of Directors.
- 7- 7. Submit recommendations to the magazine on issues related to risk management.
- 8- 8- Ensure the availability of adequate resources and systems for risk management.
- 9- 9- Reviewing the organizational structure of risk management and making recommendations regarding it before approval by the Board of Directors.
- 10- Verifying the independence of the risk management personnel from the activities that may lead to the company's exposure to risks.
- 11- Verifying that the risk management staff understands the risks surrounding the company, and works to increase awareness of the risk culture.
- 12- Reviewing the issues raised by the Audit Committee that may affect the risk management in the company.

**20/4 Investment Committee:**

In the Board of Directors session held on 06/08/2020, the Investment Committee was reconstituted and its work bylaws were approved.

No.	Name	Classification	Investment Committee sessions for the year 2020
			1
			25/10
1	Mr. Saad Ammash Al-Shammari (Chairman of the Committee) (1)	Independent	√
2	Engineer / Mohamed Saeed Attia	Non-executive	√
3	Mr. Ibrahim Mazen Khashoggi	Independent	√
4	Dr. Othman Abdullah Al-Swaih	Independent	√

**Note:**

- 1) The Board of Directors was elected for the fifth session at the Ordinary General Assembly session on July 23, 2020 AD, and His Excellency Mr. Saad Al-Shammari entered the new Board of Directors

2) His Excellency Dr. Othman Al-Swaih was appointed according to Board of Directors Decision No. 10, to be passed on 10/21/2020, provided that the final approval is made in the first session of the Society

**The tasks and responsibilities of the Investment Committee include:**

- 1- Participating in drawing up the general policy that the company operates in the investment fields and directing funds.
- 2- Proposing and implementing the general plan for investing the company's funds, after its approval by the Board of Directors.
- 3- Evaluating the performance of the company's investment channels and studying their suitability with the general investment plan, preparing and reviewing economic feasibility studies for industrial or commercial projects that support the national economy, and then making a decision for the company's contribution to it. Evaluating the investment results periodically and submitting the necessary reports to the Board of Directors, including:
- 4- Review the current and future investment portfolio components.
- 5- Ensure that those in charge of managing funds adhere to the investment policy.
- 6- Reviewing buying and selling decisions.
- 7- Study the liquidity available in the company and the means of investing it according to the company's system, in the best ways that guarantee the capital.
- 8- Study the market and available investment opportunities.
- 9- Looking for new investment opportunities.
- 10- Studying investment matters referred to it by the Board of Directors.
- 11- Studying the proposals submitted by the company's management regarding future investment plans.
- 12- Carrying out the tasks and functions that the Board of Directors deems to be assigned to them.

**21- Transactions with related parties:**

The group, during the year of 2020 AD, conducted transactions with related companies as follows:

The Company's name	Nature of Relationship	The nature of the transactions	The volume of transactions Riyal	Statement
Jahez Al Jouf Company - a limited liability company - under construction	Subsidiary	Cement transfer	0	Company under construction
Saudi Marsh Insurance Company	Member of the Board of Directors	Insurance broker	0	Broker between Al Jouf Cement Company and other insurance companies, and it obtains its fees from the company that is contracted with, and the member of the Board of Directors, Mr. Abdul-Ilah Kaaki, may God have mercy on him, occupied the position of its Chairman

Sky High Contracting Company	Member of the Board of Directors	Assigning cleaning and operating works	428,231	The contract with Sky High Contracting Company ended at the end of February 2020, and the member of the Board of Directors is Mr. Faisal Al-Khouli as its General Manager.
Eastern Industrial Company - a Saudi closed joint stock company	Sister company	Finance	1,404,258	Al Jouf Cement Company owns 10% of the Eastern Petrochemical Company, with an amount of 46 million riyals, and the share of Al Jouf Cement Company in financing Bank Al-Jazira for the Eastern Company and its benefits up to the date of the lists amounted to 41.3 million riyals, and there is no representation of any of the members of the Board of Directors of Al Jouf Cement Company in it.

## 22- Purchases or contracts that have an interest for a member of the Board of Directors and executive officers:

There are no purchases or contracts entered into by the group during the year 2020 in the interest of a member of the Board of Directors or executive officers.

## 23- A statement of the value of the regular payments paid and due until the end of the annual financial period 2020:

Statement	2020		Description / Reason
	Paid	Due	
Sharia zakat	4,419	To be determined later	The company is subject to the regulations of the General Authority for Zakat and Income and Zakat is recorded on an accrual basis, and payment is made according to the Zakat base
Value added tax	12,885	1,011	The company is subject to the regulations of the General Authority for Zakat and Income and the amount due in respect of the last month of the fiscal year, which is paid at the beginning of the following year
The Public Institution for Social Security	2,237	234	The company is subject to the social insurance system and the amount due in respect of the last month of the fiscal year, which is paid at the



			beginning of the following year
Quarrying fees	3,182	24,543	The payment is due for the exploitation of raw materials in the year following the fiscal year
<b>Total</b>	<b>22,723</b>	<b>25,788</b>	

#### 24- Profit Distribution Policy:

According to Articles (46) of the company's articles of association, the company's profits shall be distributed as follows:

The annual net profits of the company are distributed as follows:

- 1- (10%) of the net profits shall be set aside to form the statutory reserve of the company, and the Ordinary General Assembly may decide to stop this deduction when the said reserve reaches 30% of the paid capital.
- 2- The Ordinary General Assembly, based on the proposal of the Board of Directors, may set aside a percentage of the net profits to form a consensual reserve to be allocated for one or more specific objectives.
- 3- The Ordinary General Assembly may decide to create other reserves, to the extent that serves the interest of the company or ensures that fixed profits are distributed as much as possible to the shareholders. The aforementioned association may also deduct amounts from the net profits to establish social institutions for the company's employees or to assist what may exist from these institutions.
- 4- From the remainder after that, a percentage of not less than 5% of the company's paid-up capital shall be distributed to the shareholders.
- 5- Subject to the provisions stipulated in Article Twenty of the Articles of Association and Article 76 of the Companies Law, after the aforementioned, a percentage not exceeding 10% of the remainder shall be allocated to the remuneration of the Board of Directors, provided that the entitlement of this remuneration is proportional to the number of sessions attended by the member.
- 6- The rest is then distributed to the shareholders as an additional share in the profits.
- 7- After fulfilling the controls from the competent authorities, the company may distribute semi-annual and quarterly profits.

#### 25- Dividends distributions during the year 2020: -

The company did not distribute profits during the year 2020 AD, in order to provide the necessary liquidity to pay off its existing obligations.

#### 26- Sanctions and penalties from the Commission or any supervisory, regulatory or judicial authority during the year 2020:

Breach	Entity	Reasons	Methods to treat it and avoid its recurrence
10,000	Meteorology and Environmental Protection Authority	Emmissions	Treatment has been completed, with the development of the appropriate plan to avoid it

Moreover, no penalty, penalty or restriction imposed on the company by the Capital Market Authority or from any other supervisory, regulatory or judicial authority, other than the foregoing, has been implemented.

**27- Company Acknowledgments:**

- That the account 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.

**28- Assurances of the Board of Directors:**

**The Board of Directors confirms that:**

- 1- There are no investments or reserves established for the benefit of the company's employees other than the provision for end of service benefits.
- 2- No loan was granted to any of the members of the Board of Directors or the executive management.
- 3- The company did not enter into any transactions related to the company's shares with any members of the Board of Directors or those directly related to them.
- 4- The financial statements of the company have been prepared in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants.
- 5- There are no comments or reservations in the report of the external auditor.
- 6- It was not recommended to change the auditor before the end of the period for which he was appointed.
- 7- The auditor did not provide any consulting services to the company and did not receive any fees in this regard.
- 8- The auditor did not submit to the Board of Directors any request to invite the company's general assembly to convene during the fiscal year
- 9- The Chairman of the Board of Directors did not receive any written request to hold emergency sessions from two or more members during the fiscal year
- 10- The company confirms that it has not received any request from shareholders owning 5% of the capital or more to convene the general assembly or add an item to its agenda or more when preparing it during the fiscal year 2020 AD.
- 11- No penalties, penalties or precautionary restrictions have been imposed on the company by the Authority or any other bodies, except for what is mentioned in Paragraph (26) above.
- 12- There are no eligible shares to vote belonging to persons who informed the company of those rights during the year 2020.
- 13- There is no arrangement or agreement between the company and one of the shareholders in waiving his share in the profits.
- 14- There are no debt instruments convertible into shares, and there are no redeemable debt instruments.
- 15- There are no purchases or contracts that have an interest for a member of the Board of Directors or executives.
- 16- There are no arrangements or agreements whereby a member of the Board of Directors or a senior executive in the company waived any salary or compensation.

**29- The number of the company's requests for the shareholders 'register:**

Number of Requests	Date of Request	Reasons of Request
1	07-01-2020	General Assembly
2	30-01-2020	General Assembly
3	04-02-2020	Other (company objectives)
4	25-02-2020	General Assembly
5	09-03-2020	Others (preparing the annual report)
6	29-06-2020	General Assembly
7	19-07-2020	Other (company objectives)
8	23-07-2020	General Assembly

**30- A statement of the number of Board of Directors sessions and the number of sessions attended by each member from the date of the last session of the General Assembly:**

The last session of the General Assembly was held on 23/07/2020

The number of sessions of the Board of Directors after that date reached three, which are explained in the statement of Board of Directors sessions as follows:

- Session on August 26, 2020
- Session on October 27, 2020
- Session on December 27, 2020

## Conclusion

The Board of Directors concludes its report to the General Assembly by extending its acknowledgment to the shareholders for responding to the invitation in attendance and for the confidence that you have given to the Board of Directors, which it appreciates and is proud of, and the Board of Directors records its appreciation and gratitude to the government of the Custodian of the Two Holy Mosques King Salman bin Abdulaziz and His Royal Highness Prince Muhammad bin Salman bin Abdulaziz, and the concerned ministries for their continuous cooperation and support to the company. The Board of Directors also extends its acknowledgment to all the company's employees for their sincerity, dedication, and continuous support toward the company.

**Al-Jouf Cement Company**

**Report of the Audit Committee submitted to the Ordinary General Assembly**

**For the fiscal year ending on December 31, 2020**

**Messrs. Honorable shareholders of Al-Jouf Cement Company**

**Greeting,**

**The audit committee is pleased to present to the company's esteemed shareholders a report that includes the most prominent works and activities carried out by the committee, which is within its competence and role in evaluating the internal control systems, their results, and its most important activities for the fiscal year ending 12/31/2020 AD, in implementation of Article 104 of The Companies Law issued by the Ministry of Commerce and Investment, which stipulates that the audit committee shall prepare a report on its opinion on the adequacy of the internal control system in the company and on the other activities it has carried out within the scope of its competence. The board of directors must deposit sufficient copies of this report in the company's head office at least ten days before the date of the general assembly meeting, and Article (91) of the Corporate Governance Regulations which stipulates that the Board of Directors must deposit sufficient copies of the audit committee report in the company's head office and that It is published on the company's website when the invitation to convene the general assembly is published.**

**The Audit Committee held (4) four meetings during the fiscal year 2020 AD, and the following is a presentation of the work carried out by the Audit Committee:**

**1-Review the offers for the appointment of the external auditor for the fiscal year 2020 AD and the first quarter of 2021 and choose the best among them.**

**2-Reviewing the external auditor's plan for the annual review for the fiscal year 2020 AD**

Jeddah : Fax + 966 12 261 3139  
Riyadh : Fax + 966 11 210 9899  
Turaif : Fax + 966 14 652 3366

جدة : فاكس +٩٦٦ ١٢ ٢٦١ ٣١٣٩  
الرياض : فاكس +٩٦٦ ١١ ٢١٠ ٩٨٩٩  
طريف : فاكس +٩٦٦ ١٤ ٦٥٢ ٣٣٦٦

Kingdom of Saudi Arabia P.O.Box 295689 Riyadh 11351

المملكة العربية السعودية ص.ب. ٢٩٥٦٨٩ الرياض ١١٣٥١

- 3-Reviewing the performance of the external auditors, including determining their fees and recommending to the Board to reappoint them or terminate the contract with them.
- 4-The independence of the external auditor's work was confirmed
- 5-Study the impact of the Coronavirus (COVID-19) pandemic on the financial statements and potential events and the extent of response to them.
- 6-Reviewing and recommending the approval of the quarterly and annual financial statements for the fiscal year ending 12/31/2020 AD
- 7-Ensuring whether the financial statements are complete and consistent with the information received by the committee, in a way that reflects the accounting principles.
- 8-Study the company's debts, the provision for doubtful debts, and the proposals regarding them, and submit them to the Board of Directors.
- 9-Studying the company's loans, obligations, and proposals regarding them, and submitting them to the Board of Directors
- 10-Reviewing all matters that require notification to the committee in accordance with the auditing standards, in cooperation with the management and the external auditor.
- 11-Reviewing the work plan of the internal auditor for the fiscal year 2020 AD.
- 12-Reviewing the periodic report of the internal audit and evaluating the accomplishments achieved and the developments of following up on the results of the audit work on a quarterly basis for the fiscal year 2020 AD
- 13-Reviewing the effectiveness of the internal audit and compliance with the approved auditing standards.
- 14-Evaluating the extent of management's response to the observations and recommendations of the internal auditor.
- 15-Review the results of the reports of the regulatory authorities and verify that the necessary measures have been taken in their regard.

16-Studying and reviewing the internal policies and procedures, which cover various administrative, financial, and operational aspects, as well as the internal and financial control systems of the company, and ensuring compliance with them.

17-Follow-up on the mechanism for reporting violating practices in the company and to ensure the extent of compliance with them.

The Audit Committee works to develop and support internal control and control systems, and based on the risk-based annual audit plan, which aims to evaluate the internal control and control system, which aims to verify with a reasonable degree of assurance of achieving the company's objectives, namely the protection of the company's assets and the accuracy and completeness of accounting records. And adherence to the systems and policies that the management adopts to achieve the company's goals and is constantly monitored by the audit committee. The Audit Committee affirms, to a reasonable degree, the effectiveness and efficiency of the procedures of the internal control system.

### Chairman of the Audit Committee

**Ibrahim Mazen Khashoggi**

Jeddah : Fax + 966 12 261 3139  
Riyadh : Fax + 966 11 210 9899  
Turaif : Fax + 966 14 652 3366

Kingdom of Saudi Arabia P.O.Box 295689 Riyadh 11351

جدة : فاكس +٩٦٦ ١٢ ٢٦١ ٣١٣٩  
الرياض : فاكس +٩٦٦ ١١ ٢١٠ ٩٨٩٩  
طريف : فاكس +٩٦٦ ١٤ ٦٥٢ ٣٣٦٦

المملكة العربية السعودية ص.ب. ٢٩٥٦٨٩ الرياض ١١٣٥١

**Report on the Audit of the Consolidated Financial Statements**

To the **Shareholders of Al Jouf Cement Company**  
 (A Saudi Joint Stock Company)

**Opinion:**

We have audited the consolidated financial statements of **Al Jouf Cement Company** (“the Company”) and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

**Basis for Opinion:**

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter, a description of how our audit addressed the matter is set out below:

Key audit matters	How the matter was addressed in our audit
<p><b>Revenue recognition:</b>                      During the year ended 31 December 2020, Group’s revenue amounted to SAR 252 million (2019: SAR 169,7 million).                      The Group continues to be under pressure to meet goals and expectations which may lead to misstatements in revenue.                      Revenue recognition is a key audit matter because there is a risk that management may override controls to misrepresent revenue transactions.</p>	<p>We have performed the following procedures regarding revenue recognition:</p> <ul style="list-style-type: none"> <li>- Evaluating the appropriateness of the accounting policies related to the revenue recognition of the Group by taking into consideration the requirements of IFRS 15 "Revenue from Contracts with Clients".</li> <li>- Evaluating the design, implementation and testing of the operational effectiveness of the Group's control procedures, including the control procedures to prevent fraud when recognizing revenue in accordance with the Group's policy.</li> <li>- Testing sales transactions, on a sample basis, and perform cut-off tests of revenue made at the beginning or end of the year to assess whether the revenue has been recognized in the correct period.</li> </ul>



**Report on the Audit of the Consolidated Financial Statements (continued)**

<b>Key audit matters (continued)</b>	<b>How the matter was addressed in our audit</b>
<p><b>Revenue recognition (continued):</b></p>	<ul style="list-style-type: none"> <li>- Testing revenue transactions, on a sample basis, and verify supporting documents, which included receipt notices signed by clients, to ensure the accuracy and validity of revenue recognition.</li> </ul>
<p><b>Property, machinery, equipment and projects under construction:</b>                      The property, plant and equipment and projects under construction balances are considered of the high relative importance, as the value of property, plant and equipment (including spare parts of machineries and furnaces) amounted to SAR 845 million (2019: SAR 873 million) and projects under construction amounted to SAR 1,083 million as at 31 December 2020 (2019: SAR 1,067 million). There are also matters that require management to use some important estimates and assumptions that affect its balances by determining the productive ages and periodically reviewing those ages and the consequent assessment of depreciation periods and the impact of that on the result of the activity.                      Projects under construction balances represented mainly in costs of establishing second production line, as its cost, up to the reporting date, that exceeded 47% (2019: 46%) of total assets and the special procedures required to verify the validity of contracts, proof, timing and conditions for their conversion into property, plant and equipment. Accordingly, property, plant, equipment and projects under construction represented a key audit matter.</p>	<p>We have performed the following procedures regarding existence and valuation of property, plant and equipment and projects under construction balances:</p> <ul style="list-style-type: none"> <li>- Evaluating the design and effectiveness of internal control procedures over the accounting cycle for property, plant and equipment and projects under construction. We assessed the adequacy of the capitalization policies and undertook sample-based verification procedures and verified the depreciation policy for the year. We discussed with the management their professional judgment about the nature of items that have been capitalized and the appropriateness of useful lives and related policies in this regard.</li> </ul> <p>Property, plant and equipment, and projects under construction were disclosed in note no. (4) in the consolidated financial statements, and the accounting policy for property, plant and equipment and projects under construction were disclosed in note no. (2) in the consolidated financial statements.</p>
<p><b>Inventory:</b>                      As of December 31, 2020, the inventory balance amounted to SAR 170 million (2019: SAR 147,5 million), which exceeded 48% of total current assets and 7% of total assets (2019: 42% of total current assets and 6% of total assets), and inventory balance included non-finished goods (clinker) with an amount of SAR 56,7 million (2019: SAR 47 million). Clinker stocks are in the form of piles in yards and hangars set up for this purpose. Whereas, determining the weight of this stock is not practically possible.</p>	<p>We have performed the following procedures regarding existence and valuation of inventory balance:</p> <ul style="list-style-type: none"> <li>- Attending the physical inventory count held by the Group and the independent inspection expert.</li> <li>- Obtaining the stock inventory report submitted by the independent inspection expert regarding the stock of raw materials, especially clinker.</li> <li>- Evaluating the design and effectiveness of internal control procedures for the inventory accounting cycle.</li> <li>- Evaluating the appropriateness and adequacy of disclosures related to inventory in the consolidated financial statements.</li> </ul>

**Report on the Audit of the Consolidated Financial Statements (continued)**

Key audit matters (continued)	How the matter was addressed in our audit
<p><b>Inventory (continued):</b>                      The management estimates the available quantities at the year-end by measuring the stock piles and converting the measurements into unit volumes using the stability angle and the quantitative density. To do this, management assigns an independent inspection expert to estimate quantities at the year end.                      In addition, the management calculates the cost of sales and the value of inventory at year end based on costs incurred, quantities produced and the inventory balance at year end. Thus the existence and valuation of inventory and cost of sales are affected by the above mentioned inventory count process at year end.                      With reference to the importance of inventory balance and related valuations and assumptions used, this matter was considered a key audit matter.</p>	<p>- Testing the validity of inventory measurement at cost or net realizable value, whichever is lower.</p>

**Other information included in the annual report for the year ended 31 December 2020**

Other information consists of other information included in the annual report for the year ended 31 December 2020, other than the consolidated financial statements and the auditors' report thereon, which we expect to obtain after the date of this auditor's report. The Company's management is responsible for the other information mentioned in its annual report .

Our opinion on the consolidated financial statements does not cover other information and we do not and will not express any form of assurance conclusion thereon. In our audit of the consolidated financial statements, it is our responsibility to read the information described above. In doing so, we consider whether the other information is not materially consistent with the consolidated financial statements or knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

**Responsibilities of Management and those charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation for the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

**Report on the Audit of the Consolidated Financial Statements (continued)**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 exists related to events or conditions that may cast significant doubt on the Group'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 disclosures in the consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

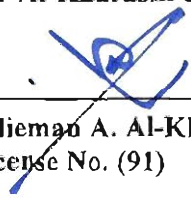
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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.

**Report on Other Legal and Regulatory Requirements**

During our audit of the consolidated financial statements, we did not find the Company's violation of the provisions of the Companies Law or the provisions of the Company's Articles of Association.

For Al-Kharashi Co.

  
Sulieman A. Al-Kharashi  
License No. (91)



Riyadh:  
Shaaban 17,1442H  
March 30, 2021G

216/2021

31/05/2021

19/10/1442

**Independent Limited Assurance Report on personal interest's Board  
of Directors regarding business and contracts related to the Company  
in accordance with provisions of Article (71) of Companies Law**

To the Shareholders  
Al Jouf Cement Company  
Tariff – KSA

**Scope of work:**

We have performed a limited review of attached notification submitted by His Excellency Chairman of Board of Directors of Al Jouf Cement Company (the "Company") to the Ordinary General Assembly on business and contracts in which one of Board of Directors' member has a direct or indirect personal interest in it. The management of Company is responsible for preparing this attached notification. We have performed our limited review in accordance with International Standard on Auditing No. 3000 (assurance engagements other than examination or review of historical financial information) approved by Saudi Organization for Chartered and Professional Accountants (SOCPA).

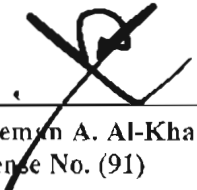
We are independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our review included procedures to obtain reasonable assurance that enable us to give a conclusion from the limited review we performed.

The limited review is significantly lower in scope than the audit to express an opinion on attached notification submitted by His Excellency Chairman of Board of Directors of the Company to the Ordinary General Assembly on business and contracts in which one of Board of Directors' member has a direct or indirect interest in it. Accordingly, we do not issue such an opinion.

**Conclusion:**

Based on procedures, we have performed and evidence obtained, and with exception of what is indicated and disclosed in attached notification submitted by His Excellency Chairman of Board of Directors, nothing has come to our attention that makes us believe that any of Board of Directors' members of Al Jouf Cement Company has a personal interest in business and contracts that was made for the Company's account during the year ended December 31, 2020.

**For Al-Kharashi Co.**

---

**Sulieman A. Al-Kharashi**  
License No. (91)

Gentlemen / shareholders of Al-Jouf Cement Company, Respected  
Peace, mercy and blessings of God ,,,,

Statement of transactions with companies related to the gentlemen of the Board of Directors:

With reference to the above subject, we present to your Excellency the following a statement of the transactions that took place between Al-Jouf Cement Company (the company) and the companies related to the members of the Board of Directors of the company during the year ending on December 31, 2020 AD, in accordance with the provisions of Article 71 of the Saudi Companies Law and what is required by the Regulation Corporate governance regarding clarifying conflicts of interest for members of the Board of Directors:

Company	The Nature of the relationship	The nature of the transactions	The volume of transactions	Real statement
Jahez Al-Jouf Company - a limited liability company - under construction	Subsidiary	Cement transfer	0	The company is under construction
Saudi Marsh Insurance Company	Member of the Board of Directors	An insurance broker	0	An intermediary between Al-Jouf Cement Company and other insurance companies, and it obtains its fees from the company that is contracted with, and the member of the Board of Directors Mr. / Abdullah Kaaki, may God have mercy on him, held the position of Chairman of the Board of Directors in it
Sky High Contracting Company	Member of the Board of Directors	Assigning cleaning and operating works	428,231	The contract with Sky High Contracting Company ended at the end of February 2020, and the member of the Board of Directors is Mr. Faisal Al-Khouli as its General Manager.

Eastern Industrial Company - a Saudi closed joint stock company	Sister company	finance	1,404,258	Al-Jouf Cement Company owns 10% of the Eastern Petrochemical Company, at an amount of 46 million riyals, and the share of Al-Jouf Cement Company in financing Bank Al-Jazira for the Eastern Company and its benefits up to the date of the lists amounted to 41.3 million riyals, and there is no representation of any of the members of the Board of Directors of Al-Jouf Cement Company in it.
---	----------------	---------	-----------	--

Chairman

Eng: Mohammed Saeed Attiah

