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أسمنت حائل

Hail Cement

# Annual Report



**2020**

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新刊



Engineer  
Ali Othman Alzaid  
Chairman



Mr.  
Abdul Wahab Al Mutawa  
Board Member



Mr.  
Jihad AbdulAziz Al Rasheed  
Board Member



Engineer  
Gasem Slaih AlShaikh  
Vice Chairman



Mr.  
Othman Mohamed Befagih  
Board Member



Mr.  
Abdul Malik Al Rajhi  
Board Member



Mr.  
Khaled Ali AlSaif  
Board Member





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## Overview

The year 2020 witnessed the success of Hail Cement and its ability to address the challenges and economic changes. Hail Cement managed to compete and document its leading position by providing high quality and sustainable products, despite the Corona pandemic, which sectors and companies have suffered unexpectedly.

### Environment, Health, Safety, Security and Quality:

- One million riyals to support the Health Endowment Fund in its efforts to combat the Corona pandemic.
- Improving procedures and handling of hazardous waste.
- Activating the equipment for containing emissions and dust from the stores.
- (Safety Report Program) via the ERP System.
- Enhancing safety-focused communication through the implementation of (discussion panels).
- (Zero) hours of disabling injuries.
- 2.3 million Working hours without injury.

### Operational Efficiency:

- Update and upgrade the resource management system to (SAP S / 4HANA).
- Production of 1,929,801 tons of clinker.
- Production of 1,639,965 tons of cement.

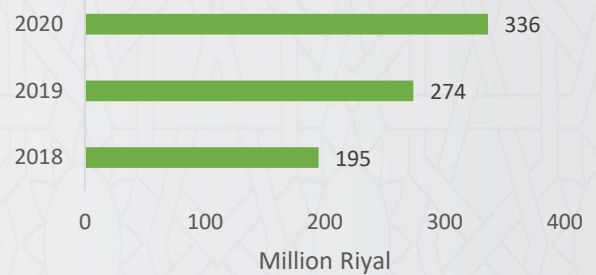
### Human capital:

- Saudization rate is close to 60%.
- The total number of employees is 424 employees.
- 5,328 training hours.
- The labor turnover rate is 6%.
- Approving the career development program.

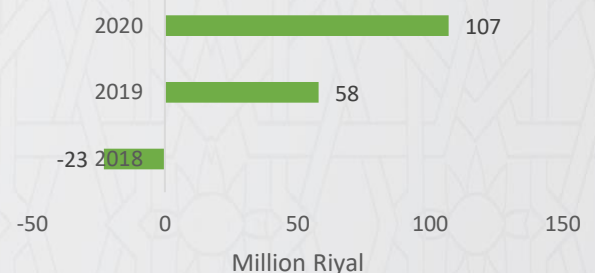
### Financial performance:

- Total net profits increased by 84% compared to 2019.
- Sales volume increased by 23% compared to 2019.
- Paying the remainder of the Saudi Industrial Development Fund loan (152) million Saudi riyals.

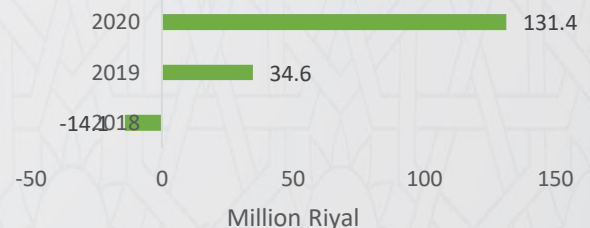
### Revenues



### Net Income



### Retained earnings (accumulated losses)





## Our products:

### Ordinary cement 50 kg - 20 kg

Ordinary cement is used for constructions such as foundations, columns, concrete bridges, castings for tiles, floors, and all applications that do not require a special type of cement.

### Resistant cement

Resistant cement is used for sewage treatment plants, drainage channels, and for sites where the soil contains high amounts of sulfates and subsoil structures.

### Finishing Cement

Finishing cement is used for plaster and finishing works, floor lining before tiling and block installation during construction

## Hail Cement Facilities:

### Head Office

Hail - The Second Industrial Area

### The factory

Hail Cement Factory is located 220 km east of Hail near the Area of Turbah:

- The production design capacity is 5000 tons of clinker per day.
- The actual production capacity is 6000 tons per day.
- Cement grinding capacity is 7700 tons per day.
- Packing capacity is 8000 tons per day.

### Cement storage and distribution station

The cement storage and distribution station is located in Hail, in the industrial city, next to the main headquarters of the company:

- The total absorptive capacity is 6000 tons.
- The discharge rate of one silo is 180 tons per hour.



## Board message

Hail Cement Board of Directors is pleased to present in this report the results of the fiscal year ending on December 31, 2020, coinciding with the exceptional events and challenges of the Corona pandemic, which did not prevent us - after God's grace - from moving forward in order to achieve Hail Cement's goals and ambitious aspirations.

Despite the challenges of 2020, we are blessed in the Kingdom of Saudi Arabia with a wise leadership that chose Human First and led the stage in order to confront the crisis at the highest standards of risk management which placed Saudi Arabia in the ranks of the advanced countries in facing the pandemic, saving lives and responding to it, and it had the effect that Saudi Arabia became one of 6 destinations Safe to travel during the Corona pandemic - according to the government communication center.

We do not forget the unlimited support of our wise leadership - may God protect them - for all the pillars of the Saudi economy, especially the industrial sector in general and the cement sector in particular, represented by the support centers and plans to stimulate the private sector in order to enhance the strength and stability of our economy despite the challenges.

In conclusion, we extend our sincere thanks and appreciation to everyone who contributed with us and shared their confidence and support in bringing Hail Cement to its excellence and achievements, and we present this report, which coincides with the tenth anniversary of the establishment of Hail Cement, in line with an exceptional year at all levels. We are also committed to continuous efforts and continuous development in order to meet the aspirations of all parties related to this great edifice.

**God grants success,**





## CEO message

I am pleased to present to you this message, on my own behalf and on behalf of Hail Cement's employees, to present this report that summarizes the outcome of continuous efforts and continuous dealing with challenges and achievements during the year 2020, which corresponds to the tenth anniversary of the founding of Hail Cement, which is exceptional at all levels.

There is no doubt that the Corona pandemic is an exceptional and unexpected crisis, but we had the support of our rational government, which made a great sacrifice in order to preserve the safety of "Human First". We are proud of Hail Cement for its achievements that reflect the optimal handling of the crisis within a systematic framework based on the principle of risk management in several stages focused on the principle of preserving the safety of life and property by applying the best global practices for environment, health, safety, security and quality, with preserving our commitments to our customers, we continued to meet market demand with all effectiveness.

During the year 2020, Hail Cement succeeded in achieving net profits of 107.3 million riyals, an increase of 84% over the year 2019, and total sales of 336.3 million riyals, an increase of 23% over the year 2019. The year 2020 witnessed also the transformation of Hail Digital Cement towards a completely new generation of SAP S / 4HANA resource management systems, in a step that is considered the first at the level of Saudi cement companies.

I extend my sincere thanks and appreciation to the members of the Board of Directors for their constant guidance and continuous support towards concerted efforts to achieve these exceptional achievements. I also extend my thanks and gratitude to my colleagues in Hail Cement for this honorable performance, which contributed to fulfilling the promise of Hail Cement to all relevant parties during the year 2020 despite the challenges.

**God grants success,**



Engineer  
Khaled Abdel Aziz Al-Ahmad  
CEO





## 1. About Hail Cement Company

### 1.1 Activity:

Hail Cement company was established pursuant to Ministerial Resolution No. 384 / k dated 24<sup>th</sup> Dhu al-Hijjah 1431 H (2010), which targeted an investment in the cement industry of all kinds and derivatives, in accordance with the highest Saudi and international standard specifications.

### 1.2 Affiliates:

There are no affiliated companies.



### 1.3 Vision

To be the most efficient cement company at the regional level.



### 1.4 Mission

To produce Cement by state of art technology with qualified man power at competitive prices to meet the local and regional demand.



### 1.5 Values

- Reliability.
- Commitment.
- Creativity.
- Transparency.
- Work as one team.



### 1.6 Policy:

Hail Cement believes in basic principles that major industrial business cannot drop or achieve goals, growth and development without adhering to them, and these principles include:

- Adherence to standard practices with health, safety and environmental regulations and standards, keeping abreast of any developments and updates at the local and global levels, and making continuous improvement and development.
- Applying a high level of investment in human resources, attracting qualified cadres, and working on sustainable development, training, motivation policy, and spreading team work culture.
- Commitment to the highest standards of product quality and the quality of technical and administrative practices of the company's operations and activities, and seeks in this way to attract expertise and initiatives that support this trend.
- Adherence to the legal framework and all governance controls, references and legal documents, and works on all recommended means to maintain the quality of statutory performance.
- Adherence to the principle of transparency and building bridges of communication with investors and success partners in a way that preserves their rights to participate in supporting the company's march towards better horizons.
- Maintaining a balanced relationship with customers, suppliers and stakeholders, preserving everyone's rights and improving work methods.

### 1.7 Future Outlook:

According to Hail Cement's readings of the cement industry, the sector faces the challenges of supply and demand, but demand is expected to improve by approximately 2% in 2020 compared to last year.

### 1.8 Strategy:

Hail Cement adopts a strategy that aims to be one of the most efficient cement companies on the regional level. It is based on five pillars:







## 2. Sustainability and social responsibility

### 2.1 Safety, Health and Environment

Hail Cement has been keen since its inception to preserve the surrounding environment in line with the policies and strategies of the regulatory and supervisory authorities on the best international standards and practices. In line with the role assigned to it towards its obligations to safety, health and the environment, Hail Cement has developed a detailed policy that includes a mechanism for implementing the related tasks in addition to forming high committees and sub-committees for all departments specialized in safety, health and the environment.

In terms of promoting this culture among all Hail cement employees, it has established a periodic system for training and awareness of all aspects of occupational safety and health. Hail Cement also follows a communication mechanism that ensures the participation of all the employees of the system with regard to safety, health and the environment through reporting via the window designated for this within the resource management system in Hail Cement Company. Hail Cement's efforts in 2020 have focused largely on combating the Corona pandemic and the consequences thereof of applying precautionary measures to ensure the safety and protection of all relevant parties.

#### **Safety:**

- (Zero) hours of disabling injuries
- 2,689 safety training hours.
- 281 audits were carried out.
- (Safety Report) Program.
- Implementation of “ STOP” program.
- (discussion seminars) Initiative.

#### **Health:**

Hail Cement company attaches great importance to raising awareness of occupational health through many initiatives to overcome this hard time in which we are dealing with the unprecedented impact of the Corona pandemic.

- Annual medical examination for employees.
- Influenza vaccination program.
- The precautionary examination program for employees returning from foreign leave.
- Precautionary measures to combat the Corona pandemic.

#### **Environment:**

- Enhancing vegetation and green areas.
- Improving procedures and handling of hazardous waste.
- Activating the equipment for containing emissions and dust from the stores (ENVEX).
- Implementing 13 cleaning initiatives for different sites inside and outside the factory in the surrounding area, in addition to the main management area.



## 2.2 Social Responsibility

Hail Cement Strategy for Social Responsibility adopted the scientific methodology to accept initiatives and programs in line with specific pathways that guarantee the sustainable impact of serving the local community.

(Inserting the infographic of the main pathways + description for each path)

Hail Cement Initiatives for Social Responsibility during 2020	
The initiative	Pathway
A preventive awareness campaign in the fight against the Corona pandemic	Health and quality of Life
Supporting the Health Endowment Fund	
One Body Initiative	
Pink Hail campaign	
Sponsoring the International Civil Defense Day in Hail	Community awareness
Sponsoring the second volunteer forum in Hail region	
Sponsoring the first and second Tuwaiq programmatic camp for youth	Creativity and Innovation
Charitable building	Charitable building





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### 3. Summary of operating performance

#### 3.1 Hail Cement Products:

##### Ordinary Cement OPC:

It is considered the most widespread type of cement around the world due to its toughness and durability as it is compatible with all uses that do not require specific specifications, and ordinary Portland cement is produced in compliance with the Gulf specifications and standards and Saudi Arabia No. SASO.GSO 1914 (type-I) / 2009

##### The uses

Construction works such as foundations, columns and concrete bridges.

Casting for tiles, floors, concrete slabs and rails.

All applications that do not require a special type of cement.

##### Features

Resistance to compressive power and cracks.

Rapidly gaining strength

##### Properties

Primary doubt time	130 minimum limit	Minutes
Final doubt time	300 maximum limit	
Pressure power after 7 days	30 Minimum limit	MPa
Pressure power after 28 days	41 minimum limit	

##### Use prohibitions

It is not used in concrete works exposed to sea water or the environment that contain sulfate salts.

Hail Cement is not responsible for misuse.





### **SRC Resistant Cement:**

This type of cement is produced according to the Gulf and Saudi Arabian standards and specifications No. SASO.GSO 1914 (type-V) / 2009

Where this product is distinguished from other types of cement by its resistance to sulfate salts.

### **Uses**

Sewage treatment plants and sewage canals.

Sites where soil contains high amounts of sulfate.

Underground structures such as underground water tanks and foundations.

### **Features**

High resistance to sulfate reaction, which leads to durability of structures made of it, even in difficult environments.

It increases the corrosion resistance of rebar.

Less soluble.

### **Properties**

Primary doubt time	140 minimum limit	Minutes
Final doubt time	300 maximum limit	
Pressure power after 7 days	26 Minimum limit	MPa
Pressure power after 28 days	38 minimum limit	

### **Use prohibitions**

Hail Cement is not responsible for misuse.



### Finishing Cement:

Finishing cement is produced according to the Gulf and Saudi specifications and standards No. 2018 SASO-ASTM-C91M /

#### Uses

Plaster works  
Finishing  
Liner for floors before tiling  
Block installation during construction

#### Features

Less rupture and cracking due to the flexibility and regularity of time between moisturizing and drying  
It gives a larger amount per square meter than other cement products  
Ease of work with paints and pastes.

#### Properties

Primary doubt time	130 minimum limit	Minutes
Final doubt time	300 maximum limit	
Pressure power after 7 days	11 Minimum limit	MPa
Pressure power after 28 days	18 minimum limit	

#### Use prohibitions

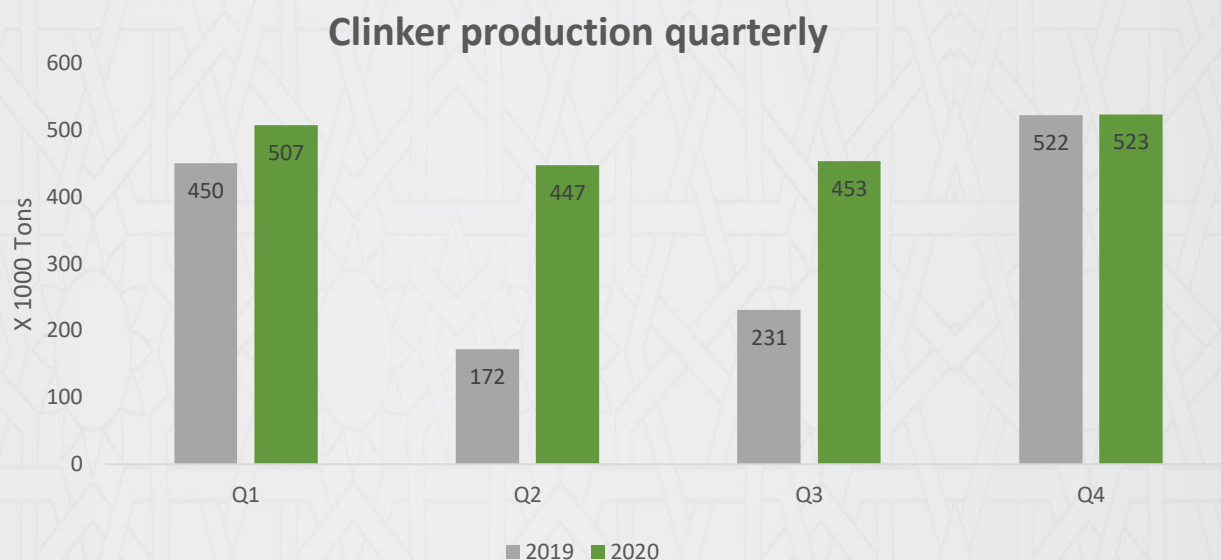
This product is prohibited for use in concrete structures  
Hail Cement is not responsible for misuse



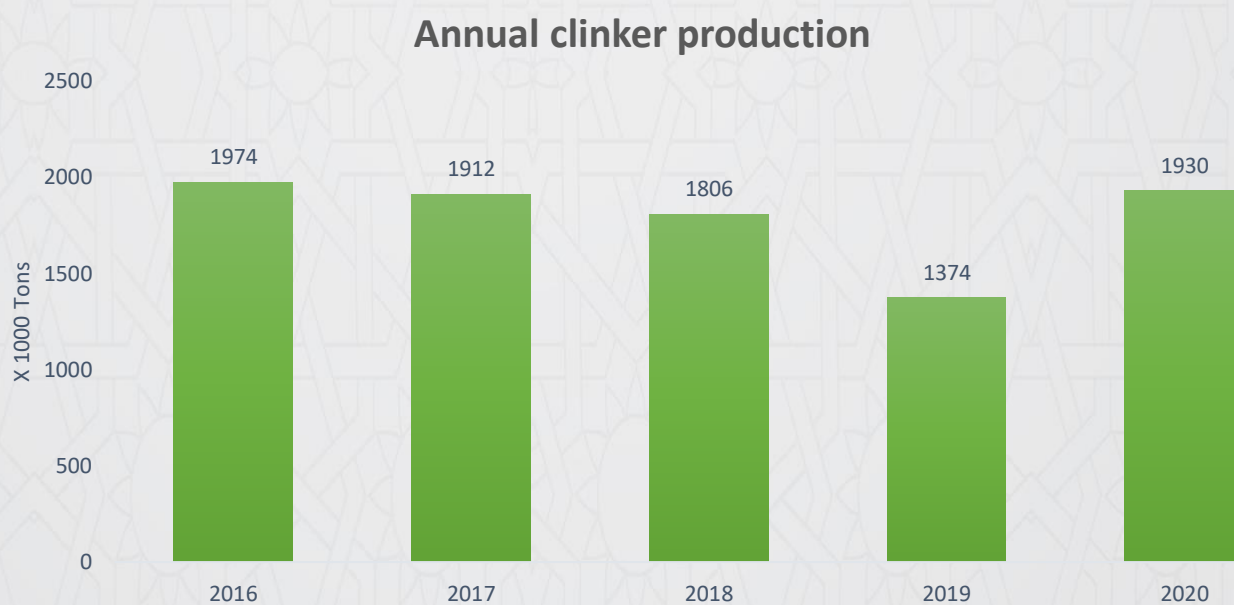


### 2.3 Clinker production

Hail cement production of clinker for the year 2020 increased to 1,929,801 tons, compared to 1,374,432 tons for the year 2019 (40%), and the following chart shows a comparison of clinker production for the years 2020 and 2019 on a quarterly basis



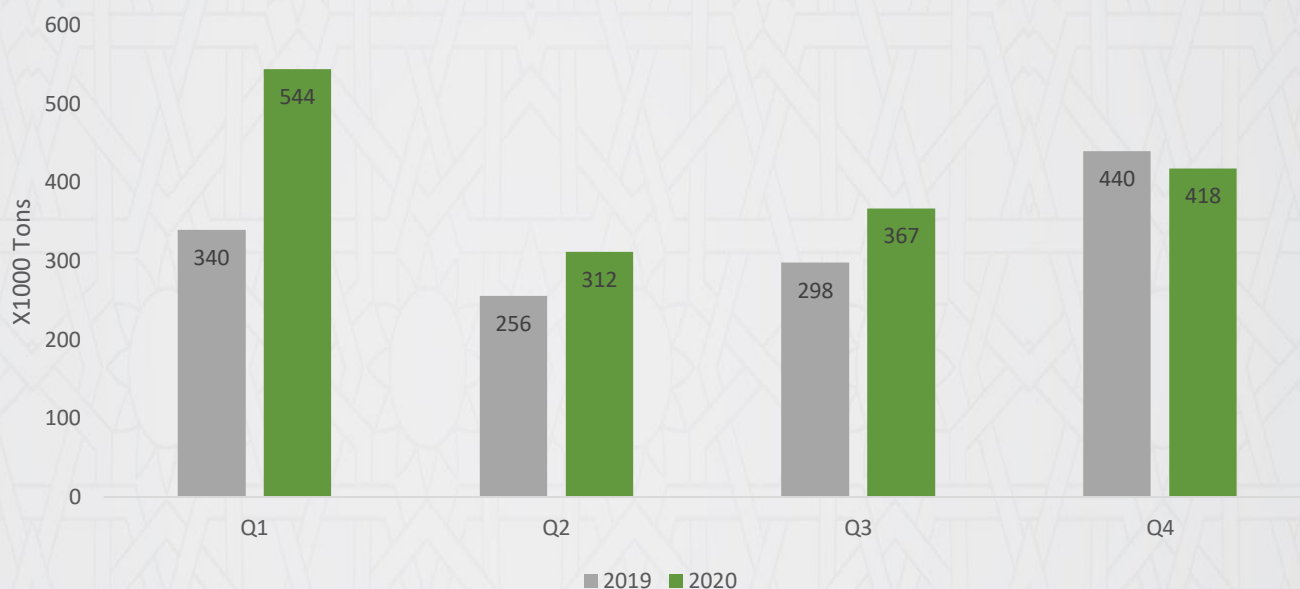
The following chart shows the volume of clinker production (on an annual basis) during the last five years



### 3.3 Cement production

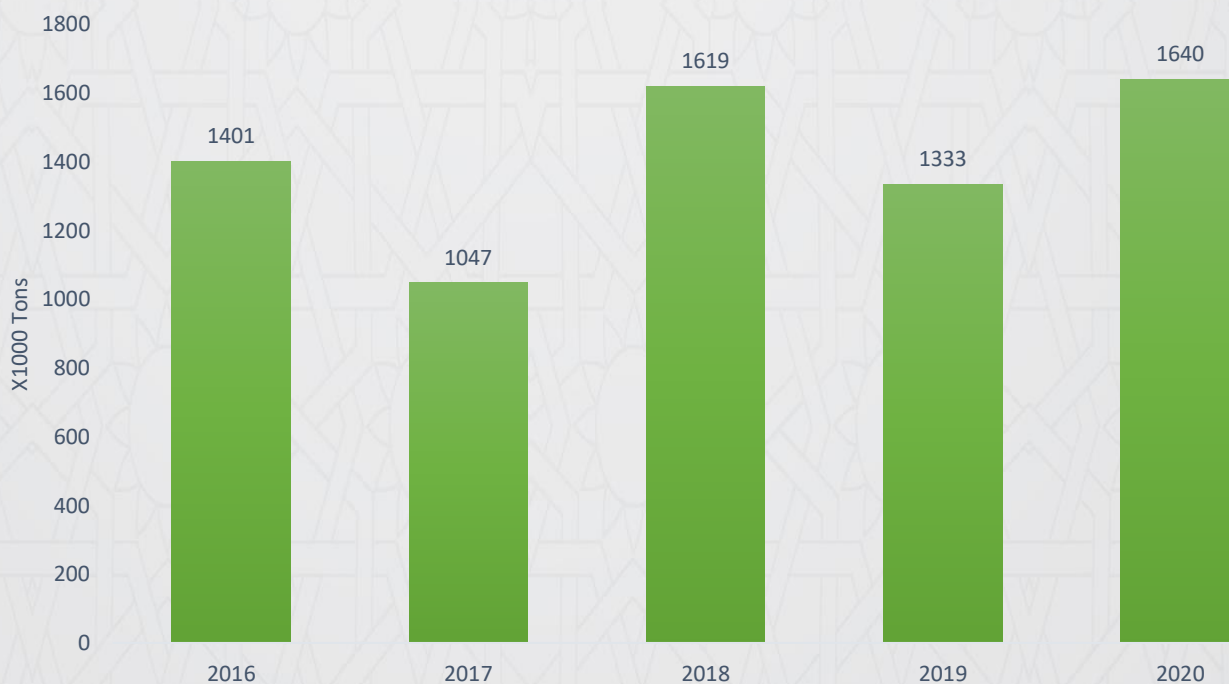
Cement production in Hail Cement Company increased for the year 2020 to 1,639,965 tons, compared to 1,332,888 tons for the year 2019 (23%), and the following chart shows a comparison of cement production for the years 2020 and 2019 on a quarterly basis

**Cement Production quarterly**



The following chart shows the volume of cement production (on an annual basis) during the last five years

**Annual Cement Production**

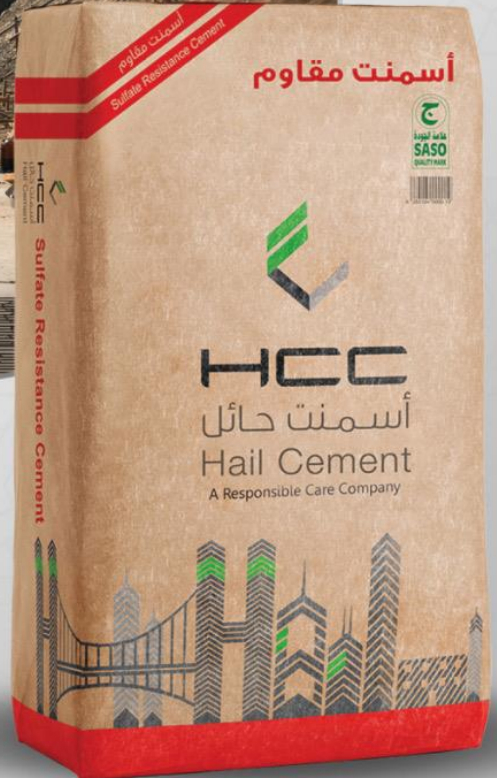






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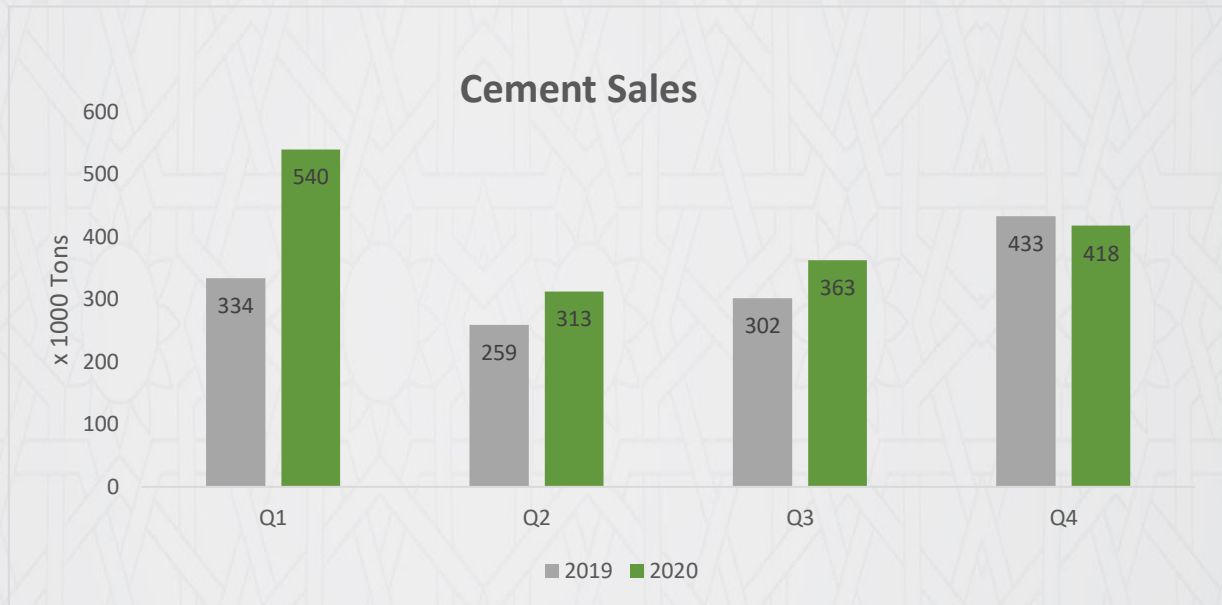


## 4. Summary of financial performance

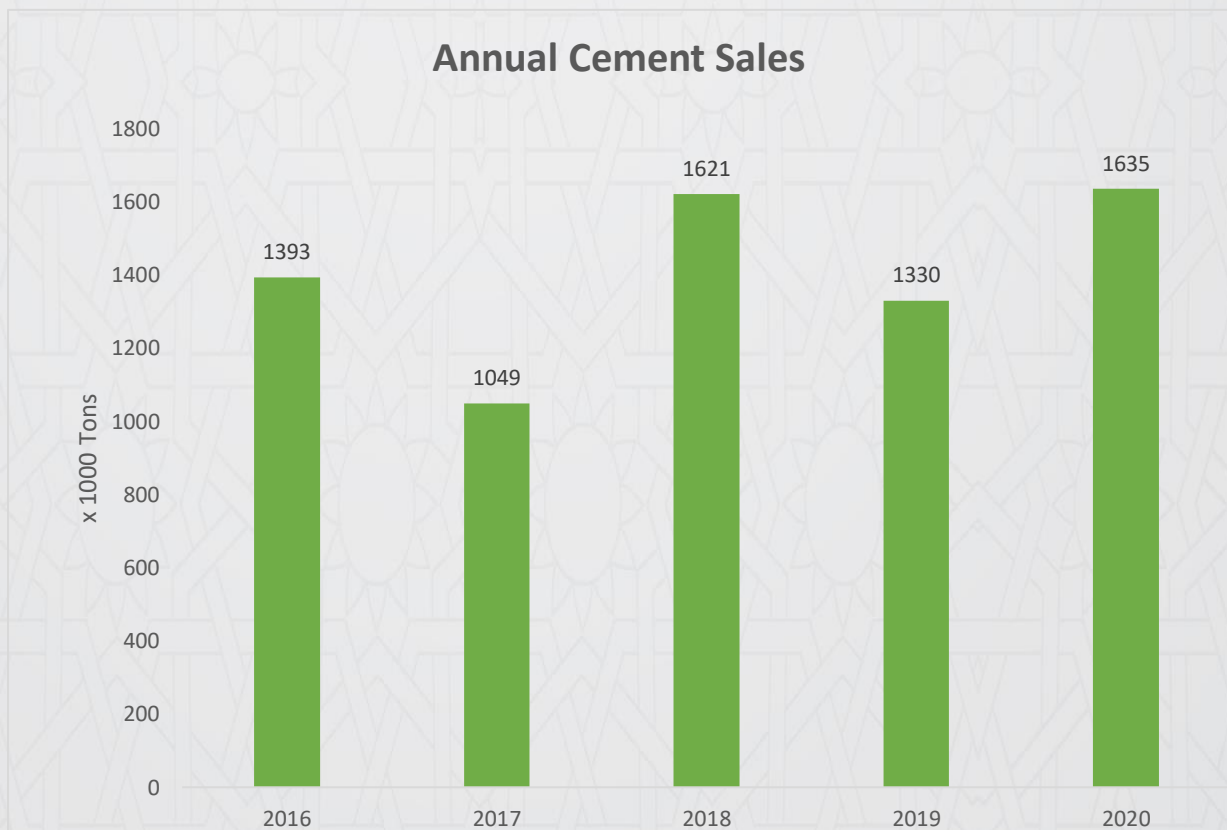
### 4.1 Sales:

#### Cement sales

Hail cement sales of cement for the year 2020 recorded a value of 1,636,076 tons, compared to 1,330,131 tons for the year 2019 (23%), and the following chart shows a comparison of cement sales for the years 2020 and 2019 on a quarterly basis



The following graph shows the volume of cement sales (on an annual basis) during the last five years





## Clinker sales

Hail Cement began selling clinker as of the third quarter of the fiscal year 2019, and the following chart shows the clinker sales for 2020 and 2019.



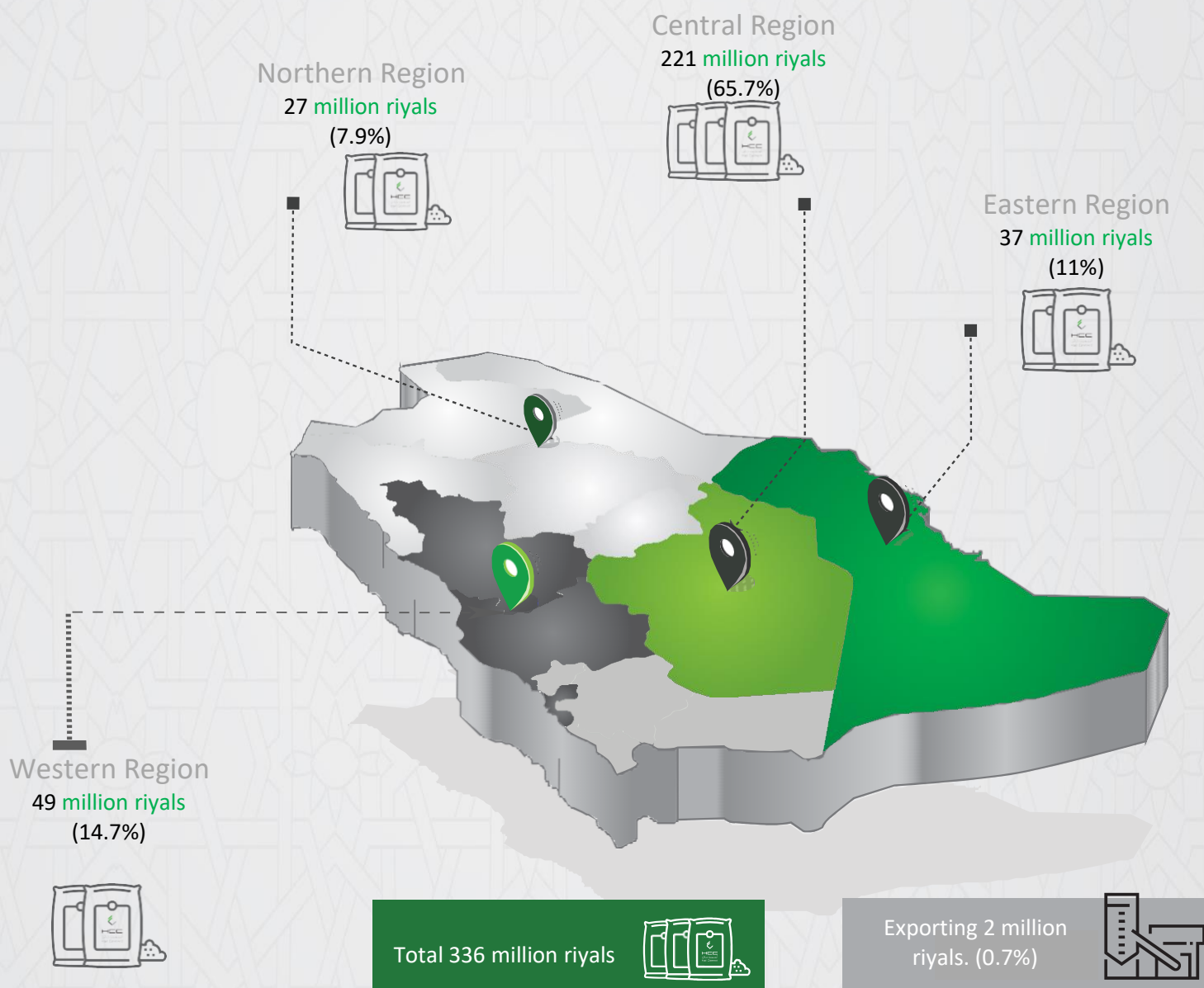
## Clinker stock

The following chart shows the size of the clinker stock at the end of each quarter of the years 2020 and 2019.



## 4.2 Geographical analysis:

Hail cement revenues are mainly focused on the central region. The following is a breakdown of Hail cement revenues for the year 2020:



## 4.3 Net Profits and earnings per share:

Hail Cement achieved net profits of 107,270,621 riyals by the end of 2020, compared to profits of 59,221,131 riyals recorded by Hail Cement during the year 2019, as the following table shows.

Statement	2020	2019
Net Profit (SAR)	107.270.621	59.221.131
Shares Count	97.900.000	97.900.000
Share profit (SAR/Share)	1.1	0.59

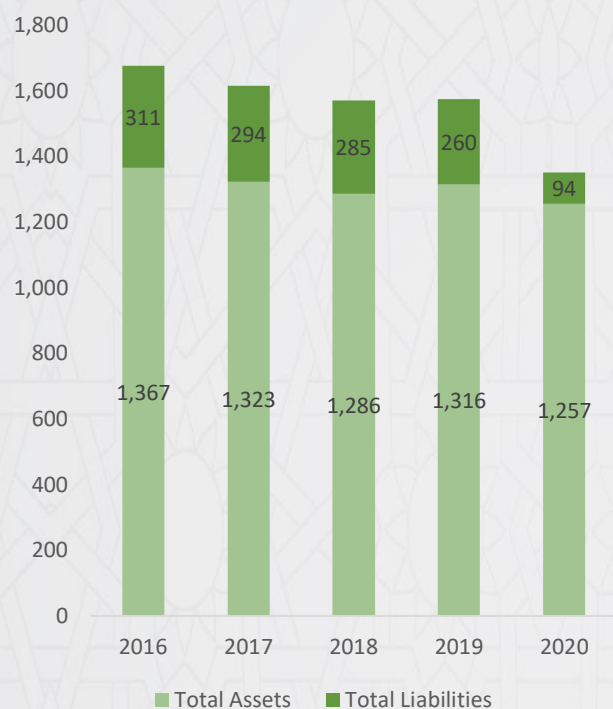
The reason for the increase in net profits for the current fiscal year compared to the previous fiscal year is due to higher revenues and the decrease in some expenses.



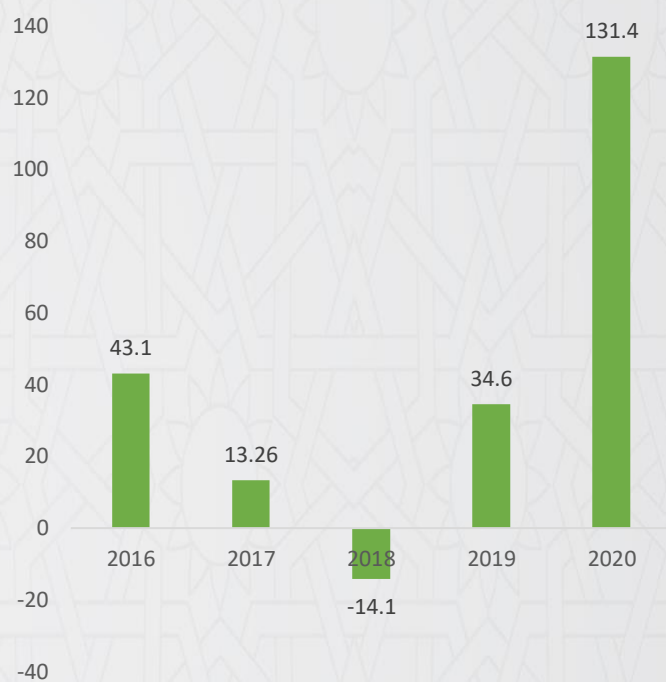
#### 4.4 Five-year financial position list:

Financial Position Summary	2020	2019	2018	2017	2016
	Million Riyal	Million Riyal	Million Riyal	Million Riyal	Million Riyal
Total current assets	494.5	491.5	410	388.9	398.3
Total non-current assets	762.4	824.6	875.6	933.6	969
Total assets	1.256.9	1.316.1	1.285.6	1.322.5	1.367.4
Total current liabilities	62.9	88	98.6	82	75.9
long term loans	0	143.6	175.5	203.4	227.3
Employee benefit obligations	16.9	14.4	10.8	8.9	7.6
Total non-current liabilities	30.6	172	186.3	212.3	235
Total liabilities	93.6	260.1	284.9	294.4	311
capital	979	979	979	979	979
Statutory reserve	52.5	41.8	35.8	35.8	34.3
Retained earnings (accumulated losses)	131.4	34.6	(14.1)	13.26	43.1
Total equity	1.163.3	1.056	1.000.7	1.028.1	1.056.4
Total liabilities and shareholder equity	1.256.9	1.316.1	1.285.6	1.322.5	1.367.4

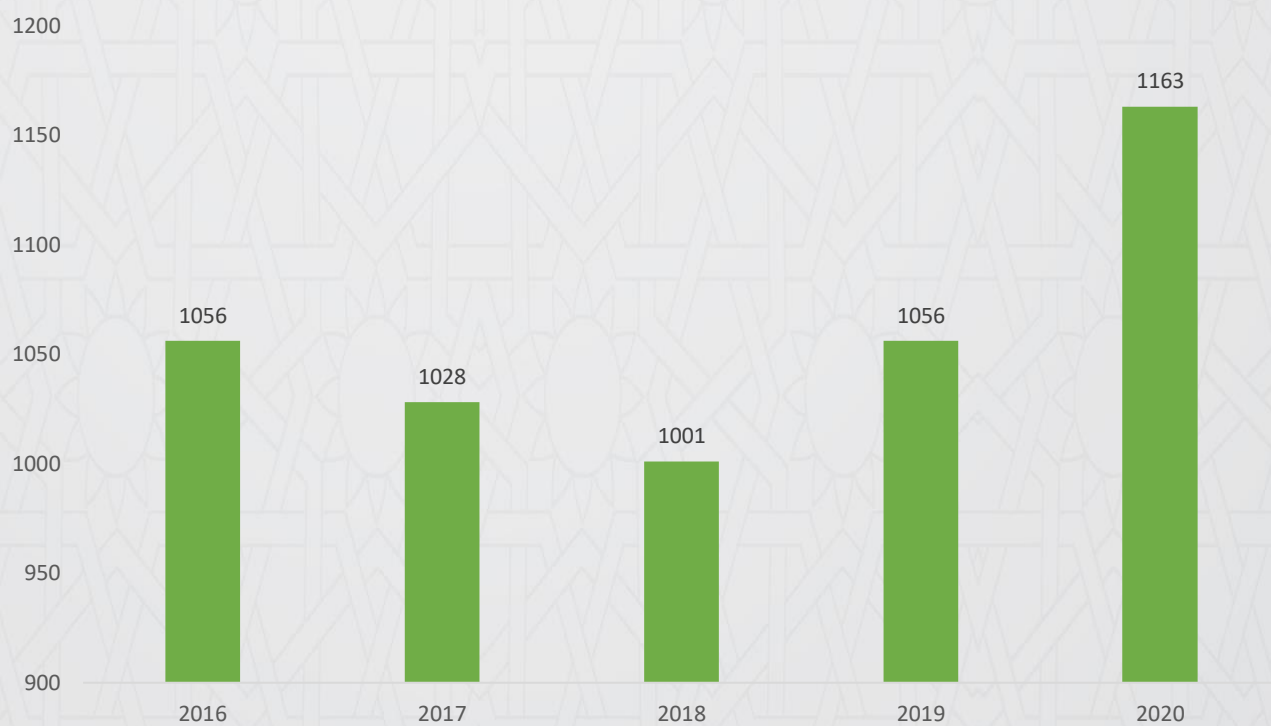
### Liabilities and Assets



### Retained earnings - accumulated losses



### Total equity

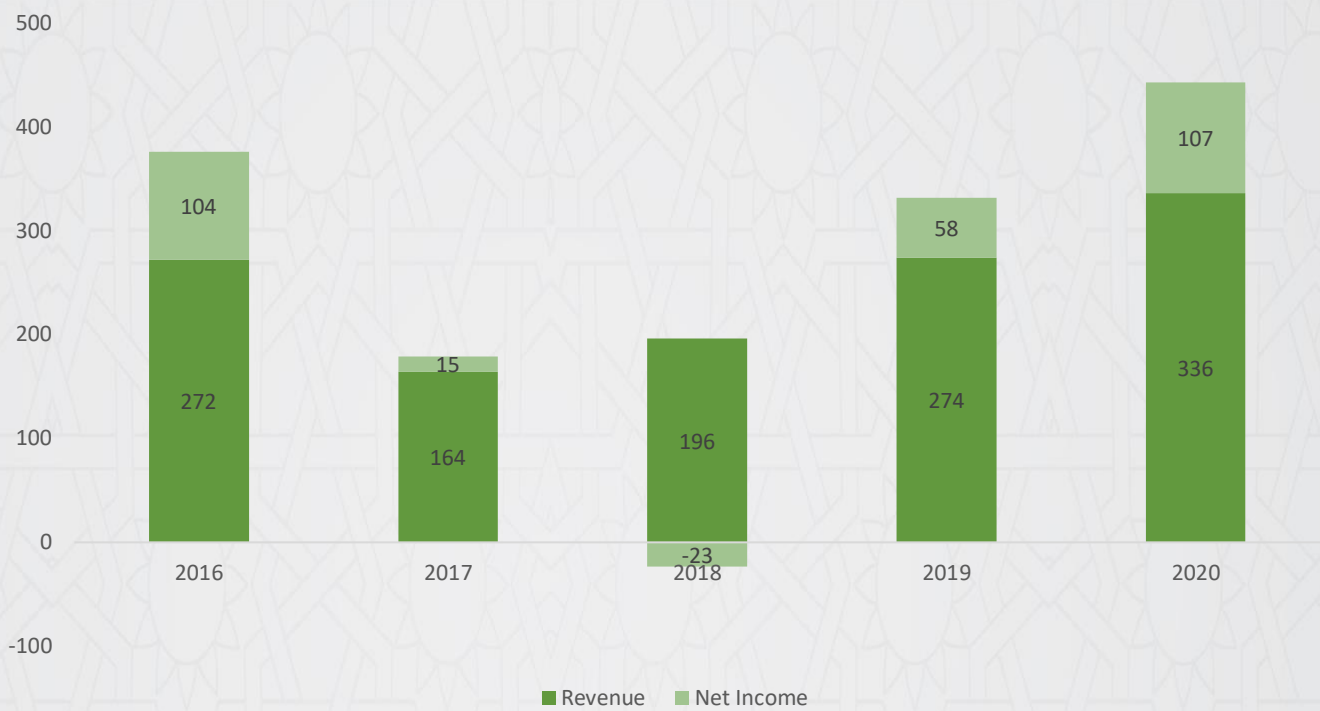




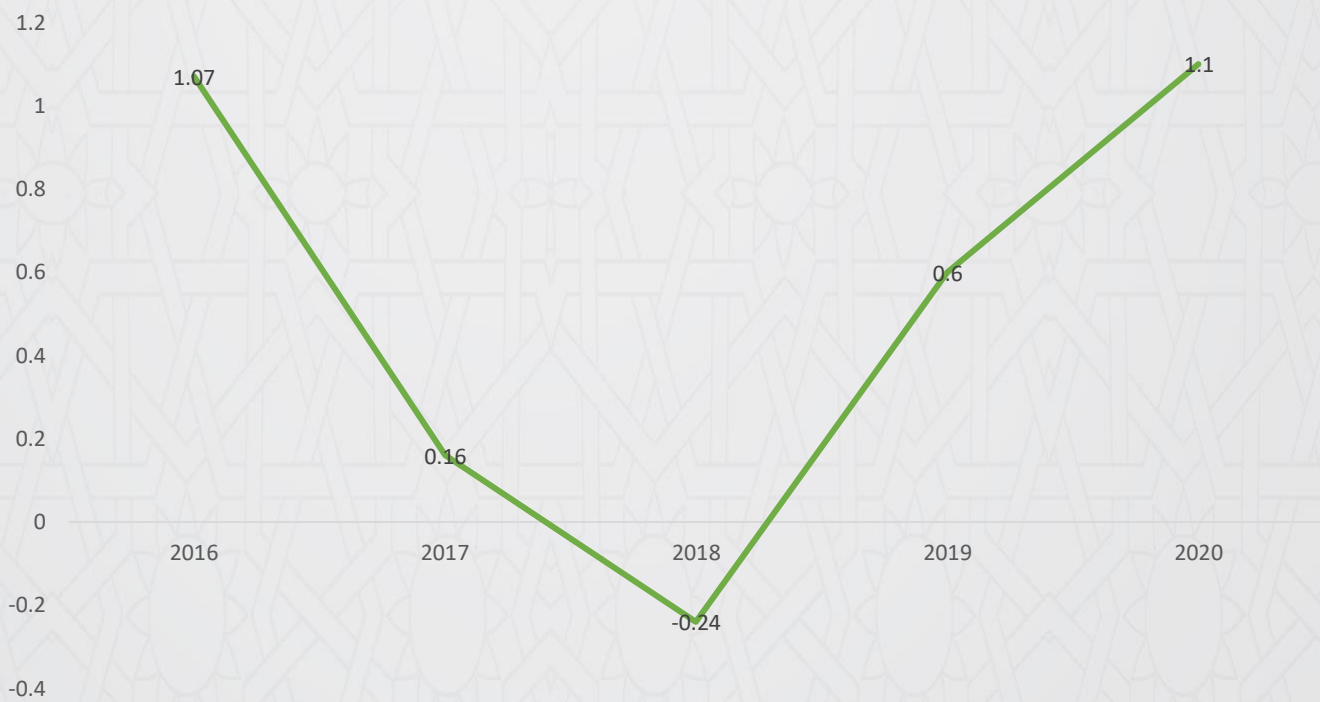
#### 4.5 Five-year income statement:

Income Statement Summary	2020	2019	2018	2017	2016
	Million Riyal	Million Riyal	Million Riyal	Million Riyal	Million Riyal
Revenues	336.3	274.4	195.9	164.5	272.1
Cost of revenue	(188.2)	(182.9)	(184.1)	(113.7)	(136.8)
Gross income	148.1	91.4	11.8	50.7	135.2
Selling and distributing	(2.8)	(2.3)	(3.3)	(4.5)	(4.3)
Administrative expenses	(17.4)	(16.7)	(22.8)	(22)	(24.9)
provision for doubtful debts	(1.4)	(2.9)	(2.6)	-	-
Operations income	126.4	69.5	(17.9)	24.2	105.9
Income from term deposits	2.9	2.5	1.6	2	4
Other income	0.63	0.28	0.17	0.68	0.43
profits from change in fair value of investments at fair value through profit or loss	3.04	4.02	3.4	0.11	1.7
Zakat and taxes	(10.5)	(10.05)	(8)	(7.2)	(8.5)
net income	107.3	58.2	(23.5)	15.5	104.5
Average number of shares (Million)	979.9	97.9	97.9	97.9	97.9
Share Earning	1.1	0.59	(0.24)	0.16	1.07

## Revenue and Net Income



## share Earning





#### 4.6 Explaining the differences in operating results:

The reason for the increase in operating profit during the year 2020 compared to 2019 is due to the improvement in the quantities sold during the year, which positively affected the increase in revenues.

Operating results 2020 SAR	Operating results 2019 SAR
126.450.405	69.513.129

#### 4.7 Clarify the difference from the accounting standards:

The financial statements of Hail Cement for the fiscal year ending on December 31, 2020 were prepared in accordance with International Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia.

Hail Cement is committed to applying the accounting standards issued by the Saudi Organization for Certified Public Accountants, and there is no deviation in the application of those standards, and there are no material observations or reservations by the auditors on the quarterly and annual financial statements of Hail Cement during the fiscal year 2020. The Board of Directors is obligated to provide the Capital Market Authority with any additional information it requires in the event the auditor expresses any reservations about the annual financial statements.

#### 4.8 Long-term loans:

Hail Cement has paid the remaining amount of the Saudi Industrial Development Fund loan, amounting to SAR 152 million, on December 17, 2020, and the following table shows the details of the loan repayment movement.

S	Name of the grantor of the loan	The principal amount of the loan	The term of the loan	The amounts paid in advance of the loan during the year	The remaining amount of the loan	The total indebtedness of Hail Cement and its subsidiaries
1	Saudi Industrial Development Fund	300 Million	10 years	152 Million	0	0

#### 4.9 Statutory Payments:

The entity	Paid during the year (SAR)	Due at the end of the year (SAR)	Its causes statement
Zakat	10.304.271	10.580.217	Hail Cement is subject to zakat and income regulations in the Kingdom of Saudi Arabia, and zakat provision is calculated based on the Zakat base or the adjusted net profit, whichever is greater.
customs fees	573.606	---	Hail Cement is subject to customs regulations and the due customs value shall be paid in advance upon entry of any equipment or materials imported by Hail Cement.
Visa fees	15.000	---	A regulatory requirement for obtaining entry or exit for Hail Cement employees.
Quarrying fees	9.547.380	11.542.351	The fees for the rent of the land and the exploitation of the quarries of raw materials are paid after the end of each calendar year, according to the mining investment system in the Kingdom.
Social insurance contributions	5.086.207	----	Hail Cement employees are subject to the social insurance system and contributions are paid on an accrual basis.
Fees for renewal of residence permits and work licenses	326.257	----	Non-Saudi employees of Hail Cement are subject to the Kingdom's residency regulations, and issuance and renewal fees are paid.

#### 4.10 Value added tax:

Hail Cement has paid the amounts due on it according to the tax returns, at only 26,141,891 Saudi riyals.

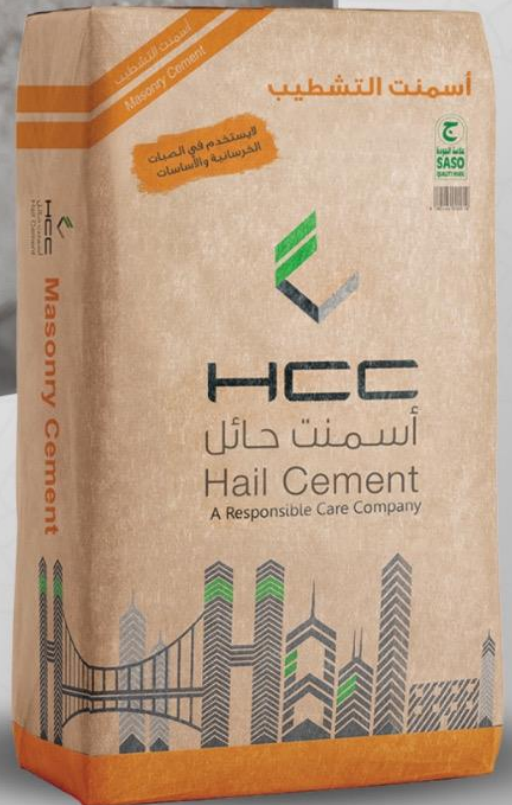
#### 4.11 Sanctions and penalties imposed on Hail Cement:

1. Hail Cement received a notification from the Capital Market Authority that it violated the third paragraph of Article 76 of the Companies Law related to the remuneration of members of the Board of Directors by exceeding the permissible limit for members' remuneration for the year 2017, and Hail Cement Company has taken the required corrective action according to the rules and regulations.
2. Hail Cement received a delay fine on the surface rent bill on the raw materials quarry license for the year 2020, amounting to 94 thousand riyals, and Hail Cement has taken the required corrective action according to the rules and regulations.





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## 5. Risks and how to deal with them

### 5.1 Risk Management:

Hail Cement Company works - to establish a risk committee - to protect the interests of its customers, employees and all parties related to its business, enabling it to manage potential risks in a way that enhances its strategy to make it (the most efficient cement company at the regional level). The risk management aims to identify assets and proactively monitor the risks it faces, understanding them, evaluating the extent of their impact on performance and taking preventive measures to control them, while at the same time intensifying efforts to seize opportunities to achieve strategic goals.

### 5.2 Why is Hail Cement interested in the risk management process?

- Tightening control and controlling the risks surrounding Hail Cement's activities and business.
- Determine the specific treatment for each type of risk.
- Work to reduce losses and accept them to a minimum.
- Providing appropriate confidence to all stakeholders in Hail Cement, especially shareholders, creditors, customers and suppliers, in order to protect the ability to generate profits despite any incidental losses that may lead to diminishing profits or not achieving them.

### 5.3 Nature of risks and Hail Cement policy in dealing with them:

#### Liquidity risk:

Liquidity risk is the risk that Hail Cement will encounter difficulty in collecting funds to meet commitments associated with financial instruments. Hail Cement also manages liquidity risk by ensuring that bank facilities are available. In addition to the terms of Hail Cement sales, which require payment of amounts within 30 to 60 days from the date of sale. This leads to the payment of accounts payable within 30 to 60 days from the date of purchase.

#### Risks of increasing fuel price:

In the event of an increase in fuel prices, this is expected to affect the increase in production and transportation costs, and this directly affects the profitability of Hail Cement.

#### Risks of oversupply:

There is an excess in the quantity of cement offered in the market due to the increase in production capacity and the decrease in demand, and this leads to sharp price competition in the event of the continued decline in demand.

#### Credit risk:

Credit risk is the inability of one party to fulfill its obligations resulting in the other party incurring a financial loss. Hail Cement seeks to manage credit risk in relation to banks by dealing only with reputable banks and with respect to clients by settling credit limits for clients, obtaining bank guarantees from selected clients, monitoring outstanding receivables, and ensuring close follow-up of those receivables.





### **Currency risk:**

Currency risk is the risk result of changing the value of financial instruments as a result of changes in foreign exchange rates. Hail Cement is subject to fluctuations in foreign exchange rates during its normal business cycle, and focuses on using fixed and quasi-fixed currencies. Hail Cement did not make any significant transactions in currencies other than the Saudi riyal, the US dollar and the euro during the year.

### **Contingent liabilities:**

Global credit market fluctuations - as well as credit re-pricing risk and any difficulties in financial market conditions - are among the risks that may affect Hail Cement's ability to finance its business or projects partially or fully.

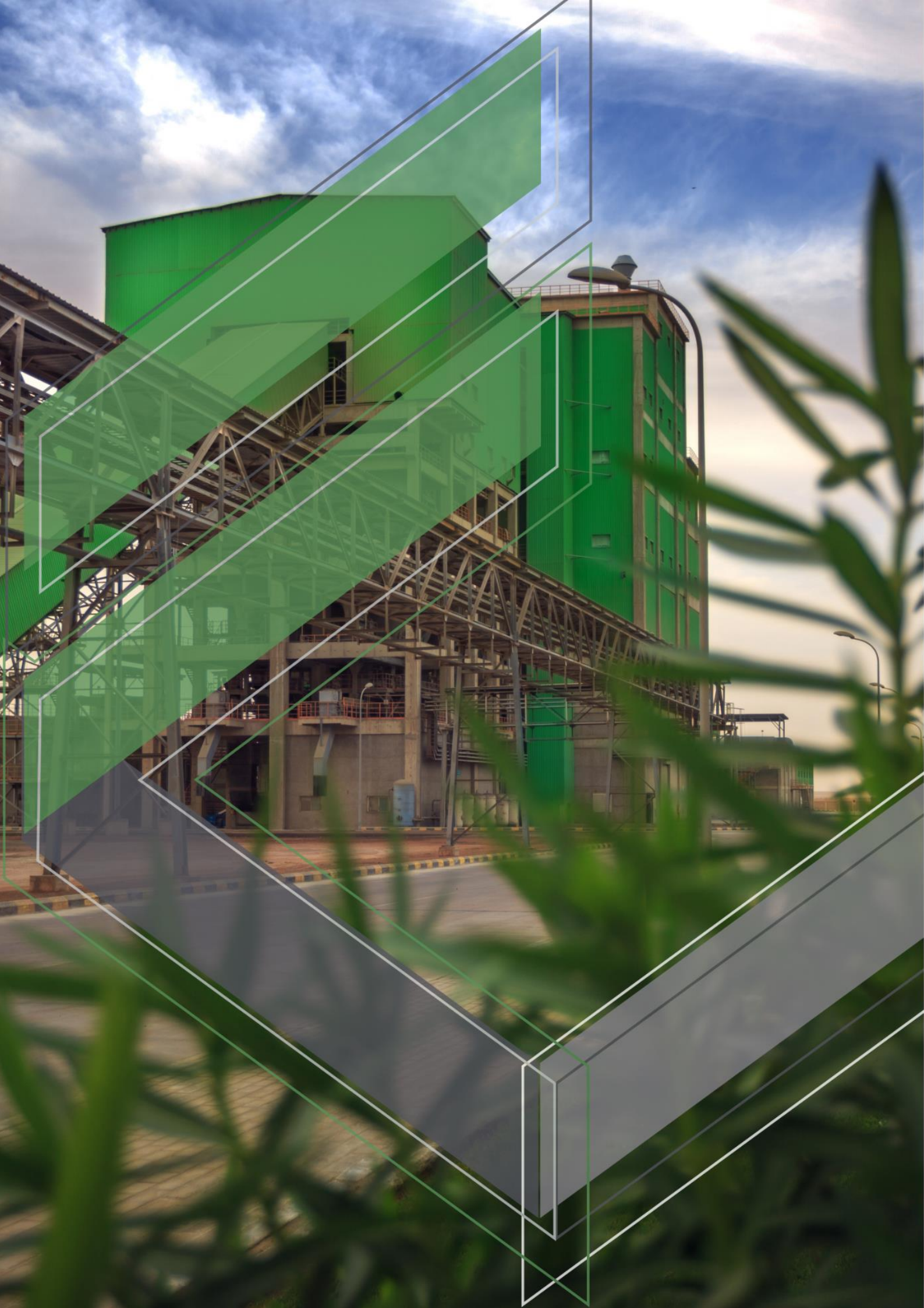
The potential credit and contractual obligations of Hail Cement during the year 2020 are summarized as the inability to comply with it is one of the risks that will affect the company's operations or negatively affect its financial results, and Hail Cement has credit obligations (letters of credit and letters of guarantee) amounting to 2.06 million Saudi riyals.

### **Fair value of financial instruments:**

Fair value is the amount that would be received when selling an asset or paying it to transfer a liability in an orderly transaction between market participants at the measurement date. Hail Cement's financial instruments consist of financial assets and financial liabilities. Hail Cement's financial assets consist of cash and cash equivalents, receivables, investments in investment portfolios held for trading purposes, trade receivables and other debit balances except for prepaid expenses, while financial liabilities consist of term loans, trade creditors, payables, dividends and accrued expenses. The fair value of financial instruments is not materially different from their carrying value, unless otherwise indicated.









## 6. Capital and ownership notifications

### 6.1 Capital:

The following table shows Hail Cement's capital information and the number of its shares as of December 31, 2020.

Capital	
Statement	Value
Authorized Capital (SAR)	979,000,000
Paid Capital (SAR)	979,000,000
Number of issued shares *	97,900,000
Par value per share (SAR)	10
Value paid per share (SAR)	10
The financial market in which the stock trades	The Saudi Stock Exchange (Tadawul)
Share symbol	3001
International symbol	SA12S051ESH9

\* All issued Hail Cement shares are ordinary shares, and do not have any preference shares

### 6.2 Investment Restrictions:

There are no restrictions on Hail Cement shares according to what is stated in each of the rules governing the investment of qualified foreign financial institutions in listed securities and the instructions regulating the foreign strategic investors owning strategic stakes in the listed companies according to Hail Cement Articles of Association and the instructions issued by the supervisory and monitoring authorities which Hail Cement is subject to.

### 6.3 An analysis chart comparing the performance of the stock with the performance of the sector with the performance of the market index:

Share price 31 <sup>st</sup> December 2020	Share price before one year	Share price before three years	The highest price in 52 weeks	The lowest price in 52 weeks	The percentage change between the years 2019 and 2020
16.34	13.30	9.65	17.42	8.17	29.17 %



Hail Cement Index

Sector Index

Market Index



## 6.4 The shares of the members of the Board of Directors and their families:

### Member shares

Name	Authority he represents	Shares at the beginning of the year		Shares at the end of the year		Change within the year	
		Shares	Percentage	Shares	Percentage	Shares	percentage
Eng. Ali Othman Alzaid	Directly	100.000	0.1%	100.000	0.1%	0	0
Eng. Othman Mohamad Bafaqeeh	Directly	0	0	0	0	0	0
Mr. Jihad Abdulaziz Alrasheed	Yamamah Cement Company	6.000.000	6 %	0	0	6.000.000	100%
	Directly	0	0	0	0	0	0
Eng. Qasem Saleh Alsheikh	Directly	1000	0.001%	1000	0.001%	0	0
Mr. Khalid Ali Alsaif	Directly	0	0	0	0	0	0
Mr. Abdulwahab Abdulrahman Almotawa	Al Mal Investment Company	10.000	0.01 %	10.000	0.01 %	0	0
	Directly	0	0	0	0	0	0
Mr. Abdulmalek Khalid Sulaiman Alrajhi	Al-Rajhi Holding Group Company	1.500.000	1.5%	1.500.000	1.5%	0	0
	Directly	0	0	0	0	0	0

### Shares of the members of the audit committee

Name	Shares at the beginning of the year		Shares at the end of the year		Change within the year	
	Shares	Percentage	Shares	Shares	Percentage	Shares
Eng. Mansour Saleh Alkharboush	300.000	0.3%	300.000	0.3%	0	0
Eng. Othman Mohammad Bafaqeeh	0	0	0	0	0	0
Mr. Saud Saleh Alsayyari	0	0	0	0	0	0

### Shares of executives

Name	Shares at the beginning of the year		Shares at the end of the year		Change within the year	
	Shares	Percentage	Shares	Shares	Percentage	Shares
Eng. Khalid Abdulazaiz Alahmad	0	0	0	0	0	0
Eng. Fahad Musaed Alrashedi	0	0	0	0	0	0
Mr. Mohammad Younos Khan	0	0	0	0	0	0
Mr. Amer Abdulrahman Alamer	0	0	0	0	0	0







## 7. Appropriation of profits and bonus policies

### 7.1. Appropriation of profits Policy:

According to the Articles of Association of Hail Cement, the annual net profits shall be distributed as follows:

1. (10%) of the net profits shall be set aside to form a statutory reserve. The ordinary General Assembly may cease this deduction whenever the mentioned reserve reaches 30% of the capital.
2. Based on the proposal of the Board of Directors, the Ordinary General Assembly may set aside a percentage of the annual net profits to form a mutual reserve allocated for a specific purpose (s) decided by the General Assembly.
3. The Ordinary General Assembly may decide to form other reserves to the extent of Hail Cement's interest or guarantees the distribution of fixed profits as possible to the shareholders.
4. Therefore, a percentage of the remainder not less than (5%) of Hail Cement paid-up capital shall be distributed to the shareholders.
5. Subject to the provisions stipulated in Article No. (21) of the Articles of Association and Article No. (76) of the Companies Law; therefore, 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 shall be proportional to the number of the attended sessions.

### 7.2. The policy of the Board of Director's remuneration, its subsidiary committees and the executive management:

- The Board of directors' remuneration and its subsidiary committees aim to organize remuneration to attract members of the Board or committees with scientific, technical and administrative competence and appropriate experience to motivate them to perform their tasks and duties professionally and with high efficiency.
- The annual remuneration of the Board of directors and its subsidiary committees shall be determined based on the Board's policy and, under the Hail Cement Articles of Association, the General Assembly of shareholders' decisions and the relevant regulations.
- The remuneration organization shall be compatible with the strategic objectives of Hail Cement, as a factor that motivates the members of the Board of Directors and its subsidiary committees to achieve the objectives, enhance the capabilities of Hail Cement and develop its business and sustainability.
- A factor is attracting the members with the required experience and qualifications to the Board of Directors to enhance Hail Cement's ability to achieve its objectives.
- The remuneration shall be fair and proportional to the competencies, duties and responsibilities of the members of the Board of Directors, in addition to the objectives set by the Board of Directors to be achieved during the fiscal year.
- The annual remuneration aims to motivate the Board of directors to make Hail Cement succeed, develop Hail Cement over the long term, and achieve strategic objectives by following up the executive management's implementation mechanism of business plans.
- The annual bonus shall be related to the annual performance evaluation results of the Board of directors' members.
- The holder of leadership positions in Hail Cement shall be provided with promotive and incentive bonus consistent with their work, Hail Cement's performance, and its annual results.

**Hail Cement believes that the bonuses were distributed during the fiscal year 2020 following the approved policy. There are no fundamental deviations.**



### 7.3. Rights and compensation of members of the Board of Directors and senior executives:

First: the independent members																	
1	Eng. Ali Othman Al-Zaid		15,000					15,000		250,000				265,000		265,000	
2	Eng. Qasim Saleh Al-Sheikh		15,000	12,000				27,000		250,000				277,000		277,000	
3	Eng. Othman Mohammed Bafqih		15,000	18,000				33,000		250,000				283,000		283,000	
4	Mr. Khaled Ali Al-Saif		15,000	12,000				27,000		250,000				277,000		277,000	
5	Mr. Abdel-Wahab Al-Mutawa		15,000	12,000				27,000		250,000				277,000		277,000	
6	Mr. Abdul-Malik Khalid Al-Rajhi		15,000					15,000		250,000				265,000		265,000	
Second: non-executive members																	
7	Mr. Jihad Abdul Aziz Al-Rasheed		15,000					15,000		250,000				265,000		265,000	
Total			105,000	54,000				159,000		1,750,000				1,909,000		1,909,000	

The following schedule indicates the total earned amounts for the four top executives who received the highest remuneration and compensation, including the CEO and CFO.

Executive management	Fixed remuneration	Variable remuneration	End of Service Gratuity
Total	3,871,079	310,000	0

#### 7.4. Remuneration of committee members:

Members of the Audit Committee			
Name	Fixed remuneration	Allowance of attending sessions	Total
Eng. Othman Mohammed Bafqih	100,000	18,000	118,000
Eng. Mansour Saleh Al-Kharboush	100,000	18,000	118,000
Mr. Saud Al-Sayyari	100,000	18,000	118,000
Total	300,000	54,000	354,000
Members of the Nomination and Remuneration Committee			
Eng. Qasim Saleh Al-Sheikh	100,000	12,000	112,000
Mr. Khaled Ali Al-Saif	100,000	12,000	112,000
Mr. Abdel-Wahab Abel-Rahman Al-Mutawa	100,000	12,000	112,000
Total	300,000	36,000	336,000

#### 7.5. Incentive programs for Hail Cement employees:

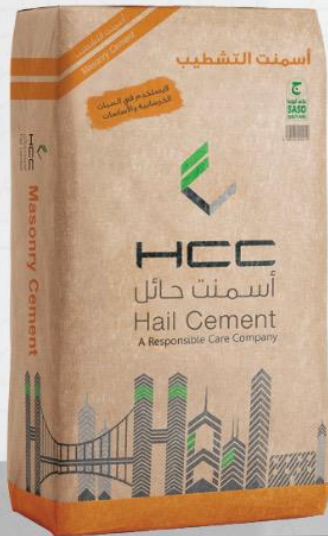
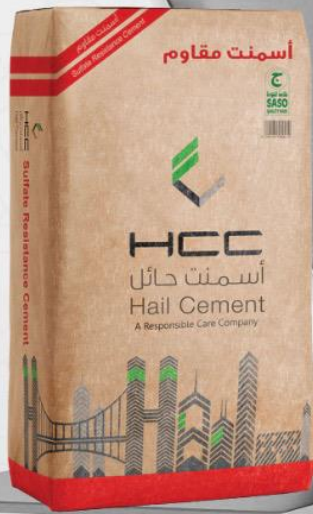
Hail Cement acknowledges no investments or reserves allocated to employee bonus or entitlements excluding the end of service gratuity. Hail Cement executes some programs to encourage employees, as follows:

- Remuneration for employees who have suggestions to improve Hail cement's productivity or save the waste of products or fuel used for the operation.
- Appropriate residence for employees at the factory site provided all appropriate amenities for the employee and his family and available medical care on a 24-hour-a-day basis in the residential area.
- According to Hail Cement profits, the annual incentive bonus approved by the Board of Directors is calculated following the employee's annual evaluation.
- Remuneration for all employees if Hail Cement completes million work hours without any disabling injury.
- Remuneration for employees whose period of work with Hail Cement reaches 3,5,8,10 and 15 years of service.
- Career development programs to improve the work environment.





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## 8. Hail Cement Governance

### 8.1 Introduction to Governance:

Hail Cement believes that full compliance with effective governance regulations, adherence to good management standards and preparation of financial and non-financial reports is the necessary firewall to overcome many potential risks, whether internal or external. In addition to establishing a clear mechanism for separating the tasks between the Board of Directors and the Executive management to facilitate the Hail Cement business, it monitors the attractive investment opportunities and speeds up the decision-making process. Hail Cement is also committed to applying high standards of corporate governance. Hail Cement considers that the appropriate corporate governance shall be an essential instrument in maximizing the long-term value for shareholders, in line with its commitment to quality in all its operations and products. The Corporate Governance Rules of Hail Cement shall be mandatory for all managers and employees of Hail Cement and may be amended only by a decision of the Board of Directors.

### 8.2 Commitment to Corporate Governance Regulations:

- The Hail Cement Governance Policies Manual has been prepared, including the rules and regulations related to shareholders rights, the Board of Directors and its committees, the disclosure, transparency and conflict of interest regulation, and the internal rules and regulations for Hail Cement, in line with the Capital Market Authority regulations, the Companies Law, and the Hail Cement Articles of Association.
- Hail Cement shall apply all the provisions of the Corporate Governance Regulations issued by the Capital Market Authority, except for some guiding provisions. Hail Cement emphasizes that it looks forward to adhering to all the guiding articles of the regulations in the future if needed while maintaining developing and familiar with any activities or initiatives that comply with internationally applicable practices in the field of governance, recognizing the importance of governance and its effective role in achieving sustainable development.

### 8.3 Related party transactions:

Hail Cement emphasizes that, during 2020, no contracts, deals, or transactions were concluded in which Hail Cement was a party, and in which there was an interest for any of the members of the Board of directors, the CEO, CFO, or any of the senior executives of Hail Cement or any related person.

### 8.4 General Assemblies of shareholders:

The General Assembly of shareholders shall be considered the supreme authority in Hail Cement. It shall have exclusive authorities including appointing and dismissing members of the Board of Directors, approving the consolidated financial statements, appointing the audit committee and the external auditor, determining its salary, approving the regulations related to the Audit, Nomination and Remuneration Committee, including its procedures, duties and rules of the selection of its members, the method of their nomination, the term of their membership, their remuneration, approving the distribution of profits under the recommendation of the Board of Directors, increasing or decreasing the capital of Hail Cement and amending the articles of association.

Hail Cement is keen to choose the appropriate time and place to hold the assembly, allowing the largest shareholders to attend. Hail Cement also adopted a remote electronic voting system to facilitate shareholders' exercise of their right to vote if they cannot attend in person. The Articles of Association and the Hail Cement Governance regulations also stipulate the General Assembly of Shareholders' provisions, including the necessary procedures and precautions to ensure that all shareholders exercise their statutory rights.



The following schedule indicates the general assembly of shareholders meetings and the members' attendance at the assembly meetings:

Name	The assembly meetings
	First 08/04/2020
Eng. Ali Othman Al-Zaid	✓
Mr. Jihad Abdulaziz Al-Rasheed	✓
Eng. Othman Muhammad Bafqih	X
Eng. Qasim Saleh Sheikh	✓
Mr. Khalid Ali Al-Saif	✓
Mr. Abdul-Malik Sulaiman Al-Rajhi	✓
Mr. Abdul-Wahab Abdulrahman Al-Mutawa	✓

#### 8.5 Board of Directors:

The following schedule indicates the Board of directors' members' classification, the number of attendees at board meetings, and their membership in the Board of directors of other listed companies.

Name	Classification	Board of Directors meetings					-
		First 25/02/2020	Second 20/04/2020	Third 17/06/2020	Fourth 11/11/2020	Fifth 14/12/2020	
Eng. Ali Othman Al-Zaid	Independent	✓	✓	✓	✓	✓	-
Mr. Jihad Abdulaziz Al-Rasheed	Non-executive	✓	✓	✓	✓	✓	An executive member of the Board of Directors of Yamama Cement
Eng. Othman Muhammad Bafqih	Independent	✓	✓	✓	✓	✓	-
Eng. Qasim Saleh Sheikh	Independent	✓	✓	✓	✓	✓	-
Mr. Khalid Ali Al-Saif	Independent	✓	✓	✓	✓	✓	-
Mr. Abdul-Wahab Abdulrahman Al-Mutawa	Independent	✓	✓	✓	✓	✓	-
Mr. Abdul-Malik Khalid Al-Rajhi	Independent	✓	✓	✓	✓	✓	-

## 8.5.1 The current and previous positions, qualifications and experiences of the members of the Board of Directors:

Member Name	Current position	Previous position	Qualifications	Experience
Eng. Ali Othman Al-Zaid	CEO of Al-Zaid Engineering Consultants	Chairman of the Board of Directors of the Saudi Real Estate Company.	Bachelor of Civil Engineering	<ul style="list-style-type: none"> <li>- Chairman of the Board of Directors of Al-Maarifa Real Estate Company.</li> <li>- Chairman of the Board of Directors of the Saudi Real Estate Company.</li> <li>- Chairman of the Board of Directors of Dar Al Tamleek Company.</li> <li>- Member of the Board of Directors of the General Organization for Standards and Metrology.</li> </ul>
Mr. Jihad Abdulaziz Al-Rasheed	General Manager and Member of the Board of Directors of Yamama Cement	Several leadership positions in SABIC.	Bachelor of Mathematics	<ul style="list-style-type: none"> <li>- Worked at SABIC 1981 - 2008 and held membership of the Boards of Directors of many of its subsidiaries.</li> <li>- Member of the Board of Directors of Cement Product Industry Ltd. Co.</li> <li>- General Manager and member of the Board of Directors of Yamama Cement to date.</li> </ul>
Eng. Othman Muhammad Bafqih	<ul style="list-style-type: none"> <li>- Owners Advisor at Al-Murjan Private Company for Investment.</li> <li>- Chairman of the Audit Committee of Jeddah Development and Urban Regeneration Co.</li> <li>- Chairman of the Audit Committee of Alkhabeer Capital.</li> </ul>	CEO of Al-Murjan Trading & Industrial Co.	Bachelor of Mechanical Engineering	<ul style="list-style-type: none"> <li>- Worked in several positions at the Saudi American Bank from 1983 - 1995 until holding the position of Senior Manager responsible for corporate clients' facilities.</li> <li>- CEO of Al-Murjan Medical Center.</li> <li>- Member of the Board of Directors of the Real Estate Development Company.</li> <li>- General Manager of the Abdul Rahman Khalid bin Mahfouz Foundation.</li> <li>- Deputy Chairman of the Board of Directors of Elite Financial Services Company to date.</li> <li>- CEO of Al-Murjan Trading &amp; Industrial Co.</li> </ul>
Eng. Qasim Saleh Sheikh	<ul style="list-style-type: none"> <li>- CEO and Board of Directors Member of the Petroleum, Chemical and Mining Company Ltd.</li> <li>- CEO and Board of Directors Member of the National Company for Water &amp; Waste Treatment (EMCO SAUDIA).</li> <li>- Vice-Chairman of Hail Cement Board of Directors.</li> <li>- Chairman of the Remuneration and Nominations Committee - Hail Cement.</li> <li>- Vice-Chairman of the Board of Directors - Green Saudi Company for Carbon Services.</li> <li>- Board of Directors Member - Senegal Refinery.</li> <li>- Chairman of the Technical Committee - Senegal Refinery.</li> <li>- Member of the Board of Directors - Euro-Arab Environment Organization.</li> <li>- Member of the Industrial Advisory Committee - King Fahd University of Petroleum and Minerals.</li> </ul>	Managing Director of the Petroleum, Chemicals and Mining Sector of Saudi Binladin Group.	Bachelor of Chemical Engineering	<ul style="list-style-type: none"> <li>- Deputy Managing Director - Petroleum, Chemicals and Mining Sector of Saudi Binladin Group.</li> <li>- Member of the Board of Directors - Yanbu National Petrochemical Company (Yansab).</li> <li>- Chairman of the Remuneration and Nominations Committee - (Yansab).</li> <li>- Member of the Investment Committee - (Yansab).</li> <li>- Member of the Board of Directors - Construction Products Holding Company (CPC).</li> <li>- Member of the Engineering Advisory Committee - MEPEC.</li> <li>- Chairman and member of the Board of Directors - Saudi Aramco Jubail Refinery Company (SASREF).</li> <li>- Member of the Board of Directors - (Marafiq Company).</li> <li>- CEO - Jedson Co.</li> <li>- CEO - Arkan Al Barza Company.</li> <li>- Member of the Industrial Advisory Council - KAUST</li> <li>- Member of the Board of Directors - Taif Company (one of SABIC companies).</li> </ul>
Mr. Khalid Ali Al-Saif	Member of the Council of Trustees of the High Commission for the development of Hail.	Vice-Chairman of the Council of the Saudi Chambers of Commerce and Industry. Chairman of Hail Chamber	Bachelor of Psychology and Social Studies	<ul style="list-style-type: none"> <li>- Chairman of the Board of Directors of Hail Chamber.</li> <li>- Member of the Board of Directors of the Chamber of Commerce and Industry in Hail.</li> <li>- Member of the Council of Trustees of the High Commission for the development of Hail.</li> <li>- Vice-Chairman of the Council for Saudi Chambers of Commerce and Industry.</li> </ul>
Mr. Abdul-Malik Khalid Sulaiman Al-Rajhi (2)	<ul style="list-style-type: none"> <li>- CEO of Al-Arrab Contracting Co. Ltd.</li> <li>- CEO of General Trading Company Ltd. (GTCO).</li> <li>- Member of the Commercial Committee in the Riyadh Chamber.</li> <li>- Member of the Family Business Council Gulf.</li> <li>- Board of Directors Member of the Youth Experts.</li> </ul>	Vice President of Budget and Cost Control at Al Arrab Contracting Company.	Bachelor of Financial Management – Insurance	<ul style="list-style-type: none"> <li>- Vice President of Budget and Cost Control at Al Arrab Contracting Company (November 2016 – March 2018).</li> <li>- Financial Analyst at Al-Rajhi Holding Group (July 2015 - November 2016).</li> <li>- Corporate finance at Al-Bilad Capital (May 2014 - July 2015).</li> <li>- Financial Analyst at Al-Rajhi Holding Group / Building Materials Sector (Saudi Arabia + UAE) (January 2014 - April 2014).</li> <li>- Financial analyst at Ploremy Capital (UK) (September 2013 - November 2013).</li> </ul>
Mr. Abdul-Wahab Abdulrahman Al-Mutawa	Chairman of the Board of Directors of Fidelity Logistics Services Company - Kuwait	CEO and Board of Directors Member of Al Mal Investment Company – Kuwait.	Bachelor of International Relations	<ul style="list-style-type: none"> <li>- Chairman of the Board of Directors of the Kuwait Saudi Holding Company.</li> <li>- Chairman of the Board of Directors of Al Mal Holding.</li> <li>- CEO and Member of the Board of Directors of Al Mal Investment Company.</li> <li>- Vice President of the Diar Real Estate Company.</li> <li>- Member of the Board of Directors of MENA Real Estate Company</li> <li>- General Manager of Fidelity General Trading and Contracting Co.</li> </ul>



### 8.5.2 Committee Members (out of the Board of Directors):

No.	1	2
Member Name	Eng. Mansour Saleh Al-Hamad Al-Kharboush	Mr. Saud Abdullah Al-Sayyari
Current position	Management Advisor - National Water Company	Senior Investment Analyst - Asian Infrastructure Investment Bank
Previous position	Advisor - Ministry of Civil Service	Senior Investment Analyst - Public Investment Fund
Qualifications	Bachelor of Science in Electrical Engineering - Master of Electrical Engineering	Bachelor of Finance and Investment - Diploma in Leadership Development Program from New York University - Diploma in Risk and Credit Analysis from the Industrial Development Fund - Investment Management Program from Harvard University.
Experience	<ul style="list-style-type: none"> <li>- Many managerial and leadership positions in Al-Jubail Petrochemical Company (Kemya) from 1993 to 1998.</li> <li>- Many managerial and leadership positions in SABIC from 1998 to 2010.</li> <li>- CEO of Al-Rajhi Holding Group from 2010 to 2015.</li> </ul>	<ul style="list-style-type: none"> <li>- Member of the Board of Directors of the International Islamic Trade Finance Corporation from 2013 to 2017.</li> <li>- Member of the Board of Directors of Arab Fisheries Company from 2012 to 2018.</li> <li>- Member of the Audit Committee of Bidaya Home Finance Company from 2016 to date.</li> </ul>

### 8.5.3 Current and previous executive management positions, qualifications and experiences:

Member Name	Eng. Khaled Abdel Aziz Al-Ahmad	Eng. Fahad Musaед Al-Rashidi	Mr. Muhammad Yunus Khan	Mr. Amer Abdul Rahman Al-Amer
Current position	Chief Executive Officer Secretary of the Board of Directors	Chief Operating Officer	CFO	Director of Human Resources and Administration Affairs
Previous position	Executive Director of Marketing and Sales	Factory manager	Financial Analyst - Dar Al Arkan Real Estate	Head of Human Resources
Qualifications	Bachelor of Mechanical Engineering	Executive Master of Business Administration	Master of Commerce	Master of Project Management
Experience	<p>Executive Director of Marketing and Sales of Hail Cement.</p> <p>Director of Marketing and Sales of SABIC (China).</p> <p>Regional Marketing Director of SABIC.</p> <p>SABIC Product Manager.</p> <p>Sales official for the local market and the Middle East market, SABIC.</p>	<p>General Manager - Cementex Co.</p> <p>Factory Manager - Qassim Cement Co.</p> <p>Director of Production Department - Qassim Cement Co.</p>	<p>Financial Analyst of Dar Al Arkan Real Estate</p> <p>Financial Director of Manazel Real Estate Co.</p> <p>Financial Director of Armetal Metal Industries Company Ltd.</p>	<p>Head of Human Resources of Hail Cement.</p> <p>Human Resources Supervisor of Hail Cement.</p> <p>Trainer of ANGUS Chemical Company.</p> <p>Deloitte Recruitment Advisor.</p> <p>Investment Officer of Rakeeza Company.</p>

## 8.6 The Board of Directors Committees:

### 8.6.1 Audit Committee:

The audit committee consists of at least three members and not more than five members. The audit committee shall be responsible for monitoring Hail Cement business and verifying reports, financial statements and internal control regulations. The scope of the committee shall include the following:

- Examining the initial and annual financial statements of Hail Cement before submitting to the Board of Directors and expressing its opinion and recommendation to ensure its integrity, fairness and transparency.
- Examining any significant or unusual issues included in the financial reports.
- Examining and reviewing the internal, financial and risk management regulations of Hail Cement.
- Examining the internal audit reports and following up on implementing corrective actions for the provided notes therein.
- Providing the Board of Directors with the recommendation to nominate and dismiss auditors, determine their salaries and evaluate their performance after verifying their independence and reviewing the scope of their work and the terms of contracting.
- Reviewing the Hail Cement's auditor plan and its activities, verifying that the auditor has not submitted any technical or administrative activities outside the scope of the audit work, and expressing its views.
- Examining the auditor report and its notes on the financial statements and following up on the taken measures in this regard.
- Reviewing the reports of the regulatory authorities and verifying that Hail Cement has taken the necessary measures in this regard.
- Verifying the company's compliance with the relevant laws, regulations, policies and instructions.
- Reviewing the contracts and transactions proposed to be conducted by Hail Cement with related parties and submit their opinions to the Board of Directors.
- Submitting the issues, it deems necessary to take action regarding the Board of Directors and provide recommendations on the taken measures.

During the period from 01 January 2020 to 31 December 2020, the Audit Committee held six meetings. The following are the names of the members and their attendance:

No.	Name	Capacity	Meeting No. (1) 30/01/2020	Meeting No. (2) 22/04/2020	Meeting No. (3) 06/07/2020	Meeting No. (4) 23/07/2020	Meeting No. (5) 22/10/2020	Meeting No. (6) 20/12/2020
1	Eng. Othman Bafqih	Committee Chairman	✓	✓	✓	✓	✓	✓
2	Eng. Mansour Al-Kharboush	Committee Member	✓	✓	✓	✓	✓	✓
3	Mr. Saud Al-Sayyari	Committee Member	✓	✓	✓	✓	✓	✓

### 8.6.2 Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of at least three members. The committee carries out the assigned tasks following the approved authority list. The scope of the committee shall include the following:

- Supervising the remuneration and bonus plan for Hail Cement employees and following up on its implementation.
- Supervise the nomination process for membership of the Board of Directors and its subsidiary committees and ensure its performance.
- Supervising the administrative succession planning for senior leaders at the level of Hail Cement.
- Managing the process of evaluating the performance of the Board of directors' performance and its subsidiary committees.
- Supervising and ensuring applying the employee grievance policy.
- Establishing fair and effective policies for the remuneration of the Board of Directors and the executive management to attract effective members of the Board of Directors in addition to high-performance executive management.



From 01 January 2020 to 31 December 2020, the Nominations and Remuneration Committee held four meetings. The following are the names of the committee members and their attendance:

No.	Name	Capacity	Meeting No. (1) 19/02/2020	Meeting No. (2) 22/06/2020	Meeting No. (3) 15/10/2020	Meeting No. (4) 02/12/2020
1	Eng. Qassem Saleh Sheikh	Committee Chairman	✓	✓	✓	✓
2	Mr. Khaled Ali Al-Saif	Committee Member	✓	✓	✓	✓
3	Mr. Abdul-Wahab Abdulrahman Al-Mutawa	Committee Member	✓	✓	✓	✓

### 8.7 Audit, internal control and audit committee results

A specialized audit firm has been appointed to carry out the internal audit tasks for the year ended on 31 December 2020, under the internal audit standards issued by The Institute of Internal Auditors. The Internal Audit Department reviewed the adequacy and effectiveness of the internal control regulations according to an annual plan approved by the Audit Committee including monitoring general accounting controls, receipts and payments accounts, revenue accounts, receivables, and suppliers accounts costs, fixed assets, assets and others. The Internal Audit Department also submitted its work results to the Audit Committee, which submitted its reports in this regard to the Board of Directors.

Based on what was included in the reports of the external auditor and the internal auditor of Hail Cement, and these reports did not indicate any fundamental weakness in the internal control regulations of Hail Cement, the audit committee believes that the executive management at Hail Cement has maintained an effective regulation of internal control. The scope and size of the auditing processes and the audit committee discussions during its periodic meetings have provided the committee with a reasonable basis for this opinion, taking into account any internal control regulations notwithstanding its design and effectiveness of its application, cannot provide absolute assurance about the effectiveness of the applied internal control regulations.

### 8.8 Hail Cement Auditor report

"Al Ayyouti & Partners Co." was approved by the General Assembly on 08 April 2020 as an external auditor for Hail Cement for the year ended on 31 December 2020 and the first quarter of 2021. The legal accountant's report for Hail Cement shall not include any reservations on the annual financial statements for the fiscal year 2020.

### 8.9 Declarations of the Board of Directors

Based on the Hail Cement regulations and the auditor report, the Board of Directors acknowledges the following:

- Accounting records were prepared correctly.
- The internal control regulations were prepared on a proper basis and were effectively implemented.
- There is no doubt about the ability of Hail Cement to continue its activity.

#### **8.10 Confirmations of the Board of Directors**

Under the Governance Regulations issued by the Capital Market Authority and Hail Cement Governance Regulations, the Board of Directors confirms the following:

- Hail Cement shall be committed to protect the rights of shareholders, not to distinguish between shareholders who own the same class of shares, and not to withhold any right in the form of fair treatment for all shareholders.
- Hail Cement has not received a request to hold the general assembly from shareholders owning 5% or more during the ended year, and it did not take place.
- Hail Cement did not receive from shareholders who own 5% or more of a request to add one or more subjects to the General Assembly agenda meeting when preparing.
- Hail Cement has not imposed any measure that might impede the shareholder's use of its right to vote.
- Hail Cement did not provide any cash loan of any kind to any of its board members, nor did it guarantee any loan made by one of its board members with others.
- Loans with a maturity of more than three years shall not be concluded. Real estate owned by Hail Cement shall not be sold or mortgaged. Hail Cement debtors shall not be absolved of any obligations during 2020, except for what was disclosed in this report.
- During the fiscal year 2020, the external auditor for Hail Cement did not provide any consulting services for Hail Cement and did not receive any fees in this regard.
- The auditor report did not include any reservations or material notes on the annual financial statements of Hail Cement for the fiscal year 2020.
- Hail Cement has not received a request to hold the general assembly from the auditor during the fiscal year ended on 31/12/2020, and it did not take place.

#### **8.11 The Board of Directors takes actions to inform its members - especially non-executives - of shareholders proposals and comments on Hail Cement and its performance**

The Articles of Association and the Hail Cement Governance Regulations shall guarantee shareholders all rights related to the share. Accordingly, Hail Cement has taken a number of actions to inform members of the Board of Directors, especially non-executives, of shareholders proposals on Hail Cement and its performance as following:

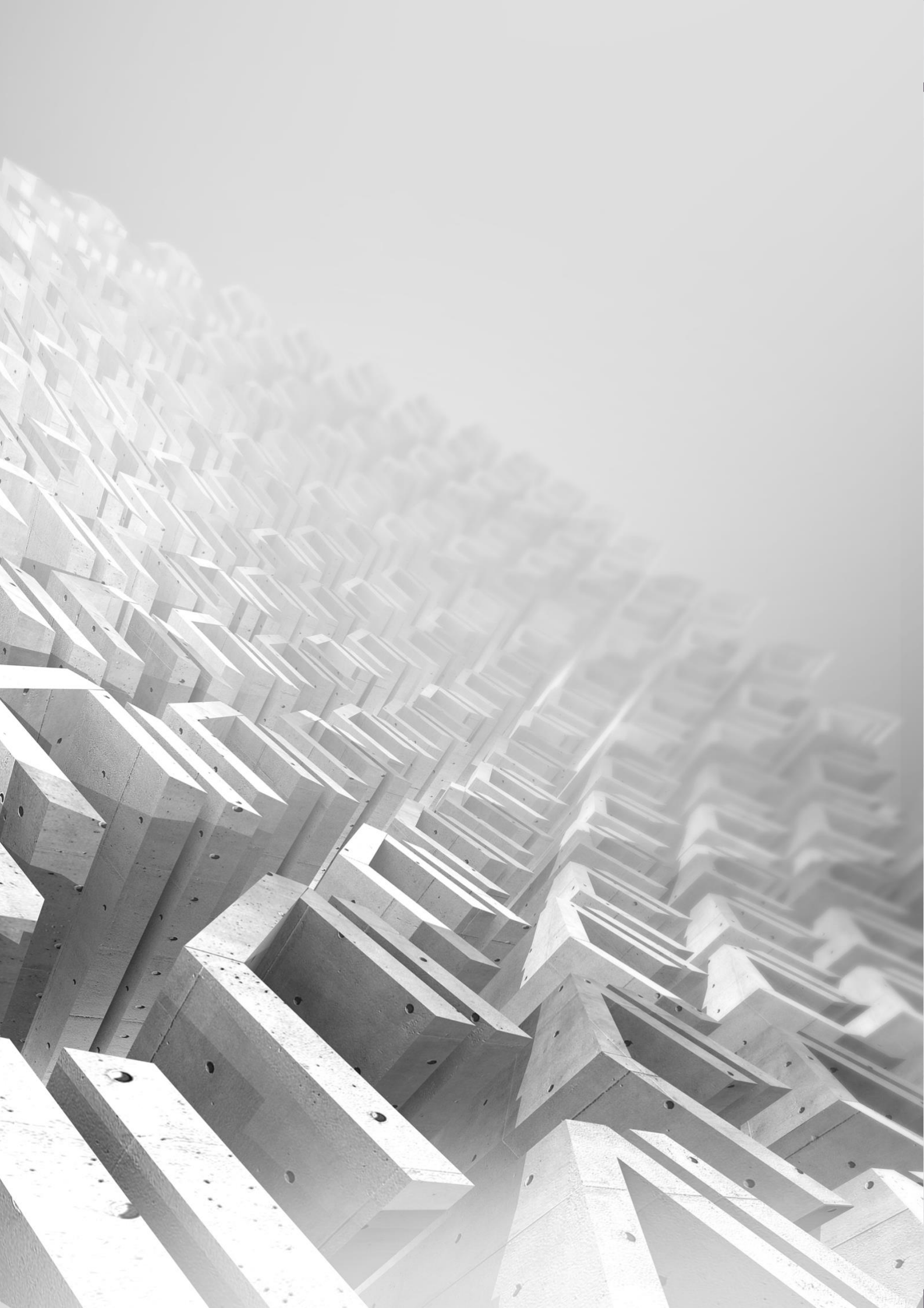
- Hail Cement Management is keen to respond to the shareholders' inquiries and receive their comments or complaints through the available communication channels by phone, fax or e-mail.
- These inquiries shall be examined, classified and submitted to the Board of Directors during the periodic meetings.
- Hail Cement is always keen to urge all board members to attend the general assemblies to answer shareholders' questions and review their opinions and observations. The Board Committees regulations oblige the board committees or their representatives to attend the General Assemblies to answer shareholders' inquiries.
- Shareholders' questions and inquiries shall be recorded in the general assembly meetings' minutes and kept at Hail Cement headquarters. Any shareholder can access the questions and inquiries upon request.

#### **8.12 The adopted methods by the Board in evaluating its performance, the performance of its committees and members and the external body that carried out the evaluation**

In its continuous effort to develop its performance in line accordance with the development of regulations and controls regulating the company's activities, Hail Cement was keen to adhere to everything improving the level of corporate governance in the company, including taking appropriate methods to evaluate the performance of the Board of Directors, its committees, and the executive management within the tasks of the Nominations and Remuneration Committee. A contract was signed with a specialized consulting company to evaluate modern technical methods under generally accepted standards in this regard.







## 9. Shareholder Relationships

Based on Hail Cement keenness and concern for the rights of its shareholders, and awareness of the Board of Directors in knowing its responsibilities towards the shareholders of Hail Cement to achieve communication based on a common understanding of the strategic objectives and interests of Hail Cement, all shareholders rights have been included in the Hail Cement Articles of Association, the Governance Regulations and the derived related Internal regulations.

Therefore, Hail Cement is always keen to provide all shareholders with all information with full transparency and neutrality to fully exercise their rights through general assemblies and keep them constantly informed of developments in Hail Cement business through its website and the Saudi Stock Exchange website (Tadawul).

### 9.1 Hail Cement applications for the shareholders' registry during 2020:

The following schedule indicates the dates of Hail Cement applications for the shareholders' registry and their reasons:

No.	Application date	Application reason
1	01/04/2020	Assemblies
2	08/04/2020	Assemblies
3	25/11/2020	Company actions

### 9.2 Disclosed announcements of Hail Cement during the fiscal year 2020:

No.	Disclosure date	Disclosure nature
1	02 February 2020	Announcing the annual financial results of 2019
2	11 March 2020	Announcing the invitation to the Ordinary General Assembly meeting (first meeting)
3	12 March 2020	Supplementary announcement for the invitation to the Ordinary General Assembly meeting (first meeting)
4	17 March 2020	Supplementary announcement for the place of the Ordinary General Assembly (first meeting)
5	02 April 2020	The company announced its contribution to support the Health Endowment Fund to fight Coronavirus, with one million riyals.
6	09 April 2020	Announcing the results of the Ordinary General Assembly meeting (the second meeting)
7	23 April 2020	Announcing the financial results for the period ended on 31 March 2020
8	26 July 2020	Announcing the financial results for the period ended on 30 June 2020
9	25 October 2020	Announcing the financial results for the period ended on 30 September 2020
10	25 October 2020	Supplementary announcement for announcing the financial results for the period ended on 30 September 2020
11	16 December 2020	The company announces the approval of the Board of Directors for early payment of the remainder of the Saudi Industrial Development Fund loan
12	20 December 2020	The company announces the payment of the remainder of the Saudi Industrial Development Fund loan
13	31 December 2020	The company announces the invitation to the extraordinary general assembly meeting to be held on 21 January 2021
14	31 December 2020	Supplementary announcement for the announcement of the invitation to the Extraordinary General Assembly meeting to be held on 21 January 2021



### 9.3 Shareholder Relations Officer:

The Board of Directors receives, in all meetings, a detail of all shareholder questions and inquiries from the Shareholder Relations Officer and reviews responses thereto.

#### Contact officer

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