



BUILDING TOMORROW

CITY CEMENT JOURNEY TOWARDS
A SUSTAINABLE FUTURE





*“CITY CEMENT’S
SUSTAINABLE
FOUNDATION
FOR A GREENER
FUTURE”*

REPORT PARAMETERS

This Report is prepared in accordance with The Global Reporting Initiative (GRI) Standards and International <IR> Framework of the IIRC The report has been subjected to third-party assurance by Dcarbon for Environmental Consultancy.

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LIST OF ACRONYMS

ASTM	American Society for Testing and Materials
CCC	City Cement Company
CMA	Capital Market Authority
CIEP	Certified Industrial Energy Professional
CEO	Chief Executive Officer
CKK	Clinker-to-Cement Ratio
DMAIC	Defining, Measuring, Analyzing, Improving, and Controlling
DGs	Diesel Generators
ERP	Enterprise Risk Management
EPDs	Environmental Product Declarations
ESG	Environmental, Social, and Governance
GRC	Governance, Risk, and Compliance
GRI	Global Reporting Initiative
GHG	Greenhouse Gases
GSO	Gulf Standards Organization
HSE	Health, Safety, and Environment
HFO	Heavy Fuel Oil
HR	Human Resources
IFRS	International Financial Reporting Standards
IT	Information Technology
IPO	Initial Public Offering
IMS	Integrated Management System
ISO	International Standardization Organization
ITCC	International Trading and Contracting Co. Ltd
KPIs	Key Performance Indicators
KM	Kilometer
kWhr	Kilowatt-hour

LED	Light-emitting diode
LHV	Lower Heating Value
MRP	Materials Resource Planning
MT	Metric Ton
MW	Mega Watt
MMBTU	Million British Thermal Units
OPC	Ordinary Portland Cement
OEE	Overall Equipment Efficiency
PR	Public Relations
PO	Purchase Order
PR	Purchase Requisition
QC	Quality Control
RDF	Refuse Derived Fuel
R&D	Research and Development
RCA	Root Cause Analysis
SASO	Saudi Standards, Metrology, and Quality Organization
SEEC	Saudi Energy Efficiency Center
SIRC	Saudi Investment Recycling Company
SIRI	Smart Industries Readiness Index
SRC	Sulfur Resistant Cement
SDGs	Sustainable Development Goals
TDF	Tire Derived Fuel
TPM	Total Productive Maintenance
WHR	Waste Heat Recovery Unit
ERP	Enterprise Resources Planning



MESSAGE FROM CHAIRMAN



It is my pleasure to present the first Sustainability Report of City Cement Company, which embodies our deep commitment to sustainability and our role in environmental conservation. Our vision is inspired by the tremendous support provided by our wise government under the leadership of the Custodian of the Two Holy Mosques and His Royal Highness the Crown Prince, and all government entities, which empower the Kingdom of Saudi Arabia to set an exemplary global standard in environmental and social responsibility.



To our valued partners, shareholders, and all stakeholders, this report reflects our ongoing efforts and dedication to aligning with Saudi Vision 2030. Our mission goes beyond profit; it extends to actively contributing to building a balanced and sustainable future that meets the aspirations of our community.

Today, the world faces environmental and social challenges that demand bold and responsible actions. This report reaffirms our commitment to global sustainability standards and highlights that our role as a leader in the cement industry extends beyond delivering high-quality products to embracing practices that protect the environment and support the community.

In preparing this report, we have focused on showcasing how we confront environmental challenges, implement sound governance practices, and strive to make a positive social impact. We are committed to transparency in presenting both our achievements and challenges, providing a roadmap for us and other companies toward sustainable and responsible growth.

While the path to sustainability is not without its challenges, we believe that our adherence to the values of environmental and social responsibility, along with effective governance, is key to achieving sustainable development that benefits all: our company, our community, and the environment we live in. This report is just the beginning of our journey, and we look forward to strengthening our collaboration with all our partners and stakeholders and engaging with local communities to maximize our positive impact. Together, we can make a real difference and contribute to building a future we can be proud of, in line with Saudi Vision 2030.

In conclusion, I would like to extend my heartfelt thanks to everyone who contributed to this report, and to all our partners and shareholders for their unwavering support. We reaffirm our commitment to continue our journey toward a brighter and more sustainable future for the generations to come.

Thank you all, and we look forward to working together to achieve more sustainable world.

Chairman of the Board

His Royal Highness

Prince Abdulaziz Bin Mishaal Bin Abdulaziz

MESSAGE FROM CEO



**Mr. Majed Bin
Abdulrahman Al-Osailan**

Chief Executive Officer (CEO)
& Board Member

Dear Stakeholders,

I extend my warm greetings to all our stakeholders as we embark on an exciting journey of sustainability and progress at City Cement. With a commitment to delivering on our strategy, our goal is to transform City Cement into a leading Company, fostering a sustainable, profitable, and mutually beneficial business model for all stakeholders. As we embrace a value-creation concept, we focus on key pillars, including Operational Excellence, Customer and Market Focus, Innovation, Transformation, and Localization.

In our pursuit of Operational Excellence, we aim to enhance efficiencies across manufacturing, commercial, supply chain, and cost management in our Cement business.

Our dedication to being Customer and Market-Focused entails understanding evolving customer needs and market dynamics, emphasizing service, product differentiation, and tailored solutions.

Innovation serves as a key enabler, empowering us to achieve a competitive edge. We selectively innovate processes while prioritizing sustainability in our business operations to address current and future challenges. As we invest in leadership, training, and cultural enhancement, our Transformation journey is geared towards strengthening City Cement's Company effectiveness.

Localization remains integral to our strategy, reflecting our commitment to further developing the communities within Saudi Arabia. At City Cement, we proudly align ourselves with Saudi Vision 2030, contributing to the ambitious drive to reduce the nation's carbon footprint by adopting global best practices and offering environmentally friendly products for a sustainable future.

I am pleased to announce that this marks our inaugural sustainability report, a significant step towards integrating Environmental, Social, and Governance (ESG) aspects into our operations. This report will transparently reflect our sustainability initiatives, demonstrating our dedication to responsible business practices.

I welcome all stakeholders to join us throughout this report's journey, as we navigate the path towards a more sustainable and responsible future.

ABOUT CITY CEMENT

COMPANY OVERVIEW

City Cement Company is a prominent player in the production and distribution of diverse cement types. Our journey began in 2005, with an annual clinker production capacity of 2 million tons. A testament to our growth, we expanded significantly in 2015, adding a second production line and reaching a remarkable annual production of 4 million tons, along with a cement grinding capacity of 5 million tons per annum.

City Cement's industrial complex consists of 2 modern clinker production lines and three cement mills with an annual production capacity of more than 4 million tons. For the last 15 years, CCC has led the industry in utilizing alternative fuel sources to produce energy, innovating its products, and becoming a leading cement manufacturer in the Kingdom to sell high-quality and eco-friendly sustainable products.



OUR MILESTONES

Established under Ministerial Resolution No. 804 in 2005, City Cement operates as a Saudi joint stock Company, proudly registered in Riyadh. Holding the industrial and quarry licenses, the Company prioritizes adherence to regulatory standards, ensuring a foundation built on compliance and trust.

2005

Formation of City Cement Company.

2007

The first production line becomes operational with a capacity of 5,000 MT per day.

2012

IPO of 50% of company shares with more than 3 million subscribers.

2013

Fuel Rationalization Initiatives.

2015

The second production line becomes operational with a capacity of 5,500 MT per day.

2020

City Cement launched the first Refuse Derived Fuel (RDF) integrated production facility in the Kingdom.

2019

Started cooperation with governmental authorities for waste management initiatives to process industrial waste as per the best environmental practices.

2019

City Cement Company launched its new strategy and transformation roadmap with a focus on business sustainability, operational excellence, and organic and inorganic growth.

2018

Launched new, improved eco-friendly products.

2018

Increased our alternative fuel substitution rate.

2017

Launched commercial operations of Waste Heat Recovery Unit (WHR) up to 14.25 MW.

2016

Introduced TDF as an alternative fuel.

2016

Conducted a study to use solid, industrial, and agricultural waste as an alternative fuel.

2021

Established its subsidiary, Green Solutions for Environment Services specializes in Waste Management to assume a pivotal role in realizing the kingdom's 2030 sustainability vision.

2021

Implementation of ERP system to integrate its operation and progress in materializing its digital transformation.

2022

City Cement launched Green Finishing Cement to accelerate the reduction of carbon emissions in the cement industry.

2023

In partnership with SIRC and Lechtenberg ME, Green Solutions for Environmental Services signed the agreement for establishing Innovative Solutions for Environmental Service which will build, own, and operate the biggest material recovery facility in KSA.

2023

City Cement Received an advanced level in the Smart Industries Readiness Index (SIRI) assessment in recognition of its progress in digitizing its operation and ranked the 1st in the kingdom.

2023

City Cement achieved a pioneering milestone by publishing Environmental Product Declarations for our three products, marking us as the first cement company in the Kingdom to transparently declare our environmental impact.



Vision

To lead the change towards differentiated and sustainable green cementitious products for our society.



Mission & Goals

To create an ecosystem that fulfills the following objectives: Our clients receive highly performing and differentiated products, our shareholders own a profitable and governed business, our employees develop career growth, and our communities are environmentally and socially responsible.



Corporate Values

The Company's values serve as the moral compass for the Company's directions. City Cement is poised to lead sustainable development by making an active contribution while considering all stakeholders through a strategy to meet the objective and synchronize the actions aligned with the Kingdom's 2030 Vision.



Environmental & Social Responsibility

Building a sustainable today and tomorrow, City Cement responsibly serves the community in every way possible.



Customer Centricity

Fostering a positive customer experience and creating a lifetime value to nurture customer relationships and strengthen their trust.



Our Employees, Our Strength

Creating a culture that develops a more significant impact and provides maximum opportunities to all our members.



Innovation & Growth

Staying committed to timely innovations that produce greater results for sustainable economic growth today and tomorrow.



Honesty & Integrity

Setting a work environment that strictly follows business ethics, transparency, and honesty at all levels.

Subsidiaries

Green Solutions for Environmental Services

City Cement Company, operating through its subsidiary "Green Solutions for Environmental Services Company," is a leading force in the waste management industry. The Company provides end-to-end environmental solutions, seamlessly integrating recycling, transportation, landfill operation, and waste treatment processes. In its recycling operations, advanced techniques are employed to extract valuable materials, contributing to both environmental conservation and the production of alternative fuels. The transportation of municipal waste is managed with an emphasis on eco-friendly methods, ensuring responsible waste disposal. Landfill facilities operated by the Company play a pivotal role in recycling diverse waste streams, transforming them into alternative fuels, and reducing dependence on fossil fuels. The treatment of organic waste is executed with a commitment to sustainable practices, aligning with environmental standards for proper disposal. Green Solutions also stands out in the production of alternative fuels, catering to the energy needs of intensive industries and offering a greener substitute for traditional fossil fuels. The application of these alternative fuels in thermal energy further showcases the Company's innovative approach to addressing the energy demands of various sectors.

Overall, City Cement Company, through its subsidiary, is actively shaping a more sustainable and eco-friendly future by practicing responsible waste management across the entire range of operations. Since its inception, Green Solutions for Environmental Service managed to treat more than 7 million tires of different sizes, more than 25,000 tons of industrial and commercial waste, and more than 30,000 tons of municipal solid waste.

ALIGNING OUR SUSTAINABILITY EFFORTS



The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, centers around the 17 United Nations Sustainable Development Goals (SDGs). Serving as a shared blueprint for global peace and prosperity, these goals emphasize a collaborative effort by all countries, both developed and developing.

The SDGs highlight the interconnectedness of addressing poverty, improving health and education, reducing inequality, fostering economic growth, and combating climate change while preserving oceans and forests. Our sustainability strategy is designed to make meaningful contributions to 10 of the 17 SDGs, aiming for positive impacts on people and the planet.



SDG 3: GOOD HEALTH AND WELL-BEING

We prioritize the well-being of our employees and workers by implementing comprehensive health and safety measures within our company. Recognizing the importance of healthcare coverage, we extend health insurance benefits to all our employees and workers, ensuring they have access to necessary medical support. Our commitment to community welfare extends to supporting initiatives in the health sector, contributing to broader efforts aimed at enhancing overall well-being and healthcare accessibility. In our dedicated efforts to contribute to public health initiatives, especially in the challenging times of the Coronavirus pandemic, we have actively supported key organizations and government bodies. Our contributions to the Charity Association for the Care of Rheumatism Patients have aided in bolstering their initiatives, providing essential support to those affected by rheumatic diseases. Additionally, we have played a significant role in backing the Ministry of Health's Health Endowment Fund, specifically aimed at addressing and mitigating the impacts of the Coronavirus. These efforts are a testament to our commitment to health and well-being in our community, especially in response to unprecedented global health challenges.



SDG 4: QUALITY EDUCATION

We actively contribute to the advancement of education through our support of initiatives within the education sector. Recognizing the importance of continuous learning, we invest in the development of our employees and workers by providing comprehensive training programs. By aligning our efforts with educational initiatives and fostering a culture of ongoing learning within our workforce, we aim to make a positive impact on both individual professional growth and the broader educational landscape. Through these commitments, we actively engage with educational institutions to foster learning and development. This includes supporting the "Ertiqā" program at Marrat High School, under the aegis of the Ministry of Education, aimed at enhancing educational excellence. Additionally, we have collaborated with Qassim University in organizing the "Solar Energy Prospects" conference, contributing to the discourse on renewable energy and its future potential. These initiatives underscore our commitment to educational advancement and sustainable energy development.



SDG 6: CLEAN WATER AND SANITATION

In response to water management challenges, we implemented a robust water conservation program that focuses on conserving water through enhanced recovery processes, optimizing potable water use, and instilling water conservation practices across all operational levels. As of 2023, our recycling percentage stands at an impressive 37.25%. These initiatives have led to an 18% increase in water recovery efficiency, a significant accomplishment given the global challenges in water resources.



SDG 7 AND 12: AFFORDABLE AND CLEAN ENERGY, AND RESPONSIBLE PRODUCTION AND CONSUMPTION

In our commitment to sustainability, our production lines are making significant strides in utilizing alternative fuels. Average Clinker Production lines' alternative fuel thermal substitution exceeded 27% per annum in the last five years, a vital component in our operations that plays a significant role in facilitating the generation and transportation of clean energy. City Cement has invested in a waste heat recovery unit (WHR), with a capacity of up to 14.25 MW, which captures and converts waste heat into usable energy. Additionally, our Solar Panel Energy Initiative signifies a transition to renewable energy. Starting with the conversion of road lighting to solar panels, this initiative has resulted in an 11% reduction in non-renewable energy consumption, an annual decrease of 9 metric tons of carbon emissions, and a 14% reduction in energy consumption for road lighting.



SDG 8: DECENT WORK AND ECONOMIC GROWTH

The cement sector is pivotal in fostering economic growth providing substantial direct and indirect employment opportunities. Recognizing the significance of inclusivity, we are committed to offering equal employment opportunities across all levels of our company. This commitment extends to new positions within both our factory and administrative buildings, ensuring a workplace environment that values diversity and promotes fair and equitable opportunities for all. Through these initiatives, we aim to contribute to the growth of the cement sector as well as to the overall economic development of our community.



SDG 9 AND 11: INDUSTRY, INNOVATION, AND INFRASTRUCTURE, AND SUSTAINABLE CITIES AND COMMUNITIES

In our dedication to addressing climate change, we have strategically expanded our research and development activities to create environmentally conscious and resilient products. A tangible outcome of this commitment is our innovative green-finishing Cement Product. This new product exemplifies our commitment to sustainability, offering a solution that aligns with our vision for environmentally smart and resilient solutions.



SDG 13 AND 15: CLIMATE ACTION AND LIFE ON LAND/GROWTH

Our efforts include a substantial decrease in metal waste from 460.5 tons in 2021 to 112 tons in 2023 and a remarkable reduction in plastic waste, dropping from 161.04 tons to 26.1 tons during the same period. Our commitment to emissions reduction is also evident as we achieved a 9% decrease in Scope 1 emissions. Similarly, improvements in our limestone crusher's efficiency saw an 18.33% growth, with the Overall Equipment Efficiency (OEE) increasing from 88.9% to 105.2%. Our efforts extend to the mining activities, as emissions from mining are reflected in a 2.4% decrease in Nitro gm/ton and a substantial 73% increase in Nitram gm/ton.



رؤية VISION 2030 المملكة العربية السعودية KINGDOM OF SAUDI ARABIA

SAUDI VISION 2030 IS A GOVERNMENT PROGRAM LAUNCHED BY THE KINGDOM OF SAUDI ARABIA THAT AIMS TO ACHIEVE THE GOAL OF INCREASED ECONOMIC, SOCIAL, AND CULTURAL DIVERSIFICATION.

The vision aims to create a vibrant society in which all citizens can thrive and pursue their passions and to create a thriving economy where everyone can succeed. By providing a supportive business environment for businesses of all sizes and investing in education to prepare for the jobs of the future, Saudi Arabia is creating an exciting and prosperous future for all.

We align with the 2030 Saudi Vision:

A Vibrant Society

City Cement actively contributes to fostering a vibrant society through a diverse range of cultural and spiritual initiatives that enrich the community's fabric. Our commitment extends to advancing education, providing support to the health sector, and engaging in community-based programs that promote social inclusion. We also prioritize the well-being of our employees by providing strict safety standards and inclusive healthcare benefits.

Thriving Economy

In acknowledging the impact of the cement sector, we emphasize its significant role as a major contributor to job creation and economic development. By continually offering equal employment opportunities, particularly in a sector known for its vast job potential, we aim not only to fortify our workforce but also to significantly contribute to the broader economic development objectives. We consistently create new employment opportunities within both our factory and administrative buildings, cultivating a workplace environment that not only values diversity but also actively promotes fair and equitable opportunities for all individuals.

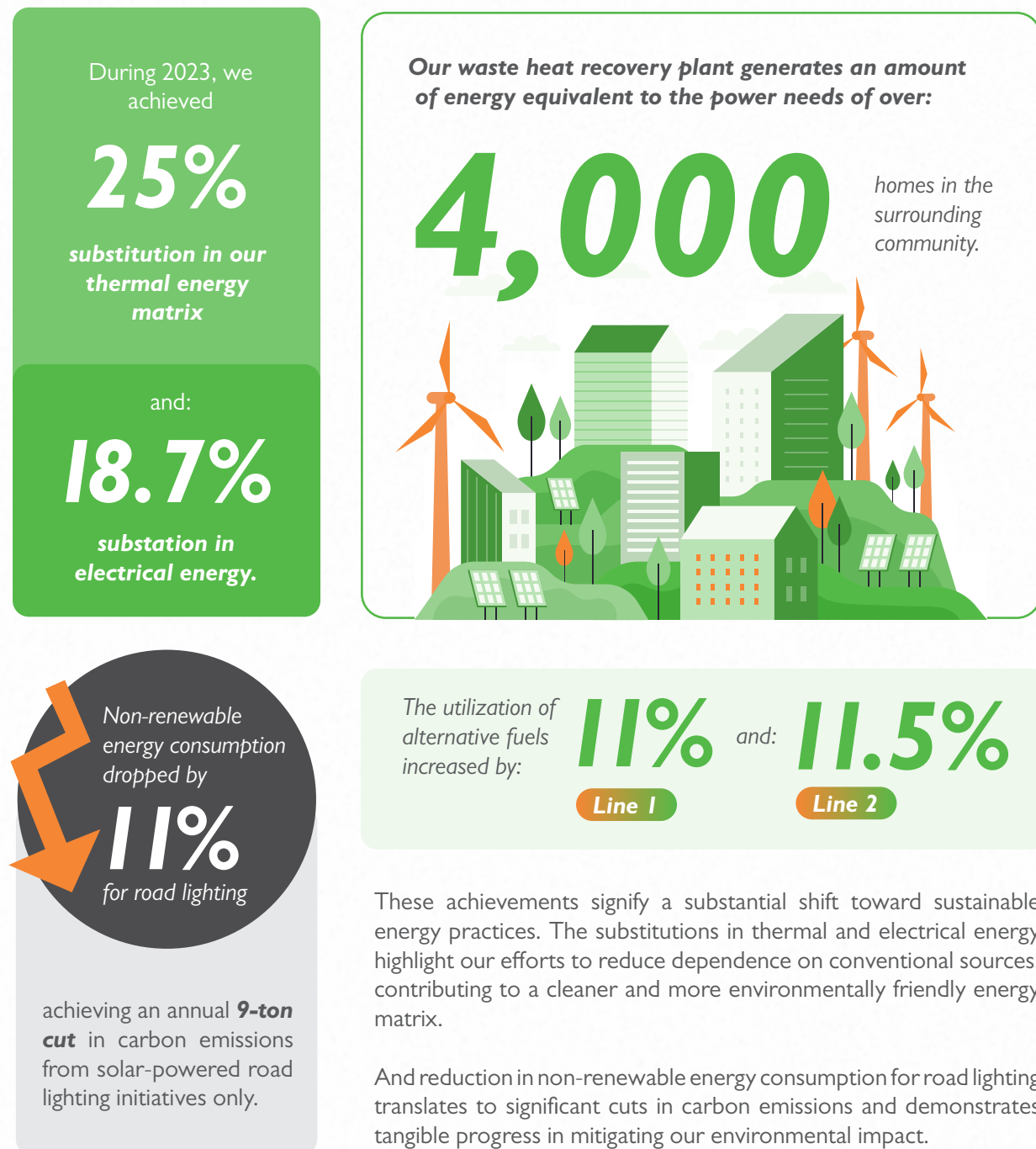
Ambitious Nation

We firmly believe in the principles of transparency and accountability, striving to create an environment where openness and clarity are integral to every aspect of our operations. In our pursuit of high performance, we empower individuals at all levels, fostering a culture of innovation and initiative. We recognize that true ambition is fueled by a commitment to continuous improvement and the embrace of innovative solutions. Through transparency, accountability, high-performance standards, and a culture that empowers and encourages innovation, we aim to contribute to the realization of an ambitious nation—one that exceeds its goals, setting new benchmarks for success and progress.

SUSTAINABILITY HIGHLIGHTS

The waste heat recovery illustrates the transformative potential of waste-to-energy solutions, promoting community sustainability. Lastly, the increase in alternative fuel utilization reflects a proactive approach to diversifying energy sources, fostering resilience, and aligning with a greener future.

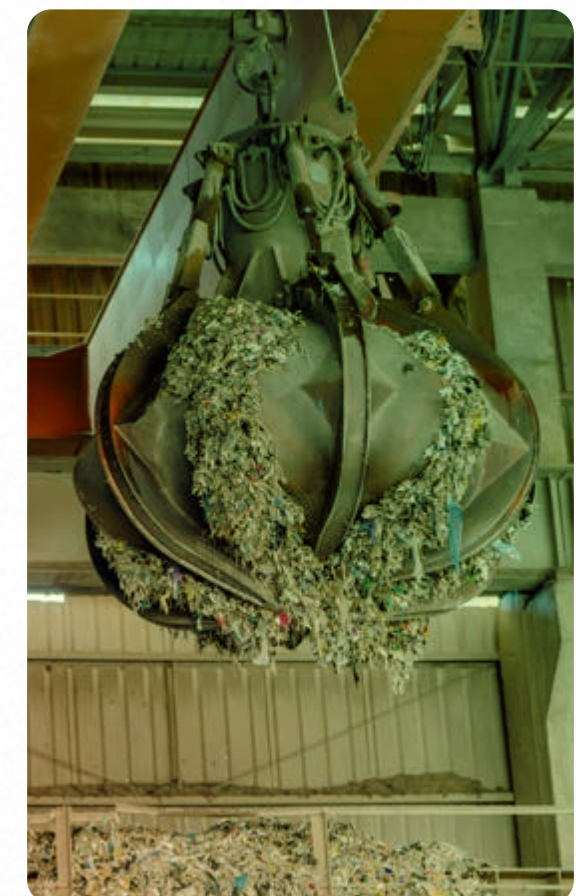
COMPANY OVERVIEW



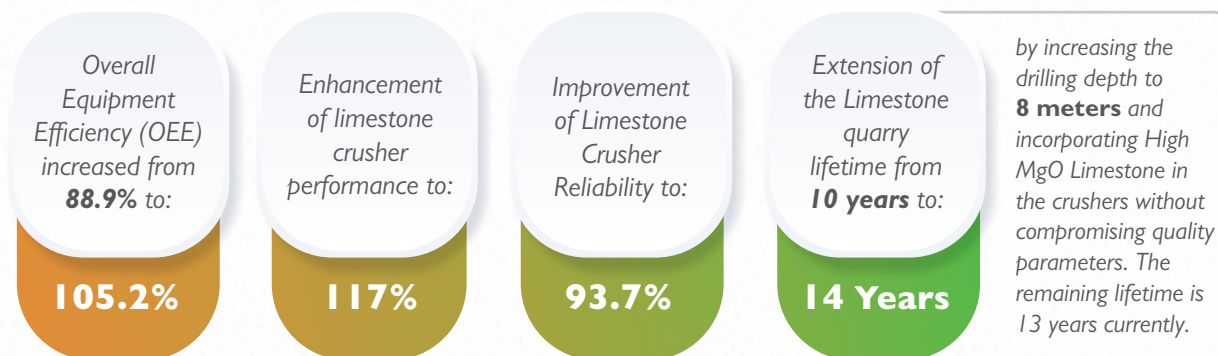
METAL WASTE REDUCTION



By minimizing waste, City Cement contributes to global pollution mitigation efforts and showcases progress in fostering a circular economy. The decrease in both metal and plastic waste highlights our proactive approach to environmental stewardship, supporting cleaner ecosystems and setting a positive industry standard for waste reduction.

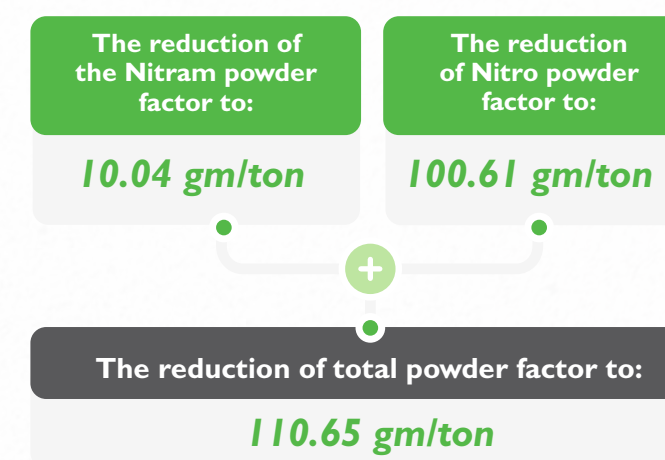


IMPROVED LIMESTONE CRUSHER EFFICIENCY



Those significant improvements in our Mining operations contribute to our Energy Efficiency program, lowering our Carbon Footprint, and better resource management.

EMISSION REDUCTION EFFORTS



INTRODUCING GREEN FINISHING CEMENT

During 2023, the product incorporates over

40%

supplementary cementitious materials.

The product emits approximately

40%

CO₂ per Ton less than Ordinary Portland Cement (OPC)

The GFC emissions decreased in 2023 by:

45 kg/ton

compared with 2022.



AWARDS AND CERTIFICATIONS

City Cement Company stands at the intersection of excellence, sustainability, and community welfare, embodying a commitment to quality and responsible business practices.



QUALITY MARKS-SASO CERTIFICATE:

A testament to the Company's strict adherence to the standards set by the Saudi Standards, Quality, and Metrology Company.



QC 100 GOLDEN:

City Cement received the integrated quality management (GOLDEN) award in Paris. This award is given to international companies with outstanding performance in the fields of integrated quality management, economic growth, leadership, technical improvement, and innovation.



QC 100 PLATINUM:

City Cement received this integrated quality management reward in 2012.

المركز الأول في المملكة حسب تقييم سيري في تطبيق مشاريع
الامتة التي تتبناها المصانع الذكية من قبل مبادرة مصانع
المستقبل لوزارة الصناعة والثروة المعدنية.



THE GREEN ERA FOR SUSTAINABILITY:

This award is set up to recognize true global sustainable exemplars including governmental institutions, green building councils, environmental agencies, and green companies that have been innovative and creative in pursuing the sustainable imperative.

SEEC RECOGNITION

We are immensely proud that City Cement Company has been honored with prestigious recognition from the Saudi Energy Efficiency Center (SEEC) for our exemplary Energy Efficiency program in the Kingdom of Saudi Arabia.



This shows our unwavering commitment to sustainable energy practices and our dedication to reducing our environmental footprint. Our Energy Efficiency program, a cornerstone of our sustainability strategy, has been instrumental in significantly reducing energy consumption and emissions. This recognition reflects our innovative approach to energy management and aligns with our goal of contributing positively to the national energy efficiency objectives. We are grateful for this recognition and remain dedicated to continuous improvement and leadership in sustainable energy practices.

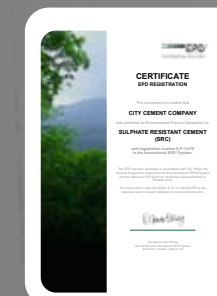
MANAGEMENT SYSTEMS ACCREDITATION

We are ISO 9001 certified, demonstrating our commitment to quality management and customer satisfaction. Our ISO 14001 certification reflects our dedication to effective environmental management, reducing our ecological footprint, and enhancing environmental performance. The ISO 45001 certification is a testament to our proactive approach to ensuring occupational health and safety, minimizing risks to our employees and stakeholders. Lastly, our ISO 50001 certification illustrates our strategic focus on energy management, optimizing energy use, and reducing environmental impact.



EPD CERTIFICATES 2023:

Publishing our EPD certificates for our products as the 1st company within the kingdom in the building materials sector.



THE FIRST WITHIN KINGDOM:

The 1st place within the kingdom as per SIRI index, through the Future Factories initiative by Ministry of Industry and Mineral Resources.





GOVERNANCE AT CITY CEMENT

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City Cement is upholding strong corporate governance principles that are the cornerstone of its Company integrity and responsible business practices. The Company places a paramount emphasis on adhering to the comprehensive Governance Regulations set out by the Capital Market Authority (CMA). This commitment ensures a robust framework for decision-making, transparency, and accountability within the company. City Cement's dedication to corporate governance aligns with its mission to create long-term value for stakeholders and foster sustainable growth.

City Cement acknowledges the importance of transparent and effective communication channels in conveying critical concerns to the Board of Directors. The primary avenue for this communication is through the regularly scheduled meetings of various committees. Our commitment to open dialogue ensures that any risks identified by our management or emerging committees that fall within the purview of the Board of Directors or the General Assembly are promptly brought forward.

PILLARS OF CORPORATE GOVERNANCE

BOARD OF DIRECTORS COMPOSITION AND APPOINTMENT

In adherence to the CMA Corporate Governance Regulations, City Cement established a comprehensive Board of Director Manual governing the composition and appointment of the Board of Directors.

When composing the Board, City Cement gives due consideration to key factors such as the number of Board members is carefully determined to be suitable for the size and nature of the Company's activities. Furthermore, most Board members are designated as Non-Executive Directors, emphasizing the importance of objective perspectives in decision-making. Additionally, the Company ensures that the number of Independent

Directors is not less than two members or one-third of the Board members, by regulatory requirements.

Regarding appointing board members, City Cement's bylaws specify that the number of board members shall be seven, which should not be less than three. The General Assembly, as outlined in the bylaws, elects Board members for a term stipulated within the Company's governance framework, with re-election possible unless otherwise stated. In line with governance best practices, a Board member shall not be a member of the Boards of Directors of more than five listed joint stock companies at the same time.

BOARD OF DIRECTORS



HRH Prince Abdulaziz Bin Mishal Bin Abdulaziz Al Saud

Board Chairman | Independent

With a wealth of expertise, his Royal Highness Prince Abdulaziz bin Mishaal bin Abdulaziz Al Saud serves as the Board Chairman for City Cement Co. and concurrently presides over Tech Services Co. and Advanced IT Co. His leadership extends to the role of General Manager at First Building Construction, a reputable private establishment. HRH Prince Abdulaziz oversees multiple branches affiliated with his private enterprises, demonstrating a breadth of experience in various business domains, services, and contracting activities. Additionally, he serves as a commercial agent for several esteemed companies from the United States, Europe, and Asia, further contributing to his diverse and impactful professional portfolio.



Mr. Bader Bin Omar Al-Abdullatif

Board Vice Chairman and Managing Director | Executive

Mr. Badr bin Omar Abdullatif, a dynamic leader, currently serves as the Vice Chairman, Managing Director, and Chairman of the Executive Committee at City Cement Co. His extensive roles include being a Board Member and Audit Committee member at AlAbdullatif Holding Group, as well as serving as the General Manager at AlAbdullatif Furniture Company and a Board Member at Future Ceramics Company. With a rich history of contributions, he has held various roles, including Board Member, Chairman of the Nomination and Remuneration Committee, and Chairman of the Audit Committee at AlAbdullatif Industrial Investment Company.



Mr. Majed Bin Abdulrahman Al-Osailan

Chief Executive Officer | Board Member | Executive Committee Member

Mr. Majed bin Abdulrahman Al-Osailan possesses an international educational background, including an MBA from the International University of America in UK, and holds certification as a global executive by INSEAD. He has completed a wide range of local and international training and executive programs and earned a spot in the prestigious 2030 Leaders program by MISK in cooperation with ESADE leaderships programs.

Mr. Al-Osailan's leadership encompasses various roles, including Board Chairman of Natural Gas Distribution Co. and Chairman of the Environment and Energy Committee at the Saudi International Chamber of Commerce. He serves as the Chairman of the Audit Committee at Abdullatif Industrial Investment, Board Deputy Chairman of Abdullatif Industrial Investment Co., and Deputy Chairman of the National Committee for Cement Industry.

Additionally, he is the Board Deputy Chairman of Green Solutions Environmental Services Co., a Board Member of Ajil Financial Services, and the CEO of City Cement. He led advanced strategic planning, drove innovation, and oversaw projects for efficiency and sustainability. His visionary leadership included decarbonizing the cement sector in Saudi Arabia. Mr. Al-Osailan's entrepreneurial spirit led him to co-found Green Solutions for Environmental Services Company and Lichtenberg Middle East Company, showcasing his ability to develop and execute transformative strategies. His international perspective, diverse skill set, and commitment to sustainability make him a distinguished figure in global business.



Mr. Mohammed Saad Al-Moajil

Independent Member

Mr. Mohammed bin Saad Al-Moajil holds a master's degree in business administration from Stanford University. Currently serving as a Board Member and Nomination and Remuneration committee member at City Cement, he brings a wealth of international expertise to his roles. Mr. Al-Moajil holds key positions, including Board Chairman at Telal Al Khayr Food and Chairman of the Investment Committee at Tech Investment Co. His leadership extends to Dhahran International Exhibitions Company (Dhahran Expo), where he serves as a Board Member and Chairman of the Executive & Investment Committees. Actively contributing to international business relations, he is a Member of the Saudi British Business Council and the Saudi Irish Business Council. Mr. Al-Moajil also serves as the Head of Investment at AlMoajil Trading & Contracting.



Mr. Saleh Bin Sulaiman Al-Rajhi

Independent Member

Mr. Saleh bin Sulaiman Al-Rajhi, an accomplished professional, has a wealth of experience in banking and the management of commercial and investment companies. Currently serving as a Board Member and Chairman of the Audit Committee.



Mr. Saleh Bin Ibrahim Al Shabnan

Non-Executive Member

Mr. Saleh Bin Ibrahim Al Shabnan, a Board Member and executive committee member at City Cement, holds a B.Sc. in Industrial Management from King Fahad University for Petrol and Minerals. His expertise spans various industries, including Chemicals and Petrochemical, Chemical Insecticides, Steel, Medina Cement Co., Agricultural Services, and Mining.



Engr. Mohammed Bin Hikmat Al-Zaim

Non-Executive Member

Mr. Mohammed bin Hikmat Al-Zaiem, an accomplished professional with a bachelor's degree in electrical engineering, serves as a Board Member, Executive Committee member, and Nomination and Remuneration committee member at City Cement. His leadership extends to roles such as CEO of International Trading and Contracting Co. Ltd (ITCC) and Vice Chairman of the Board of Directors at Riyadh Cables Group Company. With a diverse portfolio, Mr. Al-Zaiem holds key positions in various boards, including Future Ceramics, Afaq Al Hikma, Al Afaq Development, Ajyal Al Hikma, and Deira Akel Real Estate.

STRATEGIC TRANSFORMATION

Under visionary leadership, City Cement embarked on a transformative journey encompassing all business functions to enhance readiness in the face of global challenges such as climate change, and economic downturn. The Company’s strategic and tactical aspects underwent significant transformations, necessitating empowered management to meet new business demands.

Outlined by the board and executive management, eight ambitious goals were established:

- 

Achieve top-tier financial returns in the cement market.
- 

Maximize revenues through diversified growth strategies.
- 

Reduce environmental footprint by utilizing alternative fuels and renewable energy.
- 

Boost total productivity with a focus on digitization.
- 

Enhance human capital upskilling and efficiency.
- 

Increase Saudization ratio to comply with regulatory limits.
- 

Improve client loyalty and brand advocacy.
- 

Attain best-in-class rank in operational excellence according to SIRI assessment.

To achieve these goals, the Company undertook a restructuring initiative, introducing a Strategy and Transformation Council alongside five functional divisions: Industrial, Supply Chain, Commercial, Human Resources (HR), and administration, and Financial & IT.

The Strategy and Transformation Council

Collaborates with the CEO and business unit leaders to develop and implement the Company's vision and strategy, ensuring integrated business performance and financial results.

The Industrial Division

Oversees industrial plans, continuous improvements, and best practices to achieve operational goals.

The Commercial Division

Leads sales and marketing activities to maximize revenues, market share, and customer retention.

The Supply Chain Division

Manages supply chain activities for efficient and timely material supply.

The Finance and IT Division

Supports financially viable strategies through robust financial planning and reporting, improving liquidity performance and digitalization.

The HR and Admin Division

Monitors HR, legal, PR, and admin activities to efficiently support business operations in alignment with the Company's vision and regulatory compliance.

BOARD COMMITTEES FORMULATION

The Board has established specialized committees to enhance its effectiveness in line with CMA's regulations. The formation of these committees follows general procedures determined by the Board, specifying their duties, duration, and granted authorities. Transparency is paramount, with committees regularly reporting their findings and decisions to the Board, which actively monitors their activities.

The responsibilities of the Audit committee, nomination and remuneration committee, and executive committee are delineated, covering crucial areas such as financial integrity, non-financial reports, related-party transactions, board nominations, senior executive appointments, and remuneration. The composition of these committees is carefully considered, with a minimum of three and a maximum of five members, ensuring optimal efficiency. Non-executive directors play a significant role in committees dealing with potential conflicts of interest, prioritizing the Company's and shareholders' interests.

The membership structure considers independence, especially in the remuneration and nomination committees, where Independent Directors are emphasized. Additionally, the Chairman of the Board and the CEO are restricted from being

members of the audit committee, although participation in other committees is permissible, provided the Chairman does not chair them. The Company promptly notifies the authority of committee appointments and any subsequent changes.

Committees are empowered to study and assess matters within their authority, providing recommendations to the Board for decision-making. Expert assistance is obtained, when necessary, Committee meetings are governed by specific rules, including restricted attendance of Board or Executive Management members unless requested, and a majority vote determines valid resolutions. Minutes of committee meetings, including discussions, deliberations, and voting results, are meticulously recorded, signed, and retained in an organized register.

The Company's General Assembly, upon the Board's recommendation, is responsible for issuing a regulation for the Audit Committee and nomination and remuneration committee. This regulation outlines the committee's activities, duties, member selection rules, nomination methods, membership duration, remunerations, and the process for appointing temporary members in case of a vacancy.



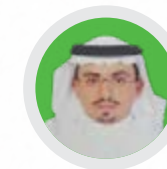
THE AUDIT COMMITTEE

The Audit Committee oversees financial risks and internal controls across various aspects of the Company's operations. The Committee holds responsibilities, including a meticulous review and discussion of the Company's quarterly and annual financial statements.

Our internal audit plan operates on a risk-based approach, which ensures the concentration of our audit efforts in areas of our operations where risks are higher, allowing the management to put the right internal controls in place for better performance. This approach not only helps us identify our vulnerabilities and potential issues more efficiently but also enables us to proactively address and mitigate these risks.

The formation of the audit committee is mandated by a resolution of the Company's Board, comprising members from shareholders or other qualified individuals, on the condition that no Executive Director is part of its composition. An Independent Director is required to be among its members, and the committee's chairman must be an independent member. Additionally, half of the committee's members should either be Independent Directors or individuals not subject to the issues affecting independence as outlined in Article (19) of the CMA regulations.

Members



Mr. Saleh bin Sulaiman Al-Rajhi
Committee Chairman

Committee Members

▶ **Mr. Mohammed bin Hamdan Al Suraiyea**

▶ **Mr. Abdulaziz bin Abdullatif Al Dulaijan**

▶ **Mr. Saleh bin Hassan Al Sheikh**

The Committee is responsible for:





THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee holds extensive powers, thoroughly examining the Board of Directors structure and performance effectiveness. This includes making recommendations for potential changes, identifying strengths and weaknesses, ensuring the independence of members, and addressing any conflicts of interest. The Committee is vested with the authority to propose membership policies, review, and recommend remuneration for Board committees, scrutinize the salaries of the Executive Management team, and assess Saudization percentages. Additionally, the Committee is key in evaluating the remuneration policy and establishing procedures to address vacancies within the company.

For detailed information, please refer to:

Members



Mr. Mohammed bin Saad Al-Moajil
Committee Chairman

Committee Members

- ▶ **Mr. Mohammed bin Hikmat Al-Zaiem**
- ▶ **Mr. Saleh Bin Ibrahim Al-Shabnan**

THE EXECUTIVE COMMITTEE

The primary objective of forming the Executive Committee is to assist the Board of Directors in assuming its responsibilities before shareholders and other parties in matters related to supervising the executive management of the company, reviewing, and monitoring the company’s work regularly, and making the necessary recommendations to the Board when needed. The committee is also responsible for conducting strategic studies and recommendations for the board when necessary.

Members



Mr. Badr bin Omar Alabdullatif
Committee Chairman

Committee Members

- ▶ **Mr. Majid bin Abdur-rahman Al-Osailan**
- ▶ **Mr. Mohammed bin Hikmat Al-Zaiem**
- ▶ **Mr. Saleh Bin Ibrahim Al-Shabnan**

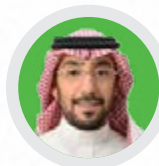
INTERNAL COMMITTEES

SUSTAINABILITY COMMITTEE



Chaired by the CEO and board member, the Sustainability Committee is key in decision-making and overseeing the Company's impact on ESG by reviewing and approving ESG information and reporting its recommendations to the Executive Committee, which, in turn, submits them to the Board of Directors for final approval.

Members



Mr. Majed Alosailan
Committee Chairman

Committee Members

Eng. Abdulrahman Ahmed

Mr. Turki Alabdullatif

Mr. Abdulaziz Alsuwaidan

Mr. Abdulwahed Alqarni

Eng. Mohamed Abdelfattah

The functions of the committee include:

Strategic Planning, Materiality Assessment, and Product Development:

- Formulate and assess the Company's Sustainability Strategy, objectives, and targets.
- Evaluate and authorize materiality assessments.
- Approve the introduction of new ESG (Environmental, Social, Governance) products.

Policy Implementation and Stakeholders Management

- Approve updated policies in alignment with ESG requirements.
- Stay informed about emerging stakeholders and potential new targets for existing stakeholders.

Monitoring and Assessment

Review the Company's ESG performance and make decisions to facilitate progress or implement corrective actions if necessary.

CODE OF CONDUCT AND ETHICS

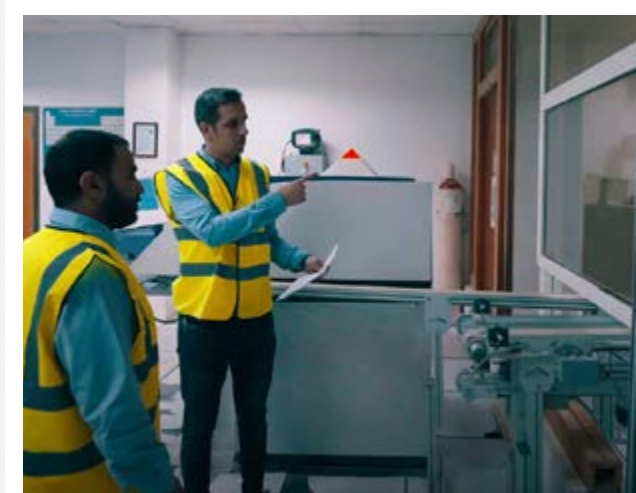
City Cement emphasizes the importance of a Code of Conduct for all employees. The code establishes guidelines for fair, honest, and efficient behavior, applicable to every individual within the company. Through comprehensive training, employees are equipped with the knowledge and tools to uphold these principles, ensuring compliance with internal regulations and standards. The Code of Conduct incorporates values guiding interactions within the company and society, offering clear guidance for various situations. Employees are encouraged to consult the code when in doubt, and a guidance process involving managers, HR, or the Ethics and Compliance Committee ensures a proactive and informed approach to ethical decision-making.

PERSONAL CONDUCT GUIDELINES

Employees are expected to avoid personal activities and relationships conflicting with the company's interests. Any potential conflicts of interest should be discussed with immediate managers and the HR department. Acceptance of external job offers, directorship positions, or engagements that use the company's name or facilities requires approval from relevant authorities. Any business activities involving employees, family members, or associates providing services or supplying products to City Cement must be disclosed and approved.

ETHICAL CONSIDERATIONS IN BUSINESS ACTIVITIES

The referral of relatives and friends for job openings is governed by local policies, with responsible areas deciding on selection and hiring to avoid conflicts of interest. Invitations to technical events and seminars related to company interests must be reported to the Ethics and Conduct Committee for assessment. The Human Resources department oversees business trips, seminars, and conferences, ensuring that the employee's manager approves expenses related to work missions before reimbursement.



CONDUCT TOWARDS THE CUSTOMERS, SUPPLIERS, PARTNERS, AND COMPETITORS

Confidentiality

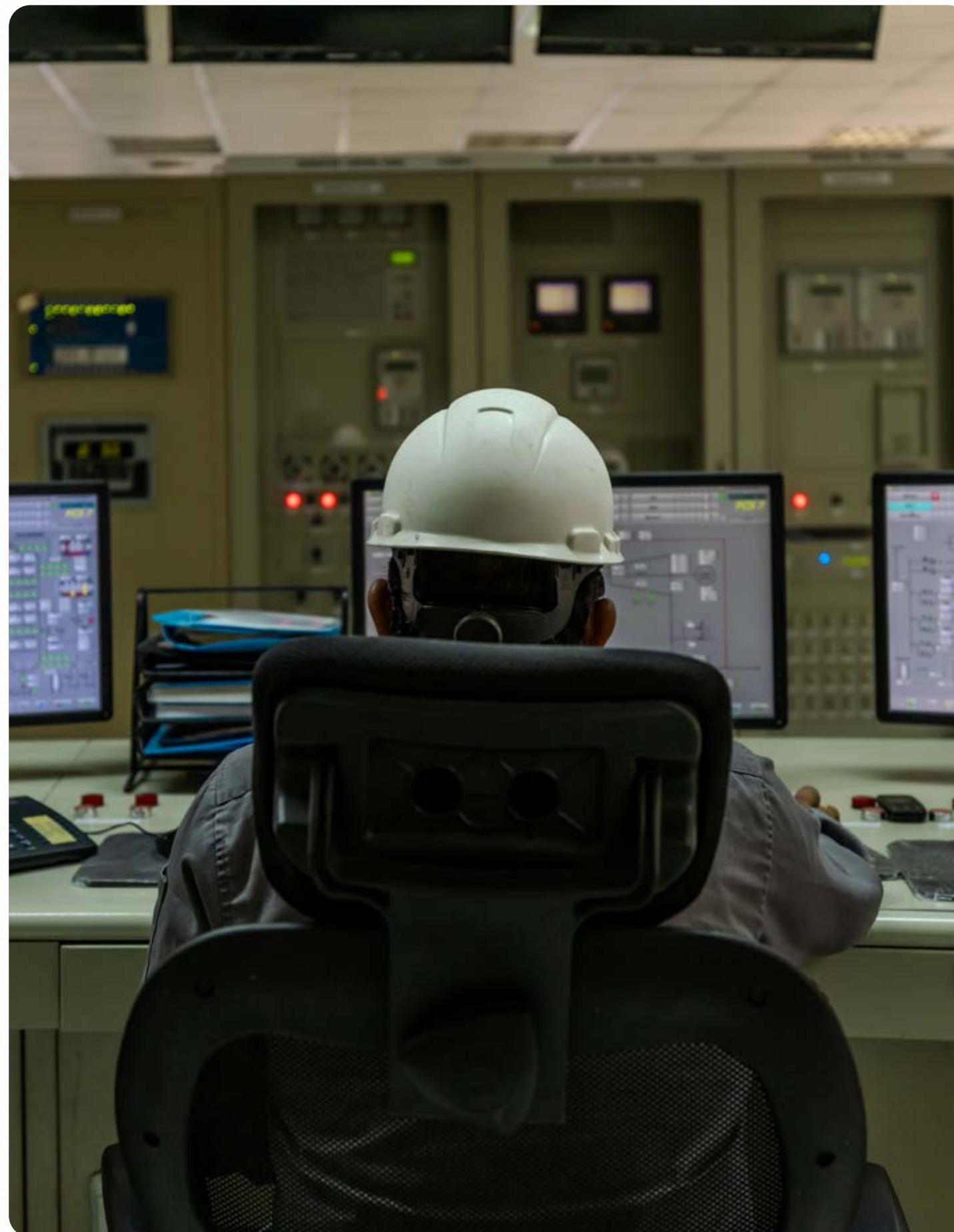
Employees must refrain from transactions involving the company's shares and bonds. They are also responsible for safeguarding undisclosed information about the company's business or situation, particularly data that may impact share prices or market performance. Handling such confidential information should strictly follow regulatory procedures in the capital markets, and employees are prohibited from using or disclosing it to third parties.

Customer Privacy

City Cement has maintained a strong record in customer privacy and data protection, reporting no complaints of violations or losses from 2021 to 2023. The successful implementation of policies and procedures underscores the company's commitment to safeguarding customer information. City Cement is dedicated to keeping customer data confidential, employing stringent measures to handle sensitive information with the utmost care. The company provides excellent customer service with an emphasis on clear communication, respectfully articulating reasons when unable to fulfill customer requests.

Competition and Consumer Rights

City Cement is dedicated to customer fairness, emphasizing fair competition, and protecting consumer rights. The company rejects any attempt to force customers into conditions that defy these principles. Employees are expected to uphold these values, and any false or slanderous statements are addressed according to local policies, fostering a harmonious and ethical work environment that prioritizes fairness and equity in all interactions with stakeholders.



Transparency

Stakeholders are provided with essential information for informed decision-making. The company maintains the right to withhold opinions conflicting with its interests or involving confidential matters. Designated spokespersons are the sole authorized representatives, ensuring a consistent communication strategy through coordination with managers or the HR Department when employees are contacted for information or statements.

Commitment to Excellence in Supplier and Business Partners Relationships

The company prioritizes the best quality and cost considerations while upholding the highest standards of integrity in negotiations. This commitment extends to compliance with laws, commercial regulations, social responsibilities, and contractual rights, fostering a foundation of trust and fairness in these relationships.

Internal Audit Process

When investigating fraud, corruption, and violations of laws and regulations, we have a well-structured system in place. City Cement has two distinct controlling areas: the budgeting and controlling section and the material control section. In the event of any suspected violation within these areas, the matter is escalated to our Governance, Risk, and Compliance (GRC) Department and concurrently to our HR Department. This dual approach ensures that potential issues are promptly addressed, and appropriate investigations are initiated. In our pursuit of governance excellence, compliance with policies, procedures, plans, rules, regulations, and laws is paramount. In addition to the diligent work of our internal auditors in identifying non-compliance issues, our GRC Department periodically checks for adherence to relevant policies, procedures, and regulations. This dual layer of oversight minimizes compliance risks and aligns our operations with legal and industry standards, reinforcing our commitment to responsible and ethical business practices.



Conflict of Interest Policy

City Cement strongly emphasizes the effective management of conflicts of interest, highlighting our commitment to ethical and transparent practices within our company. Our Conflict-of-Interest Policy has been crafted and implemented to uphold this commitment, ensuring that potential conflicts are handled with the utmost integrity.

Our Conflict-of-Interest policy is intricately designed to safeguard the company's interests. This policy addresses concerns like the potential misuse of company assets and facilities in dealings with related individuals, aligning with the Corporate Governance Regulations and our internal policies. The overarching goal of this policy is to proactively avoid conflicts of interest by implementing stringent controls. It aims to fortify our internal control processes, effectively prevent, and manage conflicts, and align with existing policies and system requirements.

Anti-Corruption & Anti-Money Laundering

City Cement actively addresses and prevents corruption incidents through its Governance, Risk, and Compliance (GRC) Department. Concrete evidence prompts the involvement of legal representatives for necessary procedures. The reporting period revealed no confirmed corruption incidents or employee dismissals due to corruption. Contract terminations with partners and legal cases against the company or employees related to corruption were non-existent. The Company maintains a clean record in the public legal domain regarding corruption cases.

Regarding anti-money laundering, City Cement employs stringent measures in financial activities, such as dealing with reputable partners, verifying bank account information, and accepting only bank transfers. The company has a well-defined mechanism for reporting suspicious transactions, demonstrating a proactive stance in maintaining the integrity of financial dealings.

RISK MANAGEMENT

At City Cement, our commitment to sustainable business practices includes diligently managing various types of risks. With a primary objective centered on consistent vigilance, the GRC department consistently identifies, assesses, reports, and addresses potential challenges that may impact our operations and strategic goals.

This approach enables us to effectively navigate the dynamic business landscape we operate in, fostering resilience and ensuring the long-term stability and success of our company. Through robust risk management practices, we strive to stay ahead of emerging threats, safeguard our assets, and maintain the trust and confidence of our stakeholders.



Health and Safety Risk

In our safety-focused industry, addressing high-consequence injury risks is paramount. We prioritize safety through regular risk assessments, incident investigations, and safety audits. Rigorous control measures, including engineering controls, administrative controls, and personal protective equipment, are implemented to mitigate identified hazards. Our commitment extends to preventing work-related ill health, focusing on respiratory disorders, allergies, hearing loss, and chemical poisoning. Hazards contributing to ill health are systematically identified through regular health assessments and workplace monitoring. Encouragingly, no cases of work-related ill health were reported in the addressed years, highlighting the effectiveness of implemented control measures and ensuring a safe and healthy working environment.

Economic Risk

Includes both domestic and global economic conditions and significant factors directly shaping our future business prospects. This risk factor spans various dimensions, including shifts in sales performance, market liquidity, and financing costs. Additionally, it includes challenges such as industrial recession, competition from foreign markets, technological advancements, and fluctuations in fuel, input, and product prices. External influences, such as inflation, political events impacting corporate markets, exchange rate volatility, and the rise of alternative products, add complexity to our economic risk profile. Through vigilant monitoring and analysis of economic indicators and adaptive strategies, we strive to boost our resilience, ensuring preparedness for the ever-changing dynamics of the economic landscape.

Compliance Risk

Our operations are governed by multiple laws and regulations. Any changes to or amendments to these laws and regulations by any government entity, regulatory body, or judicial authority could impact the Company's business and revenue. We maintain a robust legal compliance framework that includes regular reviews and assessments of our operations against evolving legal requirements. In the event of any regulatory changes, our legal team swiftly evaluates the implications and develops strategies to ensure alignment with new directives. Additionally, we foster open communication channels with relevant authorities to address concerns promptly and adapt to any shifts in the regulatory environment.

Mining Rights Risk

Mining operations constitute an important aspect of our activities, with mining rights granted by the relevant Saudi government authorities. The potential cancellation or imposition of restrictions on these mining rights could directly impact our ability to operate the plant. Such circumstances would have serious adverse repercussions for our financial position and operational results. We proactively engage with regulatory bodies and consistently adhere to all legal requirements governing mining operations. Maintaining open channels with relevant Saudi government authorities allows us to stay informed about any potential changes in mining regulations. Additionally, we conduct regular assessments of our mining operations to ensure compliance with existing laws. Developing contingency plans and exploring alternative sources for raw materials contribute to our preparedness in the face of evolving mining rights scenarios.

Customer Concentration Risk

While our product portfolio caters to a diverse customer base, it's essential to acknowledge the inherent risk associated with dependency on certain customers or distributors. Although our products reach a broad market, any financial losses, discontinuation of dealings, or failure to adhere to established criteria by specific customers or distributors could have a direct impact on the Company's business and revenue. It highlights the importance of continually diversifying our customer network and maintaining strong relationships to mitigate potential risks to our business continuity.

Energy Supply Risk

The substantial energy demand in cement production, constituting a significant portion of our production costs, makes our operations sensitive to fluctuations in fuel prices. Any upward variations in fuel costs pose a direct threat to our company's financial position and operational results. Additionally, securing the necessary fuel for our second production line is crucial for sustained operations. The failure to do so would result in an enduring negative and substantial impact on our business. To address this risk, the Company has invested in alternative fuels by treating all types of waste and converting them into fuel to ensure the continuity of the company's operations and achieve its strategic goals by reducing dependence on fossil fuels, reducing carbon emissions, and producing environmentally friendly products.

STAKEHOLDERS IDENTIFICATION

We Identified City Cements' stakeholders through a careful study of its external and internal eco-system and categorized them into eight main categories as below:





In our assessment, we classify our stakeholders based on the following impact/interest matrix:

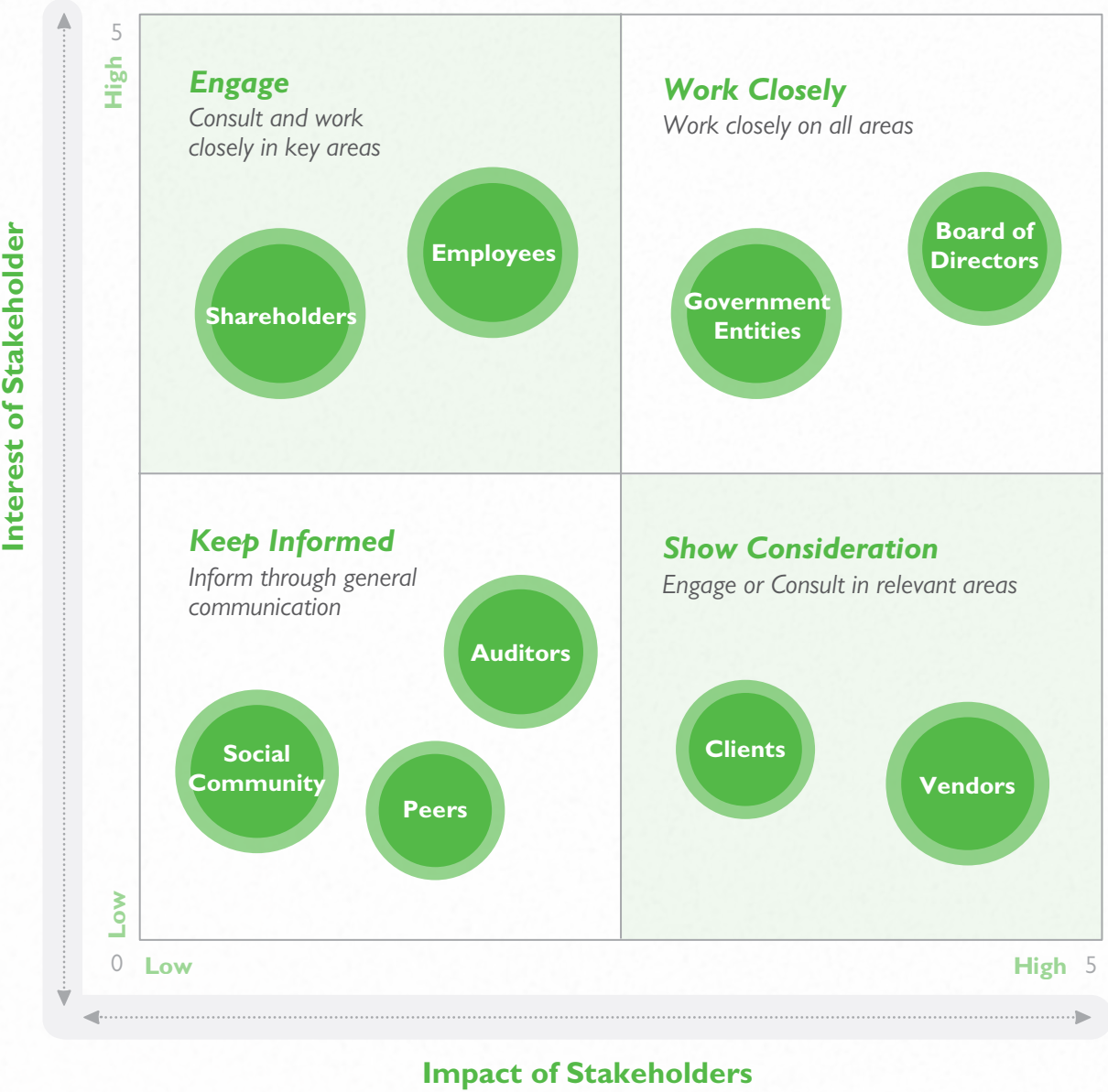


Figure 01 | Stakeholders Impact Matrix

STAKEHOLDER’S MANAGEMENT

In the following section, we address all the stakeholders’ concerns and our management approach.

Stakeholders	Key Topics	Management Approach	Communication Channel
 Regulators and Administrative Authorities	<ul style="list-style-type: none">• Compliance• Job Opportunities Creation• National Development	<ul style="list-style-type: none">• Adherence to Laws and Regulations• Local Recruitment• Economic and Social Contributions	<ul style="list-style-type: none">• Meetings• Email official letters
 Board of Directors	<ul style="list-style-type: none">• Risk Management• Business Growth and Sustainability• Efficient Operations	<ul style="list-style-type: none">• Robust Management Systems• Business Expansion and Integration• Resource Optimization	Follow-up Meetings
 Shareholders	<ul style="list-style-type: none">• Financial Resilience and Profitability• Risk Management	<ul style="list-style-type: none">• Integrated Robust System that Allows for Continuous Growth and Accounts For Risk Mitigation Measures	<ul style="list-style-type: none">• Tadawel• Forums• Meetings• Website• Social media
 Employees	<ul style="list-style-type: none">• Health and Safety• Career Development• Benefits	<ul style="list-style-type: none">• Implementing Safety Management System• Formulating Internal Policies that Accounts for Employees’ well being	<ul style="list-style-type: none">• Meetings• Workshops• Awareness sessions• emails
 Suppliers and Vendors	<ul style="list-style-type: none">• Compliance with Regulations• Transparency• Occupational Health and Safety• Grievance Mechanism	<ul style="list-style-type: none">• Implementing Policies that Ensures Transparency and Anti-corruption.• Health and Safety Management System• Grievance Mechanism	<ul style="list-style-type: none">• Emails• Meetings• Tenders

Stakeholders	Key Topics	Management Approach	Communication Channel
 Clients	<ul style="list-style-type: none">• Product Quality• Competitive Pricing• Grievance Mechanism	<ul style="list-style-type: none">• R&D and Innovation• International Quality Standards• Grievance Mechanism	<ul style="list-style-type: none">• Emails• Letters• Calls• Meetings• Social media
 Social Community	<ul style="list-style-type: none">• Infrastructure Development• Environmental and Social Impact• Employment Opportunities	<ul style="list-style-type: none">• Engaging in Local Infrastructure Projects• Community Development Projects• Environmental Impact Mitigation	<ul style="list-style-type: none">• TV interview• Press-release• Social media• Website
 Peers and Industry Association	<ul style="list-style-type: none">• Fair Competition• Ethical Business Conduct	<ul style="list-style-type: none">• Policy of Ethical Practices• Transparent Practice and Communication	<ul style="list-style-type: none">• Market Research• Corporate Events and Conferences

Table 01 | Stakeholders Management



DOUBLE MATERIALITY

The materiality assessment process was conducted through stakeholder engagement. Material topic identifications were conducted through stakeholders’ proxies from internal departments to identify the most relevant topics which were reviewed, prioritized, and assessed for impact on business by the sustainability committee.

MATERIALITY MATRIX

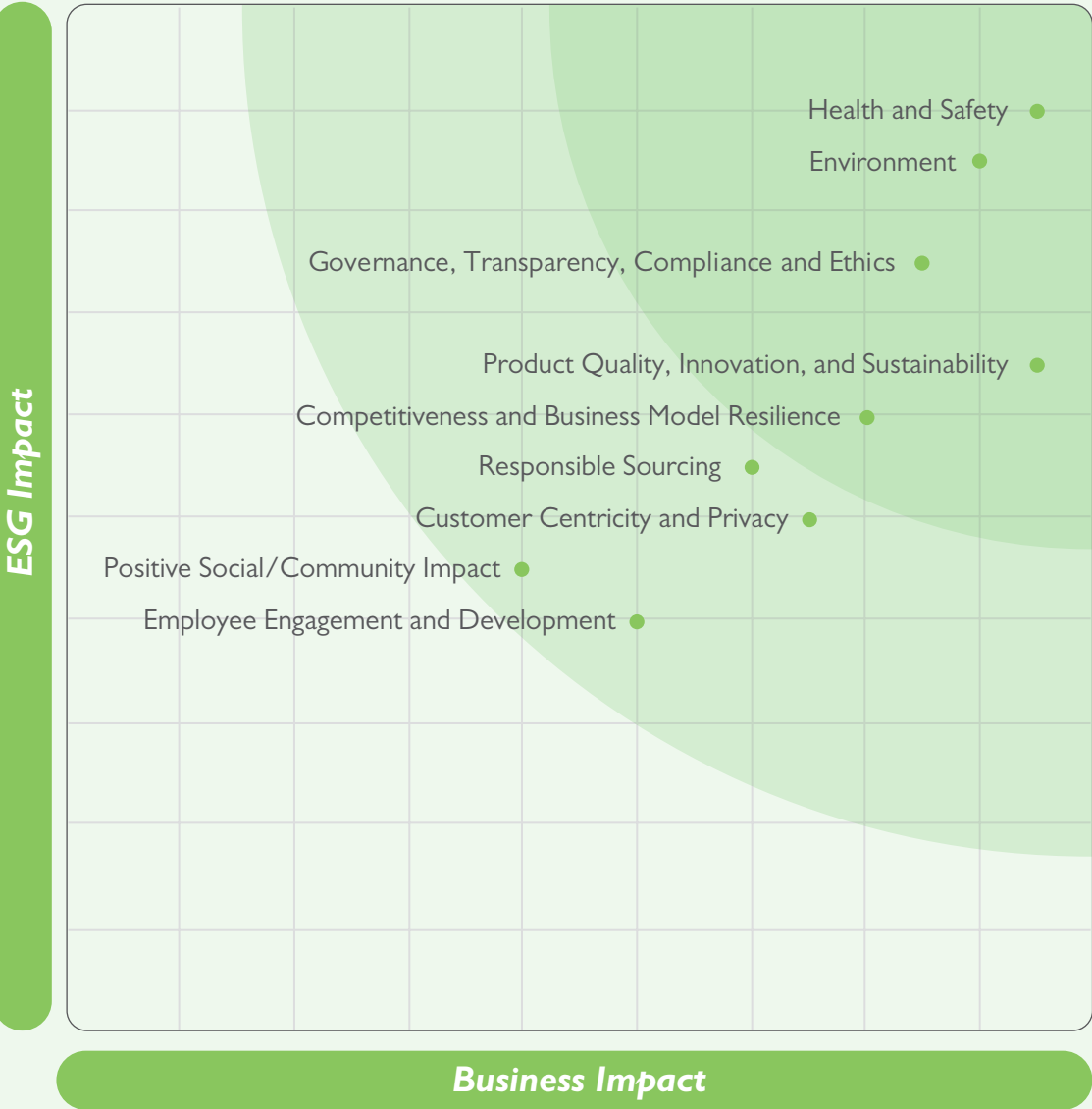


Figure 02 | Materiality Matrix



MANUFACTURED CAPITAL

Range of Products	57
Production Process	58
Elevating Maintenance Practices	60
Quality at City Cement	62
Responsible Procurement	65

02



City Cement prides itself on a rich history of contributing to the success of major projects across the Kingdom, including iconic landmarks like King Khalid International Airport, Princess Noora University in Riyadh, Riyadh Metro, SABIC Housing Projects, Saudi Electricity Company's Hyundai Project, Ministry of Housing Projects, and Ministry of Defense Projects.

We are on a journey of continual evolution, dedicated to the success of the company, stakeholders, and the community. Since our inception, the company has been committed to sustained growth, fostering a culture that prioritizes community and ensures a sustainable future for generations to come.

Operating across more than 35 destinations and covering a radius exceeding 800 km from its plant, City Cement has established a robust distribution channel. With over 260 direct customers engaged in various cement and concrete applications, such as ready-mix concrete, prefabricated blocks, finishing, and blasting, we are a company dedicated to our stakeholders. Embracing challenges as opportunities, we maintain a competitive edge within the industry.

RANGE OF PRODUCTS

City Cement stands as a premier cement manufacturer, delivering top-tier quality to various construction markets. Our products are versatile and fully optimized for diverse construction applications. We excel in providing tailored-to-application cement, offering bespoke constructive solutions. Leveraging technical expertise and robust manufacturing capacity, we design and produce high-quality products tailored for specific applications.

One of our offers is Ordinary Portland Cement, compliant with SASO GSO 1914, Type I, and ASTM C150, Type I standards. Produced through a meticulous process involving heating a mixture of limestone, clay, and other materials in rotary kilns, it is ideal for general construction, modern architecture, reinforced concrete, and repair and maintenance work.

Our Sulphate Resistance Cement, meeting SASO GSO 1914, Type V, and ASTM C150, Type V standards, is characterized by low Tri-Calcium Aluminate (C3A) content. It chemically reacts with sulfate ions, making it suitable for environments with sulfate exposure.

In our commitment to environmental sustainability, we introduce Green Finishing Cement, compliant with ASTM C595 IT standards. This product, produced from industrial cement byproducts, reduces natural resource consumption, resulting in lower carbon emissions. It features a lighter color, resilience in aggressive conditions, sulfate resistance, lower heat of hydration, and high workability.

As part of City Cement's transformational journey and belief in people's competencies, we acquired an exceptionally talented industrial team to monitor and control different parameters, maintaining high production standards in one-of-a-kind integrated cement plant operations in the Kingdom and the region. This includes ongoing analysis of process performance, regular audits, and identifying areas for improvement, which assumes a significant role in developing and implementing optimization strategies to enhance the cement plant's overall performance, contributing to greater efficiency and sustainability in operations.



PRODUCTION PROCESS

01 Raw Material Acquisition and Preparation

The manufacturing process at City Cement starts with the stage of Raw Material Acquisition and Preparation. The company sourced a comprehensive blend of natural and alternative materials, totaling **3,526,152 tons** and **211,351 tons** in 2022 and 2023 respectively.

02 Raw Material Mix

Raw materials undergo processing into a raw meal through two production lines, Line 1, and Line 2. The materials are ground and blended to form a uniform raw mix.

03 Kiln Operation, Clinker Cooling, and Storage

Subsequently, this mix is fed into kilns, the essential units for clinker production, the primary component of cement. Kiln operations involve using electricity and fuel, including non-renewable or alternative sources. Throughout this process, emissions are generated, and some materials may bypass the system, possibly due to filtration or system design. Once the clinker is produced, it undergoes a cooling process and is subsequently stored. We carefully monitor end-of-year stock levels for Ordinary Portland Cement (OPC) and Sulfur Resistant Cement (SRC) clinker. These recorded levels serve as valuable data for inventory management and strategic planning purposes.

04 Cement Grinding and Distribution

Following clinker production, it undergoes mixing with additional materials, including gypsum, limestone, pozzolana, and any materials bypassed during earlier stages.

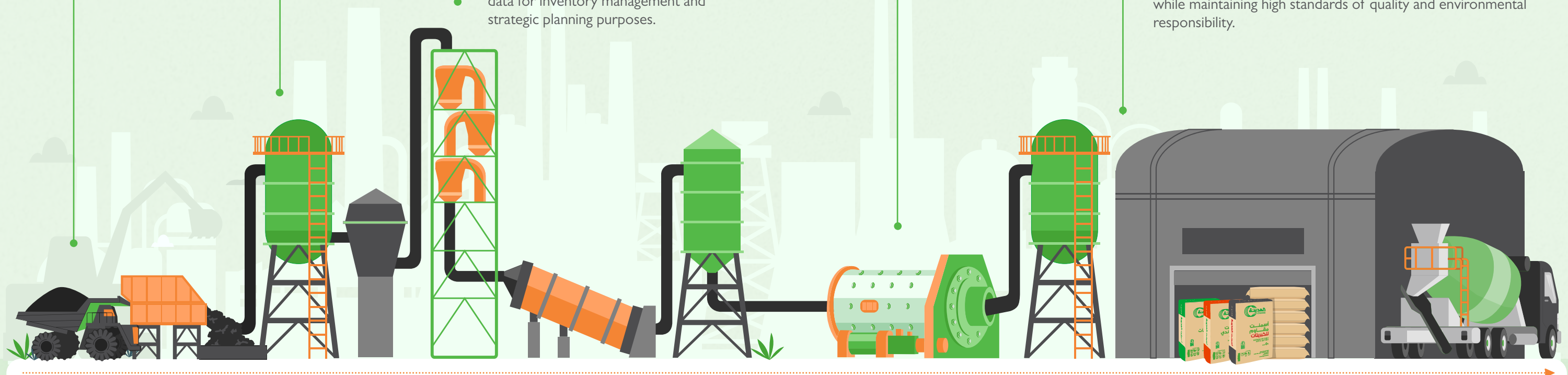
These elements are combined in cement mills to yield various types of cement. Our production line features three distinct mills, each tailored to specific product lines or requirements.

05 Final Product

The final step in our process is cement production, including three different types. First, the OPC is considered the type that is suitable for modern architecture, concrete works, and repair, maintenance & restoration works. The SRC, characterized by low contents of Tri Calcium Aluminate (C3A), chemically reacts with sulfate ions available in soil and water and prevents concrete expansion and cracking in places where the soil contains a high percentage of sulfates. This type of cement is used in dam construction and coastal (marine) works, for instance, ports and platforms, sewage treatment structures, and foundations. Finally, Green Cement is our most environmentally friendly product with exceptional specifications to meet the augmented market demands for high standards finishing products. This commitment to diverse cement types resulted in a total production of:

2,658,106 tons in 2022 and
2,148,832 tons in the year 2023

reflecting our dedication to meet various industry needs while maintaining high standards of quality and environmental responsibility.



ELEVATING MAINTENANCE PRACTICES

At City Cement, we emphasize the significant role of maintenance in facilitating the operation of manufacturing equipment. We implement a systematic approach to maximize the availability of required equipment, minimize downtime, and promptly address any issues that may arise. We work consistently to identify and control maintenance activities that could potentially impact the environment and the safety of our workers. In this regard, we strive to eliminate or minimize risks associated with job-related injuries and illnesses.

The plant management has succeeded in elevating the maintenance strategy from breakdown maintenance to conditioned-based maintenance and will continue our efforts until we reach the total productive maintenance (TPM) through a digitalization plan, where ERP implementation is the first step which was achieved and building a strong planning maintenance department with upscaled team. Through the ERP System, a maintenance work cycle is initiated inside the maintenance department and through the communication between the maintenance department and other departments such as supply chain, accounting, and finance. We consistently engage with all internal departments

to provide technical assistance regarding the maintenance cycle, maintenance activities, spare parts purchasing, materials contracts, material management, Materials Resource Planning (MRP), Capital and Operational Expenditure (CAPEX/OPEX) activities, budget planning, service entry sheets, and invoices.

Digitalization directly impacts the maintenance index and Overall Equipment Effectiveness (OEE), providing a significant opportunity for improvement. Also, the implementation of ERP offers the opportunity to enrich preventive maintenance, leading to better planning, reduced downtime, and fewer failures. Moreover, we are looking forward to shifting to preventive and overhauling maintenance plans to improve the maintenance index and productivity.

Similarly, our future focus on productivity improvement will involve changing the maintenance mindset, incorporating refurbishment cycles, reverse engineering, and leveraging the digitalization plan for enhanced OEE and maintenance index. Finally, the Maintenance index improved by 15%, and 88.15% for average OEE for all equipment.



OUR SUCCESS STORIES



In 2022, We have implemented Maintenance Master Data Enrichment, to achieve the ERP System Implementation, which is the initial step to build the preventive maintenance system and strategy.

In 2022, we have succeeded in the ERP System Implementation, launching, and running. The utilization of the ERP module has reached 70% in 2023. Also, Utilizing the ERP system's Material Resources Planning (MRP) for optimizing the replenishment cycle for consumable materials, resulted in a significant decrease in the manual Purchase Requestions (PRs) by 40%.

City Cement restructured the maintenance department by creating new functions to improve the planning process; a new department was built under the maintenance (Methods and Planning) with an upscaled team for inspection, condition-based, and planning to achieve the preventive maintenance strategy step.

Upscaling the maintenance team with new hires with high capabilities for mechanical maintenance and Methods and Planning section managers and upscaled team for inspection, condition-based, and planning to achieve the preventive maintenance strategy step.

Developing a skills matrix and implementing new internal company development initiatives for our blue-collar workforce. This includes reallocating teams across production sections and establishing a dedicated preventive maintenance team to conduct maintenance activities proactively. As of 2023, we have made significant progress, achieving a 28% increase in the skills and utilization of our maintenance blue-collar team through upscaling efforts.

In 2023, we began implementing the "Time-based Maintenance Plan" for our utilities and are currently preparing to establish a maintenance contract with a qualified third-party provider. This initiative aims to enhance the reliability of our utility's infrastructure.

Implementing gap analysis and Root Cause Analysis (RCA) methodologies (Using the 5 Why's model) and working on Defining, Measuring, Analyzing, Improving, and controlling (DMAIC) for any industrial goal deviation. In 2023, City Cement initiated an RCA triggers matrix per equipment which enables us to take control of the unplanned stoppages, in parallel to closing the follow-up on the corrective actions.

We introduced an updated maintenance strategy by shifting from spare parts replacement to a refurbishment cycle process. Concurrently, we improved reverse engineering methodologies to enable the localization of spare parts.

Finally, we initiated a detailed Maintenance Budget follow-up report for all maintenance functions/ sections.

QUALITY AT CITY CEMENT

At City Cement, our commitment to excellence in product quality and customer satisfaction is upheld by our Quality Control Department as they diligently oversee quality parameters, conduct meticulous audits, and proactively implement enhancement strategies to elevate our overall quality performance. We constantly aim to achieve superior and consistent product quality, while adhering to environmental compliance, setting the benchmark in the cement industry by encouraging a strong collaboration across our functions to proactively address quality issues, institute corrective actions, and optimize quality control processes.



STANDARDS FOR QUALITY EXCELLENCE

To ensure and validate the quality of our products, we maintain stringent compliance with various recognized quality standards. This includes compliance with national standards such as the Saudi Standards Metrology and Quality Company (SASO). SASO establishes measures to ensure the quality of products and services available in the Saudi market. This includes conducting inspections, tests, and quality assessments to verify compliance with standards and regulations.

QUALITY-FOCUSED INNOVATION IN RAW MATERIAL MANAGEMENT

We proactively explore various streams of alternative raw materials to reduce our reliance on natural resources in alignment with sustainable practices. Combined with crafting diversified material sourcing strategies, including local sources and optimized logistics, we can ensure a reliable supply. The implementation of circular economy principles, improved material efficiency, substantial research and development investments, and close collaboration with our suppliers further enhance our proactive approach. Through these concerted efforts, we positioned City Cement for long-term success and resilience in an ever-evolving landscape.

In the context of the remarkable progress and development in the Kingdom, and out of our keenness to provide the best products that comply with local and international standards, we carry out sample tests and analysis throughout the production processes, starting from the raw materials until the final product. We continue supporting our clients through our after-sales services to ensure our customers' satisfaction. Furthermore, our commitment to quality excellence is reinforced through compliance with ISO 9001, which allows us to identify the framework and establish processes that ensure consistent product quality and customer satisfaction. The introduction of Green Cement into the product portfolio to meet newly demanded product specifications while sustainably reducing the carbon footprint underpins the company's commitment to quality in a sustainable manner.



COMMITMENT TO SUSTAINABLE PRODUCTION

To ensure the simultaneous achievement of both quality excellence and commitment to sustainability, we optimize our products' composition incorporating raw and semi-finished materials with the least possible carbon footprint and demand on energy while providing the highest technical performance to meet the different construction application requirements. On the other hand, we continuously work with our partners and clients to introduce new eco-friendly products.

EFFICIENT MATERIAL MANAGEMENT PRACTICES

In line with our sustainability goals, we have also achieved a notable reduction in the purchase of raw materials, with a particular focus on iron ore and desert sand consumption, substituting them with industrial waste and a more sustainable product mix.

This substitute reflects our commitment to efficient material management practices. By optimizing our material usage, we have not only contributed to cost savings but also minimized our environmental footprint. It is a testament to our resolve to do more with less and demonstrates our efforts.



REDUCTIONS IN OPERATING EXPENDITURE

The Quality Control Department at City Cement has strived for operational excellence, leading to significant reductions in operating expenditure. Our commitment to cost efficiency has allowed us to allocate resources where they matter most—quality control, sustainability, and innovation.

Actual Operating Expenditures in 2023 saw a remarkable reduction of over 50% compared to the initial plan. This impressive achievement can be attributed to a multifaceted approach. Firstly, a strategic decision to reschedule the Production Line's shutdown to 2024 played a pivotal role, contributing to a 20% decrease in expenditure. Additionally, maintaining optimized operations through strategic short stoppages throughout 2023 accounted for another 20% reduction.

Furthermore, the implementation of effective maintenance strategies, including refurbishment, materials planning, inspection planning, and optimized manpower utilization, resulted in tangible savings, contributing to the remaining 10% reduction in operating expenditures. This reduction in expenditure supports our broader goal of maximizing value while minimizing waste.

CONSISTENCY IN PRODUCT QUALITY

One of our most commendable achievements is the consistency in product quality. We implement a robust policy to address customer complaints with the utmost seriousness. It is designed to ensure that every concern raised by our valued customers is thoroughly and promptly addressed. During the reporting year, we received no genuine complaints. This is a testament to our commitment to producing cement that consistently meets or exceeds customer expectations. It is a result of rigorous quality control measures, adherence to standards, and a customer-centric approach that drives us to deliver on our promises.



EFFICIENT SUPPLY CHAIN MANAGEMENT

At City Cement, the responsibility of ensuring the efficient flow of goods and services is entrusted to the Supply Chain Division. We plan, manage, and lead the development of an integrated supply chain approach, incorporating the materials and services acquisition process through the procurement function, material planning, and storage through the material management function, and inbound and outbound logistics management.

We aim to meet agreed-upon targets, such as negotiating contracts and optimizing stock inventory levels, with minimal operating costs. We also monitor the performance of major suppliers, recommending improvements and initiating contract renegotiations if necessary. The vendor evaluation process is structured around three main parameters aimed at ensuring optimal performance and adherence to contractual agreements. This includes assessing the vendor's ability to complete assigned tasks within specified timelines. Additionally, the evaluation considers the vendor's performance outcomes in alignment with contractual obligations. Finally, an important aspect involves evaluating the vendor's compliance with the company's Integrated Management System (IMS) requirements, as well as adherence to pertinent rules and regulations within the company's premises.

RESPONSIBLE PROCUREMENT

We made significant strides by developing a new value chain model incorporating alternative and renewable energy sources and exploring alternative raw materials to support the company's product innovation approach and superior decarbonization strategy. In this manner, we are also developing a responsible procurement policy to align with the company's strategy and meet the requirements of our various stakeholders. This continuous development is pivotal in advancing our sustainability initiatives throughout the supply chain.

TYPES OF SUPPLIERS

Our supplier base comprises various types, including raw materials and fuel suppliers, service providers, manufacturers of spare parts and consumables, as well as traders and distributors. This diverse range of suppliers enables us to effectively source the necessary components, services, and resources essential for our operations.

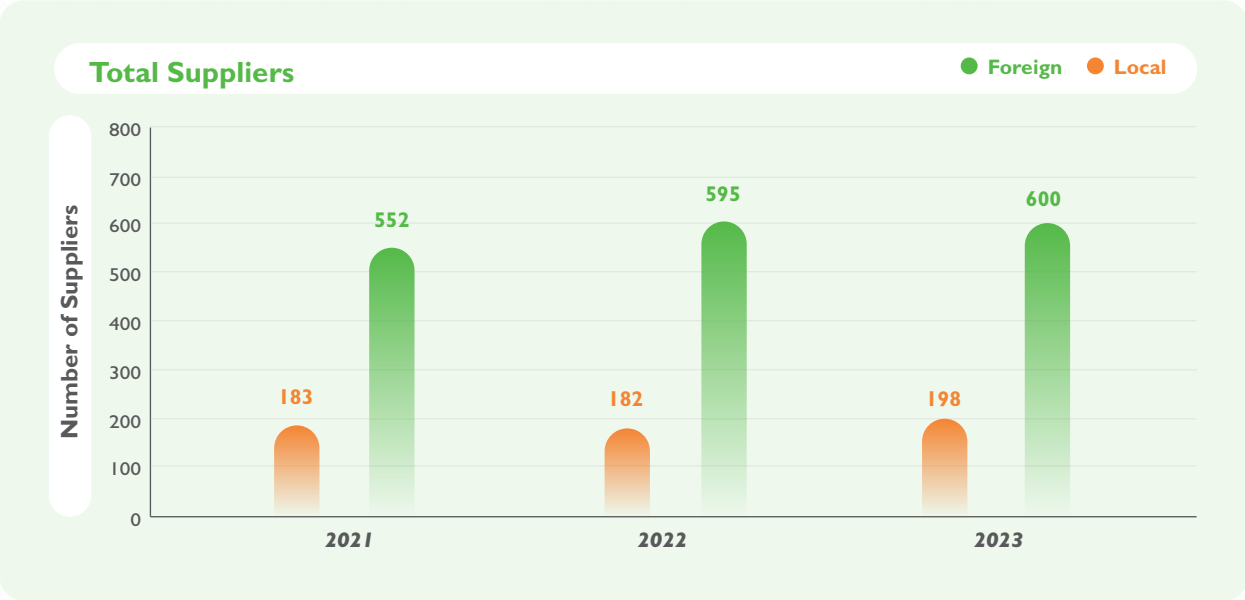


Figure 03 | Total Suppliers

We have established a diverse supplier network, including local and international partners from China, Europe, the Middle East, the USA, Canada, and India. Figure 3 elaborates on the total number of suppliers per year, showcasing the evolution of our supplier base. In 2023 compared to 2021, we experienced an expansion in our foreign supplier count, reflecting our outreach efforts. Yet, we maintain our domestic purchasing efforts to contribute to local economic development and job creation.

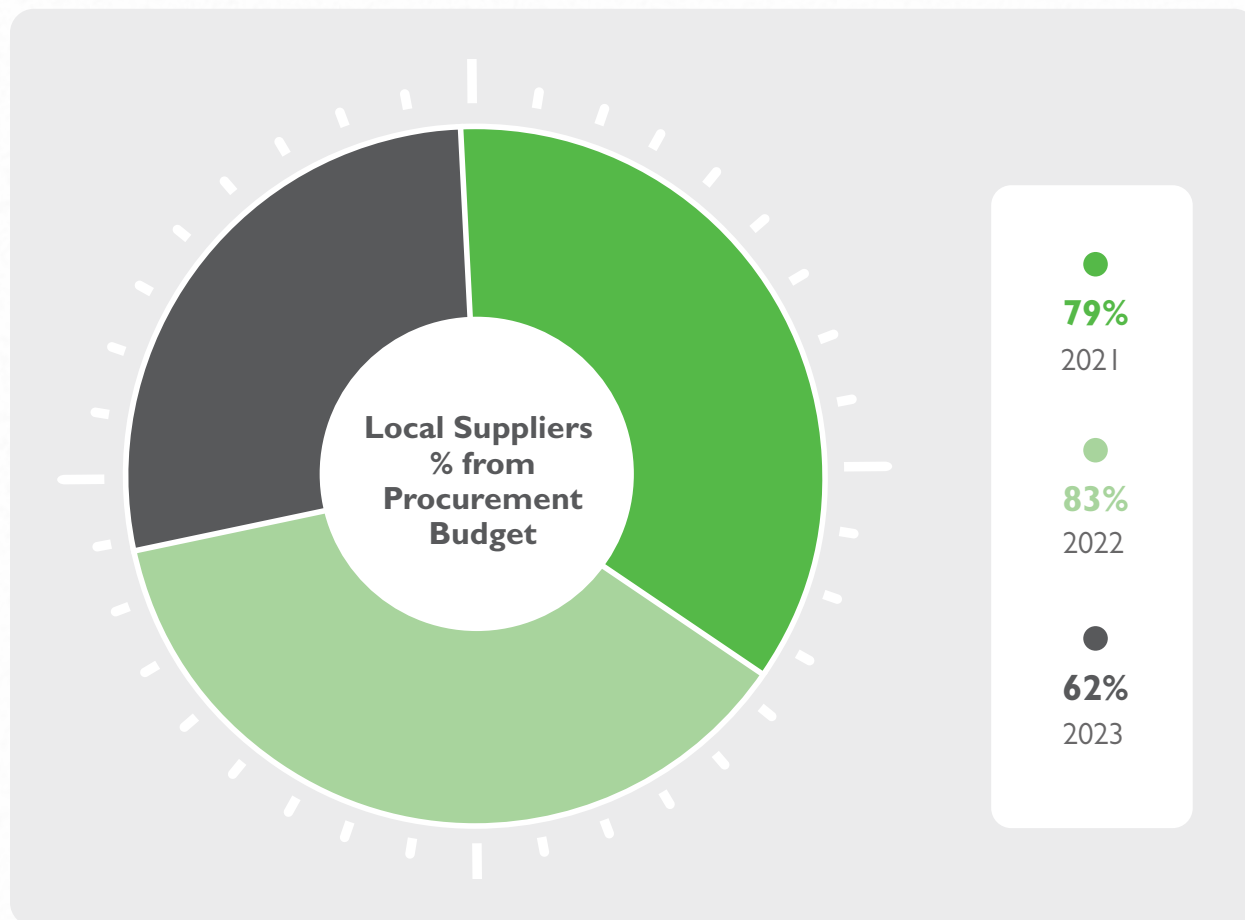


Figure 04 | Expenditure on Local Suppliers from Procurement Budget

Figure 4 illustrates the percentage of total expenditure on local suppliers. Our reliance on local suppliers surpasses our dependence on foreign suppliers. This aligns with our strategy to promote local economic growth and contribute to the development of the communities in which we operate.



- ☐
- ☐
- ☐

ee Bee

All City Cement service contracts constitute dedicated clauses ensuring the adherence of all service providers to restrict safety and labor laws.

ZERO termination of contracts after the audit process

KEY ISSUES

Throughout our journey, the dynamic nature of our industry allowed us to navigate a spectrum of challenges, prompting us to evolve and enhance our strategies. Accordingly, we developed new Key Performance Indicators (KPIs) to boost our adaptability to changing landscapes and serve as benchmarks in our pursuit of operational excellence.









New KPIs			
Percentage Orders Fulfillment Rate (the target is 100%)	PR - PO Lead Time (to be improved by 30%)	Advance Payment Ratio from Total POS	Number of newly qualified Local Suppliers
			
Reason for KPI Development To ensure no interruption to the manufacturing operations and affecting operations. It's being tracked every week as part of the Sales and Operation plan.	Reason for KPI Development Lead time is crucial in improving the efficiency of the procurement cycle and availability of the requested material and services. The KPI is part of the supply chain dashboard which is being generated monthly.	Reason for KPI Development Improve the Cash-to-cash Cycle efficiency. The KPI is part of the supply chain dashboard which is being generated monthly.	Reason for KPI Development To widen the local suppliers' approved list and increase the local content. The KPI is part of the supply chain dashboard which is being generated monthly.

Table 02 | Procurement KPIs

We sought and established strategic partnerships, acknowledging that meaningful change often stems from collective efforts. These alliances are integral relationships that propel us toward sustainable practices and ecological responsibility. Through these partnerships, we leverage shared knowledge, innovative solutions, and collective resources, reinforcing our position at the forefront of environmental stewardship.

<div>  </div> <div> Global AFR Expert Houses </div> <div> 2020 </div> <div> Transfer of waste management technology and modern trends to the kingdom as per the latest practices worldwide. </div>	<div>  </div> <div> Saudi Investment Recycling Company </div> <div> 2021 </div> <div> Develop the waste management value chain to prevent the landfilling of municipal solid wastes and increase recycling activities. </div>	<div>  </div> <div> Green Solutions for Environmental Services </div> <div> 2021 </div> <div> Finding Green Solutions for Environmental Services to support our value chain. </div>
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<div>  </div> <div> Global HR Services Companies </div> <div> 2023 </div> <div> <p>Our partnership focused on staff assessment and leadership coaching, has been pivotal in enhancing our sustainability leadership skills and identifying development gaps.</p> <p>This strategic alliance has improved our management capabilities and significantly contributed to our sustainability objectives, driving measurable progress in our Sustainability agenda efforts.</p> </div>	<div>  </div> <div> Marketing Consultants </div> <div> 2023 </div> <div> <p>Our collaboration with Marketing Consultants, aimed at refining our marketing persona, positioning, and development strategies, has been important in elevating our brand's sustainability narrative.</p> <p>This partnership has empowered us to effectively communicate our commitment to Sustainability management, thereby enhancing our market presence and aligning our brand closer with our core values of sustainability and responsibility.</p> </div>	<div>  </div> <div> Environmental Consultants </div> <div> 2023 </div> <div> <p>Our partnership with Environmental Consultants, is essential in aligning our sustainability efforts with global trends while adhering to the Kingdom's evolving sustainability requirements.</p> <p>Their expertise has been significant in ensuring our initiatives are both globally relevant and locally pertinent, significantly advancing our commitment to sustainability in line with Saudi Arabia's vision for a sustainable future.</p> </div>
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Table 03 | Partners for Sustainability

OUR SUCCESS STORIES

Throughout the reporting year, notable achievements have been realized across various aspects of our operations, including:



Warehouse value reduction, 2021-2022, and Enhancing Working Capital Ratio



Material Management Module Implementation

15%

Advanced payment percentage reduction from all our purchases.

Raised local dependability from 79% to:

83%



City Cement has introduced the material management function to enhance control over material transactions, optimize inventory levels, and standardize processes.



We secured alternative suppliers through new contracts to address legislative changes without disrupting operations.



These collective efforts resulted in an 8% decrease in the number of warehouse openings compared to closings, impacting the diversity of available raw material types, as well as a 23.5% reduction in packing material variety. Additionally, vigilant monitoring of high-demand, high-value items led to a 3.3% decrease in the price index.

We achieved these milestones by implementing strategic initiatives throughout the reporting year. Firstly, we implemented the Consignments Contracts initiative to bring together all materials under an annual contract, making the procurement process (PR-PO) smoother. This led to a significant decrease in processing orders (lead time) and a notable reduction in overall costs (price index).

Furthermore, we established the “Process Enhancement with Spending Map” to optimize costs. This framework is based on fundamental principles that allow us to allocate 20% of our efforts to unlock 80% of cost savings. Accordingly, we have identified the materials and services that are contributing the most to our spending according to the spending map; hence, we provided a special focus on them during our contractual and negotiation processes.

Lastly, integrating the weighbridge system with our integrated management system (IMS) to ensure instantaneous transfer of the inbound and outbound goods data and details to the company’s ERP system proved to be a highly effective initiative in improving productivity and ensuring data integrity, thereby improved decision making and material management processes.

We also made significant operational improvements to meet evolving needs. First, we introduced the material management function to control material transactions better, optimize inventory levels, and standardize processes. Second, we secured alternative suppliers through new contracts without disrupting operations in response to legislative changes. We are in the process of acquiring new quarries to ensure a stable supply of raw materials for production.

DIGITIZATION STRATEGY

Projects:



INTEGRATION PROCESS

We are preparing to implement a module that will enable end-to-end procurement process digitalization, enhancing our procurement efficiency. Also, as part of our current Company restructuring, we are transferring all logistics operations for inbound and outbound logistics under the supply chain umbrella. This integration allows for a more seamless order fulfillment process, benefiting internal and external clients. We aim to drive efficiency, accuracy, and collaboration within our department through digital transformation initiatives.

We implemented several measures to effectively manage the risks associated with our digitalization path. Initially, we addressed team resistance due to familiarity with old systems by carrying out a range of change management initiatives to raise awareness. This involved providing technical training and

leadership by the director and managers, where key users were offered advanced training. Additionally, our company recruited a range of skilled and qualified talents, helping to provide direction and technical assistance in both the transformation and implementation phases. This approach ensured the team had a solid understanding of the system's features, reducing the risk of errors or inefficiencies during its implementation.

Finally, to mitigate the risk of bugs and technical issues in the rudimentary system implementation phase, our management decided to keep the old and new systems operational for a defined period concurrently. This parallel operation strategy allows for a smooth transition, providing a safety net to address unforeseen challenges and ensuring uninterrupted functionality during the transition period.





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03

TRANSFORMING OUR BUSINESS MODEL

As CO₂ reduction becomes increasingly critical in the cement industry, we are committed to leveraging our research and development (R&D) capabilities and providing more environmentally sustainable products. In this regard, we have led the market transformation in the Kingdom by replacing subsidized fossil fuels with alternative fuels and green energy, marking a significant shift with over 25% substitution in our thermal energy matrix and 19% in electrical energy.

Introducing our latest sustainable offering, Green Finishing Cement, to our product portfolio in 2022, we propelled the construction industry toward an eco-friendly future. This innovative cement incorporates over 42% supplementary cementitious materials, delivering distinctive technical specifications and unparalleled environmental benefits. By strategically minimizing emissions during critical unit operations like clinker production, this product meets construction and simultaneously achieves a reduction in CO₂ emissions, highlighting our commitment to sustainable and environmentally conscious practices.

CO₂ EMISSIONS: A SUSTAINABLE STRIDE IN CONSTRUCTION

Green Finishing Cement presents a notable advancement in environmental sustainability, emitting approximately only 579kg of CO₂e per ton, a remarkable 28% reduction compared to OPC Cement, which emits roughly 848 kg of CO₂e per ton. This substantial decrease in CO₂e emissions is a testament to the lower clinker ratio in Green Finishing Cement, emphasizing its positive environmental impact throughout the cement and clinker production phases. By adopting green cement technologies, we are making significant strides toward a more eco-friendly and sustainable future in the construction industry.

Beyond its environmental benefits, green finishing cement is also expected to stand out in quality, offering a high-performance solution for construction projects. The current emphasis on finishing applications highlights the versatility of green cement, especially in areas where ease of application is required. This initial application serves

as a solid foundation, providing us with valuable insights into the material's performance.



LOOKING FORWARD

Our future journey includes the incorporation of greener grades of cementitious products in critical infrastructure projects. This expansion is driven by the product's enhanced specifications, offering durability and sustainability. Infrastructure projects such as basements, bridges, and other critical structures stand to benefit from the improved characteristics of green cement.

Green cement, with its reduced clinker ratio and lower carbon footprint, becomes an ideal choice for projects that demand superior specifications. The material's strength, coupled with its environmentally friendly profile, makes it particularly well-suited for infrastructure developments that require both durability and sustainability.

Green Cement is expected to be cost-effective without compromising performance, making it an attractive choice for those seeking economic and environmental gains. This launch reflects our ongoing dedication to driving positive change in the industry, envisioning a future where sustainability is the standard. Green finishing Cement is a tangible step toward realizing this vision.

DIGITAL TRANSFORMATION

At City Cement, we emphasize the importance of digital transformation across various departments within the company. We take responsibility for the upkeep of the IT infrastructure, ensuring smooth communication, efficient data transfer, and secure storage. City Cement's IT system is designed to safeguard against fraudulent transactions and security breaches, guaranteeing a high level of security. We implement software and network management systems to enhance internal operations and improve overall efficiency. Also, we form external partnerships with third-party service providers to consult for continuous improvement and process enhancement.

DIGITAL TRANSFORMATION STRATEGIC VISION

City Cement is dedicated to delivering reliable and efficient systems that leverage cutting-edge technologies, adhering to the highest international standards. Our focus is on optimizing processes, reducing time-consuming tasks, and promoting inter-departmental collaboration. These efforts are highlighted by our implementation of the ERP system, leading to a substantial reduction in support ticket numbers. By prioritizing these initiatives, we aim to enhance overall business conditions, ensuring long-term profitability while fostering a safer working environment.

Also, we aim to establish a sustainable digital ecosystem that facilitates our operations and aligns with the digital transformation objectives outlined by the Ministry of Industry and Mineral Resources, specifically through the Future Factories program. This program is designed to enhance factories' incorporation of leading global practices from the Fourth Industrial Revolution.

The goals include reducing production costs, diminishing reliance on unskilled labor, and boosting the competitiveness, digital capacity, and operational efficiency of both existing and new factories spanning various industrial sectors, with a strategic emphasis on key sectors.

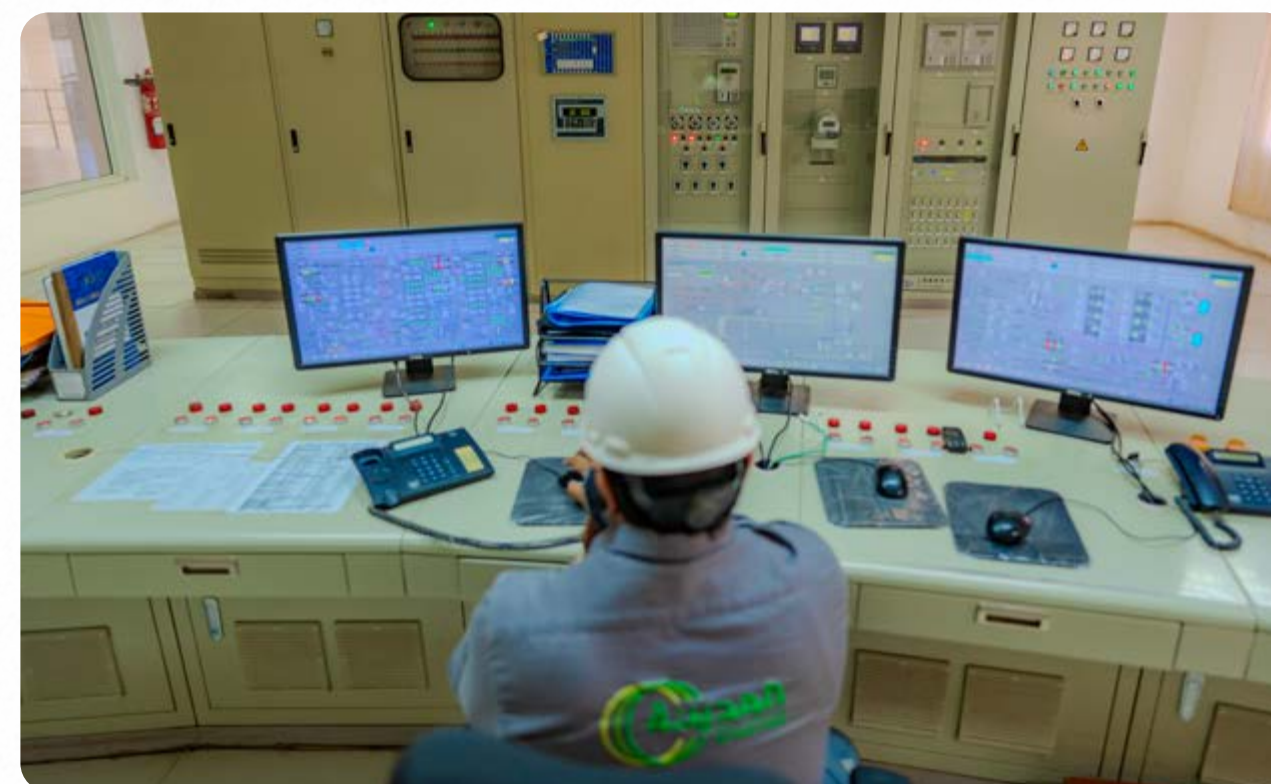


In this regard, City Cement's assessment to participate in the program is done through the Ministry of Industry and Mineral Resources, and the company had been identified at the first place within the Kingdom and the 7th place globally according to the Smart Industrial Readiness Index (SIRI).

OUR DIGITAL TRANSFORMATION JOURNEY

The year 2020 witnessed significant achievements in our company's digital transformation journey. We upgraded our network firewalls, bolstering our security measures and ensuring a safer digital environment. We also achieved great strides in establishing a solid foundation for our IT operations by drafting comprehensive company policies and procedures. Additionally, we implemented automated workflows for most of the approval system, streamlining the approval process and enhancing efficiency. Finally, we initiated an IT helpdesk system, providing our employees with a reliable and efficient support system.

In 2021, we made significant strides in advancing our IT infrastructure project, an important initiative aimed at increasing our capacity to meet both current and future IT requirements. The primary focus was on enhancing the availability, reliability, and security of our IT systems. This involved finalizing the project scope and aligning its objectives with our overarching company goals. Additionally, we successfully configured our IT systems to integrate our subsidiary green solutions. To boost the safety and integrity of our data, we implemented a robust backup and recovery system, providing a resilient defense against potential data loss or disruptions.



Finally, in 2022, we achieved a new milestone by implementing and going live with the Systems, Applications, and Products in Data Processing Enterprise Resource Planning (ERP) System. This step provides a streamlined and centralized platform for managing key processes, ranging from supply create, plant maintenance, and quality management to finance and human resources. This leads to enhanced operational efficiency, optimized resource utilization, and improved decision-making capabilities. Real-time data visibility enables better tracking of raw materials, production schedules, and inventory levels, facilitating proactive management and reducing the risk of disruptions.

Additionally, ERP facilitates compliance with industry regulations and standards, ensuring that the factory operates within legal and environmental constraints. The system's robust reporting and analytics tools empower the management team to gain insights into performance metrics, helping to identify areas for continuous improvement. We simultaneously upgraded our IT infrastructure, ensuring that it can support our growing digital needs and facilitating seamless communication and data transfer across the company.

Our approach to digital transformation is comprehensive, covering the pre-implementation, implementation, and post-implementation phases. During the pre-implementation phase, thorough selection criteria were established to choose the most fitting digitalization solution, provider, and implementer. We enlisted a specialized evaluation firm to support this process impartially. In the implementation phase, an implementation company was set up, and resources were diligently assigned. Post-implementation, users were trained, and continuous system audits were conducted to ensure functionality and effectiveness.

Digital transformation, while bringing numerous benefits, also comes with certain risks. Bugs in the new system during testing and early implementation were mitigated by keeping both old and new systems operational, along with extended service agreements with implementation consultants. System knowledge challenges were tackled by sending key users for advanced training and certification in using the new system and its applications.





NATURAL CAPITAL

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04

We are committed to preserving the authentic nature of our surroundings by giving priority to forestation activities by planting more than:

7337 trees
and 500 more trees in 2023, surrounding and within the plant,



in addition to the green areas in the residential complex and nearby local communities as part of our social responsibility. The irrigation of those trees uses wastewater to reserve the underground water for the nearby farms.

Additionally, the company is committed to full rehabilitation of the depleted quarries to their original status, hence reserving their natural inhabitant.

We conduct environmental impact assessments to identify potential risks and develop mitigation strategies, perform regular environmental audits and inspections to assess performance and identify areas for improvement, and implement research to stay updated on emerging environmental trends, technologies, best practices, and project regulatory changes. In this regard, we also monitor and ensure compliance with environmental regulations and standards for reputational enhancement with regulatory authorities. Accordingly, we prepare environmental reports for regulatory bodies and stakeholders and provide accurate and timely data collection and analysis.

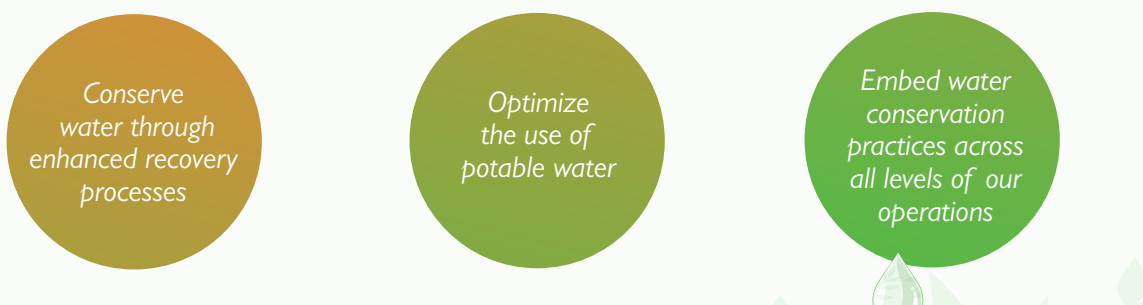
We extend our responsibilities to implement and maintain environmental management systems to minimize the company's environmental footprint and develop programs to promote resource conservation and waste reduction. This involves engaging with external stakeholders, including local communities and regulatory agencies, to address environmental concerns, promote transparent communication, and internal engagement with cross-functional teams to integrate environmental considerations into business operations and decision-making processes. Finally, we provide environmental training and awareness sessions for our employees to establish a culture of sustainable practices at the company level.



WATER STEWARDSHIP

City Cement acknowledges water as a critical natural resource essential to our operations and the well-being of our communities. Water management is a material topic within our sustainability framework. Our approach to water management is designed to ensure proactive conservation efforts and stringent regulatory compliance.

In response to the challenges posed by water management, we instituted a comprehensive water conservation program. The objective of this program is multifaceted:



We have achieved
a recycling
percentage of: **39%**
in 2022

And in
2023: **37.25%**



The efforts directed towards water conservation have significantly improved our water recovery efficiency, with an 18% increase in efficiency in 2022, and an added 1.75% increase in the past year.

19.75%

This advancement is particularly significant in the context of global water resource challenges and underscores our commitment to sustainable water management.

SUSTAINABLE ENERGY PRACTICES

We recognize energy management and stewardship as a core opportunity to innovate. We strive to adopt the latest energy-efficiency technologies to reduce fossil fuel consumption, lower operational costs, and improve our energy management and performance strategy, hence decreasing our carbon footprint. City Cement Company is leading the green transformation in Saudi Arabia by extensively investing in green and sustainable sources of energy and feedstock.

HEAT CONSUMPTION & RECOVERY

Heat consumption has been a focal point for our energy stewardship strategy. We embarked on strategic line design modifications to ensure our energy efficiency is not compromised while integrating alternative and greener fuel sources.

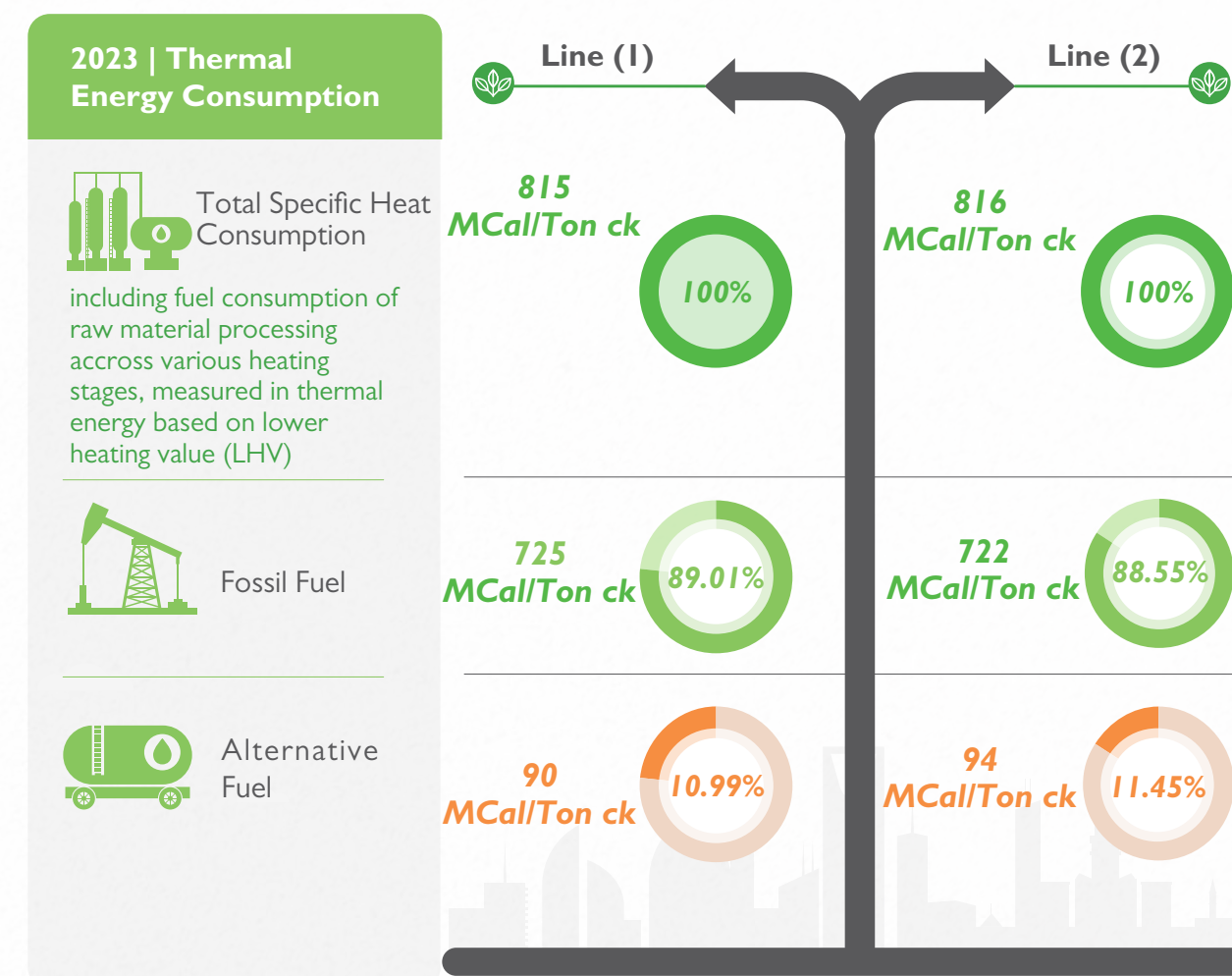
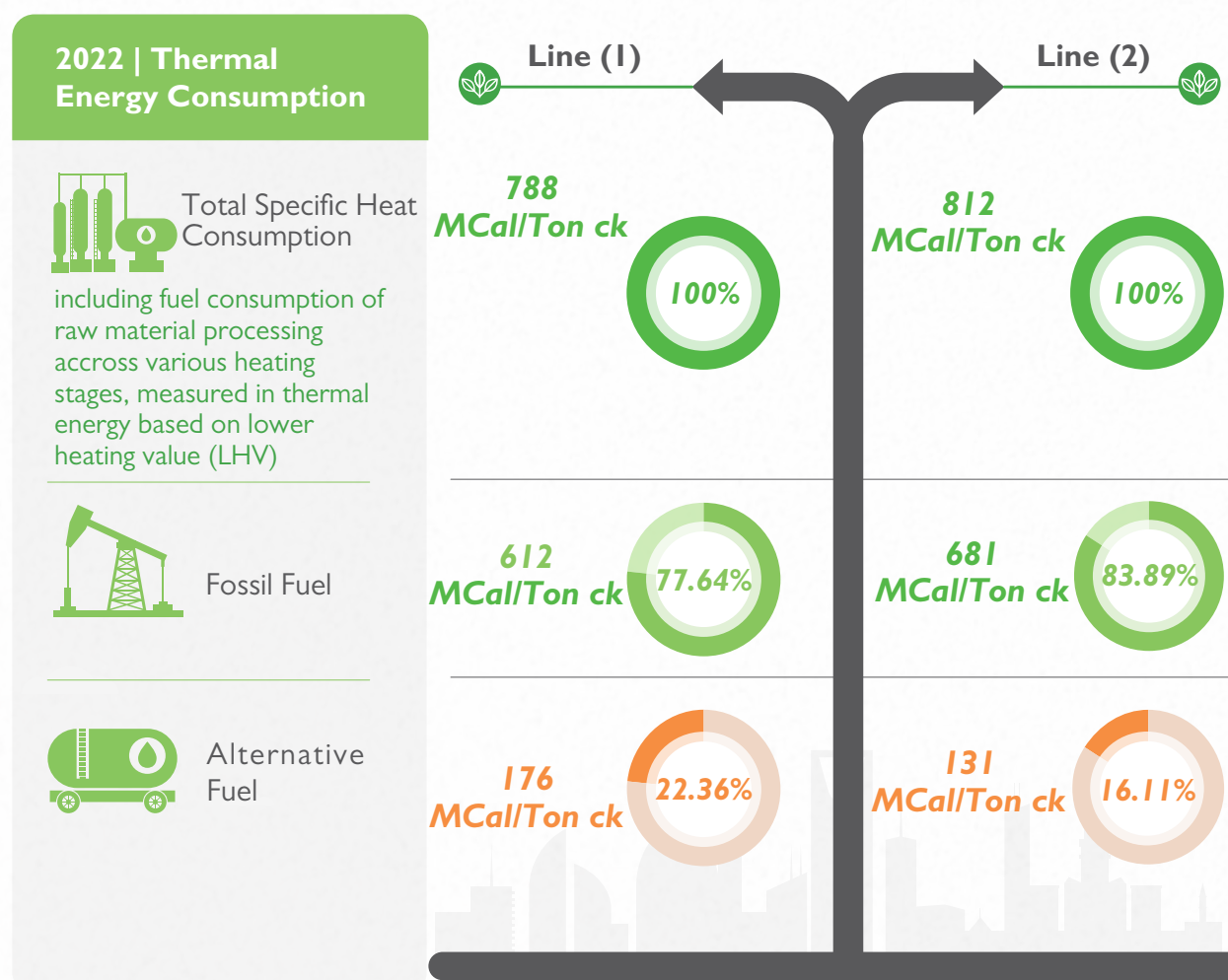


Table 04 | Thermal Energy Consumption

City Cement has demonstrated a notable commitment to environmental sustainability through an 11% increase in the utilization of alternative fuels (Line 1) and 11.5% (Line 2), which is enough to run our operations. These alternative fuels, including a basket of municipal, industrial, and commercial sources, have played an important role in diversifying our energy sources and reducing reliance on fossil fuels. This strategic shift aligns with our sustainability objectives and highlights our dedication to exploring innovative, eco-friendly solutions within cement production.



CLEAN AND RENEWABLE ENERGY INITIATIVES

CITY CEMENT HAS INITIATED A SERIES OF RENEWABLE ENERGY PROJECTS IN ALIGNMENT WITH GLOBAL SUSTAINABILITY TRENDS.

THESE PROJECTS WERE INITIATED AND FINANCED BY THE COMPANY.



They reflect our progress in making significant strides in waste heat recovery. For instance, we established a new facility with a capacity of 14.25 MW, that captures and converts waste heat from production into usable energy. In 2023, approximately 25% increase in WHR recovery, were 54,627 MWhr have been produced while in 2022 the figure was 43,904 MWhr. This initiative reduces carbon emissions and exemplifies how industrial processes can be re-engineered towards sustainability, with the current setup providing enough energy to power over 4,000 homes in our surrounding community, as it is integrated into the general grid for accessibility.

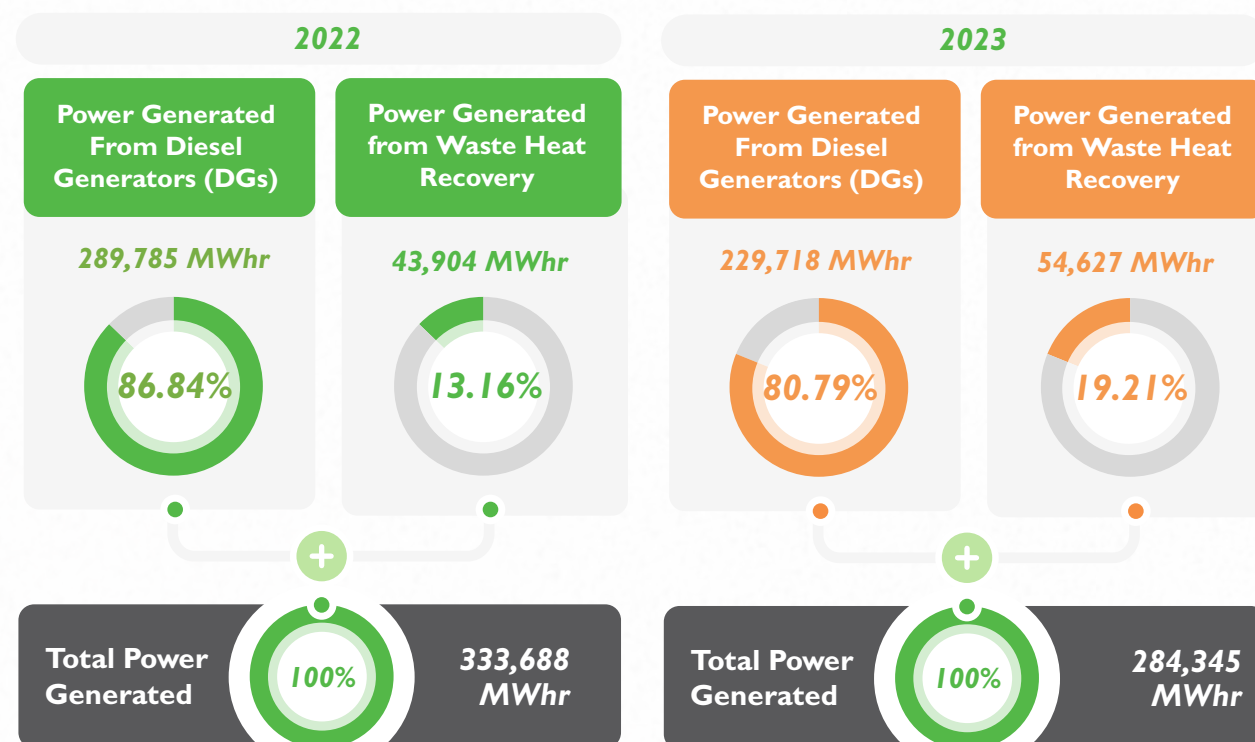


Table 05 | Electricity Generation

Our procurement of more energy-efficient appliances and the conversion to LED lighting across indoor facilities have contributed to a significant decrease in our energy consumption. These initiatives reduce our environmental impact and foster a culture of energy consciousness within the company. This sets a positive trajectory towards achieving our target of a 40% reduction in energy usage.

Our Environmental efforts have achieved significant milestones in their sustainability outcomes. One notable achievement is the implementation of renewable energy sources. The company has successfully reduced carbon emissions and energy consumption by converting road lighting to solar

panel-powered lights. This initiative has resulted in the installation of 80 solar-powered lighting poles, leading to an annual reduction of 9 metric tons of carbon emissions and a 14% decrease in energy consumption for road lighting.

City Cement has also prioritized energy efficiency through the procurement of energy-friendly appliances. The company has significant GHG emissions by replacing many existing appliances with energy-efficient models such as inverter air conditioners and refrigerators.

This initiative showcases the commitment to promoting sustainable practices and reducing the environmental impact of operations.



WASTE MANAGEMENT

We recognize waste management as a topic that represents a significant challenge and a valuable opportunity for sustainability processes. Through effective waste management, we decrease waste generation, ensure compliance with waste disposal regulations, and initiate recycling and material recovery opportunities.

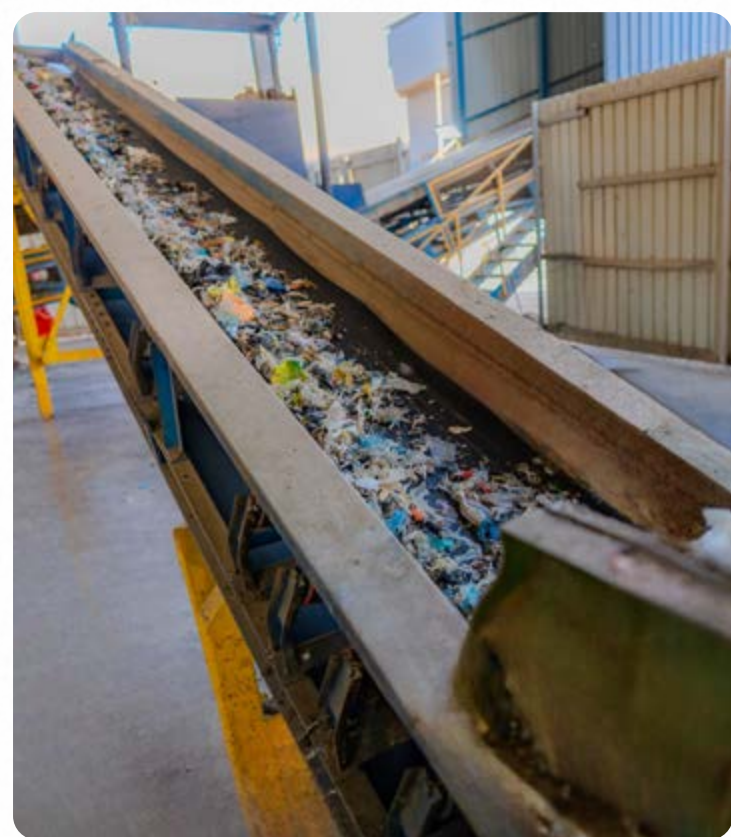
City Cement categorizes waste into:



In 2023, notable reductions were achieved in specific categories compared to the previous year. For instance:



highlighting an effective waste management strategy. Similarly, the company substantially reduced plastic waste:



Hazardous waste from batteries and other chemicals is relatively low to the total amount of generated waste, totaling 28 tons in 2023. Hazardous waste is being stored and collected by special contractors in compliance with the local regulations associated with the compliance action plan in place.

We initiated a comprehensive waste management program focusing on implementing recycling initiatives for used lubricants and packaging materials, along with waste segregation measures.

These efforts yielded significant results, evidenced by a remarkable 40% increase in our recycling rate and a substantial reduction in overall waste generation. Our goal is to partly offset the increase in overall waste generation through

successfully recycling materials, demonstrating our commitment to sustainable practices and environmental responsibility. On the other hand, we recently adopted alternative fuels to reduce carbon emissions and optimize waste management simultaneously. Using various streams of municipal, industrial, and commercial wastes as alternative fuels in our production processes, we achieved a notable reduction of 12% in carbon emissions in 2022, and 8.2% in 2023.

This innovative initiative aligns with our commitment to environmental responsibility. It ensures the efficient and sustainable management of these materials, fostering a more environmentally conscious and resource-efficient approach to energy generation.

GREENHOUSE GAS (GHG) AND POLLUTANTS MANAGEMENT

Within City Cement's comprehensive sustainability initiatives, managing GHG emissions and pollutants is a critical focus area. Our efforts in this domain are shaped by recognizing that GHG emissions and energy consumption directly influence our carbon footprint reduction targets and energy efficiency objectives. Our strategic approach to emissions management is highlighted by the tracking of Scope 1 emissions, revealing a year-on-year fluctuation, as detailed in the emissions data below:

YEAR	SCOPE 1 EMISSIONS (tCO ₂)	COMBUSTION + CALCINATION - CO ₂ GENERATED IN KG PER TON CLINKER - (SCOPE 1 SPECIFIC)	COMBUSTION + CALCINATION - CO ₂ GENERATED IN KG PER TON CEMENT - (SCOPE 1 SPECIFIC)
2021	1,856,389	743	680
2022	1,642,667	763	682
2023	1,691,486	767	685

Table 05 | Scope 1 Emissions

Table 6 elaborates on City Cement's Scope 1 emissions..

	2021	2022	2023
CO ₂ Generate due to Power consumed CO ₂ ton - (Scope 2) metric tons	462,594	400,008	295,838
CO ₂ Generate due to Power consumed CO ₂ kg / ton cement - (Scope 2 Specific)	170	169	122
Total CO ₂ Generated CO ₂ kg / ton cement OPC	846	852	809
Total CO ₂ Generated CO ₂ kg / ton cement SRC	878	891	848
Total CO ₂ Generated CO ₂ kg / ton cement Green	-	624	579

Table 07 | Scope 2 emissions

The data reflects a trend of decreasing our Scope 2 emissions toward our targeted emissions reductions, with a decrease of approximately 26%, signifying the effectiveness of our implemented measures.

Emissions and pollutants are also meticulously documented, with a keen focus on year-over-year improvements:

AIR POLLUTANT	EMISSION LOAD (KG)	
	2022	2023
CO	410,126	225,787
Dust	154,491	284,934
NOx	363,038	13,232
SOx	312,876	2,602

Table 08 | Air Pollutants



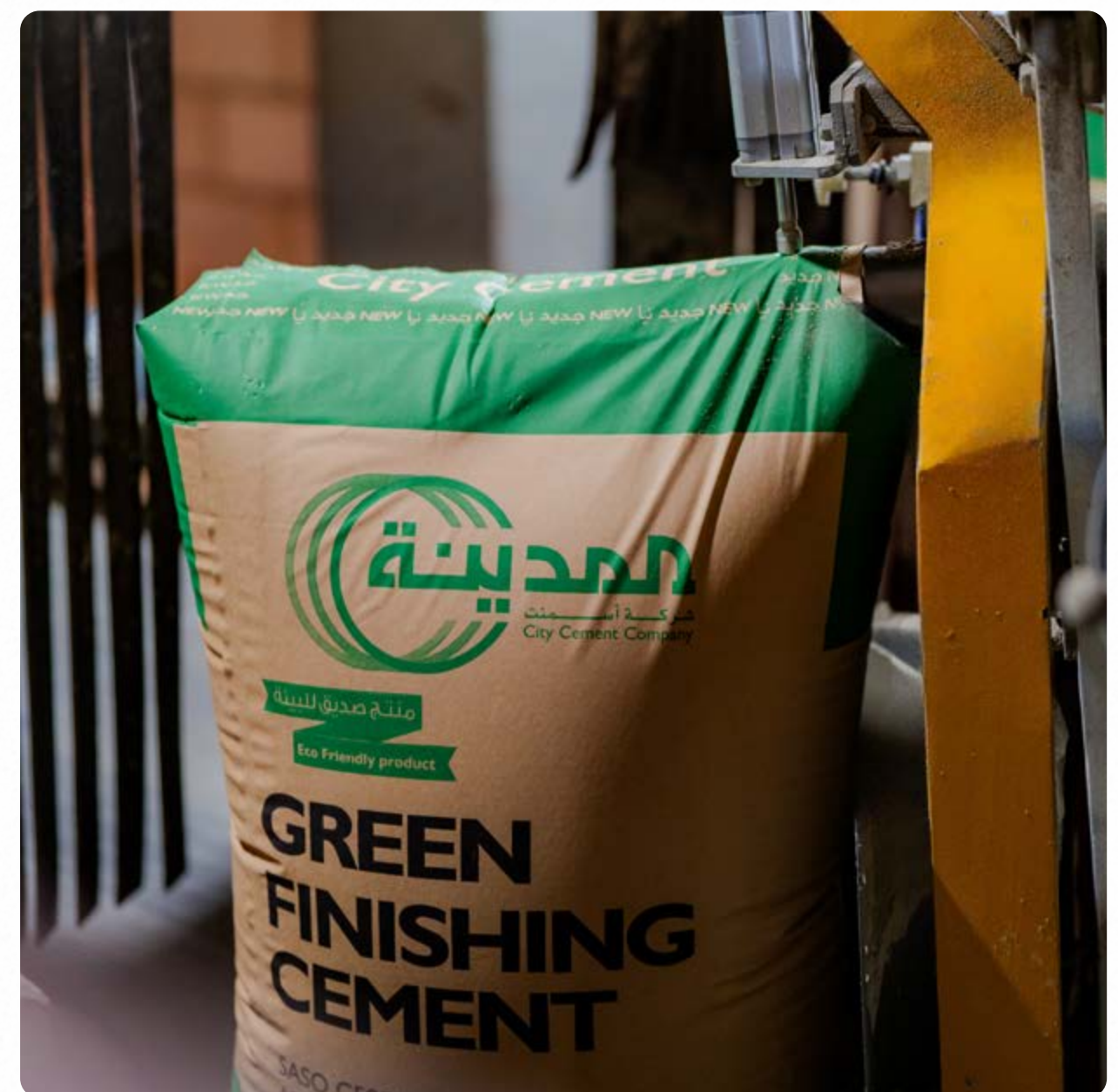
Table 7 illustrates City Cement’s air pollutants and emission loads in 2022 and 2023 respectively. Our emission loads for CO, NOx and SOx have significantly decreased in the past years. Decreasing by 45%, 96% and 99%, in 2021, 2022, and 2023 respectively.

Our mitigation strategy focuses on a pivotal operational lever—the clinker-to-cement ratio (CKK). We are pioneering a sustainable manufacturing process by reducing CKK and introducing alternative raw materials that align with or enhance our cement’s quality standards.

GREEN PRODUCT INNOVATION

City Cement has established itself as an industry innovator by integrating alternative fuels into our production process, thus significantly curtailing our traditional dependence on fossil fuels. This approach marks a substantial step towards reducing carbon footprint and fostering sustainable cement production practices.

Complementing this, our launch of a low-CO₂ cement product expresses our unwavering commitment to environmental responsibility. This product, designed to minimize the GHG emissions associated with cement production, is aligned with the global directive to combat climate change.



City Cement's dedication to environmental management and energy efficiency has also been recognized through the following prestigious certifications:



ISO 14001:2015 for Environmental Management System

Acquired in 2022 from TUV Nord. This highlights our commitment to effective environmental management, involving establishing an environmental management system, managing environmental aspects and impacts, complying with environmental regulations, and continuously improving environmental performance.



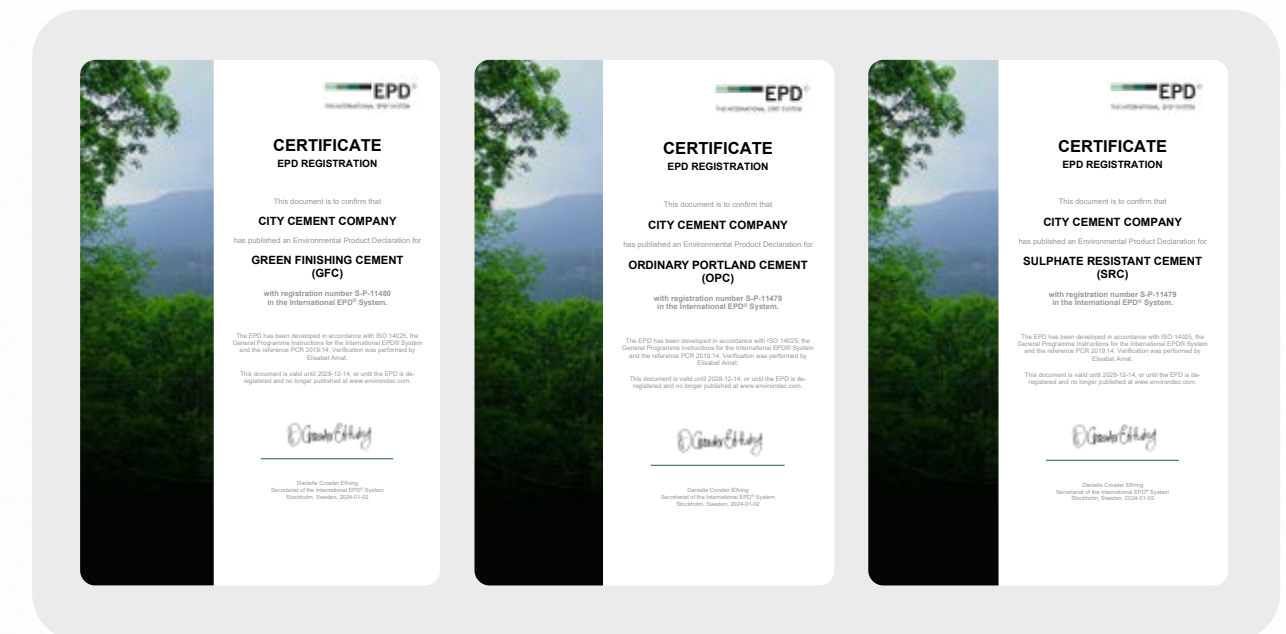
ISO 50001:2018 for Energy Management System

Also awarded in 2022 by TUV Nord. This certificate involves establishing an energy management system, conducting energy audits, identifying energy-saving opportunities, setting energy performance objectives, and monitoring and improving energy performance.



In 2023, our company achieved a significant milestone by declaring **three Environmental Product Declarations (EPDs) for our cement products.**

These standardized documents transparently outline the environmental impact of our products throughout their life cycles, from raw material extraction to disposal. This initiative demonstrates our commitment to sustainability and empowers stakeholders to make informed decisions about our eco-friendly offerings.





***FINANCIAL
CAPITAL***

05

Effective financial management is fundamental to the overall health and growth of City Cement, making our financial capital pivotal for sustaining operations and driving future development. We continue developing a comprehensive financial strategy and implementing control systems to safeguard our assets and maintain accurate financial reporting.

We offer valuable financial insights to support strategic decision-making, providing proposals and analyses to the executive and operational management to improve outcomes. We also ensure the accuracy of financial transactions and

timely submission of monthly and year-end closing activities, including reconciliations and financial statement preparations. This allows us to minimize risks and develop effective financial systems and controls.

City Cement monitors and assesses adherence to International Financial Reporting Standards (IFRS) and pertinent laws, regulations, policies, procedures, and contractual obligations. We consistently engage with internal and external auditors during reviews and audits, offering full cooperation from accounting staff to maintain transparency and adherence to auditing standards.



FINANCIAL RESILIENCE

In 2023, City Cement demonstrated resilience amid financial challenges in the industry. A continued trend of decrease in cement prices posed a risk of directly impacting our profitability, growth prospects, and market share. Yet, the last quarter of 2023 witnessed positive signals of market recovery. Additionally, environmental compliance emerged as a critical risk, influencing the company's image and relationship with governmental authorities. On the operational level, the Heavy Fuel Oil (HFO) shortage introduced another risk, with the potential for decreased production, increased fixed costs, and missed selling opportunities. To proactively manage various risks and ensure the resilience of City Cement, the Company has implemented a comprehensive hedging strategy across different facets of its operations.



In response to the decrease in cement prices, the company has various strategic measures, including selling the most profitable cement products and increasing the quantity of cement sold in the most profitable geographical areas.

Additionally, we embraced a robust promotion policy to retain current customers and expand the client base. Offering customer incentives aims to boost the demand for cement and counteract the impact of price decreases.

Regarding interest rate fluctuations, City Cement has minimal exposure as it doesn't rely on bank loans or overdrafts. The company prudently manages its free cash flow by evaluating opportunities in money market funds, deposits, and SUKUK, selecting options with the highest returns.

To hedge against environmental compliance risks, the company has a dedicated Health, Safety, and Environment (HSE) department. This department ensures strict adherence to environmental laws and regulations. Continuous monitoring of plant emissions is conducted to guarantee compliance with permissible limits, emphasizing the company's commitment to environmental responsibility.

Mitigating the risk of Heavy Fuel Oil (HFO) shortages, the company has devised an action plan centered on the utilization of alternative fuels. This approach aims to secure the company's energy needs in the face of potential shortages, contributing to operational continuity and sustainability. Overall, City Cement's multifaceted hedging strategies demonstrate its adaptability, risk management, and responsible business practices.

FINANCIAL SNAPSHOT

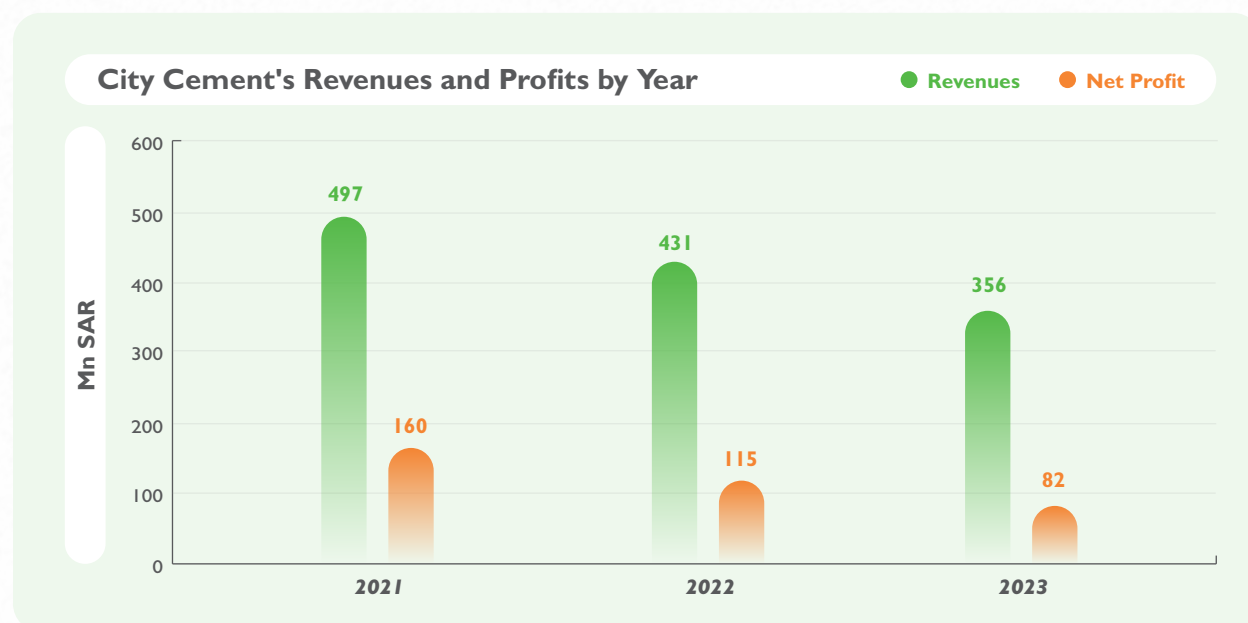


Figure 05 | City Cement’s Revenues and Profits by Year

Figure 5 provides an overview of the organization’s revenues and net profits from 2021 to 2023. In 2021, the net profit margin stood at 32%; by 2023, it had decreased to reach 23%. This is mainly due to increased production costs from rising raw material prices and logistical challenges. Additionally, the industry-wide decrease in cement prices has contributed to margin compression. Nevertheless, the market showed encouraging signs of recovery in the fourth quarter of 2023, to a degree that boosted our sales significantly during that period. Despite these challenges, City Cement has implemented cost optimization measures and efficiency enhancements to mitigate the impact and maintain a competitive edge in the market. We consistently sustained our net profit margin over the years, ranging from a minimum of 23% to a peak of 38% in 2020.

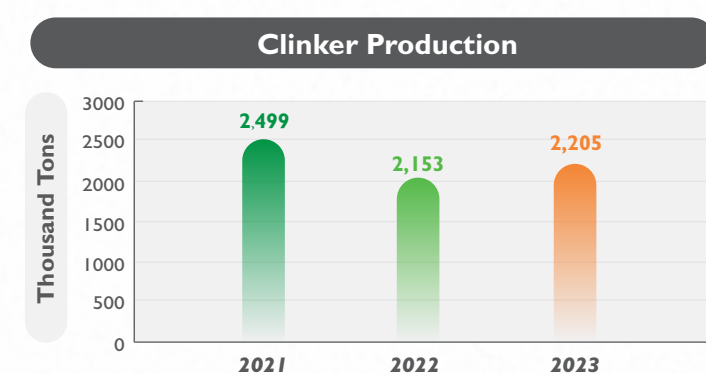


Figure 06 | Clinker Production

Figure 6 elaborates on the clinker production in the last three years.

In 2023, our clinker production decreased by 12% compared to 2021, and reached 2,105 thousand tons, equivalent to 5% of our production capacity. Although the initial decline in 2022 was primarily attributed to a decrease in market demand for cement in Saudi Arabia, yet, the reversal of the trend in the last quarter of 2023 boosted our production.



Figure 7 elaborates on the market demand for cement in Saudi Arabia.

The demand for cement in Saudi Arabia decreased by 9% in 2023 to reach 47,255 thousand tons, compared to 51,941 thousand tons in 2021. Nevertheless, we expect the demand for Cement in KSA to continue recovering due to several factors.

First, the ongoing construction boom driven by major projects like Qiddiya, Diriyah Gate, NEOM, The read sea and AMAALA will create substantial demand.

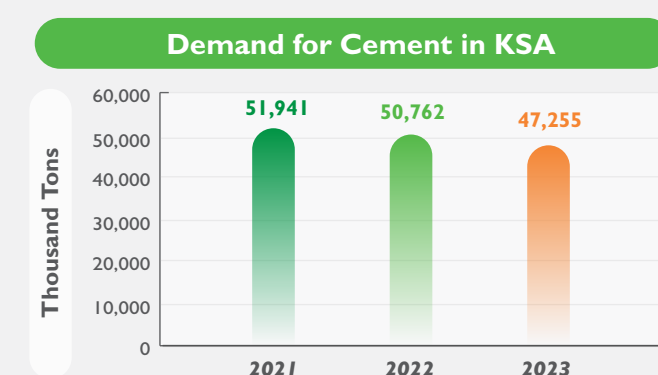


Figure 07 | Demand for Cement in KSA



Second, the ambitious goals of Saudi Vision 2030 include significant investments in infrastructure and urban development, which will boost cement demand.

And the industry’s gradual shift toward sustainable practices, including low-power-consuming cement plants, will contribute to increased demand. Lastly, the growth of the housing mortgage sector in Saudi Arabia will escalate the need for cement for construction purposes.

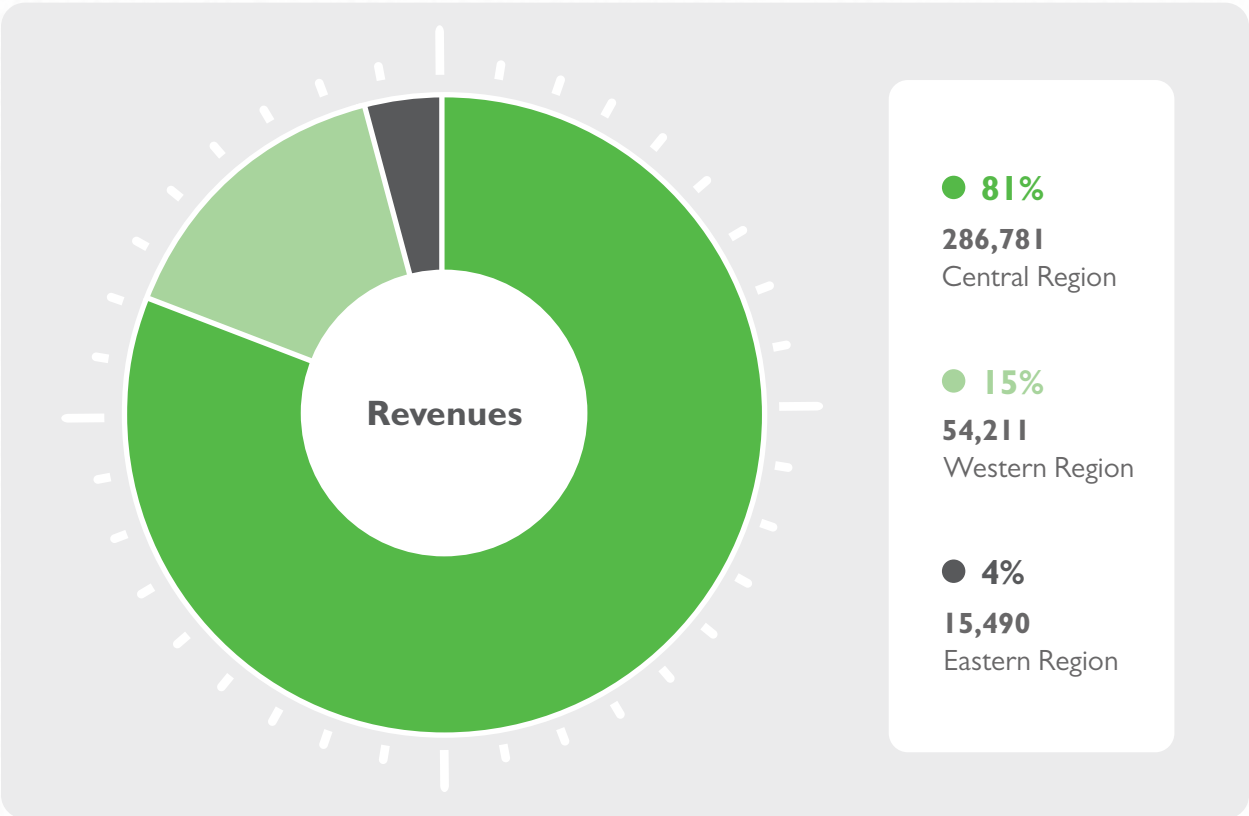


Figure 08 | Breakdown of Revenues by Region

Figure 8 elaborates on the breakdown of City Cement’s revenues by geographical region in 2023. City Cement’s revenue concentration in the central region of KSA can be attributed to several factors. The strategic location of the central region makes it a hub for construction and infrastructure development. With their growing population and urbanization, major cities like Riyadh drive significant demand for cement. Also, key projects in the central region, such as commercial complexes, residential buildings, and government infrastructure, contribute to higher cement consumption. Lastly, logistical advantages, including well-connected transportation networks, facilitate the efficient distribution of cement within the central area. Overall, these factors combine to create a favorable environment for City Cement’s revenue concentration in the central region of Saudi Arabia.

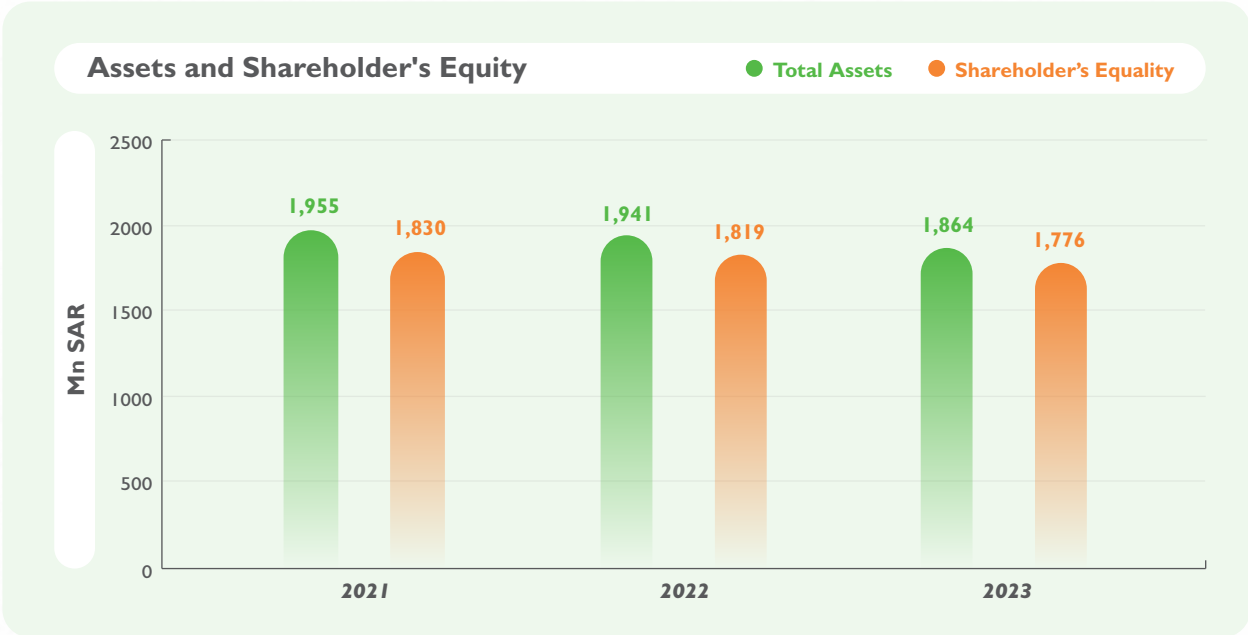


Figure 09 | Total Assets and Shareholder’s Equity

Figure 9 elaborates on City Cement’s total assets and shareholder’s equity in the last three years. The figure represents our financial stability over the years.

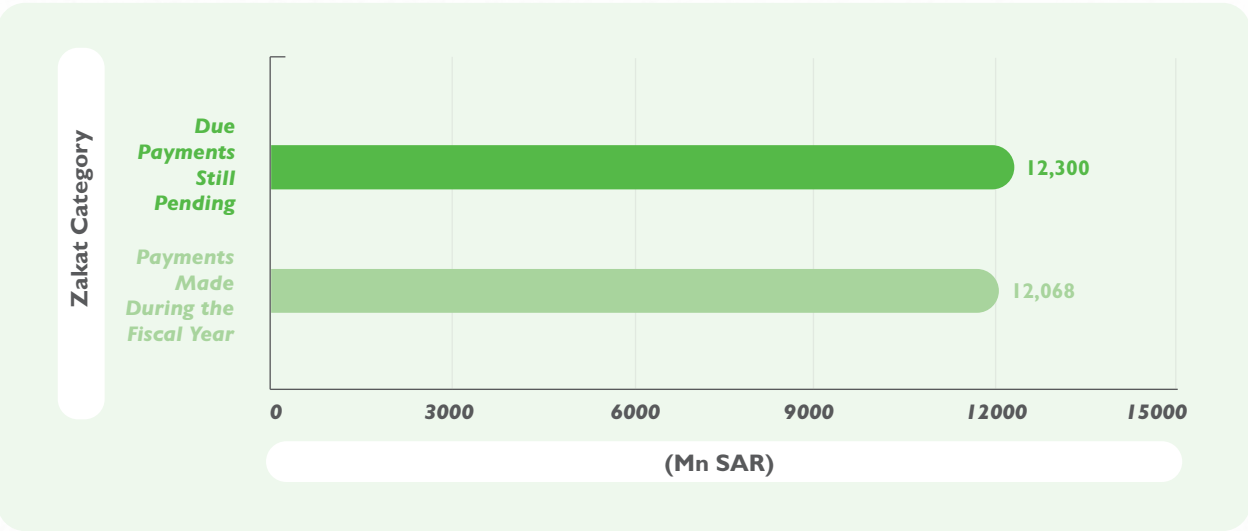


Figure 10 | Zakat Contribution

Figure 10 elaborates on City Cement’s Zakat contribution in 2023. Zakat is a mandatory annual contribution in Saudi Arabia, calculated as a specific percentage of the accumulated capital, encompassing savings, investments, and assets. Its primary purpose is to contribute to social welfare within the community, symbolizing solidarity and fostering a more equitable society. In 2023, Zakat payments reached a value of SAR 12,300 with payments due of SAR 12,068.



HUMAN CAPITAL

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06



In the dynamic landscape of our Company, Human Capital stands as a cornerstone, representing the collective skills, knowledge, and innovative spirit that drive our success. At the heart of our operations, our talented human capital is the driving force behind our achievements and the catalyst for our continuous evolution.

This section delves into the various facets of our human resources, exploring initiatives, programs, and strategies designed to foster professional growth, well-being, and a collaborative culture.

OUR HUMAN CAPITAL DYNAMICS

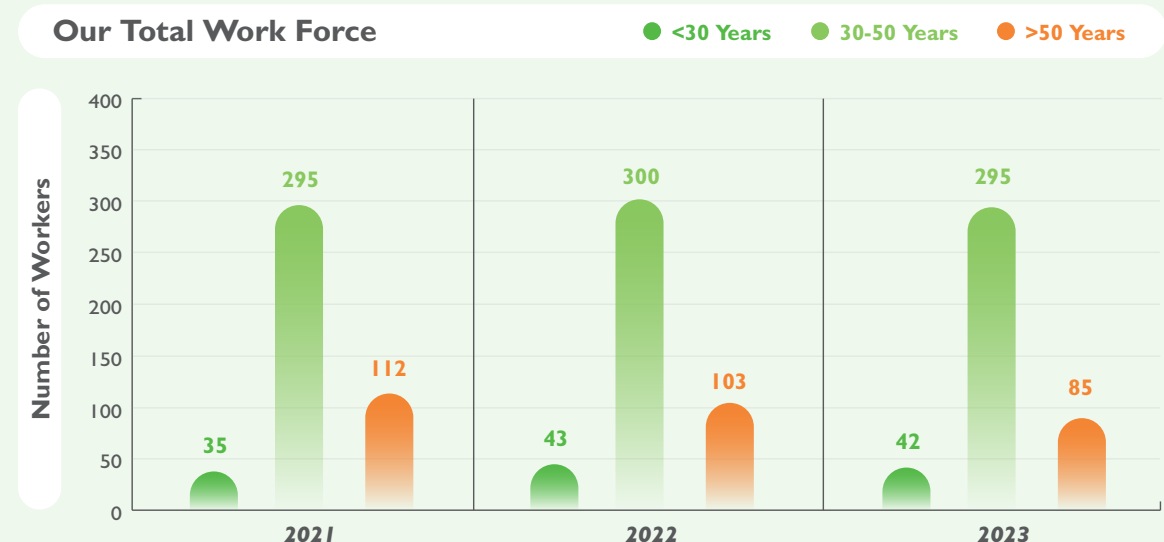


Figure 11 | Total Work Force

Figure 11 elaborates on our total human capital by age bracket throughout 2021, 2022, and 2023. The total head count remained relatively steady in 2021 through 2022 and decreased slightly to reach a total of 422 employees.



Our direct economic value (i.e., the total payroll) increased by:

0.22% and 2.42% in 2021 and 2022, respectively.

and decreased by: 8.6% in 2023 because of lower employees' headcount. This trend is mainly driven by the decrease in employees in the higher age bracket due to retirement.

Most of the Company's human capital lies in the age between 30 and 50 years old with an average experience exceeding 15 years in the industry with an excellent formula that mixes experience with a relatively young age. Meanwhile, the Company is recruiting younger mindsets to ensure the natural replacement of the experienced retired generation.

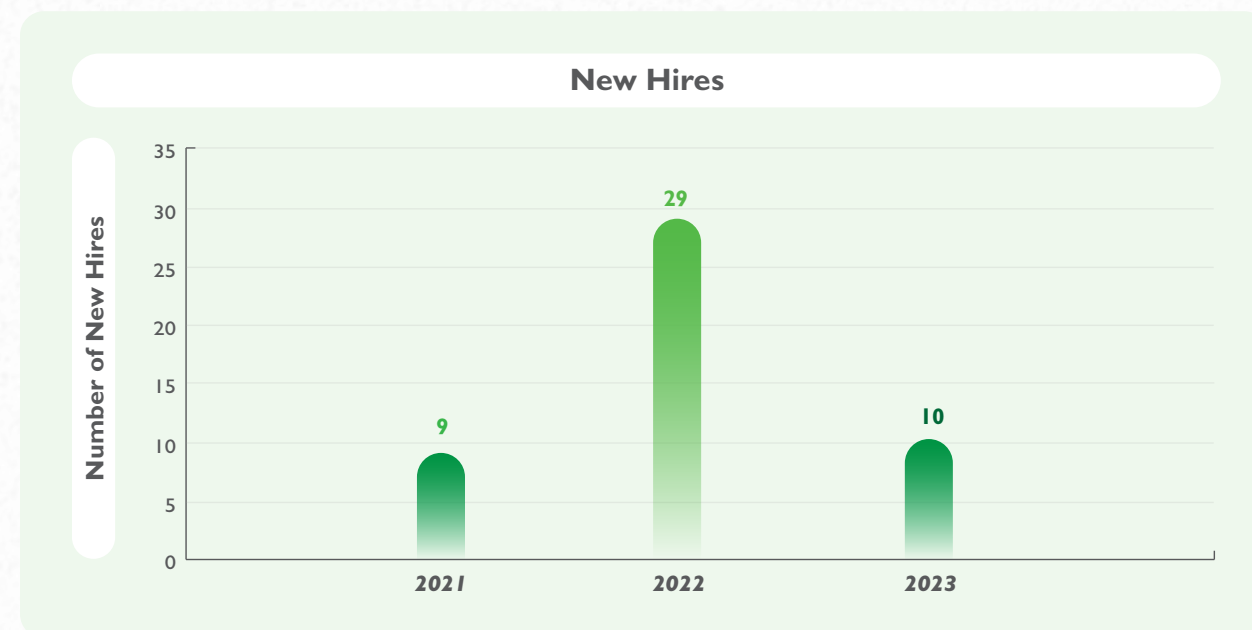


Figure 12 | New Hires

Figure 12 elaborates on the number of new hires per year. In 2022, we hired 29 new employees and 10 more employees as of 2023. As for our employee turnover rates, the rate was 8% and 11% in 2022 and 2023, respectively, in relevance of the total number of employees.

Given that our industrial plant is in a relatively remote location far from Riyadh by around 160 km, affecting its attractiveness to talented females, the Company progressively increased the female talents in its head office to ensure gender diversity in its Company. Between 2021 and 2023, the female hiring rate increased, reflecting our vision to increase our female workforce, fostering diversity and inclusion within our Company.

We provide both genders with the same entry-level wages, aligning with the established National Minimum Wages defined by local laws and regulations. Moreover, our dedication to local engagement is evident as 75% of senior management in key operational locations is sourced from the local community.



EMPLOYEES BENEFITS AND WELL-BEING

In line with our commitment to the loyalty of our employees, City Cement developed a comprehensive compensation and Benefits Policy to enhance the overall work experience. Our policy encompasses various components, ensuring that our employees receive competitive basic salaries and a range of allowances and benefits designed to meet their diverse needs.

Our benefits package extends beyond national law mandates, reflecting our commitment to creating a workplace that goes above and beyond the minimum standards. While we adhere to legal frameworks, we strive to exceed expectations by offering comprehensive benefits that address various aspects of our employees' lives.

City Cement also prioritizes the health and well-being of its employees by offering health insurance, covering both employees and their dependents. In line with our commitment to supporting our employees in various life stages, including the

important transition to parenthood, we also offer parental leave to all employees. This ensures that all employees can take dedicated time off to bond with their newborns.

Additional allowances, such as the salary service allowance, tickets, subsistence allowance, and education allowance, contribute to our commitment to employees' holistic development and well-being. Our policy aligns with the principles of fairness and inclusivity, ensuring that Saudi and non-Saudi employees receive equitable benefits.

City Cement recognizes the importance of these allowances and benefits in fostering a positive work environment, enhancing employee satisfaction, and contributing to our human capital's long-term success and stability. Additionally, end-of-service gratuity is calculated in compliance with Saudi Labor Law, reflecting our commitment to providing a secure and rewarding work environment for our dedicated employees.



NURTURING TALENT

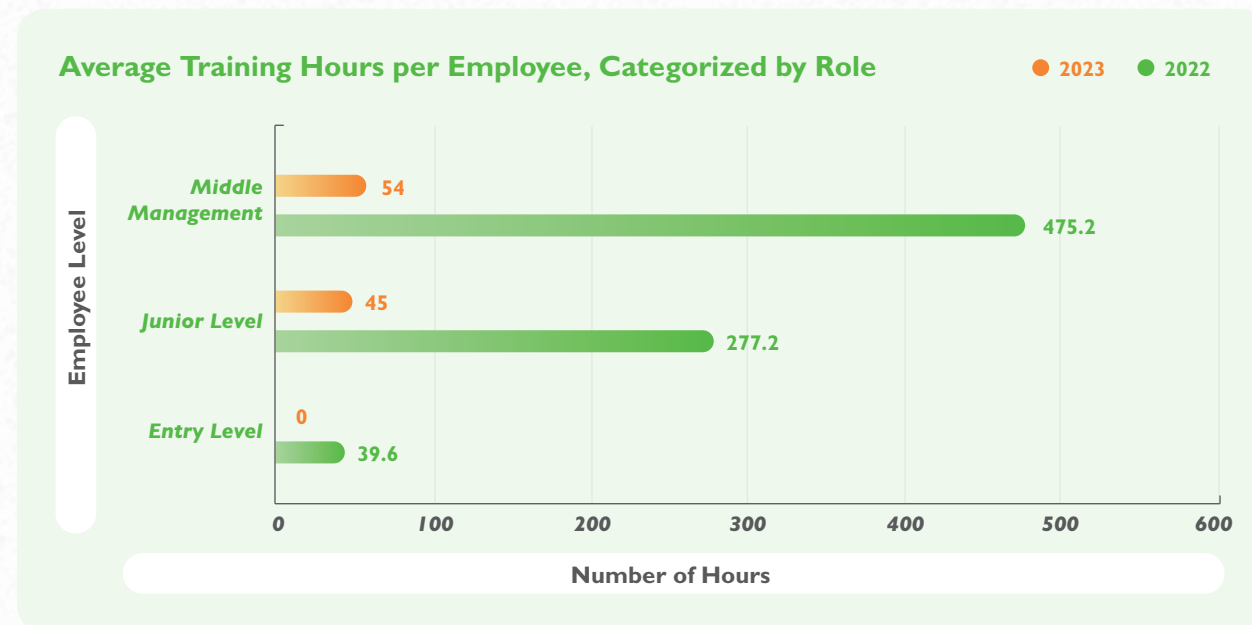


Figure 13 | Average Training Hours per Employee

We deploy multiple tools and resources to address business performance needs by upskilling our talents and incorporating a unique blend of on-the-job training, expert matter training, and corporate-level training. Figure 13 elaborates on the average training hours per employee, categorized by role. It reflects our dedication to providing training on multiple levels of responsibilities to ensure career progression. It is noted that there were no entry level employees hired in 2023, therefore there were no training hours recorded for them. Moreover, the training hours in 2023 are lower as they were mainly focused on ERP system training.

It demonstrates the great attention that the company is giving to its entry-level employees to boost their readiness in terms of competencies and gear them up with the prerequisite leadership attributes to support the ongoing global business strategic transformation.

The second primary focus from training perspectives goes to the middle management and junior talents, training them on the company's state-of-the-art tools and equipment as part of the upskilling plan and productivity improvement.

A DUAL APPROACH TO EMPLOYEE TRAINING AND DEVELOPMENT

City Cement is dedicated to a holistic employee development approach, integrating internal and external training initiatives. In alignment with the Training and Career Development Policy, we conducted internal training sessions in 2021 and sustained this commitment in 2023. Internal courses, including "Cost Reduction in Cement Factories," "Production Quality Control," and "Alternative Fuel Management in Cement Factories,"

The following year, the company increased its variety of courses to include "The Legal Component of The Nuclear and Radiological Regulatory Framework Workshop," "Certified Industrial Energy Professional (CIEP)," and sessions on ISO standards like ISO 45001 and ISO 5001. These courses, designed for various employee levels, exemplify the company's commitment to fostering a culture of continuous learning and development.

On the other hand, external training was also provided to our human capital, providing courses such as "Cost Reduction in Cement Factories" and "Production Quality Control" for Engineers. The efforts continued in 2022 by including training such as "The Legal Component of The Nuclear and Radiological Regulatory Framework Workshop," "Certified Industrial Energy Professional (CIEP)," "Executive Assistant - PA Virtual Master Class," and sessions on ISO standards. These external training programs, varying in duration, aim to provide employees with diverse perspectives and industry insights, enhancing their professional growth and skill sets in line with the company's commitment to continuous improvement in occupational health and safety.

In 2023, our commitment to employee development took a significant leap forward with a comprehensive training curriculum focused on ERP. The training covered various aspects, beginning with a detailed overview of the system. Employees also delved into business processes related to sourcing and procurement through specialized courses such as "Business Processes in ERP Sourcing and Procurement." This was followed by a two-part academy series, "Sourcing and Procurement in ERP - Academy Part I" and "Sourcing and Procurement in ERP - Academy Part II".

Continuing the journey, participants engaged in sessions focused on Sales processes. The curriculum comprised "Processes in ERP Sale", followed by the extensive "Sales in ERP Academy Part I" and "Sales in ERP Academy Part II".

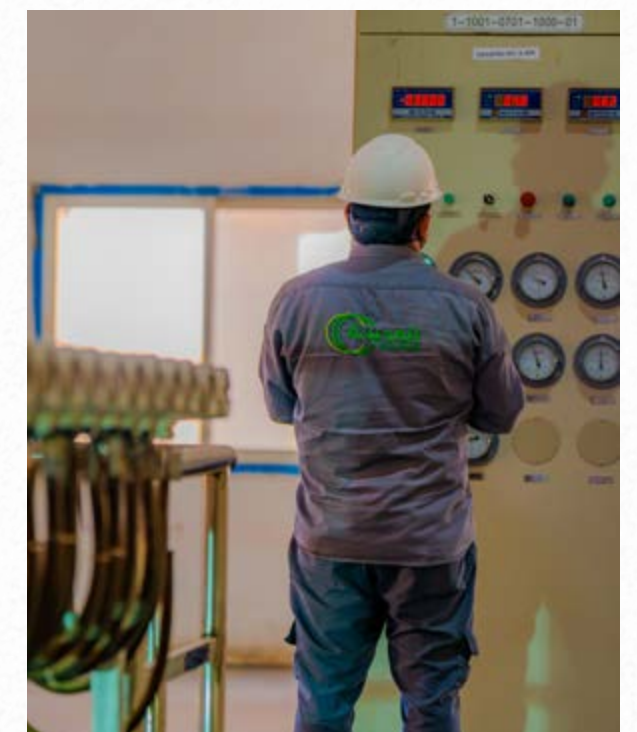
The exploration of the system extended to Production Planning and Manufacturing, where employees gained proficiency in "ERP Production

Planning and Manufacturing I" and further developed their skills through the "ERP Production Planning & Manufacturing Academy Part II".

The financial domain was not left untouched, with a comprehensive overview of Finance in ERP system. The training extended into specific business processes, covering Financial Accounting in ERP through courses like "Business Processes in Financial Accounting in ERP" and "Financial Accounting in ERP - Academy Part I".

The curriculum continued with a detailed exploration of Management Accounting in ERP, encompassing both "Business Processes in Management Accounting in ERP" and two-part academy sessions titled "Management Accounting in ERP - Academy Part I" and "Management Accounting in ERP - Academy Part II".

By incorporating these specialized ERP training modules into our training program, we aim to equip our employees with the knowledge and skills necessary to navigate the implemented system, ERP, and contribute to the continued success of the Company.





IDEAS FOR EXCELLENCE

City Cement is committed to fostering a culture of innovation and continuous improvement through its Employee Suggestions Policy. We recognize the valuable insights and creativity that our employees bring to the table, and we actively encourage them to invest their ideas to enhance our overall performance. Employee-driven suggestions can lead to cost savings, increased operational efficiency, and heightened quality and safety standards, ultimately contributing to the company's profitability.

Accepted suggestions, as outlined in our policy, encompass a broad spectrum of improvements that positively impact various aspects of our operations. Whether streamlining processes, reducing manufacturing costs, enhancing safety measures, or increasing customer satisfaction, we value proposals that demonstrate practicality and constructive thinking. We appreciate proposals that contribute to continuously improving our business processes, procedures, and overall effectiveness.

EMPLOYEE SATISFACTION

City Cement emphasizes a commitment to continuous improvement and employee satisfaction through regular surveys. These surveys provide employees with a platform to share their perspectives on HR policies and the overall work environment. The valuable feedback obtained from these surveys is instrumental in refining our HR practices, ensuring they align with the evolving needs and preferences of our diverse human capital. The results of these surveys are analyzed, leading to adjustments that contribute to fostering a workplace that meets the expectations and satisfaction of our valued employees.

City Cement is dedicated to ongoing enhancement, not only through regular satisfaction surveys but also through comprehensive exit interviews. Conducted to identify areas for future improvement, these interviews provide departing employees with an opportunity to share insights into their experiences and offer valuable suggestions. The feedback obtained from exit interviews is carefully analyzed to pinpoint areas where the Company can evolve and implement positive changes, further contributing to our commitment to continuous growth and creating a workplace that prioritizes employee satisfaction and development.

OUR GUIDING PRINCIPLES IN ACTION

Our Human Resources Management Policy Manual is a comprehensive internal guide outlining the policies governing human resources management functions and control measures. It acts as a reference document for City Cement's management and employees.

It clarifies the operational implications of HR policies, ensuring employees' understanding. Adopting and implementing this guide requires certification in alignment with the Delegation Matrix.

NON-DISCRIMINATION POLICY, COMPLAINTS, AND GRIEVANCE MECHANISM



The company maintains strong mechanisms, including a non-discrimination policy and a well-defined process for handling complaints and grievances. Our commitment to equal job opportunities transcends factors such as race, gender, religion, belief, or nationality. Similarly, career advancement is solely based on individual performance, talent, competencies, commitment to values, dedication, and involvement.

Discrimination is strictly prohibited, with an emphasis on promoting employee development and valuing individuals based on accomplishments. The Human Resources policy encourages peer cooperation, teamwork, responsible leadership, and transparent communication to foster a positive internal environment.

To address complaints and grievances, a system overseen by direct managers and the HR management team ensures fairness and prompt resolution. The company is committed to investigating and responding to every complaint, recognizing the significance of each concern for both individuals and the Company. Legitimate grievances may arise from dissatisfaction with the interpretation or application of work policies and procedures, including concerns about perceived detrimental actions and unfair practices.

Unjust treatment related to entitlements or work conditions, such as holidays, bonuses, promotions, performance evaluations, and salary increases, are also valid reasons for filing a grievance. Employees are encouraged to notify management of any grievances promptly, in adherence to the provisions of our policy. Grievances from either party must be submitted within fifteen working days to maintain fairness; otherwise, the right to file a grievance is forfeited.

City Cement ensures that employees are protected against retaliation for submitting a grievance. We are committed to fostering an environment where employees feel heard and supported, and our grievance mechanisms are designed to uphold these principles.



OUR APPROACH TO OCCUPATIONAL HEALTH AND SAFETY

We regularly assess conditions, practices, and procedures, ensuring ongoing compliance with health and safety requirements. This monitoring process allows us to address discrepancies, reinforcing our commitment to continuous improvement promptly. This involves the ongoing assessment of the effectiveness of our existing policies and practices, with a steadfast dedication to implementing necessary enhancements. We recognize that safety is an evolving journey, and we are resolutely committed to ensuring that our human capital and workplace remain safe and in continuous improvement.

We extend our Health and Safety measures by actively collaborating with suppliers, contractors, and business partners, ensuring their adherence to our established safety standards through regular safety audits. The scope of our safety considerations encompasses various aspects of our business relationships, addressing hazards and risks associated with supply chain safety, transportation safety, and subcontractor safety.

BUILDING A SAFE AND SUSTAINABLE WORK ENVIRONMENT

On our way to operational excellence at City Cement Company, “Building a Safe and Sustainable Work Environment” signifies our comprehensive approach to workplace well-being. Our Safety Management Systems form the main building block of our commitment, integrating robust protocols, regular safety audits, and a culture that places the highest value on employee welfare. Our occupational health and safety programs are not limited to compliance-driven; they are dynamic initiatives encompassing tailored training, proactive hazard identification, and active employee participation in safety initiatives.

Transparency is not an option in our incident reporting and response procedures, where each incident becomes an opportunity for root cause analysis and continuous improvement. Employee safety is a priority and an investment, evidenced by health and wellness programs. Our performance metrics and targets go beyond regulatory

requirements, setting ambitious benchmarks for progress and ensuring accountability to our stakeholders.

Looking forward, City Cement Company remains at the forefront of innovation, actively embracing emerging technologies, industry best practices, and proactive strategies to further entrench safety and sustainability in our operations. This solid commitment reflects our vision for a workplace where safety and sustainability converge, ensuring a secure, thriving, and environmentally conscious future for all stakeholders.

City Cement proactively established an Occupational Health and Safety Management System based on ISO 45001:2018 which enables the company to effectively manage Occupational Health and Safety risks and enhance performance by formulating and implementing effective policies and objectives.

Through implementing these policies and monitoring our objectives, we systematically identify and mitigate potential hazards, resulting in a significant reduction in workplace incidents. This approach enhances the overall safety of our employees and induces them to actively engage in maintaining their well-being.

Prioritizing occupational health and safety aligns with our commitment to creating a work environment characterized by positive interpersonal dynamics, a supportive culture, and a focus on well-being. As a result, we project a decrease in absenteeism and staff turnover, contributing to heightened productivity and a human capital that is more stable and committed.

INVESTING IN SAFETY: TRAINING FOR INCIDENT REDUCTION

Our commitment to incident reduction is integral to fostering a safe working environment, aligning with our dedication to the well-being of our human capital.

We initiated the implementation of a comprehensive safety training program. This initiative has ensured that all our employees, across various levels, receive the necessary training and education on workplace safety protocols and procedures

Totaling
1727
TRAINING HOURS AS OF 2023



The impact of this program has been reflected in a marked decrease in the number of workplace accidents and incidents by 20% in 2021, highlighting the effectiveness of the initiative.

Our training initiatives are designed to empower our human capital with essential skills and knowledge, covering crucial aspects such as hazard identification, emergency response protocols, proper utilization

of personal protective equipment, and the importance of adhering to safe work practices. These programs not only include fundamental topics like first aid and fire safety but also delve into specific hazards related to tasks involving heavy machinery, chemicals, working at heights, hot work, and working in confined spaces. Incident investigation is another essential function within our responsibilities to minimize potential hazards. We thoroughly investigate workplace accidents, injuries, and near misses, as we enforce a communication line through our incident reports which are to be submitted to proceed with the investigation process. The reporting and investigation process transforms each incident into a valuable learning opportunity as we aim to understand the root causes and take preventive actions to ensure the non-recurrence of such incidents.

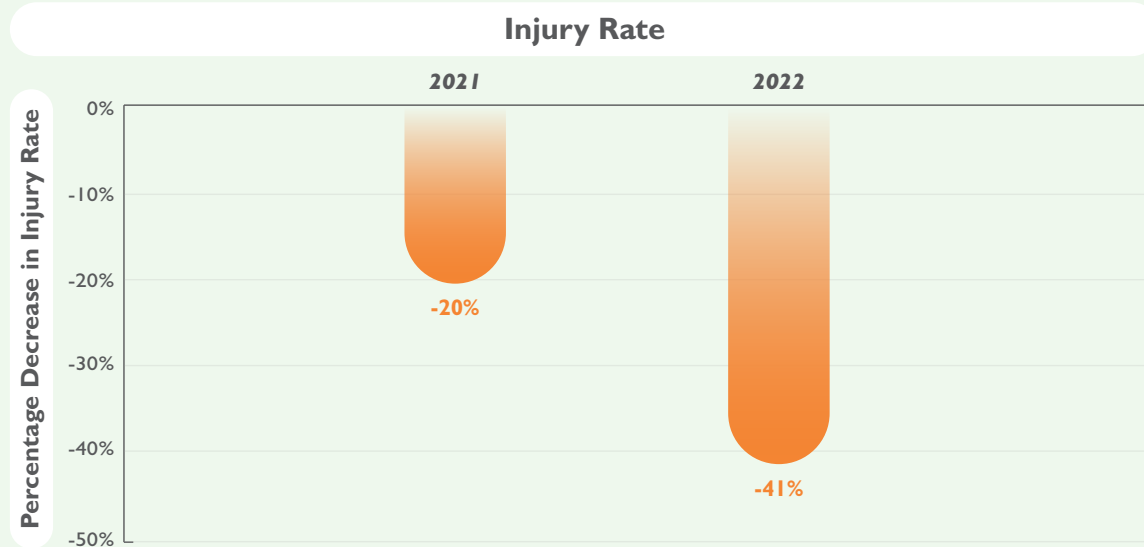


Figure 14 | Injury Rate

Figure 14 illustrates the reduction in injury rates, demonstrating a 20% decrease in 2021 compared to 2020 and a notable -41% decrease in 2022 compared to the previous year, 2021. The consistent declining trend is a direct result of our health and safety efforts.



Our efforts in this regard are further reflected in:

0 INCIDENTS OF INJURY OF 2023.

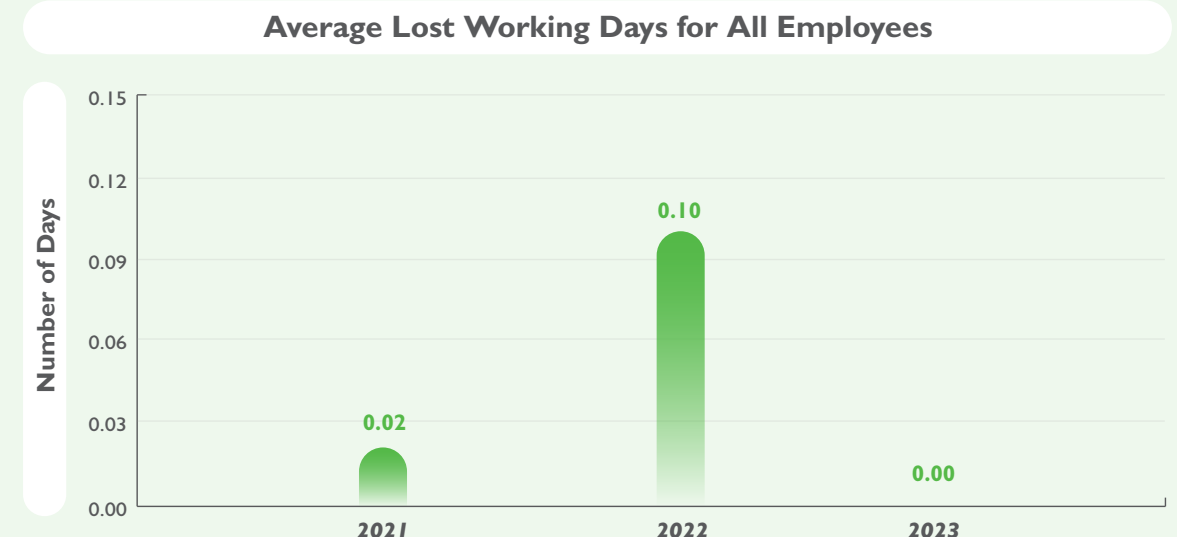


Figure 15 | Average Lost Working Days

Figure 15 elaborates on the average lost working days for all employees. The average lost working days for all employees declined notably in 2021 and increased slightly in 2022. Yet, the average lost working days for all employees was 0 in 2023.



NON-OCCUPATIONAL MEDICAL AND HEALTHCARE SERVICES

Our commitment to employee well-being extends beyond occupational health, as workers have access to a comprehensive range of non-occupational medical and healthcare services. These include regular health check-ups, vaccinations, and health counseling, facilitated through our on-site clinic, collaborations with health authorities, or our medical insurance service provider. Additionally, we prioritize holistic health through programs and fitness. Workers can actively participate in these initiatives, utilizing on-site health clinics and gym facilities for physical exercise and fitness training.



DIGITAL TRANSFORMATION FOR SAFETY EXCELLENCE

City Cement is dedicated to delivering reliable and efficient systems that leverage cutting-edge technologies, adhering to the highest international standards.

Our commitment to excellence is evident in our top-ranking position in the Kingdom of Saudi Arabia's SIRI Smart Industry Readiness Index. Our focus is on optimizing processes, reducing time-consuming tasks, and promoting inter-departmental

collaboration. These efforts are highlighted by our implementation of the ERP system, leading to a substantial reduction in support ticket numbers. By prioritizing these initiatives, we aim to enhance overall business conditions, ensuring long-term profitability while fostering a safer working environment.

Also, we aim to establish a sustainable digital ecosystem that facilitates our operations and aligns

with the digital transformation objectives outlined by the Ministry of Industry and Mineral Resources, specifically through the Future Factories program. This program is designed to enhance factories' incorporation of leading global practices from the Fourth Industrial Revolution.

The goals include reducing production costs, diminishing reliance on unskilled labor, and boosting the competitiveness, digital capacity, and operational

efficiency of both existing and new factories spanning various industrial sectors, with a strategic emphasis on key sectors.

In this regard, City Cement's assessment to participate in the program is done through the Ministry of Industry and Mineral Resources, and the company had been identified at the first place within the Kingdom and the 7th place globally according to the Smart Industrial Readiness Index (SIRI).



SOCIAL AND RELATIONSHIP CAPITAL

Uplifting our Communities

122

07

OUR STRENGTH LIES IN UPLIFTING OUR COMMUNITIES

TODAY,TOMORROW,AND ALWAYS

City Cement is committed to making a positive impact beyond the realms of our core business operations. Through our Corporate Social Responsibility (CSR) initiatives, we actively engage with key institutions, fostering partnerships that extend our reach and effectiveness. Collaborating with local governorates and municipalities, such as Riyadh, Marat, Shaqra, and Qassim, exemplifies our dedication to community development. Building strong alliances with esteemed academic institutions like Qassim University, Shaqra University, and the Institute of Public Administration reflects our commitment to education and knowledge dissemination.

Our collaboration extends to governmental bodies as will be detailed below. These partnerships enable us to leverage our resources and expertise for impactful initiatives that address various societal needs. In this section, we highlight specific initiatives and their objectives, highlighting the positive outcomes we aim to achieve in collaboration with our valued partners.



SUSTAINABLE CORPORATE IMPACT:

A JOURNEY OF COMMUNITY, ENVIRONMENTAL, AND SOCIAL CONTRIBUTIONS BY CITY CEMENT

Our company has a proven track record of successfully fostering sustainable opportunities to align with our corporate goals. Actively participating in a range of social development activities and events, spanning spiritual, cultural, educational, sports, tourism, and environmental domains.

VOLUNTEER WORK AND SOCIAL RESPONSIBILITY

City Cement adheres to a philosophy of participating in entities and associations contributing to community growth, provided such participation aligns with legal frameworks. Employees are encouraged to engage in well-known social, cultural, or charitable entities recognized by the country, contributing to societal improvement while ensuring it does not adversely affect their regular work.

Social activities are integral to City Cement’s responsibility towards the community. These activities should be organized to maximize the social benefit of the resources deployed and the time of employees involved. The company values and encourages volunteer work, recognizing its importance in fostering a sense of social responsibility and contributing to the community’s well-being.

CULTURAL AND SPIRITUAL CONTRIBUTIONS



In celebration of Eid 2020, City Cement generously donated to the Marat Governorate, extending heartfelt contributions to mark the joyous occasion.



In a gesture of cultural support, City Cement donated to the Dates Festival in Marat in 2021, enhancing local traditions and festivities.



In 2023, City Cement actively contributed to the restoration of Anas bin Malik Mosque in Marat.



City Cement contributed to the 3rd Dates Festival in Shaqra in 2021, fostering cultural richness and local celebrations.



City Cement proudly sponsored the Ramadan tournament organized by the Ministry of Municipal and Rural Affairs in Marat Branch during 2023.



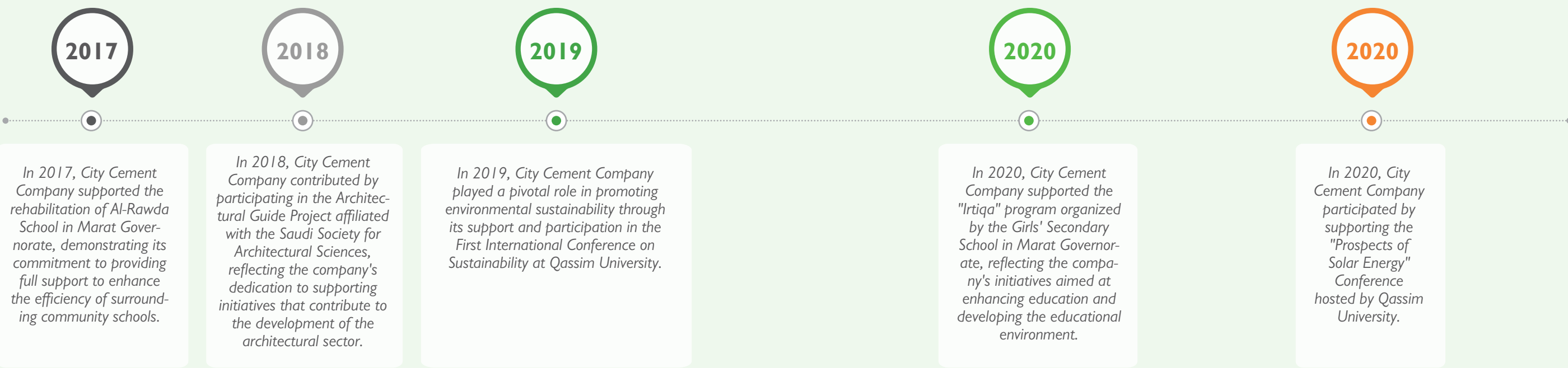
City Cement showed community solidarity by contributing to the Marat Governorate during the event of Riyadh Prince’s visit in 2020, enhancing the welcoming atmosphere.



City Cement played a significant role in facilitating the establishment of a civil status office in the Marat area, highlighting its commitment to community development.



ADVANCING EDUCATION



SUPPORTING THE HEALTH AND SPORTS SECTORS



COMMUNITY ENGAGEMENT AND SOCIAL INCLUSION





City Cement proudly supports the Marat community by offering exclusive home-building discounts, championing local development, and fostering community support.

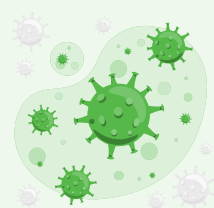


Demonstrating a commitment to community events, City Cement contributed to the Marat Bicycle Race in 2020, promoting active lifestyles and community engagement. And, in 2023, we continued our support for the 4th edition of the bicycle race.



PROMOTING GENDER EQUALITY

In 2019, we introduced an ambitious plan to empower women by recruiting and training them across various business functions, including leadership positions.



COMBATTING COVID-19

In 2020, City Cement donated 1 million SAR to support the Ministry of Health's efforts in confronting the consequences of COVID-19. The company also sponsored key events for the Ministry of Youth and Sports.

ASSOCIATIONS FOR THE SUCCESSFUL IMPLEMENTATIONS OF OUR CSR INITIATIVES

To successfully implement our initiatives, City Cement strengthens its ties with institutions like:

Universities



Qassim University



Shaqra University

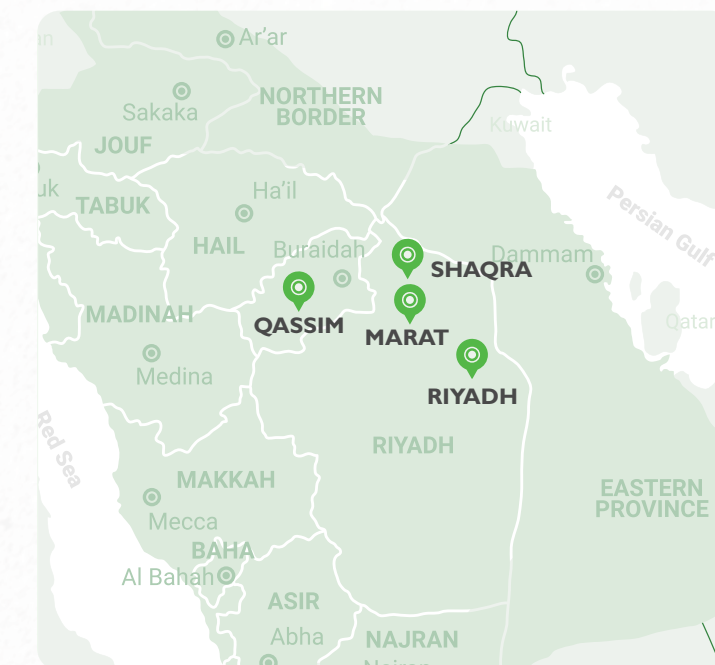


Institute of Public Administration



King Saud University

Governorates and Municipalities



Other Institutions

Saudi Energy Efficiency Center



Ministry of Energy, Industry and Mineral Resources



General Authority for Metallurgy and Environmental Protection



The Ministry of Municipal and Ruler Affairs and Housing



King Abdullah City of Atomic and Renewable Energy



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304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Work in progress	-
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409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Manufactured Capital- Efficient Supply Chain Management	From 64 to 66
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LIMITED ASSURANCE STATEMENT

TO THE BOARD OF DIRECTORS

DCARBON GLOBAL

Dcarbon Global is a sustainability and environmental consultancy firm registered under Egyptian law no. 159 for the year 1981 and its executive regulation. Dcarbon is a certified training partner at the Global Reporting Initiative (GRI), and a GRI Gold Community member. Our focus is to assist public and private organizations in understanding and addressing their economic, environmental, and social impact.

Dcarbon Global was engaged by City Cement Company (CCC) to perform an Independent Limited Assurance review on its 2023 Sustainability Reporting process ('the Report').

SCOPE, BOUNDARY, AND LIMITATIONS

Our assurance scope encompasses data and information for the period from 01 January 2021 to 31 December 2023, focusing on City Cement's operations in the Kingdom of Saudi Arabia, based on the Global Reporting Initiative's (GRI) Standards for 2021 and the International Reporting (IR) Framework for 2021.

The Report's boundary includes data and information derived from various operational and business functions and sites, encompassing the Company's Headquarter support functions, Corporate Governance, and stakeholder engagements, as delineated in the Report.

ASSURANCE SCOPE EXCLUDES:

- Data and information in the Report outside the specified reporting period, such as historical data used to establish context for disclosures during the reporting period or forward-looking statements by CCC.
- Verification statements that consist of testimonials, opinions, success stories, and / or aspirations.
- Verification of claims, which is limited to the data and information presented in the Report.

ASSURANCE PROCEDURES

The assurance was conducted by DCarbon's multidisciplinary independent team of experts in auditing Economic, Social, and Environmental information while adhering to our core values of integrity, confidentiality, professional competence, objectivity, and the exercise of due attention.

In terms of aligning with ESG frameworks, as well as conducting data mining and verifications, we received valuable support from **Mr. Mohamed Elshafie**, DCarbon's Senior Sustainability Analyst, **Ms. Mayar Faraj**, **Mr. Ali Zaki**, and **Mr. Mohamed Sherif**, all part of DCarbon's team of sustainability analysts, alongside additional supporting analysts.

Our approach to the assurance process, including the nature, timing, and extent of procedures, was guided by multiple rounds of engagement with the relevant departments and senior management at the Company. This engagement included collaboration with the Sustainability department, which the Board of Directors entrusted.

The Company was responsible for the identification of material sustainability issues, establishing and maintaining appropriate internal performance management, and the relevant systems for the reported data.

Assurance activities included procedures to obtain evidence about the reliability of the disclosures:

- Review of the evidence of internal policies, procedures, and strategy documents as provided by the Company.
- Review of materiality and stakeholders' engagement framework deployed by City Cement.
- Engagement with executive and senior management to assess their roles and responsibilities and oversee sustainability-related activities.
- Engagement with various managerial levels and focal points from different departments involved in the Report preparation.
- Assessment of the systems used for data collection and reporting on the standard, including data collection through surveys and/or writing prompts, where applicable or available.
- Evaluation of the processing and monitoring of data collection for disclosures.
- Assessment that the Report has been prepared following GRI Standards for 2021 and the International <IR> Framework of the IIRC for 2021.
- Review the Report to ensure that there is no misrepresentation of disclosures as per the scope of assurance and our findings.



LIMITED ASSURANCE

Limited Assurance was obtained for disclosures on materiality assessment, governance, operations, environmental footprint, procurement practices, and management approach of activities under social investments (Corporate Social Responsibility).

We advise stakeholders to review the annual Report to ensure financial performance and other standards of practice.

MANAGEMENT RESPONSIBILITY

The management was responsible for preparing and fairly presenting the selected information included in this Report following the GRI Standards 2021 and the International Reporting Framework for 2021. The management was also responsible for ensuring that the internal controls facilitated the preparation of information without significant misstatement.

Throughout our extended engagement with City Cement Company, we have noted that the leadership and management overseeing the publication of this Report have consistently demonstrated their regular supervision of the process, as well as the department focal individuals participating in the reporting process.

CONCLUSION

It is DCarbon's opinion that the Report fairly reflects City Cement Company's sustainability management activity and performance. In addition, through this verification process, the DCarbon asserts that the sustainability report meets the GRI Standards 2021 In Accordance requirements.

DR. 

Ehab Shalaby, Ph. D.
Chairman & CEO



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