



ESG INTELLIGENCE



AL YAMAMAH STEEL INDUSTRIES

The ESG Transition in Saudi Steel

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Why is ESG growing in importance?

The Covid-19 pandemic accelerated the shift towards **Environmental**, **Social** and **Governance** (ESG) principles, which are coming to the fore in the realms of investment, regulation, operation and consumption



Businesses around the world adapted their workflow amid travel and social-distancing guidelines, substituting paper, in-person meetings and the like for digital communications and remote working tools



Environmental protection

The drop in global emissions related to the pandemic in 2020, which led to better air quality, resulted in a recommitment to environmental targets globally. High-polluting and heavy industries, especially, have come under pressure to re-evaluate their operations.



The distribution of health products and economic support from businesses and governments to staff, families and communities emphasized the importance of social responsibility



Social risk

Protecting employees from contracting the virus, especially those in industrial environments where remote work is less possible, became a top priority, as did providing financial support to laid off workers as the rate of projects slowed.



Companies complying with government-mandated rules amid the pandemic had the opportunity to scrutinise and revise their own internal regulations, both for safety and beyond



Good governance

Transparency and open communication with stakeholders was necessary to keep industries operating in the uncertain context. This environment of trust, exchange and accountability is likely to be the standard moving forwards.



Economic impact

Taken together, these actions may prove that the way of doing business in heavy industry environments is set for more permanent change. ESG factors are likely to shift the investment strategies, internal company frameworks, daily operations and purchasing behaviours of players throughout industrial supply chains to make their business models adaptable and sustainable long term.

KSA is pursuing the UN's Sustainable Development Goals via Saudi Vision 2030



In 2015 the UN launched 17 integrated Sustainable Development Goals for 2030 with the view to eradicate extreme poverty, protect the environment, and enable peace and prosperity

UN targets in Saudi Arabia

In 2016, one year after the UN published its 17 SDGs, the KSA government released Saudi Vision 2030, the country's roadmap for sustainable, inclusive economic growth. With the ultimate goal of diversifying the national economy away from a heavy reliance on oil and building a thriving private sector, the vision is aligned with the UN SDGs in terms of environmental protection, social progression and strong institutional governance. Shorter-term national transformation programmes are the building blocks to achieving Saudi Vision 2030's goals by the end of the decade.

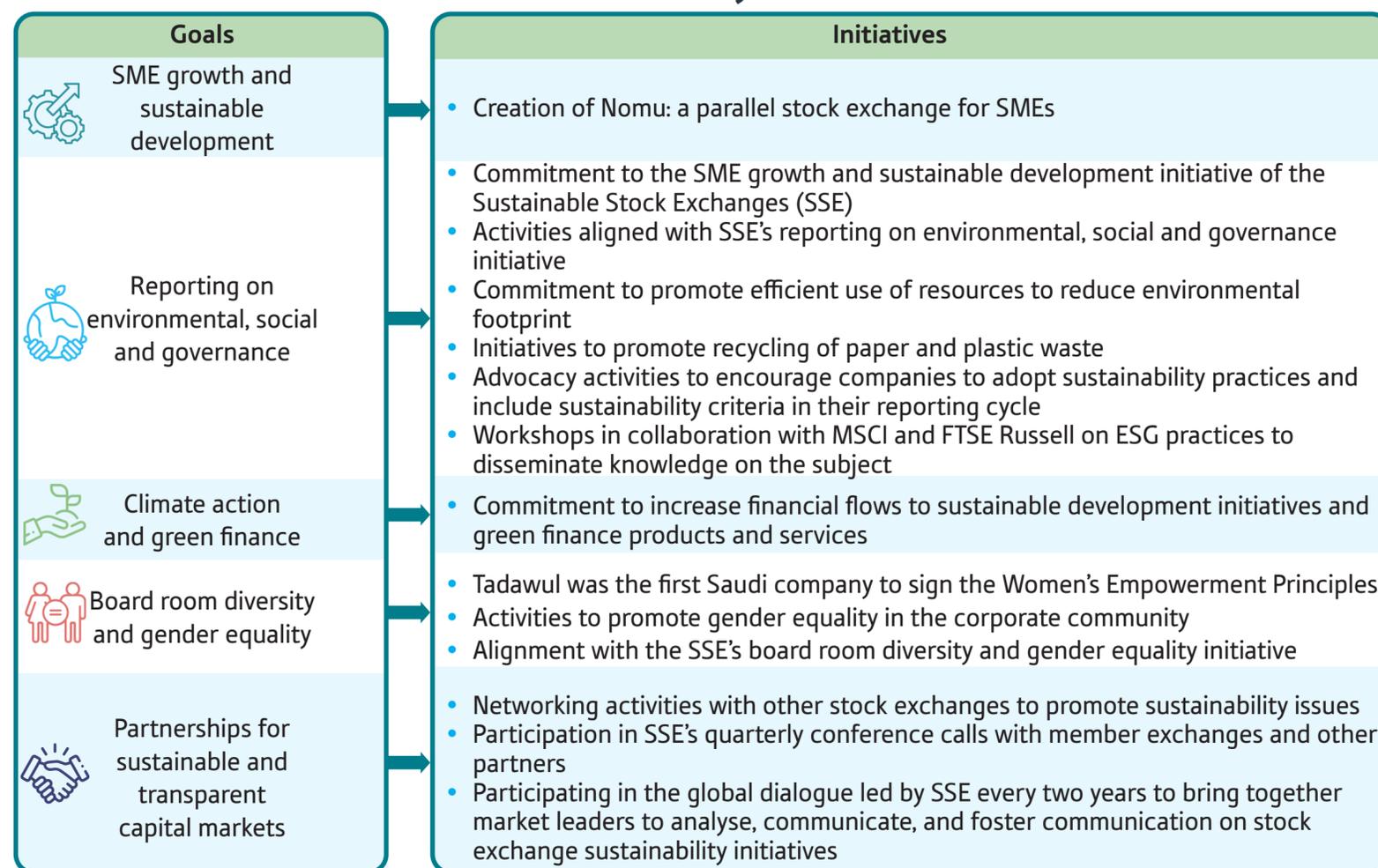
Progress on the ground

The United Nations Development Programme (UNDP) Saudi Arabia works within the country to advance the SDGs, and currently focuses primarily on goals 1, 8, 9, 11 and 16. Goals 8 and 9 align with Saudi Vision 2030 in terms of building an environment where local and foreign private businesses can thrive not only to diversify GDP, but provide quality jobs for country's youthful population. Progress on goal 11 is exemplified by the building of NEOM in the north-west of the country: a vast business and lifestyle project based on smart technologies and green innovations.

Tadawul adopts ESG principles as part of efforts to support sustainable finance models

The adoption of ESG principles by the Saudi Stock Exchange (Tadawul) is expected to attract rising investment flows from a global investment community that is increasingly attuned to ESG risks, particularly in the wake of Covid-19. At the same time, ESG adoption among listed companies will contribute to the diversification and sustainable development of the economy in line with Vision 2030. In a similar vein, the Public Investment Fund (PIF) has begun to incorporate ESG principles into its \$400bn portfolio of international investments, helping the Kingdom play an active role in the global transition towards a more sustainable economic model.

Sustainability in action



Timeline of ESG progress

2017

- The Saudi Capital Market Authority (CMA) issues new corporate governance rules designed to:
1. Enhance the rights of shareholders and board members
 2. Provide greater clarity and transparency around determining commercial strategic planning, roles and responsibilities
 3. Oversee corporate entities and third parties

2018

- Tadawul becomes a member of the SSE, a UN partnership programme including 96 stock exchanges globally
- SSE provides a framework where stock exchanges and its participants can drive enhanced performance on ESG issues

2019

- Publication of ESG principles reporting in line with Vision 2030 and under the umbrella of the Financial Sector Development Programme (FSDP)
- The Saudi market joins the FTSE Emerging All Cap Index and the MSCI Emerging Markets Index

2020

- Tadawul announces plans to launch an environmental, social or governance (ESG) index in cooperation with global index provider MSCI
- The index is likely to include at least 70 Saudi listed companies and will be based on MSCI standards

2021

- Tadawul and the Future Investment Initiative Institute (FII-Institute) sign a MoU to cooperate on ESG
- The agreement entails publishing research, hosting events and engaging with key stakeholders to advance ESG impact in Saudi Arabia

Al Yamamah Steel Industries evolves into a diversified company targetting a sustainable future

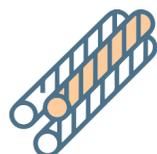
What drives Al Yamamah's strategy?

Six business segments



TUBES

Produces a range of welded steel hollow sections, sheets, steel straps and clips



REBAR

Produces reinforcing steel bars



POLES

Serves the energy sector to illuminate roads and squares



LATTICE STEEL TOWERS

Includes design, fabrication and galvanizing of transmission and telecommunication towers



SOLAR ENERGY

Manufactures steel components for solar energy



WIND ENERGY

Manufactures steel towers for wind energy

Main sectors served include



Construction



Electrical



Telecommunication



Renewable energy

Mission

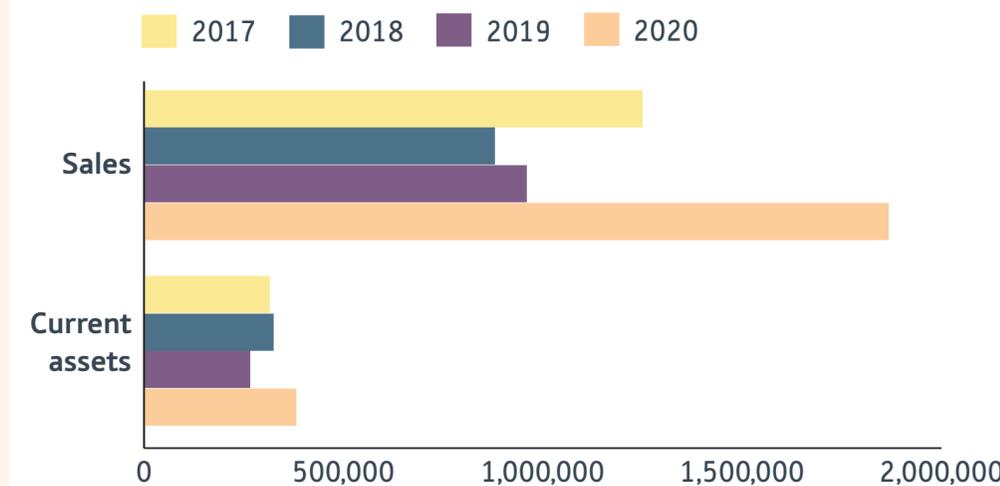
Stakeholders	Maximise stakeholders' value through investments
Financial	Enhance performance, control cost and manage risks
Customer	Offer value for money and respond to customer needs
Innovation	Challenge the status quo and encourage development
People	Build great places to work and help people achieve full potential

Strategic goals

- Become a **regional leader** in the metal business
- Leverage **synergies** and **values**
- Ensure commitment to the **community**

Al Yamamah Steel Industries (Al Yamamah) has been present in the Saudi steel industry since 1989. The company started its activities in the tube segment, and gradually extended into poles and towers, respectively, in 2005 and 2010. As of 2021, Al Yamamah counts six main lines of business, having recently expanded into steel components for renewable energy systems. The company's long-term vision is guided by stakeholders' interests, commitment to the community, and the enablement of workers to achieve their full potential. The company closed 2020 registering growth in sales and current assets, underlining its resilience against the severe headwinds caused by the Covid-19 pandemic. Looking ahead, Al Yamamah is looking to chart a sustainable growth path guided by commitments to environmental responsibility, positive social impact, and good corporate governance.

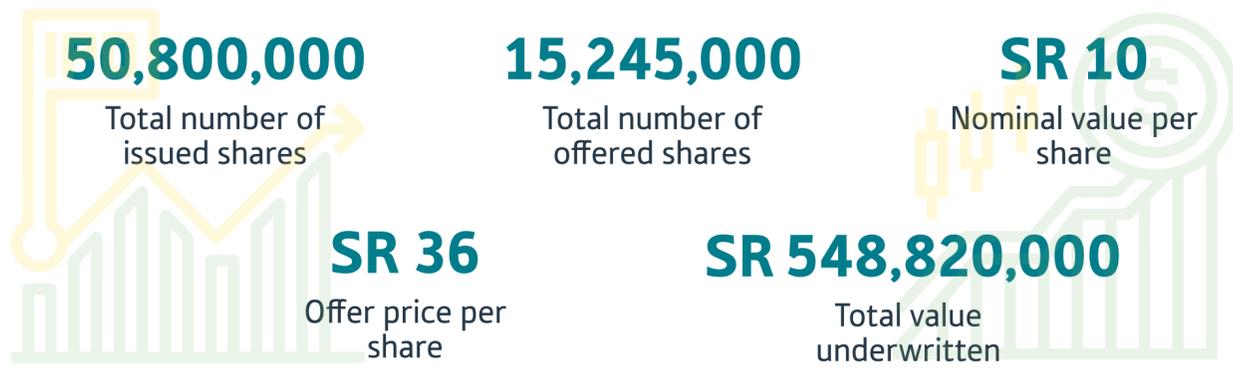
Resilient performance* (SR 000)



* Figures as of Sept. 30 of each financial year

Tadawul listing yields positive performance across a range of indicators

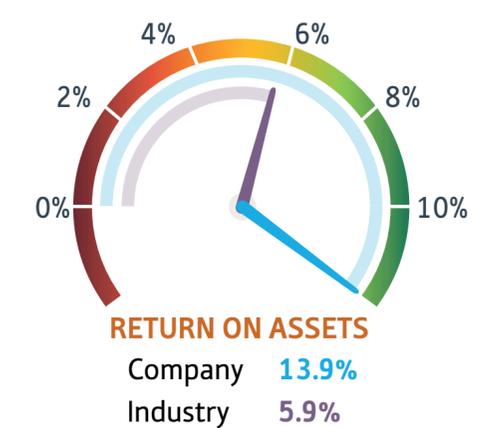
Al Yamamah enjoyed successful initial public offering (IPO) in 2016



- ▶ 30% of issued shares was offered to the public
- ▶ Offer price was more than **300%** higher than nominal value
- ▶ Stock price in early September 2021 is almost **40%** higher than offer price

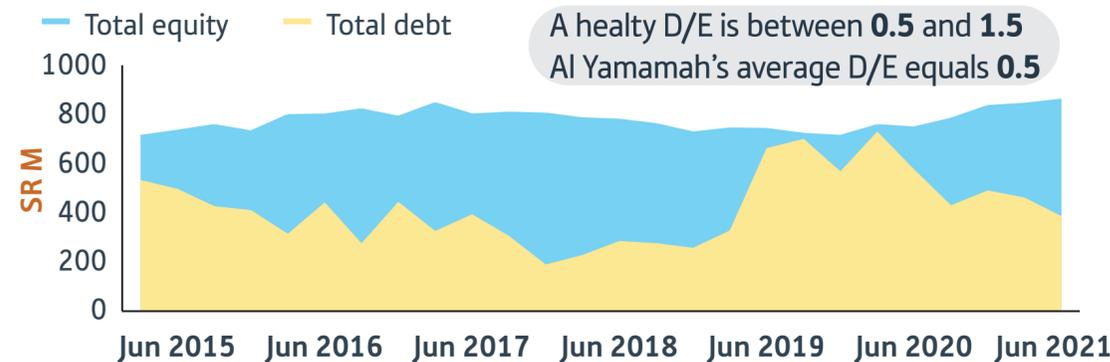
Past 5 years' performance

Al Yamamah exceeded the metals industry average



Financial health

Debt-to-equity ratio (D/E) has always been lower than 1



Growth mid-Jan '21 to end-Aug '21

Al Yamamah share price **55.4%**

Tadawul All share Index **25.6%**

Dividends yields

Al Yamamah pays higher dividends than top 25% companies listed in Tadawul



Listing on Tadawul promotes ESG compliance

- Increases independence of corporate governance structure
- Requires higher levels of transparency and disclosure
- Allows third-party surveillance and monitoring

Al Yamamah is also subject to significant compliance obligations under **environmental, health and safety** laws and regulations

ENVIRONMENT



Kingdom sets ambitious goals for renewable energy development as part of holistic sustainability approach



Key objectives

- Preserve the environment and natural resources
- Increase efficiency of waste management and establishing recycling projects
- Reduce all types of pollution
- Fight desertification
- Promote optimal water usage and reduce consumption
- Protect and rehabilitate beaches, islands and natural reserves

Net Zero Carbon Emissions – KSA has pledged to reach this target by 2060

Economic diversification away from oil and gas is at the core of Vision 2030. This has led the Kingdom to set the most ambitious renewable energy targets in the region, as well as policies that encourage a whole-of-society approach to responsible waste management, energy consumption and environmental conservation

Progress and achievements

Greening Saudi

- 120,000** 10m trees have already been planted across the Kingdom under the 'Let's Make it Green' campaign, with an aim of planting 10bn in total
- 20,000** The \$15 billion Al-Ula Masterplan - the world's largest oasis project - includes plans to create up to 10m m2 of green and open spaces
- 100%** Over 4m mangrove trees have been planted by Aramco – 2m in 2020 alone – to restore Saudi Arabia's shoreline mangrove forests
- 3,670 mw** Green Riyadh will transform the city to include 541 km2 of green space, 7.5m trees, and a 1,100 km2 green belt stretching through the city

Renewable Energy

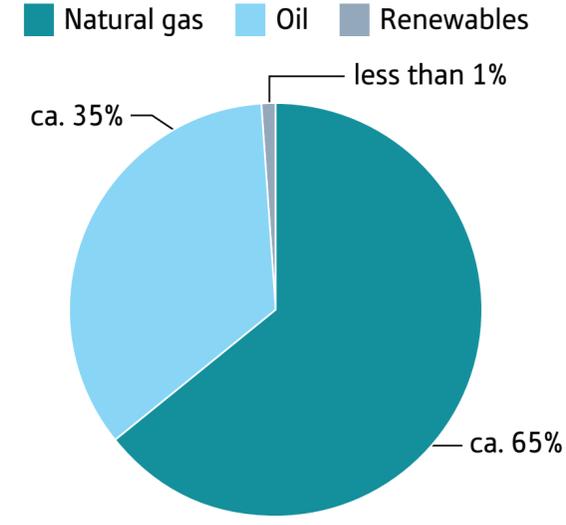
- 10m** Saudi's first utility-scale (300MW) solar PV plant in Sakaka offsets greenhouse gas emissions equivalent to removing 120,000 cars from the road in one year
- \$15bn** NEOM and ACWA Power's green hydrogen plant - planned to be the world's largest - will generate enough energy to power 20,000 hydrogen-powered buses daily
- 4m** Ambitious projects including The Line and the Red Sea Project will be 100% powered by renewable energy
- 541 sq.m** 9 active and developing solar and wind power projects across Saudi Arabia will have a total energy generation capacity of 3,760MW

KSA aims to significantly scale up renewable energy capacity

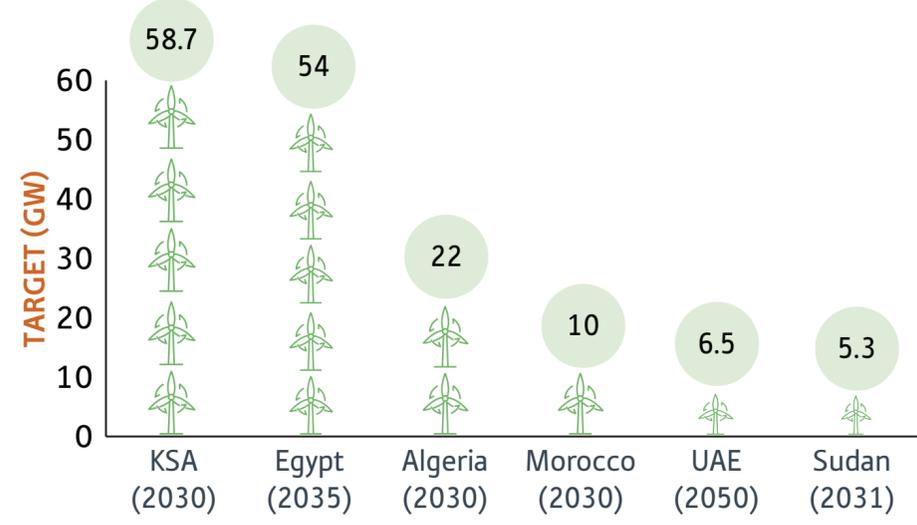
Renewable energy capacity MENA (2018)

Country	GW (without hydro)
Morocco	1.99
Egypt	1.96
UAE	0.60
Algeria	0.45
Sudan	0.21
KSA	0.14

KSA's energy mix (2019)

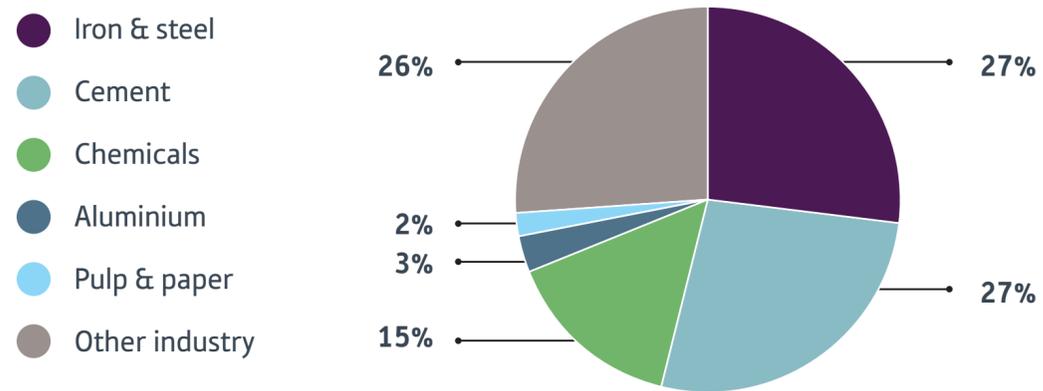


Renewable energy capacity targets MENA

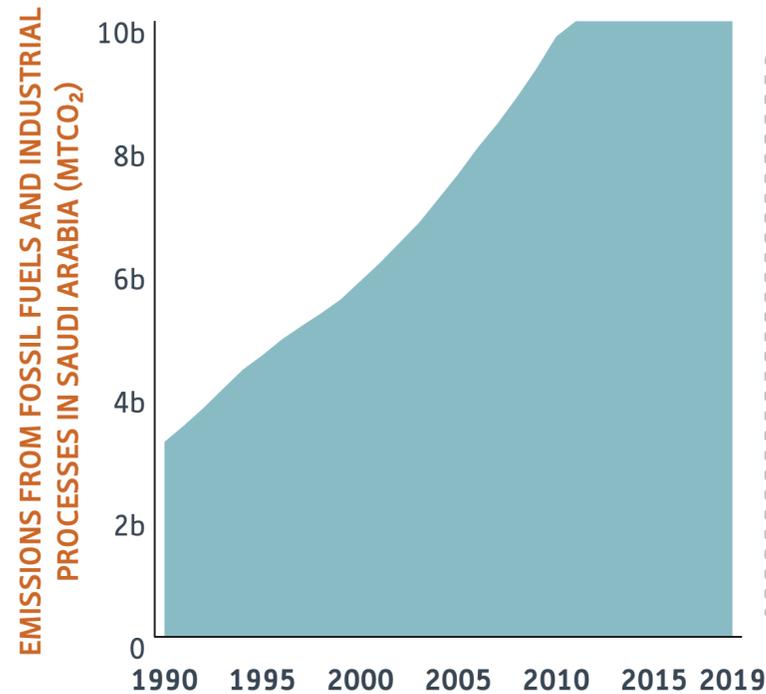


Steel industry presents challenges and opportunities for decarbonising the economy

Share of global direct CO₂ emissions by industry subsector (2019)



Emissions from KSA steel production rise as the economy expands



Steel production requires high-temperature heat, which is usually generated by the combustion of fossil fuels, resulting in a significant carbon footprint, representing as much as 6-7% of GHG emissions and 7-9% of all fossil fuel-based CO₂ emissions. Low-carbon energy sources like biomass, hydrogen and clean electricity could serve as substitutes for fossil fuels in providing process heat for the steel industry.

Opportunities to reduce emissions in KSA's steel industry

- Carbon circular economy**

Through its Carbon Circular Economy concept, Saudi Arabia is placing strong emphasis on the potential for Carbon Capture, Utilisation and Storage (CCUS) technologies to enable it to reach its target of net zero carbon emissions by 2060. In the steel sector, captured CO₂ from plants could be combined with water and steel slag to produce building materials, and other opportunities exist to commercialise CO₂ captured in the industry. However, CCUS technology does not yet exist at scale, and the capacity of the current technology is far below the current rate of emissions worldwide. Significant investments and game-changing advancements in the technology are required for CCUS to play a major role in the transition to net zero.

KSA pledged **SR39bn** ahead of COP26 to fund the circular carbon economy and provide clean fuel to 750m people globally
- Hydrogen utilisation**

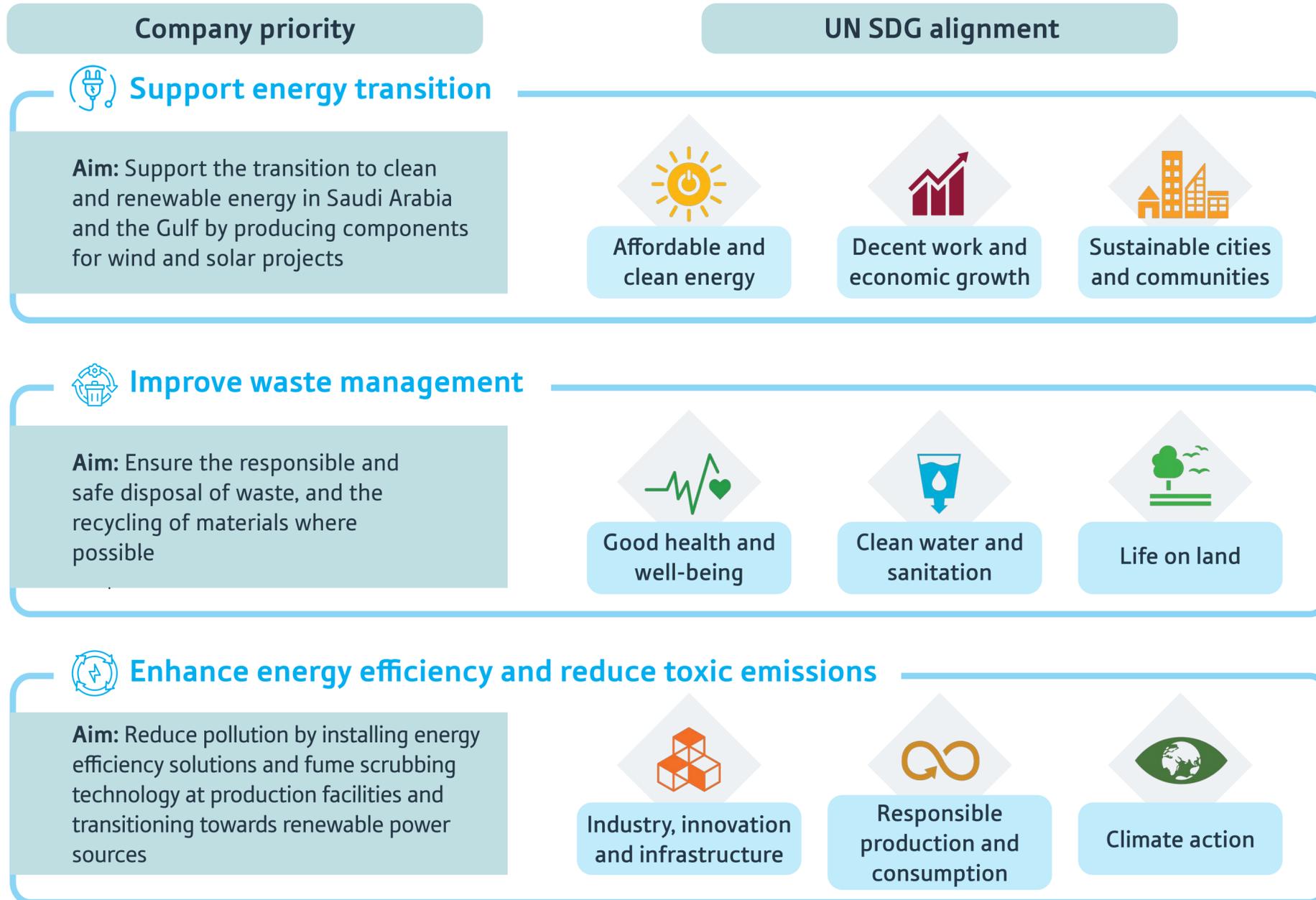
Hydrogen can be used in blast furnaces during steel production to replace coke, which can lower emissions by up to about 20%. KSA and Germany have signed an MoU for the production, processing, use and transport of "clean" hydrogen ('green', renewables-based and 'blue' hydrogen), and NEOM Helios, the world's largest renewable hydrogen-to-ammonia facility, will begin production in 2025
- Carbon pricing**

A carbon cap system can be put in place to regulate CO₂ emissions by adopting a carbon tax scheme or constructing a carbon trading market. Saudi's Public Investment Fund (PIF) and the Tadawul Group plan to establish a voluntary exchange for carbon offsets and credits, where companies can trade verified, approved carbon equivalent credit certificates
- Low-carbon alternatives**

Sustainable steel production using recycled steel scrap in Electrical Arc Furnaces (EAF) emits only 0.2 tons of CO₂ per tonne of steel and can help to reduce dependency on coal-fired blast furnaces. Alternate energy sources can be utilised such as natural gas (which has a lower CO₂ emission than coal), and Direct Reduction IRON (DRI) process (which can eliminate 50% of CO₂ emissions compared to blast furnaces)
- Comprehensive emission policies**

Stringent policies in the form of long-term roadmaps and plans, including baseline emissions targets, can be promoted around carbon pricing, clean steel production, renewables and energy usage to ensure sustainability and responsible production of steel

Al Yamamah looks to a more sustainable future in line with the UN SDGs



Al Yamamah's environmental aims align with KSA's national plans:

Reduce domestic oil consumption by **1m bpd**



Increase the share of renewables in the domestic energy mix to **50%**



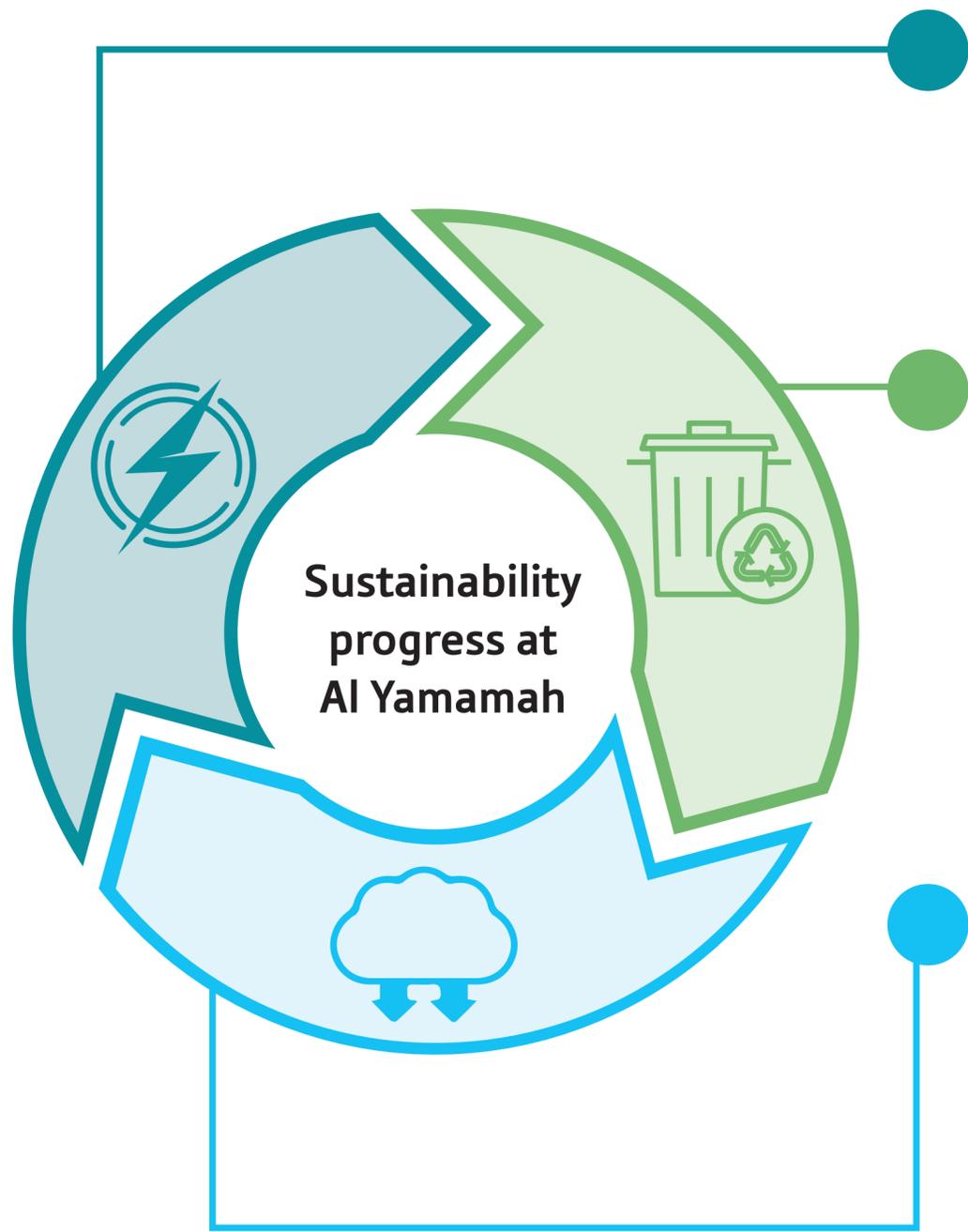
Decrease carbon emissions by more than **4%** of global contributions



35+ initiatives dedicated to reducing energy consumption and waste across the Kingdom



How is Al Yamamah making progress on its environmental sustainability journey?



Support energy transition



*see next slide for more details

Improve waste management

- Company has binding and transparent agreements in place to dispose of hazardous waste in accordance with General Authority of Meterology and Environmental Protection (GAMEP) regulations and Saudi laws
- Steel and zinc scrap from the production process is sold to specialist third parties for recycling through binding agreements, thus contributing to the circular economy
- Firm has all the required environmental permits and certifications from GAMEP and the National Center for Environmental Compliance

Scrap represents approximately 30% of the total metallic input to steel production globally, with iron ore making up the other 70%. All steel production plants utilise scrap in their raw materials mix. Steel producers both create and require scrap, and those who trade scrap with responsible third parties are contributing to the circular economy.

Every tonne of scrap used for steel production avoids:

- Emission of **1.5 tonnes** of CO₂
- Consumption of

1.4 tonnes of iron ore	740kg of coal	120 kg of limestone
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650 MT of scrap is consumed each year for steel production resulting in an annual reduction in CO₂ of **975 MT**

Enhance energy efficiency and reduce toxic emissions

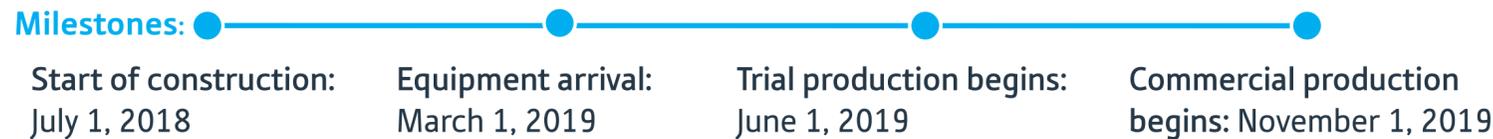
- LED lighting was installed at Al Yamamah facilities in 2021 to save energy
- Fume scrubber systems have been installed in galvanising units at existing factories to remove toxic emissions
 - Company announced a SR 35m investment in new galvanising factory that will feature a complete fume scrubber system
- Firm has committed to utilising renewables in its production energy mix by 2025

The 'hot dip' metal galvanising process creates toxic fumes that can be harmful to the atmosphere and human health. As such, effective 'scrubber' systems are required to remove fine particles of zinc oxide and ammonium chloride in accordance with health and safety and anti-pollution regulations.

CASE STUDY: Al Yamamah's diversification into renewables contributes to the energy transition in KSA and the Gulf

Al Yamamah's renewables commitments

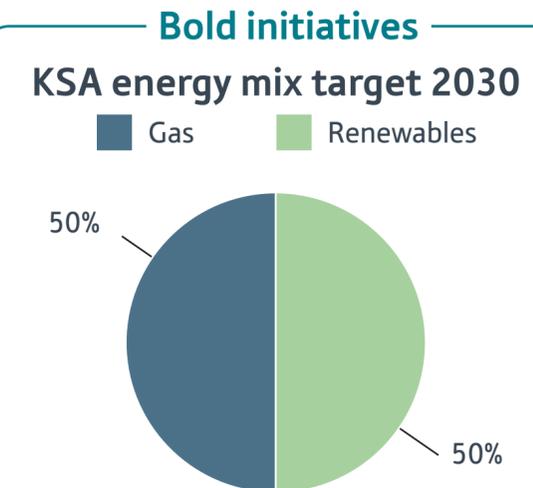
OPERATIONAL: Al Yamamah Solar Power Systems Factory



PIPELINE: Al Yamamah Wind Power Systems Factory



- Location:** Industrial City, Jeddah
- Investment:** SR 103m
- Land Area:** 55,000 sq.m
- Employees:** 254
- Production:** 80,000 MT/ 1600 MW pa
- Sales:** SR400m contract to supply Dubai Solar Park phase 4



Funds breakdown

- 25% internal funds
- 25% local bank loans
- 50% Saudi Industrial Development Fund

- 3670 MW** generation capacity under development in 9 wind and solar plants
- 40%** of steel wind towers required for wind projects under development in KSA to be supplied by Al Yamamah*

* Based on the company's assessment that the 1600 MW/pa wind capacity currently being developed will require 100000-120000 tonnes of steel towers

Renewable future

One of the stated aims of Vision 2030 is to reduce the Kingdom's dependence on hydrocarbons, and to develop a more sustainable energy mix. Achieving these aims will require extensive coordination between the public and private sectors. In accordance with these priority initiatives, Al Yamamah Steel has diversified into supplying the renewable energy sector.

- Location:** Royal Commission Light Industrial Area, Yanbu
- Land Area:** 126,809 sq.m
- Expected Production:** 45,000 MT/ 600 MW pa
- Estimated investment:** SR 295m
- Estimated employees:** 400

Al Yamamah’s environmental vision is centred on expanding its role in the energy transition while reducing its operational emissions

STATION (BY 2018)

LOCATION (2021)

DESTINATION (BY 2025)



SUPPORT ENERGY TRANSITION

Began construction work at Solar Power Systems Factory

Solar Power Systems Factory fully operational and supplying components for Dubai Solar Park phase 4; construction work begins on Wind Power Systems Factory

Wind Power Systems Factory begins operations in 2023, contributing approximately 40% of the steel towers required for ongoing wind tower projects in KSA



ENHANCE ENERGY EFFICIENCY

Strategic discussions on how to align business plans with Vision 2030, including in areas related to energy efficiency

Introduces LED lighting at production facilities to enhance energy efficiency

Plans to utilise renewable energy sources to power production facilities and explore new frontiers of sustainable production



REDUCE TOXIC EMISSIONS

Well-integrated environmental health policies help to safeguard against toxic emissions

Fumes naturalisation systems installed in all existing galvanizing facilities to prevent toxic emissions

New SR 35m galvanising plant is operational with complete fumes scrubber system to remove toxic emissions

SOCIAL



Education and private sector job creation are vital for social cohesion and sustainable development

KEY OBJECTIVES

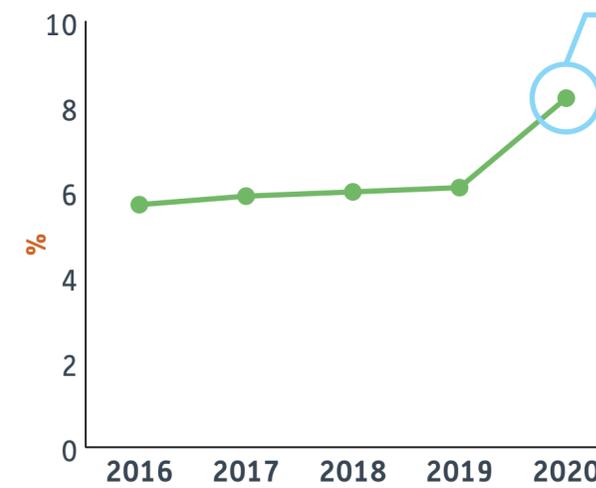
- Generate opportunities for all
- Raise the potential of entrepreneurs, SMEs and corporations
- Improve the quality of services
- Build an education system aligned with market needs
- Prepare the environment for citizens to take responsibility and seize opportunities
- Reinvigorate social development to build a productive society

The Kingdom has a population of over 35m – more than the five other GCC countries combined – of which two-thirds are aged 34 and below. While Saudi Arabia may be home to the world’s second-largest proven oil reserves and offers the world’s lowest production costs – only a small minority of Saudi citizens actually work in the petroleum sector and related downstream industries. In addition, although global demand for Saudi oil – particularly from Asia – is likely to continue for the foreseeable future, the global momentum in favour of decarbonisation underlines the need for broad-based job creation and private sector expansion to ensure the long-term socio-economic development of the Kingdom.



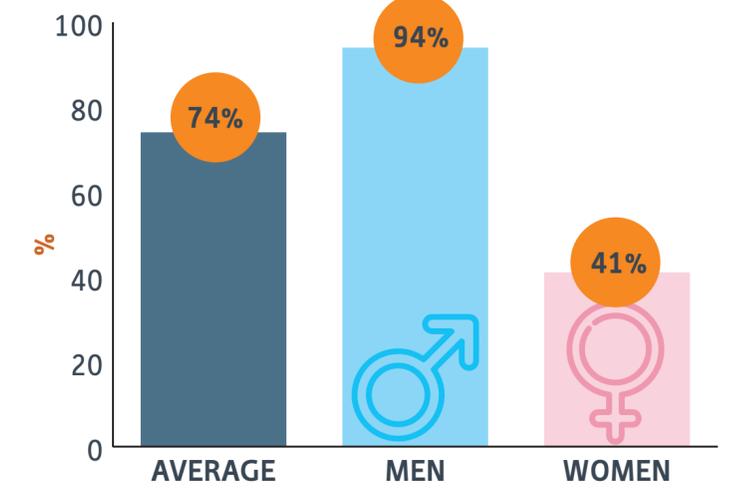
Employment is integral to social development in the Kingdom

KSA unemployment rate



The Covid-19 pandemic placed pressure on businesses and households across all sectors and segments of society, underlining the need for companies to constantly assess social risks as part of their sustainable growth strategies. Companies that supported their workers through the pandemic are poised to reap the reward from satisfied and productive workers as the situation improves

Tertiary-educated adults employed (2019)

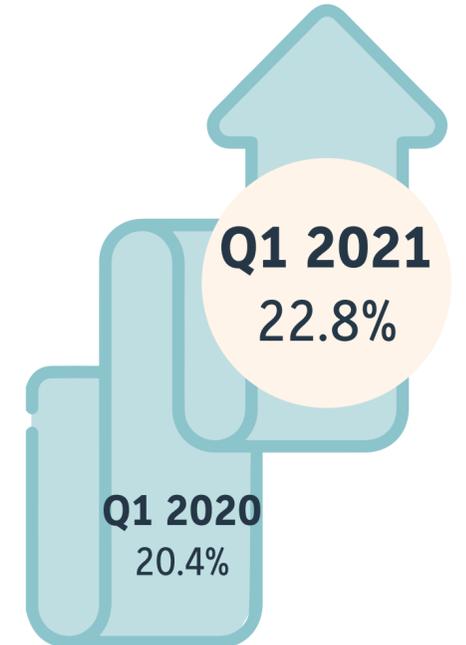


Human Development Index (HDI) Ranking 2020

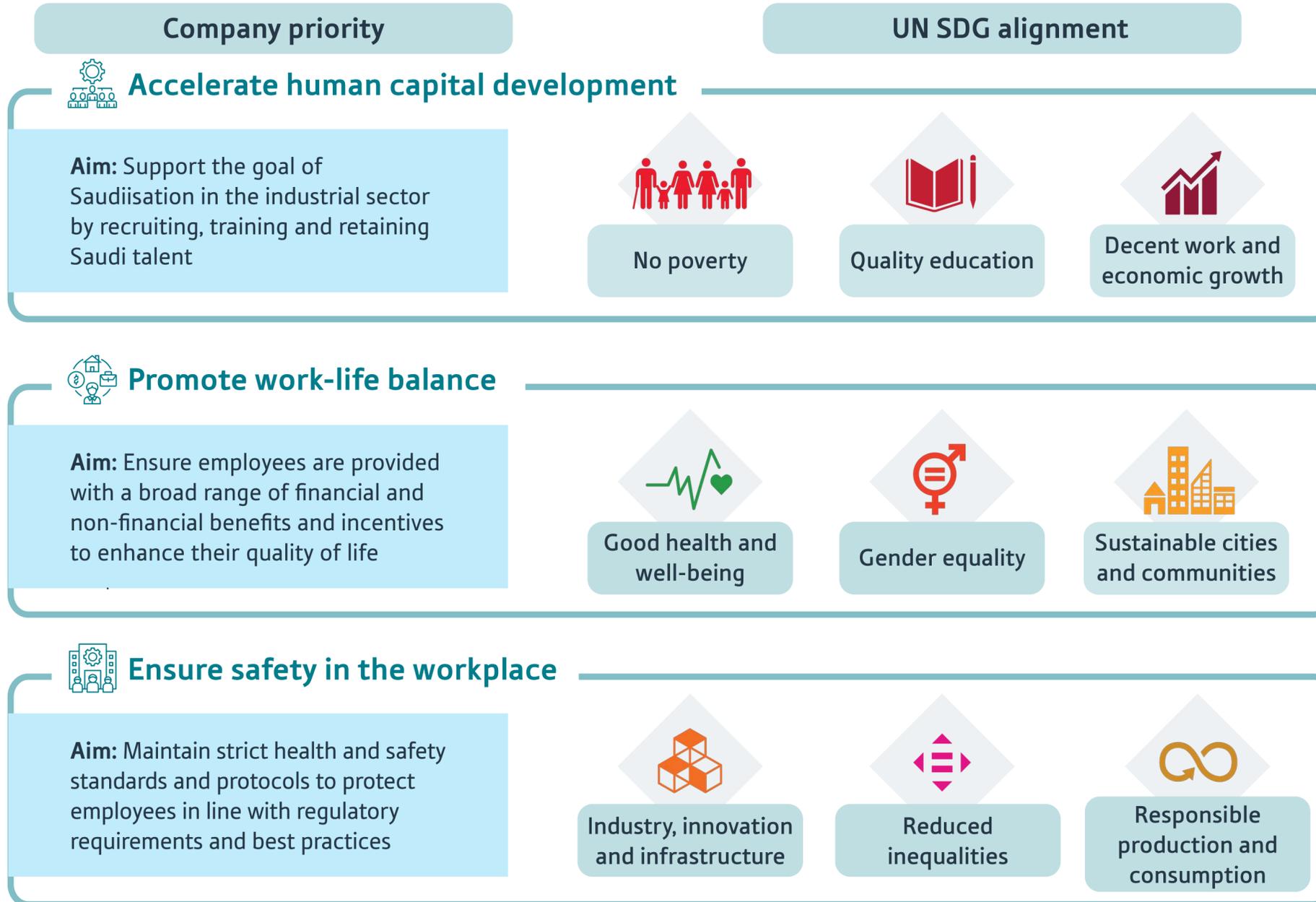
Country	Rank
UAE	31
KSA	40
Bahrain	42
Qatar	45
Oman	60
Kuwait	64

Private sector Saudiisation rate

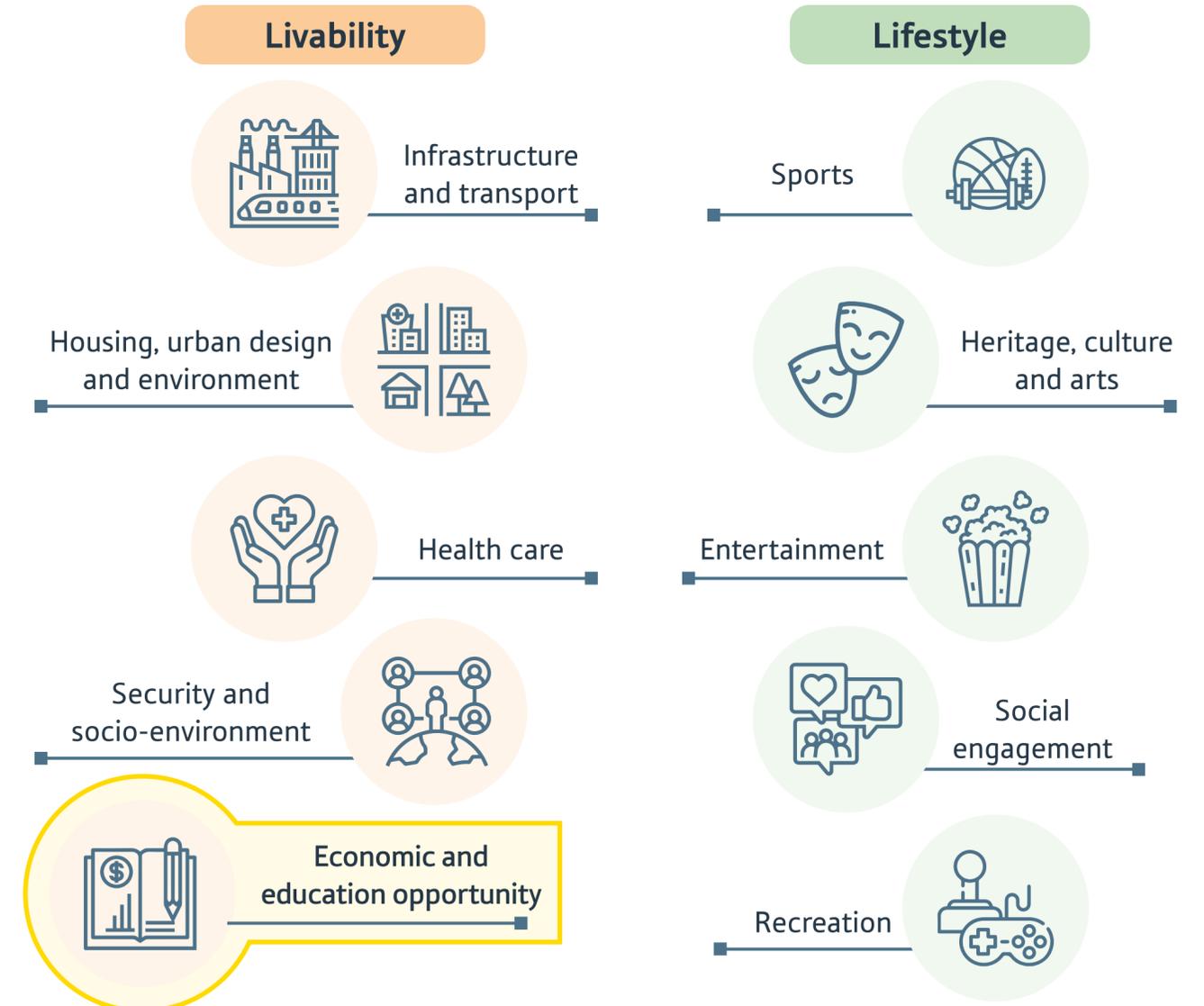
Realising the need to generate more employment opportunities for Saudi nationals in the private sector, the government launched the “Saudiisation” strategy (Nitaqat) under the Vision 2030 umbrella. Implemented by the Ministry of Labour and Social Development, companies operating in the Kingdom are required to employ a certain percentage of Saudi nationals. Each company’s required threshold is determined by its total workforce and the industry sector it operates in. The second phase of the Nitaqat was launched in May 2021 with the aim of providing 340,000 jobs by 2024.



Al Yamamah prioritises human capital development and employee well-being



Employment underpins KSA's Quality of Life Programme 2020



The expansion of education, employment and entrepreneurship opportunities is key to enhancing quality of life in all other areas. The educational and economic empowerment of citizens raises their aspirations, broadens their horizons, and enhances their capacity for discretionary expenditure.

CASE STUDY: How Al Yamamah attempts to foster a link between job satisfaction and productivity

Employees at Al Yamamah are entitled to the following:

- Basic salary
- Flexible working hours (dependent on position)
- Housing allowance or accommodation
- Transport allowance
- Fuel allowance
- Communications allowance
- End of service benefits
- Bus with driver for employees in staff accommodation
- Cars (dependent on position)
- Social insurance
- Training courses
- Loans for employees without access to certain benefits
- Injury leave with salary
- Medical insurance
- Breakfast, lunch, dinner at work
- Use of football stadium
- Use of basketball stadium
- Plane tickets for non-Saudis
- Weekly seaside picnic
- Annual leave with salary
- Marriage leave with salary
- Sick leave leave with salary
- Exams leave with salary
- Birth leave with salary
- Death leave (relatives) with salary



“It is important that our workers also have time for their families.”

- Yousef Bazaid,
CEO, Al Yamamah Steel

Ensure health and safety in the workplace

Safeguards in place to protect staff:

Al Yamamah has earned numerous ISO certificates for its operations including:

- ISO 45001 for Occupational Health and Safety Management
- ISO 9001 for a Quality Management System
- ISO 14001 for an Environmental Management System



Covid-19 prevention measures:

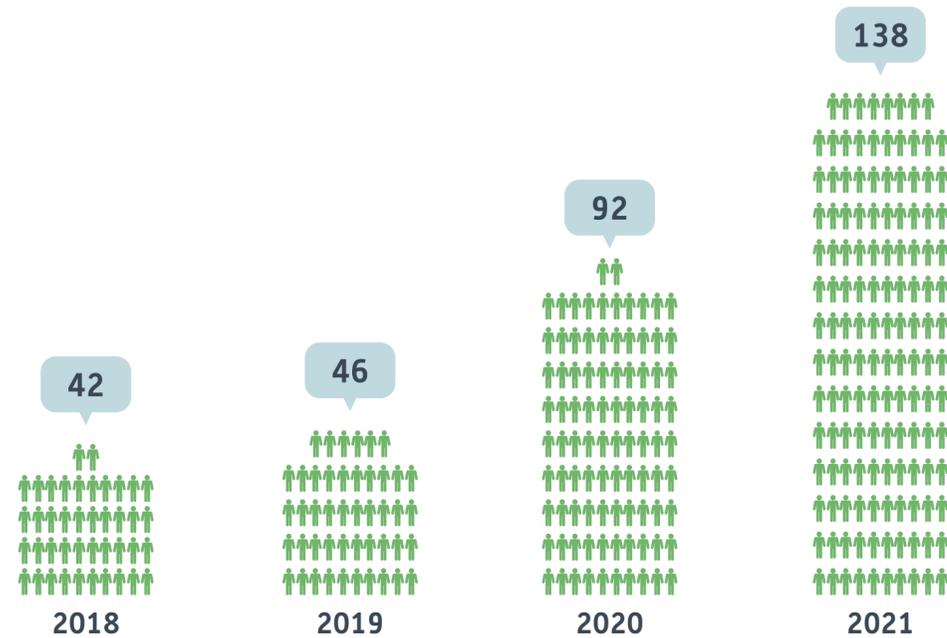
Al Yamamah closely followed all rules and protocols issued by the Saudi government to maintain operations:

- Face mask mandate for all office and factory employees at work
- Social distancing and PPE required on the factory floor
- Temperature checks and hand sanitiser at all entrances to Al Yamamah facilities
- Staff compelled to receive vaccinations in accordance with national rules and regulations
- Visitors only allowed upon proof of having received the vaccine in accordance with national rules and regulations

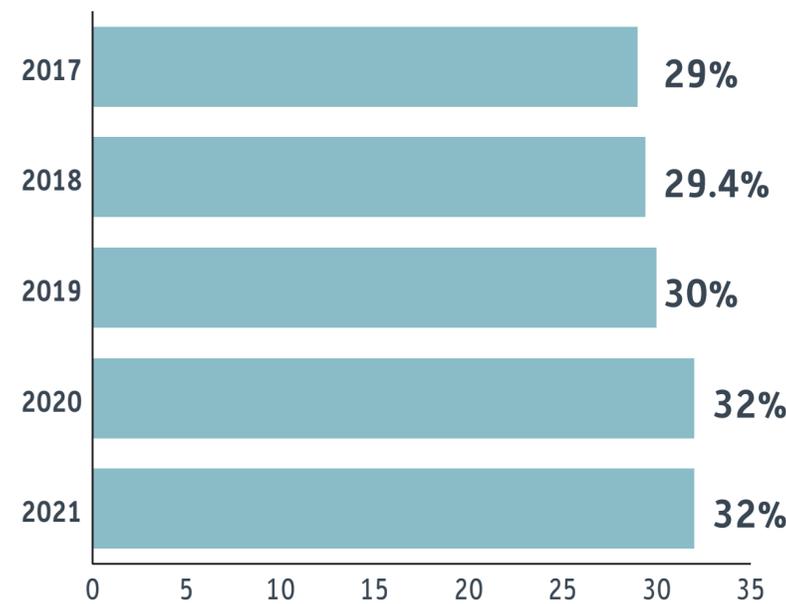


Progress in local recruitment and training at Al Yamamah supports national Saudiisation targets

Significant growth in the number of trainees

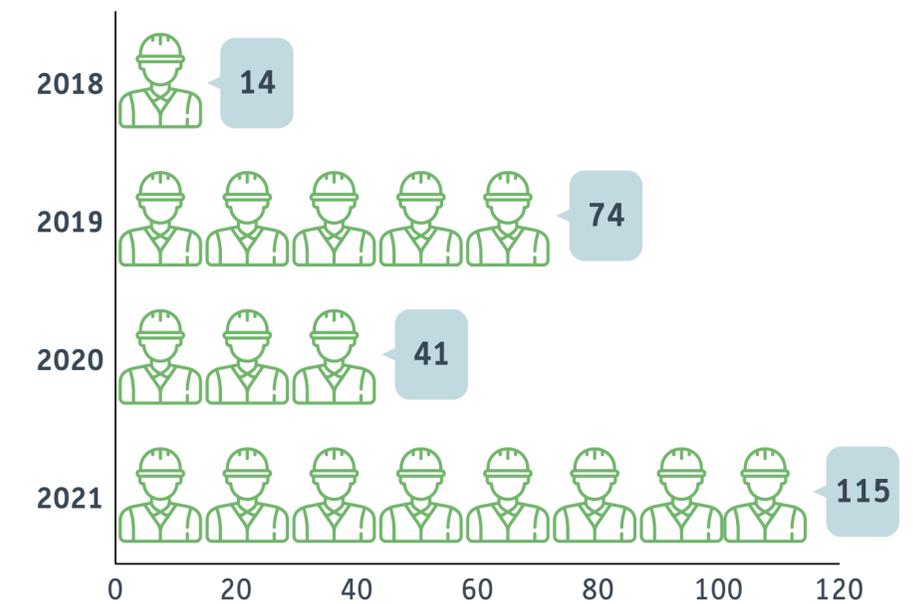


Increasing Saudiisation rate

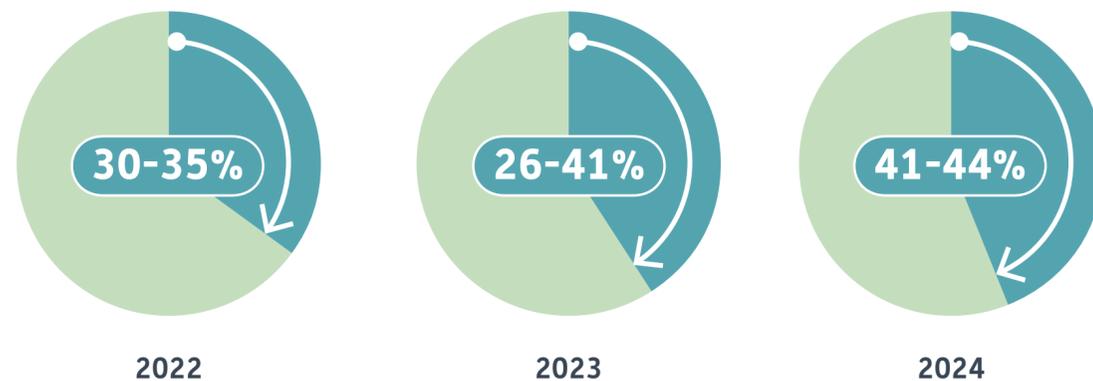


Al Yamamah's Saudiisation rate outperforms the national average, which as of the first quarter of 2021 stood at 22.8% for the private sector.

Retention of trainees following training



Saudiisation targets



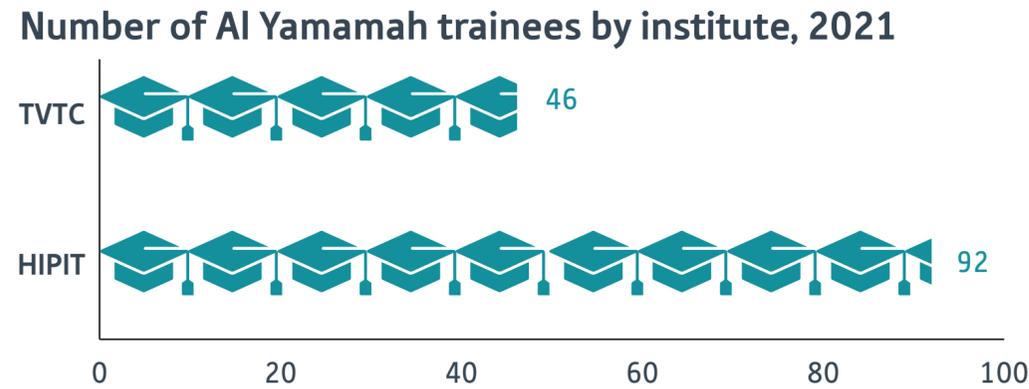
Workforce localisation

In an attempt to support human capital development, expand its talent pool and provide meaningful employment opportunities for the Kingdom's growing population, Al Yamamah has committed resources to providing specialised vocational training opportunities to fresh high school graduates seeking a career path that matches their technical skills.

Through partnerships with the College of Technology (TVTC) and the Higher Institute of Paper Technologies (HIPIT), Al Yamamah is helping to develop qualified Saudi industrial specialists. Trainees who excel in their vocational studies are offered work contracts to join the company after the completion of their programmes, helping Al Yamamah to increase its Saudiisation rate in the process.

CASE STUDY: How to attract Saudi talent to the steel industry and support professional development

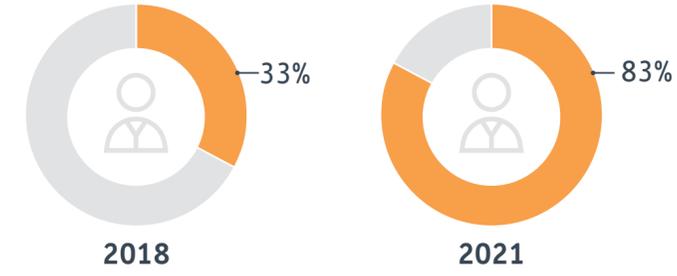
- Accredited majors offered
- Mechanical technician diploma
- Electrical technician diploma
- Supply management technician diploma
- Industrial maintenance technician diploma
- Production and packaging technician diploma



Al Yamamah’s partnerships with the College of Technology (TVTC) and the Higher Institute of Paper Technologies (HIPIT) are providing the company with access to fresh talent. Trainee recruits have the option to study five different diplomas that provide them with the technical skills required for a career at Al Yamamah. The participating institutes further receive support from the Human Resources Development Fund, which bears 75% of the training costs and 75% of trainees’ benefit costs.

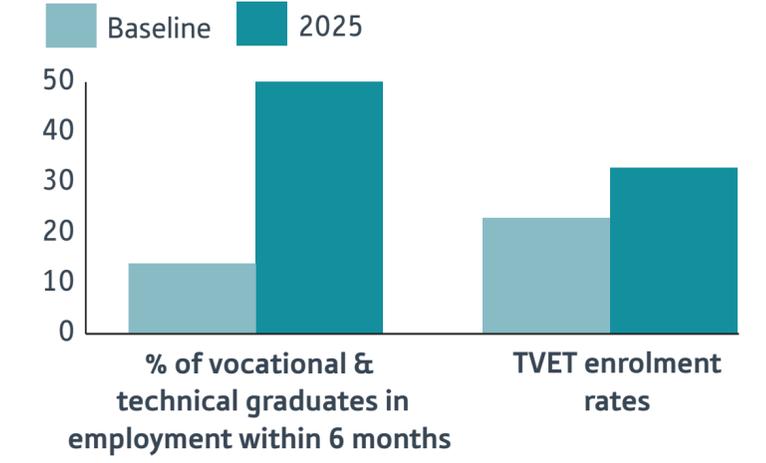
The partnerships between Al Yamamah and the two training institutes is closely aligned with pillar 2 of the national Human Capability Development Programme (HCDP): “Prepare for future local and global labour markets”. It demonstrates how technical and vocational training (TVET) centres can work closely with private companies to address the specific needs of the job market.

Significant increase in Al Yamamah's trainee conversion rate



- Benefits received during training period**
- SR4000 monthly salary during the training period
 - Insurance coverage for the General Organisation for Social Insurance
 - Items relevant for training (training curricula, uniforms and safety tools)
 - Medical insurance cover from the first day of training

Targets under Vision 2030 HCDP



- Benefits received after graduation**
- Accredited diploma from the General Organisation for Technical and Vocational Training
 - Employment contract for role at the company
 - SR4500 basic monthly salary with housing and transportation allowance
 - Medical insurance for the trainee and their family with 21 days paid annual leave

Al Yamamah’s social vision aims to empower communities through the expansion of meaningful employment

STATION (BY 2018)

LOCATION (2021)

DESTINATION (BY 2025)

 **ACCELERATE HUMAN CAPITAL DEVELOPMENT**

Trainee programmes established with two leading vocational training institutes, with 33% of the 42 trainees hired as full-time employees in 2018

The number of trainees in the training programme rises to 138 and the trainee conversion rate reaches 83%, resulting in an overall workforce Saudiisation rate of 32%

Achieve Saudiisation rate of 36-41% by 2023 and 41-44% by 2024

 **ENSURE STAFF WELFARE**

ISO occupational health and safety (OHS) certification achieved and OHS policies are well integrated into operations

Strict health and safety protocols followed in accordance with government rules to ensure employees are protected against Covid-19 transmission in the workplace, with remote and flexible working permitted for office employees

Ongoing training for existing employees is widened to include areas like health care, corporate efficiency, and risk management; staff benefits evolve to promote work-life balance and family well-being

 **PROMOTE COMMUNITY EMPOWERMENT**

Community empowerment programmes initiated in Saudi Arabia alongside training initiatives

Social responsibility initiatives have been expanded to include Egypt, India, Philippines, Jordan, Pakistan, Bangladesh, Sudan, Spain and Yemen

Tackle a broader range of social challenges such as inequality and community disengagement

GOVERNANCE



Raising governance standards across society helps to improve the business environment

Vision 2030 governance pillars

Vision 2030 includes a focus on the modernisation of government to increase efficiency and accountability, as well as expanding the role of the private sector in public service provision, capital project delivery, and economic output. By strengthening governance standards from the top down and improving efficiency, accountability and transparency in public services and regulatory frameworks, Saudi Arabia should gain greater trust from investors and businesses, giving them the confidence to expand operations in the Kingdom.



- Privatisation of public services
- Regulatory reform to facilitate investment and improve the business environment
- Remove obstacles to innovation and competition
- Accelerate capital projects through PPPs
- Prudent budget management
- Make the social welfare system more efficient, empowering and just

- Track the performance of government and public organisations
- Zero tolerance of corruption, whether administrative or financial
- Adopt the leading international standards and administrative practices
- Expand online services to become a leader in e-government
- Deep communication channels between government agencies, citizens and private sector
- Rigorous auditing and strict spending controls

Corporate governance rules for joint stock companies



Background:

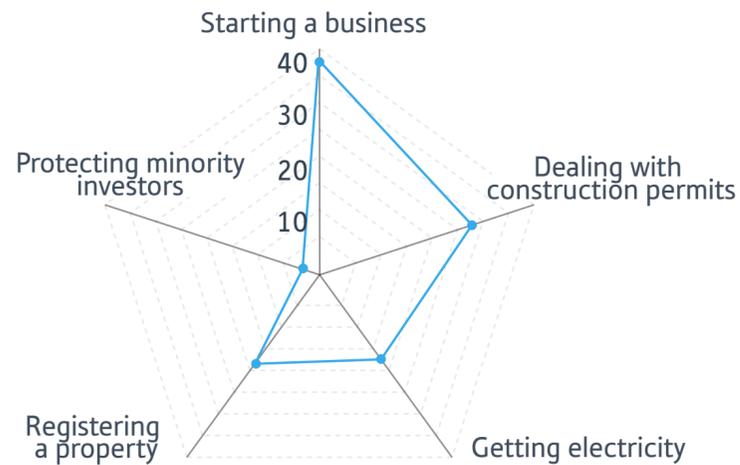
- Updated rules approved by Capital Markets Authority in 2017
- Harmonises CMA's rules with the revised Companies Law
- Brought corporate governance rules in line with best global standards

Highlights:

- Enhances shareholder rights
- Clarifies board, committee and executive management roles and responsibilities
- Creates greater openness, competitiveness, transparency and disclosure
- Safeguards against conflicts of interest
- Improves accountability in treatment of employees
- Raises professional standards
- Establish framework to engage stakeholders

Strong corporate governance standards help companies to deliver sustainable value creation and long-term success by taking into account the interests of all stakeholders, safeguarding against corruption and mismanagement, boosting the confidence of investors, and strengthening internal processes and mechanisms.

Highlights of KSA's 2021 Doing Business rankings



KSA top improver in World Bank index

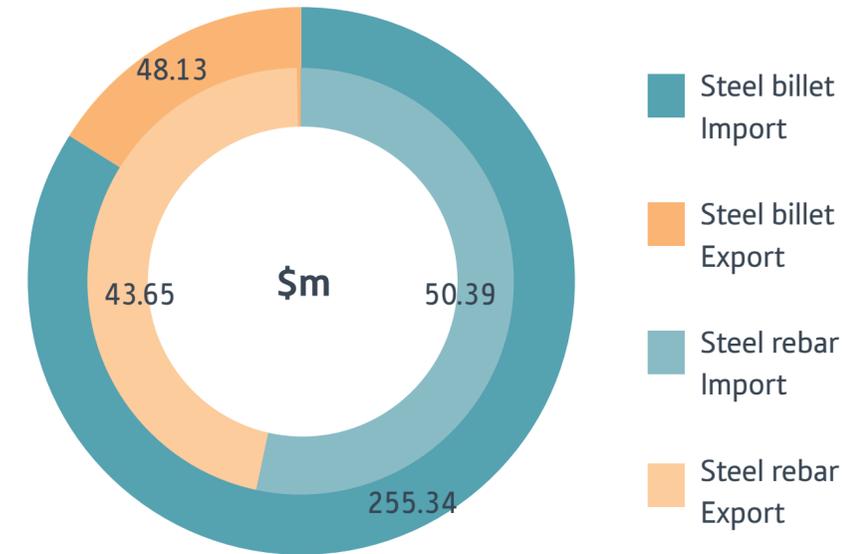
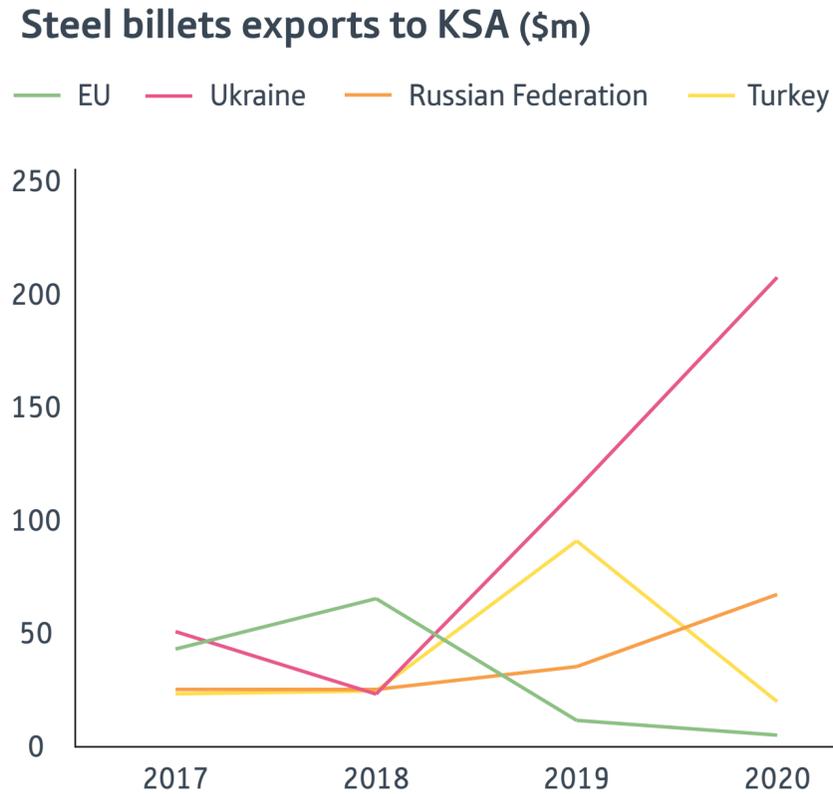


Saudi Arabia was named 'top improver' in the 2020 World Bank Doing Business index, rising 30 places overall after making positive improvements in eight of 10 areas assessed

Trade protectionism and cost pressures present governance challenges in the regional steel industry

The 2018 US adoption of a 25% tariff on steel imports led major exporters to redirect their goods into more open markets

In June 2020, KSA increased import duties within WTO limits for several steel products, including both rebars and billets, a direct input for rebar production

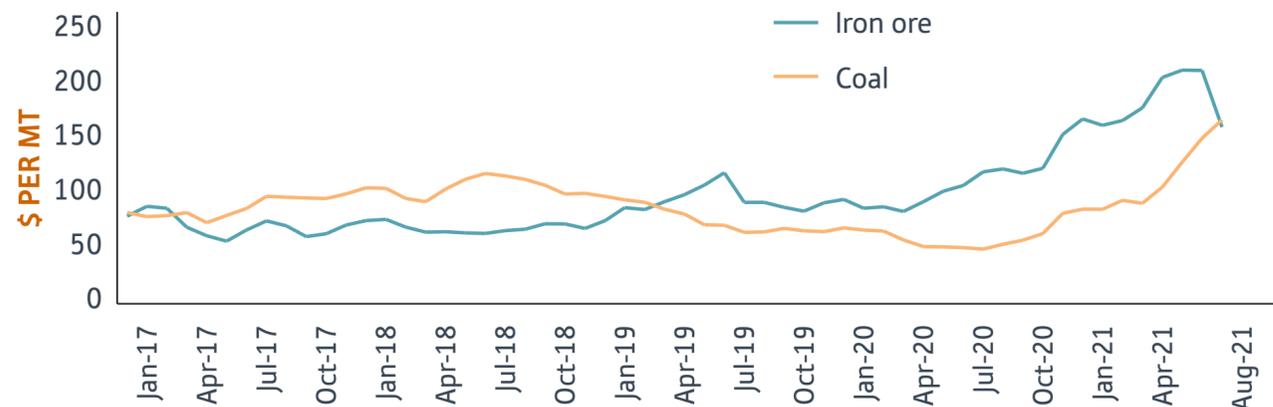


While KSA trade balance for steel rebars is almost neutral, in 2020 the country remains a net importer of steel billets

Perfect storm

The global steel industry is experiencing cost-related challenges. On the one hand, global trade tensions in recent years led Saudi Arabia to adopt WTO-compliant tariff measures to protect vulnerable links in its steel manufacturing base. While long-term development goals partly explain this measure, in the short term it created price pressures downstream. On the other hand, pandemic-related disruptions, together with the response to the 2021 energy crisis and the frictional costs of climate change policies, are adding additional upward pressure. In this context, a multifaceted government and corporate response beyond tariff measures is emerging in Saudi Arabia and across the region.

Pandemic, energy crisis and climate change action generate upward pressure on steel inputs



Complementary actions are shaping KSA's multipronged response

Government measures

- Strategic and phased utilisation of WTO-abiding protective measures, including tariffs and procedures under the GCC Uniform Antidumping Law
- Financial and non-financial support to efficiency-driving investments in the steel industry under Saudi Vision 2030

Corporate measures

- Diversification into higher value-added steel products (e.g., Al Yamamah's wind and solar power systems factories)
- Partnership development and consolidation between industrial companies supplying steel and construction materials to leverage cross sales and increase financial resilience

Good governance is central to long-term value creation at Al Yamamah

Create effective and transparent governance structures

Aim: Maintain and, when necessary, update corporate governance policies and structures to ensure they reflect changes in industry and society, as well as comply with national and Tadawul regulations



Peace, justice and strong institutions

Al Yamamah's management follows Quality Policy



Al Yamamah's governance policies support Vision 2030 aims:

Expand the use of local content in supply chains



Practise responsible supply chain management

Aim: Fully evaluate suppliers on their reputation, record, quality, expertise and capacity to deliver while maintaining a list of approved suppliers that is reviewed annually



Responsible production and consumption

Raw material usage is growing at Al Yamamah plants



Promote 'Saudi Made' manufacturing

Ensure high cybersecurity standards

Aim: Implement, monitor and update cybersecurity procedures and systems to safeguard operations and protect stakeholders and intellectual property



Industry, innovation and infrastructure

Compliance recognised

- Received x3 Cybersecurity Compliance Certificates from BDO
- Certificates confirm compliance with SACS-002 Cybersecurity Standard
- TPCS sets minimum cybersecurity requirements for Aramco suppliers
- Protects Aramco from possible cyber threats and strengthens third parties' security posture



Enhance cyber-resilience as the digital transformation process accelerates

Raise standards and strengthen competitiveness in the private sector



Al Yamamah's corporate governance structure complies with market authority regulations

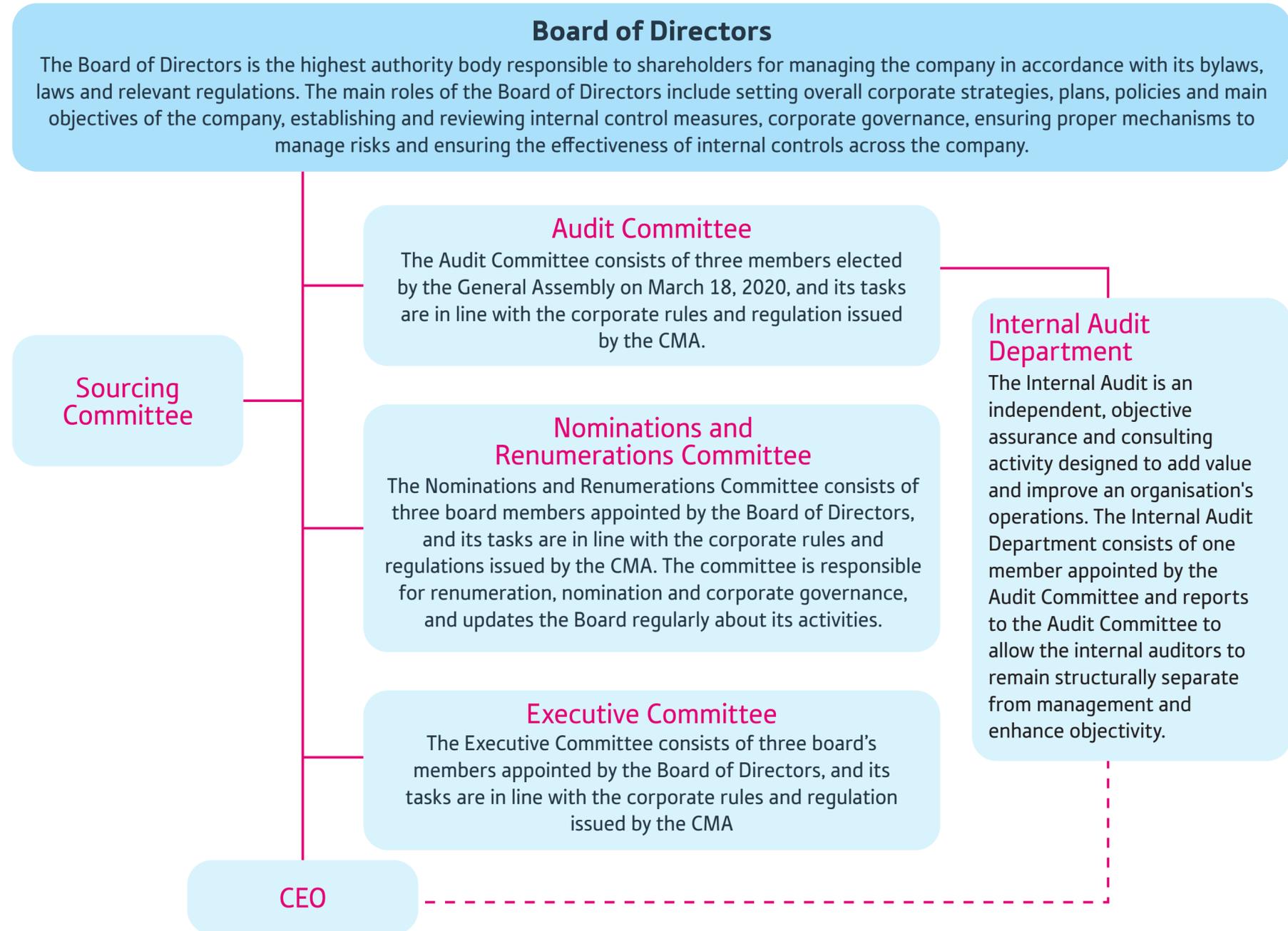
Al Yamamah Steel Industries was first listed on the Saudi Stock Exchange (Tadawul) on May 22, 2016 and complies with the Corporate Governance Regulations issued by the Saudi Capital Market Authority (CMA).

CMA Corporate Governance Framework

- ✓ Shareholders' rights
- ✓ Board of directors
- ✓ Company's committees
- ✓ Internal controls
- ✓ Company's external auditor
- ✓ Relationship with the stakeholders
- ✓ Professionalism and ethical standards
- ✓ Disclosure and transparency

Tadawul's Main Market listing requirements and ongoing obligations

- ✓ Obligation to disclose material developments
- ✓ Disclosure of specific events
- ✓ Disclosure of financial information
- ✓ Disclose first, second and third interim financial statements to the public
- ✓ Disclose annual financial statements to the public
- ✓ Disclose board of directors' annual shareholders report



CASE STUDY: Al Yamamah implements a robust cybersecurity regime amid rising global threats

Enhanced security

Digital transformation is disrupting economies, changing lifestyles, and leading governments, businesses, and individuals to place greater awareness around cybersecurity. Al Yamamah has implemented a broad based cybersecurity plan to secure their digital infrastructure. The 10-point strategy encompasses everything from firewalls and malware and antivirus protection, right down to security awareness training, securing physical infrastructure, and off-boarding employees. The sophistication, and rate of cyber-attacks will increase as global connectivity spreads, and more cloud based services emerge. Attackers are employing new methods, such as artificial intelligence, to circumvent traditional data security controls. Protecting industrial cyberspace is a matter of national security, especially in the energy space, which millions of people rely on for basic needs, and where critical infrastructure such as hospitals, or road networks would suffer profound consequences with a breach.

KSA leads Arab states in ITU Global Cybersecurity Index 2020

Arab States Rank	Country	Overall Score
1	 KSA	99.54
2	 UAE	98.06
3	 Oman	96.04
4	 Egypt	95.48
5	 Qatar	94.5
6	 Tunisia	86.23
7	 Morocco	82.41
8	 Bahrain	77.86
9	 Kuwait	75.05
10	 Jordan	70.96

KSA ranked 2nd globally in 2020

Kingdom has improved by 44 places since Vision 2030 launch

National Cybersecurity established in 2017 as specialised reference body

Al Yamamah's wide-ranging cybersecurity measures



Unified Threat Management Firewalls

Single hardware which provides multiple security features and functions.



Malware / Antivirus / Spyware Protections

All information system servers, terminals, and key information flow points on the network are protected against malware, spyware, ransomware and other known malicious attacks



Patching / Updating

All systems are patched and updated as new security patches and hotfixes are released. Endpoint security software identifies vulnerable computers/servers where the latest updates have not been applied.



Security Awareness Training

All personnel with access to company systems, or email, are required to take KNOWBE4 security awareness training.



Physical Security Measures

All locations of the company that house information systems are secured by biometric physical access.



Acceptable Use Policy

Cybersecurity Acceptable Use Policy (AUP) has been developed to govern the use of technology assets.



Access Control

Multi-factor authentication enforced on: login to windows OS for end users and servers; VPN to access systems remotely, cloud services access.



Backup and Restore Technologies

Backup schedules that trigger automatically at set times.



Email Security

Implemented sender policy framework technology on the mail server. Generic email domains are blocked for all employees. All correspondence takes place using official company domain email.



Off-Boarding Employees

Formal procedures for off-boarding employees are defined and followed strictly. This includes removal of all access to technology assets, business applications and email.

Why is cybersecurity important for Al Yamamah?

- Reassure external stakeholders (customers, suppliers, contractors) about the safety of their data and systems
- Onset of Industry 4.0 provides more access points for cyber-attacks across manufacturing operations
- Safeguard intellectual property, which is key to long-term value creation, as well as commercially sensitive data
- Minimise risk of technological disruption to operations that could disrupt performance
- Protect employees from exposure to risks that could threaten their livelihoods



Al Yamamah aims to manage emerging risks through strict corporate governance standards and tech investments

STATION (BY 2018)

LOCATION (2021)

DESTINATION (BY 2025)



Successful Tadawul listing in 2016 ensures alignment with CMA's corporate governance rules and Al Yamamah publishes transparent governance framework

ISO certifications achieved in quality management, environmental management and occupational health and safety, and international governance standards are followed

Expand ISO certifications to maintain operational excellence



Company utilises risk assessment procedures to ensure suppliers meet the highest standards in reputation, quality, expertise and capacity

Volume of raw materials purchased increases by 127% since 2018, with the company maintaining strict risk assessment procedures to ensure this growth is responsibly managed

Expansion of raw materials procured domestically in line with the government localisation agenda, as well further local waste recycling to support the circular economy and adherence to environmental control measures in operations



Advanced cybersecurity procedures devised and implemented across the company to safeguard against emerging online risks

Awarded certification by BDO for demonstrating compliance with the cybersecurity standard SACS-002; started penetration testing and vulnerability assessment exercise which will be continued periodically

Continuous updates and improvements to cybersecurity procedures and systems in response to emerging online risks; implementation of Security, Information and Event Management (SIEM) tool by engaging managed security services provider

A scenic view of a paved walkway lined with large, mature trees and a metal fence. The walkway is paved with light-colored stones and is flanked by a dense row of tall, slender trees with thick, textured trunks. The ground is covered with green grass and low-lying plants. A metal fence with vertical bars runs along the left side of the path. The scene is brightly lit, suggesting a sunny day, with dappled sunlight filtering through the leaves. A green speech bubble with the word "SUMMARY" in white capital letters is overlaid on the left side of the image.

SUMMARY



“
The private sector is best placed to enhance efficiencies in the economy and create high-value employment opportunities for Saudi citizens
”

Which factors led the firm to adopt a more robust ESG policy, and what can be done to encourage more companies to do so?

BAZAID: We are seeing more contribution and awareness from the private sector in the ESG space, whether it be on a local, regional or international scale. We believe all privately held companies should incorporate ESG policies into their internal operating mechanisms, yet listed companies are leading ESG adoption at present because these firms are generally more likely to target foreign investors when raising funds. Public governing bodies should enforce ESG regulations through legal avenues, and as such we would like to see further progress in incentivising ESG compliance for all businesses through regulatory reform.

How would you define your firm's approach to social transformation?

BAZAID: We are focusing on Saudiisation initiatives as part of the social pillar of our ESG efforts – specifically, bridging education gaps by retraining and upskilling the workforce. As part of our work in this area, we are collaborating with educational institutions to develop relevant training programmes that provide Saudis with exposure to the real needs of our company and our industry, including in the areas of fabrication and maintenance. At the same time, we offer flexible working hours so that Saudi employees can enjoy work-life balance and spend time with their families.

In what areas of the company's operations has Al Yamamah Steel worked to reduce its carbon footprint?

BAZAID: Our waste is handled in a controlled environment and sold to a third party for recycling. We strive to implement the required measures to create a healthy production environment. We are reassessing our power

consumption habits as well – especially when it comes to the steel production process – and will determine how best to optimise power resources, including through the use of energy-efficient systems. The company is also looking into generating more energy from renewable sources, such as solar power.

To what extent has the firm implemented compliance measures to ensure ESG standards are being met?

BAZAID: At the moment the responsibility of ESG measurement and compliance belongs to top management until the company establishes a dedicated ESG department. Top management has agreed to undertake the necessary research into ESG compliance and implementation to meet our goals. This is an ongoing process that involves coordination among different departments, with the current focus being on skills development, waste management, recycling and reducing energy consumption.

How would you assess Saudi Arabia's progress along the path to a more sustainable economic future?

BAZAID: Vision 2030 is a holistic roadmap that lays out actionable steps in an attempt to address an imbalanced economy and correct an over-reliance on extractive industries. Looking ahead, we aim to diversify the economy and create an environment where the private sector drives the bulk of growth. The private sector is best placed to enhance efficiencies in the economy and create high-value employment opportunities for Saudi citizens, supported by a fertile knowledge ecosystem and training programmes that align with needs. A broad-based economy with a dynamic private sector is more sustainable than an economy dependent primarily on government funding and revenue from hydrocarbons production.

6 Key Takeaways

1

Momentum

COP26 has focused the world's attention on the need for a more sustainable economic model that ensures profits and growth are not achieved at the expense of ecological health and social well-being. Business and political leaders in Saudi Arabia are increasingly aware of the need to move beyond the bottom line and pursue strategies for long-term value creation that address the needs and concerns of all stakeholders.

2

Aspiration

With an urgent necessity to reduce the levels of carbon dioxide in the atmosphere in order to avoid catastrophic global warming, business leaders in heavy industry have to take strategic decisions on how to reduce their own carbon footprint. At the political level, Saudi Arabia has high hopes for the Carbon Circular Economy concept, which could also be applied to industries such as steel. However, much investment in R&D is still required and more immediate steps to reduce emissions are also needed.

3

Transition

Saudi Arabia has made a commitment to reach net zero carbon emissions by 2060. At home, the government is planning to dramatically scale up renewable energy capacity to reach 50% of the domestic energy mix by 2030. This creates a wealth of opportunities for businesses in other sectors to support the transition, as evidenced by Al Yamamah's diversification into the production of steel components for wind and solar energy systems.

4

Enablement

A healthy and thriving natural environment provides a platform for human societies to flourish. Saudi Arabia's ambitious Vision 2030 foresees the creation of smart and sustainable communities populated by citizens and residents working in a diverse array of high-value careers. To bring this vision to fruition, a highly productive knowledge and innovation ecosystem is required to enable people to capitalise on emerging opportunities, and private companies have a key role to play in skills development.

5

Empowerment

Saudi Arabia's population size is larger than the populations of the five other GCC countries combined, and two-thirds of Saudi citizens are aged 34 and below. The expansion of educational access and meaningful employment opportunities allows these younger generations to feel they have a stake in the Kingdom's future, and also empowers them to enjoy leisure activities and pursue lifestyle goals that will help to accelerate the diversification of the economy.

6

Transparency

The rapid diversification and modernisation of the Saudi economy is serving to raise governance standards among private companies. For listed firms such as Al Yamamah, growing international investor interest, combined with ongoing reforms to boost the attractiveness of the capital markets, is underlining the need for transparent governance frameworks and clear communication on how long-term value creation will be achieved.

ESG INTELLIGENCE