



# Arabian Centres Company

Saudi Public Company

## Annual Report

Financial Year 2020  
(ended on 31 March 2020)





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## I. Introduction

### At a Glance

*Arabian Centres Company is a leading developer of lifestyle destinations in Saudi Arabia, holding a portfolio of 21 shopping centres built and operated according to international standards and with a footprint covering 60% of the Kingdom's population.*

Arabian Centres Company (ACC) is Saudi Arabia's leading owner and operator of shopping centres. ACC owns, operates and manages a portfolio of 21 shopping centres and complexes located strategically throughout 11 of the largest cities in the Kingdom of Saudi Arabia. With a total GLA of nearly 1.2 million sqm, the Company's shopping centres provide Saudi shoppers with their preferred point of access to the full range of international, regional and local retail brands. ACC's premium tenant mix allows it to offer a shopping experience of the highest quality, with brands such as Zara, Debenhams, H&M, Virgin Megastores, Panda and IKEA all making their homes at ACC destinations.

Since its establishment in 2005, ACC has effectively leveraged the shopping centres' growing popularity as integrated leisure destinations. The Company's shopping centres offer a wide array of entertainment concepts, as well as calibrated selections of mid- and high-end dining and beverage options. Along with a retail offering that blends comprehensiveness and exclusivity, the large-scale provision of such 'lifestyle' options affords ACC exposure to a wide cross-section of Saudi Arabia's young and growing consumer base. More than 110 million visits were made to the Company's shopping centres in FY2020, a testament to its successful adoption of the 'lifestyle destination' paradigm.

At year-end FY2020, ACC enjoyed a market share of 16%, more than double the share of its nearest competitor. In the Riyadh and Jeddah Metropolitan areas, home to 60% of the Kingdom's population, ACC held market shares of 15% and 27%, respectively. Unmatched scale and local positioning make ACC's facilities the destinations of choice for retailers seeking to penetrate or expand their presence in the Saudi market.<sup>1</sup>

### Key Performance Indicators

21 World-Class Lifestyle Destinations		
<b>SAR 2,197.3 mn</b> Revenues in FY2020, +1.0%.	<b>SAR 642.6 mn</b> Net Profit in FY2020, -20.1%.	<b>110.7 mn</b> Visitors in FY2020
<b>1.2 mn sqm</b> GLA in FY2020	<b>4,100+</b> Leased Units	<b>1,100+</b> Brands
<b>Vision</b> Remain the leading owner, developer and operator of shopping centres through Saudi Arabia while generating sustainable value for shareholders and providing service excellence to both tenants and visitors.		<b>Mission</b> Create lifestyle destinations that enhance the quality of life of citizens and become the strategic partner of tenants looking to expand their footprint across the Kingdom.

<sup>1</sup> Source: JLL



## Chairman's Message

It is with great pleasure that I present to you Arabian Centres' Annual Report for the year ended 31 March 2020. Embarking on our second year as a publicly listed company, the Board of Directors are satisfied that the Company has made great and important strides towards its strategic objective of becoming an integrated lifestyle platform and a key player in the transformation envisioned by Vision 2030 in the areas of leisure and entertainment. Despite the challenges posed by the COVID-19 pandemic during the final two weeks of FY2020 and the beginning of the new fiscal year, ACC's strong financial and operational results reinforce our confidence in the Company's unique value proposition, its continued ability to meet its strategic objectives and create value for shareholders in a sustainable manner.



Besides the financial and operational milestones outlined in this Report, Arabian Centres has further deepened its commitment to instituting the highest standards of corporate governance. As of 31 March 2020, four of our eight Board members were independent, in compliance with Capital Market Authority requirements. The year saw the establishment of a Corporate Governance Committee to act as the Board of Directors' primary resource on governance. Its members have been tasked with supporting the Board in developing and adopting global best practice in governance standards, frameworks and policies.

Meanwhile, FY2020 saw Arabian Centres take important steps in fulfilling its commitments to the communities that host its lifestyle centres. We continued to expand initiatives designed to reduce our carbon footprint, maximize the efficient use of renewable and recyclable energy sources, optimize the use of construction materials and improve waste management and disposal policies and structures. On the social front, the Company cooperated with a variety of institutions to provide career opportunities to the next generation of Saudis, ranging from professional experience programs to specialized summer training and entrepreneurship contests. Safe in the knowledge that a responsible business can also be a profitable one, Arabian Centres is wholeheartedly committed to excellence in the areas of Environment, Sustainability and Governance.

Looking forward, we believe that the strength of a business is indicated not simply by how it performs in times of stability, but also by its ability to weather crises and to leverage new realities in accelerating transformation. This realization is fully built into Arabian Centres' strategic vision. The Company will leverage the competitive strengths that differentiate its lifestyle offerings to take full advantage as possible as the COVID-19 crisis changes the Saudi and global business landscapes. ACC will augment its long-term strategies of geographic expansion, space and yield optimization and integrate the lifestyle experience with a concerted push to establish a profitable digital presence. As the pandemic drives greater consumer reliance on digital channels and communication, Arabian Centres will expedite the rollout of a digital platform that further increases visitor engagement and provides the Company and its tenants with unique insights. Arabian Centres will be fully prepared for the digital transformation envisioned by Vision 2030 and currently sweeping the global economy and is designing its digital platform to ensure capture of critical consumer data that informs real-time analysis of customer demand. We expect that the platform will allow the Company to keep its GLA levels high by providing customers with pick-up, delivery and local return services — capabilities unmatched by any of ACC's competitors.

In these difficult times for the Kingdom and the world, I would like to recapitulate Arabian Centres' wholehearted support for the government of Saudi Arabia's rapid and decisive efforts to halt the spread of COVID-19. We put ourselves at the service of the Ministry of Health and stand ready to cooperate fully and do all within our power to help the government meet its objectives. Our thoughts are with those on the front lines of the fight against the virus and with those who have suffered from it. Finally, recent events have only confirmed the centrality of people to any enterprise. Safeguarding the health and safety of our valued employees, as well as of the millions of visitors they serve each year, has been and will continue to be Arabian Centres' overriding priority.

**Mr. Fawaz Abdulaziz Al Hokair** – Chairman of the Board of Directors



## FY2020 Highlights

FY2020 was a milestone year for Arabian Centres. The Company profitably delivered on its growth strategy while taking its largest steps yet on the path to becoming an integrated lifestyle platform, continuing to invest in expanding its geographic footprint and gaining a significant margin of financial flexibility.

Building an Integrated Lifestyle Platform	Investing in Our Portfolio	An Optimized Capital Structure	Sound Financial Performance						
<p>Arabian Centres staked its claim to be a key player in the development of leisure, entertainment and tourism planned under Vision 2030.</p> <p><b>Cinema Rollout</b> ACC initiated the comprehensive rollout of cinema theaters across its portfolio, with one of the Saudi specialized companies now operating cineplexes at four of ACC’s locations in Riyadh, Jeddah and Dammam.</p> <p><b>Vision-2030 Optimized Offering</b> ACC continued to optimize the mix of retail, F&amp;B and leisure offerings at its destinations.</p> <p><b>Robust Footfall Growth</b> Despite COVID-related closures in the final two weeks, footfall rose c. 2% y-o-y to hit 110.7 million visitors for the year.</p> <p><b>Digital Platform</b> The Company expedited the development of a unique digital platform to increase visitor engagement by providing pickup, delivery and local return services.</p>	<p>ACC continued to differentiate its portfolio by introducing innovative lifestyle destinations.</p> <p><b>Commitment to Innovation</b> The Company strengthened its position in the capital Riyadh with the introduction of U-Walk, providing a unique outdoors shopping and leisure experience in a prime location.</p> <p><b>Rapid GLA Growth</b> With the further inauguration of Nakheel Dammam in FY2020, ACC’s total GLA climbed c. 12% y-o-y to reach 1.2 million sqm.</p> <p><b>Near-Term Pipeline</b> With SAR 256.6 million in CAPEX outlays for FY2020, ACC’s near-term pipeline is projected to bring c. 197,000 sqm in additional GLA.</p>	<p>Arabian Centres successfully completes a refinancing of USD 1.9 billion, including a 4 times oversubscribed USD 500 million sukuk.</p> <p><b>Financial Room for Maneuver</b> Unsecured debt now stands at 30% of ACC’s capital structure versus 100% secured prior to the transaction, with ample covenant headroom and average debt maturity climbing to c. 6.4 years from 4.5.</p> <p><b>Increased Resilience</b> ACC faced the COVID-19 crisis with significantly enhanced liquidity, holding more than SAR 1 billion in cash and cash equivalents.</p> <p><b>A Rising Profile</b> Arabian Centres has significantly broadened its relationships with international and regional banks and increased its standing with potential investors.</p>	<p>Growth continued to be driven by successful discount policies, with additional boosts from expanding GLA and the rollout of cinemas.</p> <p><b>SAR 2,197.3 mn</b> Revenues in FY2020, up 1% y-o-y.</p> <table><tr><td>Net Rental Revenue</td><td>91%</td></tr><tr><td>Media Sales</td><td>3%</td></tr><tr><td>Utilities and Other Revenue</td><td>6%</td></tr></table> <p><b>SAR 1,438.4 million</b> Gross Profit in FY2020, up by 3.2% y-o-y, with a GPM of 65.5%.</p> <p><b>SAR 1,625.5 million</b> EBITDA in FY2020, up 10% y-o-y, with an EBITDA margin of 74.0%.</p> <p><b>SAR 642.6 million</b> Net Profit in FY2020, down 20% y-o-y, with NPM of 29.2%.</p>	Net Rental Revenue	91%	Media Sales	3%	Utilities and Other Revenue	6%
Net Rental Revenue	91%								
Media Sales	3%								
Utilities and Other Revenue	6%								



## Managing Director's Message

As with businesses and economies around the world, Arabian Centres and Saudi Arabia are today adjusting to radically altered circumstances. Across the globe, the COVID-19 pandemic has caused significant economic disruptions and necessitated restrictions on public-facing commercial activities in the interest of public safety. Saudi Arabia has not been spared the effects of this unprecedented challenge, and the government has taken rapid and decisive measures to slow and ultimately stop the spread of the virus within the Kingdom. Conscious of our duty towards the millions of citizens and residents who visit our locations each year, Arabian Centres has fully backed the decisive actions being taken by the Saudi authorities to contain the spread of the disease.



Such containment efforts have included the imposition of a Kingdom-wide lockdown and the closure of Arabian Centres' 21 portfolio destinations for an extended period leading up to the holy month of Ramadan, when measures began to be relaxed and our lifestyle centres outside of Makkah were permitted to partially reopen.

The period of closures negatively impacted results at ACC and at the Company's tenants, of whom only providers of essential goods and services were allowed to operate for an extended period. Meanwhile, the rapid decline in footfall, brought about by the containment measures, has necessitated the renegotiation of lease terms between the Company and its landlords, as well as the provision by the Company of a rent relief package to its nonessential tenants. Being the Kingdom's premier provider of organized retail space, Arabian Centres fully recognizes the Company's responsibilities to the wider retail industry, which forms a key pillar of the government's strategy for national economic diversification under Vision 2030.

Arabian Centres faced the most severe weeks of the crisis with exemplary resilience. Thanks to a timely refinancing in late 2019, ACC approached the crisis with an optimized capital structure and with highly favorable debt terms. Besides this, the Company had access to ample liquidity throughout the period and continued to meet all its obligations in a timely manner, while managing to make significant cost savings on the back of reduced operations. However, the Company's priority since the beginning of the COVID-19 outbreak in Saudi Arabia has been to ensure the health and safety of our employees. We have supported employees asked to work from home with the best technology and have worked to ensure the safety of third-party service providers at our shopping centres by fully implementing the guidelines offered by the Saudi Ministry of Health.

Our cooperation with the Ministry of Health has only deepened since the partial reopening of our centres, where we have introduced comprehensive measures including mandatory temperature checks, face masks and hand sanitization at centre entrances, as well as additional physical distancing requirements. All our centres have introduced thermal tunnels and deep-cleaning sanitization schedules. Arabian Centres is doing its utmost to hasten the day when families and friends can again gather to make unforgettable memories at its locations.

Despite the disruption brought about by the crisis, particularly during the final quarter of FY2020, management is more confident than ever in the Company's foundations. These foundations were significantly reinforced during FY2020. The year was undoubtedly a landmark one for Arabian Centres. It saw us inaugurate our first cinema theatres, key growth avenues for the Company as more and more come online and generate incremental footfall. In a sign of our commitment to the Kingdom's efforts to promote cultural and entertainment activities under Vision 2030, ACC has entered a strategic partnership with one of the Saudi specialized companies in the field of operating cinema theatres, to inaugurate complexes throughout the entirety of its portfolio over the medium term. Meanwhile, the Company continued to further differentiate



its portfolio through the continuous introduction of innovative lifestyle destinations such as U-Walk in Riyadh. Providing a unique outdoors shopping and leisure experience and situated in a prime location near to the capital's growing ecosystem of outdoor attractions, U-Walk promises to redefine the Saudi shopper's mall experience. Arabian Centres further inaugurated Nakheel Mall Dammam during the year, deepening the Company's exposure to the Kingdom's key geographies and drawing more visitors.

The Company recorded revenues of SAR 2,197.3 million in FY2020, up from SAR 2,176.4 million one year previously. Footfall rose compared to the previous year, recording 110.7 million in FY2020 against 108.7 million in FY2019, while like-for-like occupancy rates decreased slightly to 93.1% from 93.4% the previous year as we reallocated space to cineplexes throughout our portfolio. Arabian Centres' bottom line came in at SAR 642.6 million for the year, down from SAR 804.1 million in FY2019 on the back of an impairment loss on accounts receivable sustained during the final quarter as well as a write-off of one-time transaction costs, in addition to the inflation of last year's bottom line by the reversal of a zakat provision. Arabian Centres' net profit margin contracted by 7.7 percentage points to settle at 29.2% for FY2020.

It is worth emphasizing that management is as confident as ever in Arabian Centres' value proposition and the Company's ability to generate sustainable value for its stakeholders over the long run. We are working diligently to ensure that the Company emerges from the current circumstances stronger and leaner than before, with enhanced abilities to service customer and tenant demand. Our confidence in ACC's ability to achieve this stems not simply from the quality of its differentiated portfolio, which will continue to expand to more Saudi communities in the years ahead, but primarily from the skill and dedication of the Company's employees. The importance of their health, safety and fulfillment has been brought into sharp focus by recent events. They will continue to take center stage as the Company and the Kingdom return to normalcy.

**Eng. Salman Abdulaziz Al Hokair** - Vice Chairman and Managing Director



## II. Overview of ACC

### Our Market

*Saudi Arabia is the largest economy in the GCC and MENA region. Its young population, underserved retail market and dynamic program of reforms provide for a strong growth opportunity as the Kingdom modernizes the sector.*

### Robust Fundamentals

According to World Bank Figures, Saudi Arabia registered a nominal GDP of USD 749 billion in 2019, making it the world's eighteenth largest economy.<sup>2</sup> The Kingdom's economic heft is underpinned by a population of 34 million, the largest in the GCC. Nearly 60% of Saudi nationals are below the age of 30, while approximately 40% are 18 or younger.<sup>3</sup> Saudi Arabia's youthful population, which continued to grow at a rapid annual rate of 1.68% in 2019, provides a valuable economic resource for domestic and international businesses. A large and growing working-age cohort supplies the Kingdom with a steady flow of entrants to the labor force, which grew by approximately 3% in 2019, while supporting strong household consumption, which accounts for more than 40% of Saudi GDP.<sup>4</sup> Additionally, nearly all of Saudi Arabia's overwhelmingly urban population enjoys access to smartphones and the internet, forming a solid platform for the dissemination of data-driven business models.

Saudi Arabia's General Authority for Statistics estimates that the Kingdom's GDP grew at a rate of 0.3% for 2019, with growth driven by an upward trend in real non-oil GDP as oil production remains subdued. December 2019 saw headline inflation record a positive reading for the first time in a year, with Saudi Arabia's private and government non-oil sectors receiving significant boosts from the execution of megaprojects and the introduction of a private sector stimulus package.<sup>5</sup> Saudi Arabia continued to deliver on its Vision 2030 goals in 2019, with the Kingdom placing among the top ten global improvers in the Ease of Doing Business 2020 Report and completing the initial public offering of Aramco. Meanwhile, Tadawul's listing on benchmark Emerging Market Stock Indices during the year brought a significant increase in portfolio investments.

### An Underpenetrated Retail Space

Saudi Arabia is the GCC's largest retail market, accounting for 65.9% of retail sales in the region for 2017, nearly double the share represented by the United Arab Emirates (23.8%), its closest peer. According to a Euromonitor study, sales by the Kingdom's retail sector are expected to grow from USD 106 billion for 2019 to USD 119 billion by 2023.<sup>6</sup> Despite its relative size, Saudi Arabia's retail market remains largely underpenetrated, with significant room for growth and lucrative opportunities for the creation of further value in the sector. A high share of Saudi retail activity remains unorganized and is carried out beyond the reach of modern retail facilities. As of year-end 2019, Saudi Arabia had 0.4 sqm of mall-based retail space per capita in the four major cities. This is much lower than the international benchmark of 1.1 sqm per capita, identified by the International Council of Shopping Centres (ICSC). This macro-level profile leaves significant untapped potential for quality modern retail spaces, yielding prospects for rapid and sustainable long-term growth.

In the past two years, the Saudi retail market has staged a strong recovery following a slump in 2016 and 2017, induced by the introduction of value-added tax (VAT) and an increase in expatriate dependent residency fees. Consumer purchasing power has improved significantly since then, boosted by the government's Saudization policies and the

<sup>2</sup> The World Bank, *Saudi Arabia's Economic Update – April (2020)*.

<sup>3</sup> General Authority for Statistics, *Statistical Yearbook of 2017* (Riyadh: GAS, 2018).

<sup>4</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/sa.html>

<sup>5</sup> KPMG, *Saudi Brief: Key Economic Indicators (2020)*.

<sup>6</sup> Euromonitor, *Country Report: Retail in Saudi Arabia (2018)*.



entrance of females into the labor force in greater numbers. Longer-term growth continues to be sustained by the Kingdom's highly favorable cultural dynamics. As in its GCC and other MENA peers, Saudi Arabian consumers show a cultural predisposition towards shopping as a key leisure activity, particularly in family settings, and there exists a strong culture of gift-giving. Meanwhile, the arid climate supports a high level of demand for air-conditioned mall environments as leisure destinations.

In the short term, it is expected that performance in the retail sector will be affected by a weakening of the economy's non-oil sectors, reflecting a decrease in aggregate demand as the COVID-19 pandemic continues to disrupt commercial activity. Meanwhile, the COVID-19 crisis has brought about a significant reduction in global oil demand and a consequent general decline in hydrocarbon prices, further buffeting Saudi Arabia's economy in the short term. The medium-term effects of the COVID-19 pandemic on the Saudi retail space will depend on how rapidly and efficiently supply chains can regain full capacity with minimum price dislocation, allowing the market's strong fundamentals and the dynamism offered by Vision 2030 to reassert guiding hands over its growth trajectory.

Saudi Arabia is better positioned than peer markets to withstand the effects of the COVID-19 crisis on retail and shopping centre activity and to adapt to the longer-term changes likely to be brought about by pandemic-related risks. Unlike its fellow GCC economies, mall footfall and visitor demand in Saudi Arabia is driven largely by locals and residents as opposed to tourists. This low dependence on tourism and the consequent stickiness in demand compared to regional peers should facilitate a more rapid recovery. Multiple surveys during the lockdown indicate that Saudi consumers remain optimistic about the Kingdom's economy following the COVID-19 crisis, exhibiting less pressure to reduce expenditures than seen elsewhere.<sup>7</sup> Finally, should the crisis drive a transition to greater dependence on online retail, Arabian Centres stands prepared to expedite the rollout of its online and omnichannel retail platforms.

## Vision 2030

Since 2016, Saudi Arabia has implemented a comprehensive reform package aimed at reducing the Kingdom's dependence on oil, diversifying its economy and developing the country's service sector, with large investments made in infrastructure, tourism, recreation, health and education. These broad-based reforms have been instituted under the Vision 2030 Program introduced by His Royal Highness Prince Mohammed bin Salman bin Abdulaziz, the Crown Prince of Saudi Arabia.

Besides reducing the economy's reliance on oil revenues and instituting sustainable development practices, Vision 2030 aims to leverage the energy and talents of the Kingdom's youthful population to enrich Saudis' quality of life. With the establishment of a dedicated General Entertainment Authority, significant investments have been made in the Kingdom's leisure and entertainment sectors in an effort to develop the Kingdom into a global entertainment destination and enhance the global ranking of Saudi cities. A related objective is to boost domestic and international tourism in the Kingdom, tapping into this underdeveloped sector by fostering more balanced and sustainable demand.

The Program envisions continuous improvements to the Kingdom's public transportation infrastructure to enhance mobility, with similar investments being made in Saudi Arabia's IT capabilities with an eye to developing the Kingdom into a regional and international IT hub. A budget of USD 426 billion has been allocated to infrastructure development under Vision 2030. Meanwhile, the government has made far-reaching efforts to further the social and economic empowerment of females. The granting of driver's licenses to females has significantly boosted mobility and increased female labor force participation, which the government aims to raise to 30% by 2030 from its current level of 22%, a development which is expected to boost total discretionary expenditures by 7% per annum.

<sup>7</sup> McKinsey & Company, Survey: Saudi consumer sentiment during the coronavirus crisis – April 2020. <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/survey-saudi-consumer-sentiment-during-the-coronavirus-crisis>



Vision 2030 has already yielded tangible benefits to Saudi Arabia's retail sector, particularly the organized segments with a heavy presence in modern shopping centres. Investments in leisure and entertainment, and particularly the introduction of cineplex chains, have proven to be significant generators of incremental footfall at shopping centres. The proximity of shopping centres to the Kingdom's budding complex of leisure facilities has had a similar effect. These developments are allowing the Kingdom's retail sector to retain a greater share of retail spending, which otherwise would have been disposed by Saudi tourists travelling abroad. Meanwhile, Saudization and policies aimed at enhancing female mobility are expected to enhance aggregate purchasing power while enabling the Saudi retail sector's target demographic, a trend supported by the Kingdom's investments in public transport infrastructure. The latter development is expected to further boost footfall at shopping centres, particularly those readily accessible to newly built metro and bus stations. Meanwhile, as domestic and international tourist flows intensify, the Saudi retail sector will aim to capture a greater share of tourist retail expenditure.

### **Competitive Advantage**

It is worth mentioning that Arabian Centres Company has the largest market share of the overall Gross Leasable Area "GLA" in the shopping centres in Saudi Arabia.



## Saudi Arabia's Leading Retail Platform

*Arabian Centres Company is the Kingdom's largest retail platform, with leading positions across Saudi Arabia's key metropolitan geographies.*

### Our Business Model

#### The Go-To Shopping Mall Operator

Arabian Centres is the leading owner, developer and operator of lifestyle shopping centres in Saudi Arabia. Since opening its first mall in Riyadh in 2002, the Company has cemented its position as the Kingdom's leading retail platform. Over 4,100 stores are housed in ACC locations, representing 1,100 international and local brands. As of 31 December 2019, the Company's portfolio of shopping centres encompassed all of Saudi Arabia's key urban markets, covering the Kingdom's 10 largest cities and approximately 60% of Saudi Arabia's population. ACC operates 21 lifestyle shopping centres with a total GLA of 1.2 million sqm, a y-o-y increase of 12%. Arabian Centres offers visitors an unmatched array of leading retail brands, including Zara, Debenhams, Coach, H&M, Virgin Megastores, Panda and IKEA.

The Company is the go-to partner for local and international retail brands seeking to expand or deepen their footprints in the Saudi market. Besides the Company's ability to leverage scale effects, ACC's leading position stems from the consistently high quality offered to customers visiting its locations, with a portfolio characterized by unique and appealing building designs, central locations and ease of access to target demographics, a welcoming environment and superior levels of service. Visitor journeys are further enhanced by optimized dining, entertainment and leisure offerings, as well as the ongoing introduction of cineplexes across ACC's portfolio. The Company expects to have introduced cinemas at 15 of its 21 locations over the medium-term.

Arabian Centres leverages its expertise and capabilities in the mall development space to introduce innovative and unique lifestyle centre concepts with differentiated designs and brand offerings, further driving footfall. Among other offerings, in FY2020, ACC launched U-Walk in Riyadh. U-Walk is the first outdoor mall concept to cater to Saudi consumers, combining a unique spatial configuration and tenant mix to provide families with a unique shopping and dining experience.

- **Development and Delivery Sector:**

ACC's Development and Delivery Sector (D&D) leverages its in-house capabilities and longstanding partnerships with global firms to design and plan the Company's innovative shopping centre offerings. Nearly two decades of experience in design and development have given Arabian Centres an unmatched ability to rapidly and efficiently move projects from design to development. D&D is responsible for monitoring and supervising construction work at the Company's shopping centres, which is typically executed by ACC's sister company, FARE, a specialized commercial real estate development and construction company. ACC also enjoys a longstanding strategic partnership with ECHO Architecture, which offers the full range of architecture and interior design services. The D&D unit is headed by ACC's Chief Development Officer.

#### Strong Tenant Partnerships

Arabian Centres offers its tenants multiple locations, high footfall, combined pricing across various shopping centres and proximity to other leading retail brands. The quality of ACC's portfolio has driven the development of long-term, strategic relationships with tenants. This competitive edge allows the Company to negotiate favorable rents and other tenancy terms, as evidenced by positive progression in the Company's weighted average discount rate across internal and external



tenants and its weighted average lease term. Arabian Centres consistently maintains like-for-like occupancy rates at levels above 90% and positive leasing spreads while rapidly and efficiently completing lease renewals at profitable terms.

ACC leverages its profitable tenant relationships as it works to expand its project portfolio and its strategic partnerships with key account tenants allow the Company to successfully pre-lease a significant portion of new shopping centres prior to their official launch. The Company typically pre-leases approximately 50% of GLA three to six months prior to the official launch of pipeline assets, allowing such shopping centres to achieve an average first-year occupancy of 70% to 75% and mitigating certain risks associated with the introduction of new developments. Relative to the wider market, Arabian Centres achieves the quickest occupancy ramp-up of new developments, rapidly driving footfall.

- **Leasing Sector:**

Arabian Centres' Leasing Sector is responsible for ensuring that each of the Company's retail units is leased as promptly and profitably as possible while maintaining certain lease quality standards. Its operations are at the heart of ACC's business. The Department works to maintain a target occupancy rate set by Company management, implements various marketing and promotion efforts to attract new tenants where needed, ensures prompt and consistent collection and consistently inspects the Company's properties while responding to tenant queries and requests. Headed by ACC's Chief Commercial Officer and Chief Leasing Officer, the Department constantly reevaluates practices and outlays to engender further efficiencies, identifying optimal arrangements with third-party service providers and ensuring that expenditures remain within budget.

### **An Integrated Retail Platform**

The Company derives significant synergistic benefits from its relationship with other organizations in the Al Hokair ecosystem. From a demand perspective, ACC benefits substantially from its relationship with Al Hokair Fashion Retail, a publicly listed company and a leading franchise retailer with approximately 1,600 retail units in 13 countries. As of year-end FY2020, Al Hokair Fashion Retail had 760 retail units across ACC's 21 shopping centres, accounting for 21.7% of the Company's total occupied GLA. Al Hokair Fashion Retail typically pre-leases between 20-25% of the GLA at each new pipeline asset launched by Arabian Centres, locking in demand and serving as a major attraction for other prospective tenants while enhancing footfall. Key Al Hokair Fashion Retail brands operating in the ACC portfolio include Zara, Massimo Dutti, Aldo, Gap, New Yorker and Banana Republic, among other leading brands.

The food and beverage franchises held by Al Hokair Fashion Retail, in addition to those under the Food and Entertainment Company, provide Arabian Centres with a differentiated ability to create integrated shopping, entertainment and dining experiences at its locations. ACC has further differentiated its offering through an agreement with one of the Saudi specialized companies in the field of operating cinema theatres, to roll out cinema theatres throughout the Company's portfolio over the medium-term.

Arabian Centres also enjoys access to a reliable construction partner in FARE, another Al Hokair company. A specialist mall design and construction company, FARE has developed and constructed 16 of ACC's 21 shopping centres. As of year-end FY2020, ACC has contracted FARE to develop eight new sites, two of which are currently under development and six of which are slated for future development.



- **Operations Sector:**

The Operations Department is responsible for the onsite operational management of every shopping centre in ACC's portfolio. To ensure the smooth running of each asset, the department coordinates all teams on-site (internal and third party) in tackling all related issues. It monitors the roll-out of marketing action plans, the execution of events and activities within each shopping centre and the activation of specialty leasing. Operations also leads the introduction and exit of all tenants who take a lease at ACC's shopping centres while collecting all individual tenant rental dues on a regular basis. Ultimately, the Operations team are responsible for the safety of all visitors and tenants. Compliance with health and safety rules and regulations is maintained 24/7. Customer service is provided throughout our shopping centres to meet all visitor needs. As a team, Operations builds positive and long-lasting relations with ACC's tenants and external stakeholders, including local authorities, to promote and develop each shopping centre within a given community.

## **Our Portfolio**

ACC's shopping mall portfolio includes Super-Regional (GLA  $\geq 74,000$  sqm), Regional ( $37,000 \leq \text{GLA} < 74,000$  sqm) Community Shopping centres (GLA  $< 37,000$  sqm), where each development is uniquely positioned in terms of location, size, design and retail offering. ACC maintains a broad and varied retail unit mix within its shopping centres, optimizing for each mall's target demographic.

As of FY2020, Arabian Centres maintains its leading market position across Saudi Arabia's major urban geographies. Its combined GLA of 1.2 million sqm leaves ACC as the largest shopping mall owner-operator in the Kingdom by area.

The Company works to optimize the proportion of its shopping centres held on freehold and leasehold lands. Of ACC's 21 shopping centres, 12 operate on leased lands while 9 operate on lands owned by the Company. With regards to the lands held by the Company in lease, ACC maintains an ongoing dialogue with the landlords with a view to extending or renewing leases on terms favorable to the Company. Management engages in active negotiations with landlords and typically commences leasehold extension negotiations by enough and long time prior to expiry of a lease. Lease renewal agreements are structured so that the enhanced revenue streams from long-term leases offset the effects of any rental rate increase.



## Our Shopping Centres

Shopping Centre	Type	Year Opened	GLA SQM (FY2020)	GLA SQM (FY2019)	BUA SQM	Occupancy (FY2020)	% of Revenue (FY2020)	% of Revenue (FY2019)	Lease Expiry
<b>Riyadh</b>									
Nakheel Mall	Regional	2014	56,218	56,166	98,000	91.7%	9.0%	8.7%	Jul 2034
Hamra Mall	Regional	2016	55,598	56,516	77,969	93.6%	5.5%	5.2%	Freehold
Salaam Mall	Regional	2005	48,423	50,043	67,421	97.5%	3.2%	3.2%	Freehold
Khurais Mall	Regional	2004	41,618	41,618	60,230	87.7%	2.2%	2.6%	Jan 2022
U-Walk	Regional	2019	63,679	-	68,254	97.0%	1.4%	-	Jul 2046
Tala Mall	Community	2014	22,636	22,835	46,292	85.7%	1.7%	1.8%	Apr 2029
Sahara Plaza	Community	2002	14,722	12,217	28,364	100%	0.3%	0.0%	Freehold
<b>Dammam</b>									
Mall of Dharan	Super Regional	2005	159,482	160,695	220,550	95.9%	15.0%	15.8%	Feb 2025
Nakheel Mall Dammam	Regional	2019	62,452	-	92,229	82.0%	1.6%	-	Freehold
<b>Jeddah</b>									
Salam Mall	Super Regional	2012	121,642	121,333	212,825	86.3%	8.5%	8.6%	Jul 2032
Mall of Arabia	Super Regional	2008	113,059	111,268	247,848	94.3%	12.6%	12.7%	Freehold
Aziz Mall	Regional	2005	73,237	72,279	93,310	95.6%	6.2%	7.1%	Nov 2046
Yasmin Mall	Regional	2016	54,716	54,510	101,672	96.5%	6.5%	6.1%	Nov 2034
Haifa Mall	Community	2011	33,698	32,881	50,161	81.0%	2.7%	3.0%	Apr 2032
<b>Madinah</b>									
Noor Mall	Regional	2008	67,552	67,047	93,917	97.2%	6.2%	6.2%	Freehold
<b>Hofuf</b>									
Ahsa Mall	Regional	2010	49,987	53,117	65,800	65.0%	1.7%	2.4%	Freehold
<b>Taif</b>									
Jouri Mall	Regional	2015	48,077	48,290	92,663	96.8%	4.9%	4.7%	Mar 2035
<b>Makkah</b>									
Makkah Mall	Regional	2011	37,473	37,623	56,720	94.8%	6.9%	7.2%	Freehold
<b>Qassim</b>									
Nakheel Plaza	Community	2004	50,306	49,317	48,985	76.3%	1.9%	2.3%	Dec 2029
<b>Jubail</b>									
Jubail Mall	Community	2015	22,679	21,196	37,366	78.6%	1.4%	1.4%	Freehold
<b>Hail</b>									
Salma Mall	Community	2014	16,959	16,959	22,378	76.1%	0.7%	0.8%	Mar 2022



## Growth Strategy

*To generate sustainable long-term value for its stakeholders, ACC pursues a three-pronged value creation strategy calibrated to leverage the Company's competitive advantages while deepening and widening its retail footprint.*

Arabian Centres' primary strategic objective is to consolidate the Company's position as Saudi Arabia's go-to retail platform and to maintain its dominant position in the shopping centre space across Saudi Arabia's key geographies. The Company's financial priority is to expand its top line in a profitable manner as possible.

While it pursues several means to ensure that this objective is met, its main strategies revolve around the generation of greater value from its existing assets and the expansion of its portfolio through the introduction of innovative lifestyle destinations that further grow the Company's footprint. To these ends, management has implemented a growth strategy based on four axes: (1) space and yield optimization, (2) developing an integrated lifestyle experience, (3) expanding the Company's retail footprint and (4) establishing a profitable digital presence.

### Key Pillars of ACC's Growth Strategy

<b>Space and yield optimization</b>	Enhance occupancy and efficiency rates; optimize lease rates; optimize category and tenant mix; increase non-GLA revenues
<b>Integrating the lifestyle experience</b>	Lifestyle centre concept; leisure and entertainment; rolling out cinemas across the portfolio; Vision 2030
<b>Expanding our footprint</b>	Continuous additions to GLA; exposure to new demographics; near-term pipeline includes four centres plus one extension
<b>Establishing a digital presence</b>	First digital retail platform in Saudi Arabia; digitization efforts encompassing smartphone app, social media, loyalty program, tenant portal and digital footfall counters

### Space and Yield Optimization

Although the Company works to rapidly expand the geographic reach and penetration of its portfolio, management recognizes the importance of fostering efficiencies and continuously enhancing yields from ACC's existing developments. To maximize returns from its existing portfolio, the Company focuses on active asset management. Under a rubric of space and yield optimization, the Company works to enhance occupancy and efficiency rates, optimize lease rates, optimize its category and tenant mix and increase non-GLA revenues from media sales, kiosks and other services. Arabian Centres also works to curtail the growth of its operating costs by negotiating favorable terms with third-party service providers.

ACC's space and yield optimization strategy produced significant benefits in FY2020. The Company's weighted average discount rate across internal and external tenants stood at 5.6% (SAR 119.5 million) in FY2020 against 6.8% (SAR 149.0 million) in FY2019, demonstrating the efficacy of an improvement in the Company's discount policies. Meanwhile, ACC's weighted average lease terms rose to 6.4 years in FY2020 from 5.2 one year previously, illustrating consistently positive lease spreads and management's proactive approach to asset management, with these enhancements coming against a backdrop of steady occupancy rates.



### **Integrating the Lifestyle Experience**

Arabian Centres continuously works to upgrade the category mix at its portfolio centres to offer an integrated experience, with additional dining and entertainment offerings as well as the provision of convenient and attractive facilities and services. ACC has pioneered the concept of 'lifestyle centres' in Saudi Arabia and adopts several linked means for driving visitor footfall and maintaining the Company's shopping centres as the destination of choice for tenants and visitors.

Management recognizes the important opportunities posed by Saudi Arabia's growing investment in the Kingdom's leisure and entertainment spaces under the Vision 2030 Program. These efforts aim to redirect a portion of the USD 20 billion recreation expenditure spent annually by Saudi tourists to the domestic leisure industry. Arabian Centres is working to place itself at the epicenter of the dynamic movement in Saudi Arabia's leisure and entertainment industries, hosting associated recreational events at its locations, locating pipeline assets in close proximity to entertainment centres and rolling out cinemas across the Company's portfolio. Management is confident that such measures will materially support Arabian Centres' efforts to generate increasing footfall and ensure sustainable growth.

In FY2020, ACC reached an agreement with one of the Saudi specialized companies in the field of operating cinema theatres, to open multiplexes at several ACC locations. ACC launched its first cinema theatre at Jeddah's Mall of Arabia and welcomed 1.46 million moviegoers between its launch in August 2019 and mid-March 2020, after which ACC's shopping centres had to temporarily shut down due to COVID-19. A second smaller cineplex at Riyadh's Al Hamra Mall drew 154,000 visitors during its first three months of operation. Arabian Centres plans to introduce cineplexes at 19 of its 21 existing locations by December 2021 and will launch cinemas at each of its pipeline locations.

Meanwhile, with the launch of U-Walk in Riyadh, FY2020 saw ACC making progress on its efforts to continuously introduce differentiated and innovative lifestyle concepts designed to redefine the Saudi shopper's lifestyle experience. Strategically located near to the fairgrounds of the Riyadh Season events, U-Walk is Saudi Arabia's first outdoor shopping centre concept, boasting a pleasant outdoor concourse designed to accommodate large groups of pedestrians and a variety of premium retail offerings in the fashion and F&B spaces as well as a cinema theatre.

### **Expanding Our Footprint**

ACC leverages its expertise in the development and operation of shopping centres and its strategic relationship with FARE Construction, a specialized shopping centre developer, to continuously add to the GLA in its portfolio. Expanding the Company's centre portfolio widens ACC's retail footprint, providing exposure to untapped demographic catchments, with insights from the Company's database on the Kingdom's urban areas informing expansion decisions, helping consolidate ACC's leading position in the Saudi retail sections.

Arabian Centres currently aims to continue its successful track record of shopping centre expansion in the near term through the introduction of two new shopping centres in Jeddah and Riyadh (Jeddah Park and Khaleej Mall) and a major extension to an existing shopping centre (Nakheel Mall in Riyadh). These three projects are expected to be operational by FY2021 and will bring online an additional 180,000 sqm of GLA, deepening ACC's exposure to two of the Kingdom's key urban markets.

The Company launched two key projects in its near-term pipeline during FY2020, including Riyadh's U-Walk and Nakheel Mall in Dammam, both officially opened in Q4-FY2020. These locations have brought online an additional 113,000 sqm in



GLA. Including U-Walk and Nakheel Dammam, the completion of projects in ACC's near-term pipeline will bring the Company's total GLA to c. 1.4 million sqm by FY2021, up from 1.1 million as of FY2019.

ACC is also implementing a medium-term project pipeline, which includes five additional developments that will add c. 358,000 sqm of GLA. ACC's medium-term pipeline carries a total development cost of SAR 6.6 billion and a target completion date of 2024.

### **Establishing a Digital Presence**

ACC will further augment its offering with the rollout of its digital platform, which is set to promote increased visitor engagement and enhance the tenants' experience. The Company has fast-tracked the introduction of this digital platform in an effort to address post-COVID-19 realities, allowing ACC's business model to remain relevant by reflecting new consumer trends and preference and further improving the customer journey, regardless of the channel or device being used.

Arabian Centres' digitization efforts include the rollout of a smartphone app, a tenant portal, increased social media engagement and the introduction of loyalty programs. Coupled with the insights provided by the digital platform, these efforts will ensure capture of critical consumer data, allowing the Company to take an ever-more data-driven approach to analyzing and anticipating changes in customer demand and to act accordingly and rapidly.

It is expected that Arabian Centres' digital platform will help maintain high GLA levels by keeping inventory within stores, gradually transitioning the Company's shopping centres into part-fulfillment centres for online purchases. This platform will provide customers with pick-up, delivery and local return services. Moreover, the digital channel will generate increases in footfall by further enriching the visitor experience, improving engagement and generating additional revenue channels. Such revenues will be generated with minimum cost, thanks to ACC's ability to tap into omnichannel streams with minimal initial investments or overheads.



## Our People

*Arabian Centres' human resources are a key pillar of the Company's success, with far-reaching efforts made to develop employees' skills and nurture their careers.*

### Developing Human Capital

Human capital is the main cog in ACC's operations. The Company places particular emphasis on supporting its employees and continuously enhancing their ability to provide top-quality service to ACC's customers and stakeholders. Arabian Centres strives to provide its people with suitable opportunities for learning and development, with an eye to ensuring that they are armed with the requisite knowledge, experience and capabilities to shape Saudi Arabia's corporate ecosystem and the wider economy.

### Empowering Saudis

Arabian Centres has adopted various initiatives to assist Saudi nationals in obtaining fulfilling employment opportunities, paving their way for their professional development and accession to high-ranking positions.

In FY2020, ACC recorded one of the highest rates of Saudi employees in a real estate company, as it reached the 67% mark by year-end. As such, the Company has been classified as platinum grade, as per the framework of the Saudi Nationalization Scheme (Saudization) policy, which aims to reduce the number of unemployed Saudi nationals and increase their capabilities to assume future leading roles in companies across the Kingdom. The Company also created a four-year growth strategy that fosters expansion and economic growth through the creation of job opportunities in the Saudi private sector.

### A Comprehensive Recruitment Campaign

The year saw ACC participate in several direct recruitment programs across many of the Kingdom's regions, collaborating with some of the country's top educational institutions to provide opportunities to their graduates:

- **Institute of Public Administration – Riyadh:** ACC provided training programs for the institute's students and participated in the graduate job day fair, attracting its graduates to administrative jobs at the Company.
- **Taqat Center:** The Company utilized research conducted by female beneficiaries of "Hafiz", a national employment program.
- **King Abdullah Economic City – Jeddah:** ACC successfully worked to hire graduates from the institution
- **Recruitment Channels Bayt.com and LinkedIn:** ACC looked to widen its search scope and attract male and female researchers using digital recruitment networks
- **The United Kingdom's Cultural Mission:** ACC participated in career fair organized by Saudi government conducted in London
- **Human Resources Development Fund (HRDF)** ACC partnered with Saudi government to quality, train and employ Saudi nationals.

ACC also looked to attract graduates from top-tier Saudi universities such as Princess Nourah University, King Saud University, Imam Mohammed Bin Saud University, Prince Sultan National University, Al Yamamah University and Dar Al Uloom University. In recognition of its diligent efforts to secure job opportunities and promote fair employment for



Saudi nationals, ACC has received awards from several prestigious public entities, including King Abdullah Economic City, Princess Nourah University, Glowork and the Institute of Public Administration.

### Securing Opportunity

ACC's General Department of Human Resources has devised a comprehensive plan to provide Saudi nationals with concrete opportunities to further their professional development. This plan has allowed the Company to provide more graduates each year with the means to expand on their skills and capabilities, securing a future workforce capable of elevating its potential. Leveraging its partnerships with a variety of institutions, funds, universities and NGOs, in FY2020, the Company provided its current and potential employees with a wide range of training programs, including best-in-class management workshops.

As a result of its diligent efforts in securing job opportunities and promoting fair employment opportunities for Saudi nationals, ACC received awards from several reputable public entities, including:

- King Abdullah Economic City: Certificate of Appreciation, Career Fair 2018
- Princess Nourah University: Certificate of Appreciation, Career Fair 2018
- Glowork: Certificate of Appreciation, Career Fair 2018
- Institute of Public Administration: Certificate of Appreciation, Career Fair 2019

### A World-Class Management Team

*Arabian Centres enjoys a highly qualified management team with decades of experience in the commercial real estate and retail industries.*

#### Eng. Salman Abdulaziz Al Hokair - Vice Chairman and Managing Director

- **Previous positions:** Co-founder of Alhokair Fashion Retailer, an ACC sister company and the leading franchise retailer in Saudi Arabia and beyond. Eng. Al Hokair also holds executive positions and board memberships at multiple companies, with interests across various industries such as real estate, investment and technology.
- **Qualifications:** Bachelor's degree in Architecture, King Saud University, Saudi Arabia, 1990.
- **Experience:** Over 28 years of Business experience in investment management, fashion and real estate development. He also sits on several Boards of almost 60 companies and sole proprietorships.

#### Mr. Faisal Abdullah Al Jedaie<sup>8</sup> – Chief Executive Officer

- **Previous positions:** Prior to joining Arabian Centres, Mr. Al Jedaie held the Managing Director position at Fawaz Abdulaziz Al Hokair & Co. And prior to that, Mr. Al Jedaie held the position of Chief Executive Manager at NESK Group, which held the franchises of many international brands (such as Mango, Stradivarius and Okaidi). He also held the position of General Manager of Al Jedaie Men's Fabrics Company.
- **Qualifications:** Bachelor's in business administration from King Saud University, Riyadh, Saudi Arabia, in 1994.
- **Experience:** Mr. Faisal has a distinguished career with a wide-ranging experience in the field of Business Management, spanning over 30 years in the field of Retail and Fashion. Mr. Al Jedaie is the Chairman of Thobe Al

<sup>8</sup> Mr. Faisal Al Jedaie has been appointed as the CEO on the 17<sup>th</sup> May 2020 replacing Mr. Olivier Nougrou who stepped down while remaining as the Strategy Advisor to the CEO and Board of Directors



Aseel Company and Al Jedaie Fabrics Co., and he also sits on other boards like Fawaz Abdulaziz Al Hokair & Co., and Al Mubark Real Estate Fund managed by Arab National Bank.

**Mr. Jabri Maali – Chief Financial Officer**

- **Previous positions:** He previously served in several financial managerial positions at Nuqul Group, BDO and Planet Group, a limited liability company established in the United Arab Emirates, which operates in the Hospitality and Tourism sector.
- **Qualifications:** Bachelor's degree in Economics and Accounting, the Jordanian University, 1992.
- **Experience:** Over 28 years of experience in financial management field.

**Mr. Ghassan Abu Mutier - Chief Development & Delivery Officer**

- **Previous experience:** From 2002 to 2015, Mr. Abu Mutier held the position of Supply Chain Group Manager at Fawaz Alhokair Real Estate Company. He had previously held positions at General Electric and at the Saudi Bin Laden Group.
- **Qualifications:** Bachelor's degree in Geology and Environmental Sciences, Yarmouk University, Jordan, 1997.
- **Experience:** Over 23 years of experience in Project Management and Architectural design fields.

**Mr. Turki Saleh Al Zahrani - Chief Support Services Officer**

- **Previous experience:** Mr. Al Zahrani joined the Company in 2009 as its Director of Human Resources. He has held several human resources positions in the past including Director of Human Resources at Geant Saudi Limited, a limited liability company established in the KSA and operating in trade sector, and Head of Human Resources and Administration at Al Othaim Holding Company, a closed joint stock company established in the KSA and operating in the commercial, real estate and industrial sector.
- **Qualifications:** Bachelor's degree in Business Administration, King Abdulaziz University, Saudi Arabia.
- **Experience:** Over 15 years of experience in Human Resources and Administrative Management fields.

**Mr. Francois Kanaan - Chief Digital and Marketing Officer**

- **Previous experience:** He most recently served as VP Marketing and Communications at Meraas Holding in Dubai and previously held the post of Deputy Director of Marketing and Communications at Aldar Properties in Abu Dhabi. He honed his corporate communications skills while working in blue-chip communications firms such as JWT and DDB Worldwide.
- **Qualifications:** Bachelor's degree in Business Administration from Universite La Sagesse, Beirut, Lebanon, 1992.
- **Experience:** Over 25 years of experience in corporate marketing and a demonstrated track record of expertise in working with mega public-private real estate developments. His background includes work in corporate communications, digital transformation, brand development and destinations marketing.



**Mr. Mubarak Al Enazi<sup>9</sup> – Operations Sector Director**

- **Previous positions:** Prior to appointing him as the Operations Sector Director, Mr. Mubark held the position of Tenant Relations Manager in Arabian Centres Company. He also held many other positions previously in the Company, such as Central Regional Manager, Business Unit Manger (Annakheel Mall Riyadh), Quality Assurance Manager.
- **Qualifications:** Bachelor's in literature from King Saud University, Riyadh, in 2000. Diploma in Business Communication from Berlitz in 2012. And an Advanced PMP Certification obtained in 2019.
- **Experience:** Over 18 years of experience in Leasing and Operations, as he started his career with Al Hokair Group in 2002.

**Mr. Khalid Al Janahi<sup>10</sup> – Leasing Sector Director**

- **Previous positions:** Mr. Al Janahi held several positions in Real Estate Development and Financial advisory fields. Prior to joining Arabian Centres Co. he held the position as Leasing Director at SHUROOQ (Investment and Development Authority of Sharjah), and prior to that he was employed by MERAAS Dubai as Manager of Retail Leasing, also he worked as Consultant in the Financial Advisory in Ernst & Young Bahrain.
- **Qualifications:** Master's in Business Administration from University of Incarnate Word in 2011, and Bachelor's in Business Finance from University of Texas in 2010.
- **Experience:** Over 8 years of experience in Retail Leasing, Real Estate Development and Financial Advisory.

**Mr. Naji Fayad - Internal Audit Director**

- **Previous experience:** Prior to joining ACC, Mr. Fayad spent a decade at Arabia Insurance Company, a Lebanon-based joint-stock company where he served in many positions including Director of Internal Audit, Chief Financial Officer and acting Chief Risk Officer. Mr. Fayad was also Audit Director at Deloitte and Touche, Canada.
- **Qualifications:** Master's degree in Business Administration from the American University of Beirut; Postgraduate degree in Public Accounting from McGill University, Canada; he's also a Chartered Accountant (CA), a Certified Internal Auditor, a Certified Information Systems Auditor and a Certified Risk Management Auditor.
- **Experience:** Over 20 years of experience in Internal Audit, Internal control and compliance management.

**Mr. Faisal Al Wazzab – Legal Affairs Director & BoD Secretary**

- **Previous positions:** Previously worked at Al Rajhi Bank as Head of Legal Consultancy / AGM for legal affairs at the Governance & Legal group, with more than 15 years of experience.
- **Qualifications:** MBA Candidate, Kelley School of Business, Master of Law (LLM) from Maurer School of Law at Indiana University, High diploma in Law from Institute of Public Administration, and a Bachelor's Degree in Shari'a, Islamic Law, from Shari'a School at Imam Muhammed IBN Saud Islamic University.
- **Experience:** Over 15 years of legal practice with expertise in Banking and Corporate.

<sup>9</sup> Mr. Mubarak Al Enazi has been appointed to this position in June 2020, replacing Mr. Jamil Karmoul who stepped down entirely from ACC

<sup>10</sup> Mr. Khalid Al Janahi has been appointed to this position in June 2020, replacing Mr. Mohamed Balbaa who stepped down entirely from ACC



**Mr. Abdullah Al Harbi – Information Technology Director**

- **Previous positions:** Mr. Al Harbi held many positions in different sectors of Government, ICT, Banking and Manufacturing in leading Saudi organizations such as National Information Centre, SBM, Alrajhi Bank and Advanced Electronics Company.
- **Qualifications:** Master of Science in Information Systems Management from De Montfort University in UK, a Bachelor of Science in Computer Information Systems from Applied Sciences Private University in Jordan, and an Associate Degree in Programming from College of Communication and Information in Riyadh.
- **Experience:** Over 10 years of experience in IT, Business and Corporate Strategy. He has previous experience and strong knowledge in ERP Systems, Business Applications, Project & Portfolio Management Systems, Business Relationship Management, Business Analysis and IT-Business Strategy.

**Mr. Faris Al Gahtani<sup>11</sup> – Investor Relations Manager**

- **Previous positions:** Prior to joining Arabian Centres Company, Mr. Al Gahtani held the position of Investor Relations Manager in Dur Hospitality Company. And prior to that, Mr. Faris held the position of Investor Relations Team Leader at Zain Saudi Arabia. He also held couple of positions at KPMG Saudi Arabia over five years, where the last position was Senior Financial Analyst.
- **Qualifications:** Bachelor's in Finance from King Fahad University of Petroleum & Minerals, Dhahran, Saudi Arabia, in 2006.
- **Experience:** Over 13 years of experience in the fields of Investor Relations, Financial Advisory, Public Relations, Corporate Governance.

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<sup>11</sup> Mr. Faris Al Gahtani has been appointed to this position in June 2020, replacing Mr. Rayan Al Karawi who stepped down entirely from ACC



## III. Performance

### Management Discussion and Analysis

Summary Income Statement (SAR Mn)	FY2020	FY2019	% Change
<b>Total Revenue</b>	<b>2,197.3</b>	<b>2,176.4</b>	<b>1.0%</b>
<b>Gross Profit</b>	<b>1,438.4</b>	<b>1,393.9</b>	<b>3.2%</b>
<i>Gross Profit Margin</i>	<i>65.5%</i>	<i>64.0%</i>	<i>1.4 pts</i>
<b>Net Profit</b>	<b>642.6</b>	<b>804.1</b>	<b>-20.1%</b>
<i>Net Profit Margin</i>	<i>29.2%</i>	<i>36.9%</i>	<i>-7.7 pts</i>
<b>Key Profitability Metrics</b>			
<b>EBITDA</b>	<b>1,625.5</b>	<b>1,480.7<sup>12</sup></b>	<b>9.8%</b>
<i>EBITDA Margin</i>	<i>74.0%</i>	<i>68.0%</i>	<i>5.9pts</i>
<b>EBITDAR<sup>13</sup></b>	<b>1,625.5</b>	<b>1,709.0</b>	<b>-4.9%</b>
<i>EBITDAR Margin</i>	<i>74.0%</i>	<i>78.5%</i>	<i>-4.5 pts</i>
<b>FFO<sup>14</sup></b>	<b>959.8</b>	<b>1,100.8</b>	<b>-12.8%</b>
<i>FFO margin</i>	<i>43.7%</i>	<i>50.6%</i>	<i>-6.9 pts</i>
<b>Key Operational Metrics</b>			
<b>Total GLA (Mn sqm)</b>	<b>1.214</b>	<b>1.086</b>	<b>11.8%</b>
<b>Period-End Occupancy Rate LFL (across 19 malls only)</b>	<b>93.1%</b>	<b>93.4%</b>	<b>-0.3 pts</b>
<b>Average Footfall (Mn)</b>	<b>110.7</b>	<b>108.7</b>	<b>1.8%</b>

#### COVID-19 Impact

Arabian Centres' results were materially impacted by the outbreak of the COVID-19 pandemic during the period. Shopping centres house a high concentration of public-facing institutions and activities and are frequently required to cease operations when authorities assess an ongoing risk to public health. On 16 March 2020, ACC temporarily closed all of its shopping centres in the Kingdom in compliance with a government directive. Pharmacies and supermarkets operating on ACC premises were exempted from closing given their classification as essential businesses and continued to operate throughout the period. At this time, the government imposed a nationwide curfew and considerable constraints on mobility.

With the exception of Makkah Mall, ACC's shopping centres began to reopen on a partial basis beginning 26 April 2020, when the government announced an easing of the nationwide curfew for the holy month of Ramadan and permitting the resumption of certain commercial activities from 09:00 to 17:00. During this period, ACC's shopping centres operated in accordance with updated Ministry of Health guidelines regarding practice in the areas of public health and safety. Comprehensive health and safety measures were strictly implemented, including mandatory temperature checks and distribution of face masks and hand sanitizer at centre entrances, as well as additional social distancing measures enforced at retail units and elsewhere. Entertainment facilities, cinemas, beauty salons and clinics and food and beverage outlets remained closed for the duration of this period. The Eid Al-Fitr holiday immediately following Ramadan saw the government reimpose a 24-hour nationwide curfew from 23 to 27 May with an eye to preventing large social gatherings which might result in the further spread of COVID-19.

<sup>12</sup> It should be noted that the annual comparison of EBITDA figures is not like-for-like, as the EBITDA figure for FY2019 is inclusive of pre-IFRS rent expense.

<sup>13</sup> Earnings before interest, taxes, depreciation, amortisation and rent. EBITDAR is a measure of profitability which normalizes for the effects of the adoption of IFRS16 and the consequent recognition of a depreciation expense on right-of-use assets as opposed to a rent expense.

<sup>14</sup> Fund from operations: net profit for the year plus depreciation of investment properties and PP&E minus write-off of investment properties, if applicable.



The Company partially reopened its shopping centres on 28 May 2020, with premises operating from 06:00 to 15:00 to 30 May. From 31 May to 20 June, operating hours were extended to 06:00 to 20:00 and food and beverage units were permitted to receive dine-in orders while following precautionary guidelines. Makkah continued to face stricter restrictions during the period, while Jeddah saw a reinstatement of containment measures and the suspension of dine-in orders from 6 June to 20 June on account of an uptick of critical cases in the city.

From 06:00 on 21 June 2020, all curfew measures and restrictions on mobility were fully lifted by the government across all cities and regions of the Kingdom. All commercial activity in the Kingdom has been allowed to resume on a normalized basis. From this date, all ACC shopping centres began to operate regularly and observe normal, pre-COVID working hours while maintaining comprehensive health and safety measures at all premises.

## Financial and Operational Highlights

- **Total revenues** climbed 1.0% y-o-y and decreased by 2.0% on a like-for-like (LFL) basis, booking SAR 2,197.3 million for FY2020.
- **Gross profit recorded SAR 1,438.4 million in FY2020, an increase of 3.2% y-o-y, yielding a 1.4 percentage-point improvement in the gross profit margin (GPM)** to 65.5% for the year.
- **EBITDA<sup>15</sup> increased by 9.8% y-o-y in FY2020 to SAR 1,625.5 million**, with the EBITDA margin expanding by 5.9 percentage points to 74.0%.
- **EBITDAR<sup>1</sup> declined by 4.9% y-o-y in FY2020, recording SAR 1,625.5 million** with a 4.5 percentage-point reduction to the EBITDAR margin in FY2020.
- **Net profit decreased by 20.1% y-o-y in FY2020, booking SAR 642.6 million for the year.** ACC's net profit margin (NPM) contracted by 7.7 percentage points in FY2020, recording 29.2%.
- **Funds from operations (FFO)<sup>16</sup> fell by 12.8% y-o-y to SAR 959.8 million** in FY2020, with the FFO margin declining by 6.9 percentage points to 43.7%.
- **Total CAPEX outlays** on shopping centres in ACC's construction pipeline registered SAR 256.5 million during FY2020.
- As part of its capital optimization strategy, **in Q3-FY2020 ACC successfully carried out a comprehensive debt refinancing transaction** comprising (i) a senior unsecured Shari'ah compliant Sukuk offering of USD 500 million (equivalent to SAR 1.9 billion) and (ii) senior secured Ijara and Murabaha dual currency term facilities of USD 1.2 billion (SAR 4.5 billion) and a senior secured dual currency revolving Murabaha facility of USD 200 million (SAR 0.75 billion) with a lengthened tenor and improved pricing conditions.
- **Net debt<sup>17</sup> recorded SAR 5,970.1 million at year-end FY2020 (31 March 2020)** versus 6,090.0 million as of 9M-FY2020 (31 December 2020) and SAR 6,283.4 million at year-end FY2019 (31 March 2019).
- **ACC's portfolio included 21 shopping centres at year-end FY2020, with total GLA up 11.8% y-o-y to 1.2 million sqm.**
- **Like-for-like period-end occupancy** (across 19 malls only) recorded 93.1% as of 31 March 2020, down slightly from the rate of 93.4% recorded in FY2019 due to the allocation of additional space to cinemas during the year.
- **Approximately 110.7 million visitors were welcomed during FY2020**, up from 108.7 million during FY2019, displaying ACC's continued market dominance.
- **ACC renewed 2,044 leases during FY2020**, representing 98.0% of leases due to expire during FY2020.
- **COVID-19 relief program** – Arabian Centres has offered all tenants a waiver on contractual base rent and service charges for a period of six weeks from 16 March 2020.

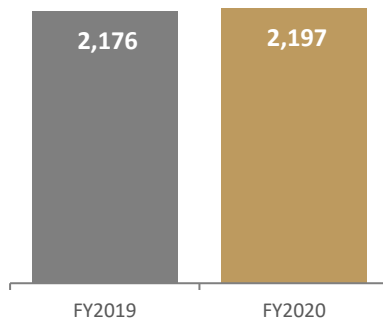
<sup>15</sup> It should be noted that the EBITDA figure for FY2019 is inclusive of pre-IFRS rent expense.

<sup>16</sup> Fund from operations: net profit for the year plus depreciation of investment properties and PP&E minus write-off of investment properties, if applicable.

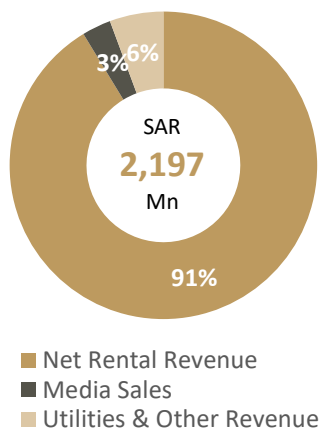
<sup>17</sup> Net debt: financial debts minus cash and cash equivalents.



### Total Revenue (SAR Mn)



### Revenue by Type (FY2020)



## Financial and Operational Review

### Revenues

Total revenue for FY2020 came in at SAR 2,197.3 million, up 1.0% from the SAR 2,176.4 million booked in FY2019. In LFL terms, revenues were down 2.0% y-o-y. Net rental revenue climbed 1.6% y-o-y during the year, booking SAR 2,005.9 million in FY2020. Meanwhile, media sales rose by 1.8% y-o-y to reach SAR 67.2 million, while utilities and other revenue decreased by 8.3% y-o-y to book SAR 124.2 million for FY2020. At 91.3%, net rental revenue continued to claim the largest share of total revenues in FY2020, followed respectively by utilities and other revenue and media sales at 5.7% and 3.1%. Net rental revenue accounted for most of ACC's revenue growth in FY2020, with media sales accounting for the remainder.

Throughout the year, ACC reaped the benefits of space and yield optimization measures. Improved discount policies delivered a weighted average discount rate across internal and external tenants of 5.6% (SAR 119.5 million) in FY2020, down from 6.8% (SAR 149.0 million) in FY2019. On a quarterly basis, however, ACC's weighted average discount rate rose to 11.3% (SAR 59.9 million) in Q4-FY2020 from 6.5% (SAR 34.9 million) one year previously. This increase was mainly due to special discounts offered to tenants following the application of a COVID-19 lockdown in the final two weeks of Q4-FY2020.

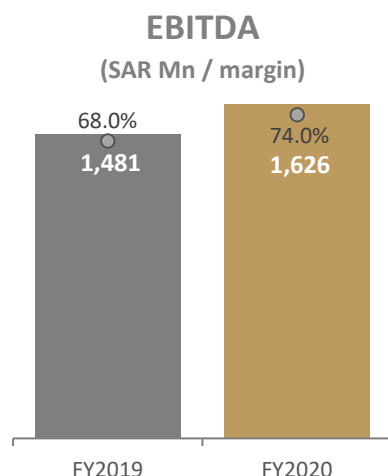
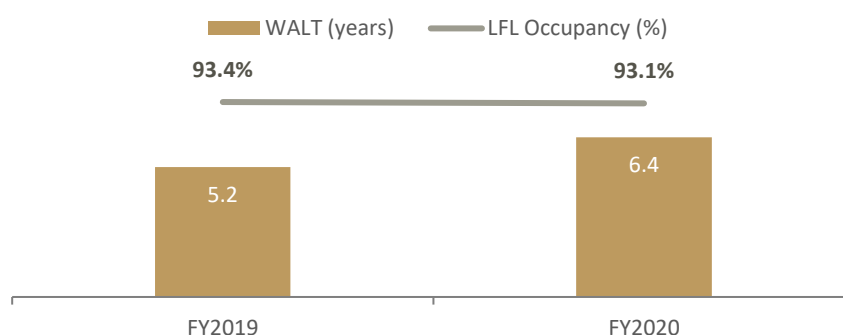
LFL period-end occupancy rates (across 19 malls only) came in at 93.1% at year-end FY2020, down from the 93.4% recorded for FY2019. This slight decline was driven primarily by the allocation of additional space to cinemas during the year. Furthermore, an additional 118,000 sqm of GLA were inaugurated in FY2020 with the launch of U-Walk Riyadh and Nakheel Mall Dammam during the second quarter of FY2020. These two malls continue to undergo a ramp-up phase in leasing, reaching respective pre-letting rates of 97% and 82% at year-end FY2020. ACC renewed 2,044 lease contracts during FY2020, maintaining a positive lease spread. Almost all leases scheduled to expire during FY2020 were renewed during FY2020. ACC recorded a weighted average lease term (WALT) of 6.4 for FY2020, up from 5.2 one year previously. For more details, please see the Company's [Investor Presentation](#).

On 21 May 2020, Arabian Centres announced the extension to its tenants of rent relief and support packages designed to address the impact from COVID-19. ACC has offered all tenants a waiver on contractual base rent and service charges for a period of six weeks (45 days) from 16 March 2020. Tenants whose stores were mandatorily closed by government order will also benefit from the rent relief program starting from the date of closure up to 30 June



2020 or the lifting of closure orders, whichever is earlier. Meanwhile, all escalations on lease contracts will be suspended for 2020 and 2021.

### Occupancy Rates vs. WALT



#### EBITDA

EBITDA for FY2020 recorded SAR 1,625.5 million, an increase of 9.8% y-o-y, yielding a 5.9 percentage-point expansion in the EBITDA margin to 74.0%. Enhanced profitability at the EBITDA level stems from a sustained improvement in gross profitability, itself boosted by the adoption of IFRS 16 beginning in Q1-FY2020. Under IFRS 16, the Company recorded a depreciation expense on right-of-use assets amounting to SAR 159.6 million at year-end FY2020, in addition to an interest expense on lease liabilities amounting to SAR 134.5 million. ACC's EBITDAR, which normalizes for the effects of IFRS 16, was down 4.9% y-o-y to record SAR 1,625.5 million, reflecting the effects of the COVID-19 closures implemented during the final two weeks of Q4-FY2020. The EBITDAR margin declined by 4.5 percentage points to register 74.0% for FY2020.

#### Depreciation Expense

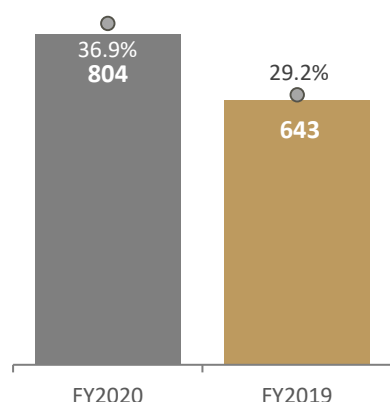
Depreciation of investment properties booked SAR 286.4 million in FY2020, up by 11.5% y-o-y. Arabian Centres consolidated two new major investment properties beginning in Q2-FY2020, with the launch of U-Walk and Nakheel Mall Dammam. Depreciation of right-of-use assets recorded to SAR 159.6 million for the year, bringing total depreciation charges in FY2020 to SAR 446.1 million.

#### Finance Charges

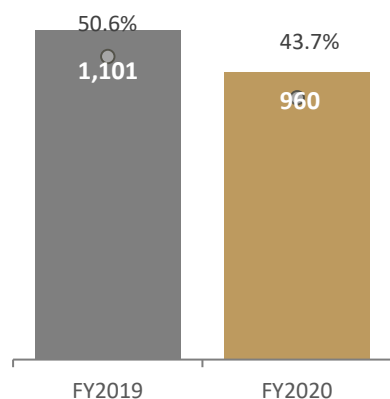
ACC booked finance charges of SAR 351.3 million in FY2020, down 20.1% y-o-y against the SAR 439.5 million recorded at year-end FY2019. This decrease reflects one-time transaction costs of SAR 125.2 million booked during the previous financial year following the completion of a refinancing transaction where an amount of SAR 59.9 million one-time transaction costs were written-



### Net Profit (SAR Mn / margin)



### FFO (SAR Mn / margin)



off during FY2020. FY2020 saw Arabian Centres complete its inaugural offering of Shari'ah-compliant Sukuk, valued at USD 500 million (SAR 1.9 billion) and drawing heavy interest from international investors. The transaction also saw ACC secure USD 1.2 billion (SAR 4.5 billion) in Ijara/Murabaha term facilities and a revolving Murabaha facility of USD 0.2 billion (SAR 0.75 billion), embedding a lengthened tenor and improved pricing conditions into ACC's debt structure. Proceeds from the transaction were utilized in refinancing ACC's SAR 7.2 billion facility. Arabian Centres benefitted heavily from the enhanced credit terms provided by this refinancing transaction and has seen a significant reduction in secured debt as a proportion of the Company's total debt. This left the Company with the financial flexibility required to weather the disruptions caused by COVID-19, with the average maturity of ACC's debt climbing to 6.5 years and no financial obligations coming due over the short term. In Q4-FY2020, ACC drew down its SAR 750 million revolving Murabaha facility as a risk management exercise, boosting the Company's liquidity position.

#### Net Profit

Arabian Centres booked a net profit of SAR 642.6 million in FY2020, a decrease of 20.1% y-o-y, while the net profit margin contracted by 7.7 percentage points to record 29.2% for the year. Decreased bottom-line profitability reflects an increased impairment loss on accounts receivable during the year. Impairment loss on accounts receivable rose to SAR 119.3 million in FY2020 from SAR 43.5 million one year previously, with an uptick in such impairments seen particularly during the final quarter of FY2020. The bottom line was also adversely affected by unfavourable base effects, stemming from the reversal of a SAR 75.1 million zakat provision and a write-off of SAR 125.2 million in one-time financial charges during the third quarter of FY2019. A further SAR 59.9 million in one-time financial charges were written off during FY2020.

#### FFO

FFO fell by 12.8% y-o-y to SAR 959.8 million in FY2020, with the FFO margin recording 43.7% against the 50.6% booked in FY2019.

#### Operating and Pipeline Assets

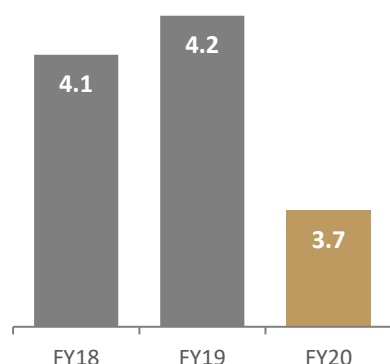
ACC's book value of total investment properties, representing its investment in 21 operating mall developments, malls under construction and raw lands for future developments, was SAR 11,356.9 million at the close of FY2020 on 31 March 2020, up from SAR 10,983.8 million as of FY2019.

Advances paid to contractors, representing advances paid by the Company for its projects under construction, stood at SAR 614.4 million as of 31 March 2020, up from SAR 604.9 million as of 31 March 2019.



The Company made total CAPEX outlays of SAR 256.5 million on new developments in FY2020. Near-term pipeline projects have been the primary focus of ACC's capex expenditure, with a total estimated budget of SAR 1.9 billion allocated to such projects, up from SAR 1.8 billion at the close of the previous quarter due to an increase in the total value of ACC's contract for Khaleej Mall. Having inaugurated U-Walk Riyadh and Nakheel Mall Dammam during the Q2-FY2020, bringing online an additional 118,000 sqm in GLA, ACC's near-term pipeline now includes two new malls (Khaleej Mall and Jeddah Park) and an extension to its existing Nakheel Mall Riyadh. These developments are projected to add c. 197,000 sqm in new GLA in the near term, of which c. 129,000 sqm relate to Jeddah Park, a key pillar of ACC's pipeline. Meanwhile, the Company continues to make progress with its medium-term project pipeline, which includes five additional developments that will add c. 358,000 sqm of GLA. ACC's medium-term pipeline carries a total development cost of SAR 6.6 billion, including land costs relating to Mall of Arabia Riyadh and Jawharat Jeddah, of which SAR 3.4 billion had been incurred at year-end FY2020.

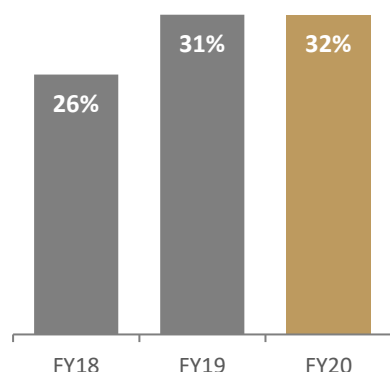
### Net Debt / EBITDA



### Net Debt

ACC's total interest-bearing debt recorded SAR 7,016.0 million as of 31 March 2020, including a CPLTD<sup>18</sup> of SAR 45.0 million, compared to SAR 6,741.0 million as of 31 March 2019. The Company recorded a Loan-to-Value ratio of 32% as of 31 March 2020, almost stable at the level recorded one year previously. Following ACC's drawdown of its revolving credit facility, cash and cash equivalents on the Company's balance sheet stood at SAR 1,045.7 million as of 31 March 2020, up from SAR 457.7 million as of 31 March 2019.

### Loan to Value



Net debt recorded SAR 5,970.1 million in FY2020, down from SAR 6,283.4 million at the close of the previous year. Meanwhile, ACC's net debt to EBITDA ratio registered 3.7x for FY2020 against 4.2X at the close of FY2019.

### Equity

Total shareholders' equity came in at SAR 5,984.3 million as of 31 March 2020 against SAR 5,064.8 as of 31 March 2019.

ACC's Board of Directors approved the distribution of an interim dividend of SAR 0.90 per share, or 9.0% of the shares' par value, totalling SAR 427.5 million distributed over 475 million shares.

<sup>18</sup> Current portion of long-term debt



## Highlights of Last Five Years' Financial Statements

Summary Statement of Balance Sheet (As of 31 March)					
SAR	2016	2017	2018	2019	2020
<b>Current Assets</b>	649,804,323	830,491,568	992,248,060	1,450,910,344	2,079,311,196
<b>Non-Current Assets</b>	9,618,368,426	11,075,672,734	11,482,344,239	11,914,866,335	15,882,179,460
<b>Total Assets</b>	<b>10,925,178,263</b>	<b>11,906,164,302</b>	<b>12,474,592,299</b>	<b>13,365,776,679</b>	<b>17,961,490,656</b>
<b>Current Liabilities</b>	1,553,968,548	1,205,442,672	1,528,998,079	1,467,661,897	1,024,229,144
<b>Non-Current Liabilities</b>	4,075,179,597	5,818,974,550	6,040,641,566	6,833,354,662	10,953,005,880
<b>Total Liabilities</b>	5,629,148,145	7,024,417,222	7,569,639,645	8,301,016,559	11,977,235,024
<b>Shareholders' Equity</b>	4,665,316,269	4,880,711,192	4,901,070,842	5,064,669,068	5,982,997,476
Non-Controlling Interests	713,849	1,035,888	3,881,812	91,052	1,258,156
<b>Total Equity</b>	4,666,030,118	4,881,747,080	4,904,952,654	5,064,760,120	5,984,255,632
<b>Total Liabilities and Equity</b>	<b>10,295,178,263</b>	<b>11,906,164,302</b>	<b>12,474,592,299</b>	<b>13,365,776,679</b>	<b>17,961,490,656</b>

Summary Statement of Income (For the year ended on 31 March)					
SAR	2016	2017	2018	2019	2020
<b>Revenue</b>	<b>1,852,213,685</b>	<b>2,123,773,892</b>	<b>2,160,507,418</b>	<b>2,176,399,680</b>	<b>2,197,315,187</b>
Cost of Revenue	(562,988,862)	(810,750,513)	(795,401,062)	(782,491,092)	(758,877,613)
<b>GROSS PROFIT</b>	<b>1,289,224,823</b>	<b>1,313,023,379</b>	<b>1,365,106,356</b>	<b>1,393,908,588</b>	<b>1,438,437,574</b>
OPERATING PROFIT	1,127,945,186	1,135,263,078	1,104,802,422	1,176,795,279	1,132,853,540
PROFIT BEFORE ZAKAT	1,032,962,521	976,989,396	819,095,319	748,823,931	662,891,521
Zakat	(32,998,878)	(27,154,423)	(32,684,346)	55,276,825	(20,290,170)
<b>PROFIT FOR THE YEAR</b>	<b>999,963,643</b>	<b>949,834,973</b>	<b>786,410,973</b>	<b>804,100,756</b>	<b>642,601,351</b>



## Sustainability

*In line with the Kingdom's vision to grow sustainable practices across public and private sector operations, ACC continues to increase its adherence to environmental, social and governance (ESG) practices that will further its development and contribute to national advancement and wellbeing.*

Informed, responsible and sustainable approaches to business operations have become part and parcel of ACC's strategy for long-term business growth. The Company is an advocate of the undeniable role that private sector companies play in boosting sustainability agendas and their implementations. It is constantly improving operational frameworks across its facilities to maintain its provision of high-quality services while increasing positive contributions and reducing negative impact. The Company is also planning to align with the Smart KSA vision and inaugurate its digital transformation strategy across all of its shopping centres, using global standards and best practices of international shopping centres as its frame of reference.

### ESG Strategy

Next to addressing environmental concerns that usually accompany wide-scale operations, ACC remains mindful of its duty towards the Saudi community, and heavily invests in the rising generation of young Saudi nationals. It is committed to providing equitable access to well-paying and fulfilling employment across its operations, and enhancing workplace environments for safe, productive and satisfying results.

Moreover, and as it continues to grow its frameworks and policies for sustainable business practices, ACC also maintains a robust governance framework by which it directs and supervises its operations. The Company relies on its Board of Directors and board committees to oversee operations, with the welfare of all stakeholders in mind, maintain tight internal controls, ensure compliance with all relevant laws and regulations and govern the Company through risks and against corruption.

Through its combined efforts and dedication to improvements, ACC looks to lead by example in the way of innovative sustainable progress. It will continue to expand on its efforts and push for increasingly positive results on operational, environmental and social fronts.

### Environment

A fundamental portion of ACC's ESG efforts lies within its commitment to reduce the effects of its operations on the environment. Its efforts culminated in FY2020 as it continued to uphold and expand on initiatives that help it reduce its carbon footprint, maximize the efficient use of renewable and recyclable energy sources, optimize the use of raw construction materials, improve its waste management and disposal policies and structures, among others. As it continues to expand its efforts in ESG compliance, ACC will parallelly improve its policies to increase its mitigation of health and safety concerns using global best practices and by way of specialized consultants. The Company will also launch a comprehensive recycling program across all of its shopping centres and businesses, further boosting its efforts in reducing its waste, and will continue exploring strategies by which it can reduce its negative impact on surrounding communities.

#### A. Recycling Rainwater

ACC took an innovative approach to utilizing natural resources and installed a utility network for rainwater gathering, which feeds into a centralized collection tank. The system has largely minimized municipal water use across all of the Company's present shopping centres and is utilized for irrigation and cooling purposes across premises. Meanwhile, condensate water is centrally collected by air conditioning equipment and utilized for domestic uses and irrigation.



**B. Wastewater Management**

To optimize its wastewater management systems and optimize the use of recyclable waste materials, ACC is inaugurating a two-pipe waste management system at its Mall of Arabia pipeline project. The system segregates into a soil-water through soil pipe (SP) type and a wastewater through waste pipe (WP) type, ensuring that wastewater/grey water collected through the WP is effectively gathered in a centralized tank to undergo treatment that will produce non-potable water fit for use as irrigation water, flushing water and other industrial uses.

**C. Energy Efficiency**

ACC's strategy to improve energy use across its operations is multi-pronged. The Company has installed Building Management Systems (BMS) across its entire portfolio of shopping centres to efficiently monitor its power and lighting systems, heating, ventilation and air conditioning (HVAC) systems, plumbing and firefighting networks and its state-of-the-art security systems. This has allowed the Company the capacity to decrease its power use and increase the efficient allocation of energy resources. Additionally, the Company's installation of wide-ranging low u-value skylights across its shopping centres has decreased heat penetrating through their structures, thereby decreasing the need for excess cooling and preserving more energy. In further adoption of alternative, renewable energy sources, ACC will also be installing photovoltaic solar panels across all upcoming pipeline projects for power storage purposes, acting as an emergency reserve in case of contingencies.

**D. Air Quality**

Paying thorough attention to the air quality within its shopping centres and the gases it omits through its ventilation systems remains among ACC's top priorities. Next to executing infrastructure and building designs that take regulation-compliant ventilation into accounts, the Company mandates the installation of ecology air filtration systems as a standard practice across all its food and beverages business units. As such, it is considered compliant with the Environmental Protection Agency (EPA)'s index for air quality standards, which aims to reduce harmful pollutants and protect public health.

**E. Construction Standards**

As it continues to grow its operations, ACC has increased its efforts in using environmentally friendly construction materials that largely decrease the potential of contamination. Building materials selected must score low volatile organic compound (VOC) figures, and plumbing materials must be lead-free, in compliance with the International Association of Plumbing and Mechanical Officials' (IAPMO) standards and regulations.

**Social****A. Investing in Education**

Arabian Centres is fully committed to leveraging the power of education to help young Saudis carve pathways to professional development, fulfilling employment and healthy living. In FY2020, the Company cooperated with a variety of institutions to provide a range of training programs to local youth across its operational footprint:

- A full professional experience program was developed to provide Saudi students across different communities where ACC operates with specialized summer trainings on job preparedness.
- A Mall Proof of Concept program was delivered to young Saudi entrepreneurs. The program offers insight on experimental entrepreneurial concepts in shopping centres and dedicates platforms and spaces for Saudi startups that enable them to present new ideas.
- Collaboration efforts between Al-Eradah Society for Talented Special Needs Individuals took place as ACC provided spaces inside all of its shopping centres to host the society's events and activities.



- In cooperation with the General Authority of Sports and Ministry of Health Awareness, multiple programs and events were hosted in ACC's shopping centres to promote welfare and improved quality of life.

## **B. Upcoming Developments**

To further capitalize on its accomplishments and continue to propel the Kingdom's youth forward, ACC plans to continue investing in human capital on the long-term. On a Company-wide scale, ACC will set up soft loan programs in cooperation with local banks, as well as saving funds for employees to increase financial assistance and boost job security. It will also build an internal training program for the benefit of all its employees and will develop a comprehensive professional experience program that offers specialized internship opportunities to Saudi students at its businesses and shopping centres. Moreover, and to empower Saudi females aspiring for leadership positions, the Company plans on inaugurating the Applied Diploma Program for Excellent Leadership (LEED), in cooperation with local and international business administration universities and colleges in the Kingdom.

## **Governance**

### **A. Responsible Business Practices**

ACC operates its business under the guidance of its Board of Directors (BoD) and specialized board committees, who support the Company in upholding regulations set by the Saudi Capital Market Authority (CMA) and relevant provisions of the Saudi Companies' Law. They also ensure that the Company continuously evolves to meet standards of international best practices in governance, compliance, anti-corruption efforts and risk-mitigation strategies and planning.

ACC's BoD continues to showcase a steadfast commitment to best-in-class corporate governance. As such, a corporate governance manual was prepared in line with CMA regulations and benchmarked against globally-recognized governance frameworks and practices. The manual was approved by the Company's general assembly and includes the following policies, procedures and regulations:

- Board of Directors policies and procedures;
- Board of Directors conflict of interest policy;
- Board of Directors committee principles and policies;
- Monitoring, assessment, internal and external audit and internal control policies;
- General Assembly policies;
- Dividend distribution policy;
- Shareholder communication policies;
- Disclosure and transparency policies;
- Audit Committee charter;
- Nomination and Remuneration Committee charter; and
- Corporate social responsibility policy.



## B. Governance Framework

Complementary to its governance manual, ACC's BoD established a framework that regulates the various relationships between the Board, executive directors, shareholders and other stakeholders. It established rules and procedures that facilitate decision-making processes, with the objective of protecting the rights of all stakeholders while championing credibility, fairness, competitiveness and transparency. It also encourages upholding policies and procedures to maintain arm's length transactions with related parties. Additionally, and most prominently, the framework ensures that the Board acts in the best interest of shareholders while presenting a clear, fair and transparent view of the financial and operational condition of the Company. In FY2020, compliance measures to avoid conflicts of interest and competing interests were also instated.

## C. FY2020 Developments

ACC saw through a variety of planned governance initiatives in FY2020. Two new board members joined the ranks of the company's BoD, bringing a wealth of industry and leadership experience to its supervisory operations. The Board now comprises a majority of non-executive members and four independent directors, in compliance with CMA regulations. Additionally, the BoD established a Corporate Governance Committee — comprised of three independent members — during the year. It has been tasked with developing and recommending suitable corporate governance guidelines, and proposing amendments as needed and in line with changes in national and international governance regulations. The new Corporate Governance Committee works in conjunction with the already existing board committees, including the Audit Committee and the Nomination and Remuneration Committee.

A more detailed overview of ACC's corporate governance frameworks and policies is provided in the **"Governance & Disclosures"** section from this report.



## Risks and Mitigants

*Arabian Centres faces the conventional set of risks associated with the large-scale development and operation of modern retail spaces. The Company's strategy fully accounts for the presence of such risks and is calibrated to mitigate them as the business continues to expand. Below is a list of some of the major risks facing the Company:*

**COVID-19 and its impact on the business:** In light of the current precautionary and preventive measures undertaken by the authorities in the Kingdom of Saudi Arabia to prevent the spread of COVID-19 and given the inability to determine or know the duration of these precautionary and preventive measures, it is difficult for ACC to determine the size and extent of the financial impact at this stage.

ACC assures that its financial soundness indicators are strong and able to stand the current economic challenges. In addition, the Royal decrees and the Government initiatives to support the private sector will limit the economic and financial impact resulting from the precautionary and preventive measures taken to limit the spread of COVID-19.

In compliance with the last instructions from the authorities, ACC's shopping centres have resumed operations according to the announced working hours while complying with the required precautionary and preventive measures.

**Impact of visitor traffic and spending on the Company's business:** ACC's revenues depend on rental income from tenants, whose ability to pay rent, and in some cases the level of the rent they pay, depends on their sales to visitors. Accordingly, the Company's malls are subject to the inherent risks relating to the retail sector. Retail sales are subject to rapid and occasionally unpredictable changes in the behavior of visitors to the Company's malls, which may be influenced by general economic conditions including levels of income, general confidence in the economy and changes in consumer preferences and demographics.

Arabian Centres' business strategy includes measures for maintaining and driving continuous increases in visitor footfall. These include but are not restricted to the rollout of cinema complexes across the Company's portfolio of malls, the introduction of innovative lifestyle concepts, continuous improvement in the quality of services offered to visitors and the hosting of cultural and entertainment events at ACC destinations.

**Reliance on Key Account tenants:** The Company's revenues are dependent on certain Key Account tenants. The Company's Key Account tenants are considered strategic partners and are generally significant retail groups with large portfolios of well-known brands, which lease multiple retail units across several of the Company's malls. ACC works to mitigate this risk by maintaining an optimal mix of internal to external tenants and continuously negotiating enhanced lease terms with the Company's tenants.

**Impact of delays in rent collection on the Company's working capital:** ACC ordinarily collects rent in advance of the relevant rental period. Rent collected in advance is used by the Company to finance its short-term operational and working capital requirements. While the company administers a strong collections and receivables management function, there can be no assurance that rental income can be collected as and when it falls due. In light of this, Arabian Centres maintains strong relationships with the Kingdom's premier financial institutions, enabling it to acquire working capital financing at competitive rates. The Company also selectively taps into global debt capital markets to meet its business needs and optimize its capital structure.

**Risks associated with the Company's renewal of its existing leases and entry into new leases:** ACC's ability to sustain its revenue depends in part on its ability to renew tenancy agreements with its existing tenants and/or to re-lease any vacant spaces to new tenants. To mitigate this risk, Arabian Centres maintains a highly proactive approach to portfolio



management. The Company typically pre-leases 50% of units at its recently opened malls approximately three to six months prior to launch, giving it clarity and enabling it to maintain a positive lease spread.

**Dependence on related party transactions:** A central feature of the Company's business model is its close, ongoing business relationships with a variety of related parties. In particular, the Company has entered into a large number of contracts with related parties for the design and construction of its malls, the leasing of commercial spaces to internal tenants and the provision of certain maintenance services for the operation of its malls. All contracts between the Company and related parties following the adoption of the Related Party Transactions Policy are subject to the parameters of such policy. Related party transactions are regulated by relevant Saudi laws and regulations relevant to entering such transactions.

**Operational risks and unexpected interruptions to the Company's business:** ACC's success depends significantly on the continuous, trouble-free operation of its malls. The operation of the Company's malls is prone to a number of risks, including severe weather conditions, physical damage to buildings, power failures, breakdowns, failure or substandard performance of equipment, the possibility of work stoppages, criminal incidents, civil unrest, natural disasters, fires and explosions and other potential hazards associated with operating the malls.

Arabian Centres continuously develops its ability to keep essential functions up and running through unforeseen events and to recover with minimum downtime. The Company's Board of Directors work to implement world-class business continuity standards, helping the Company maintain resiliency in responding rapidly to interruptions.

**Concentration of the Company's revenues among its largest malls:** The financial performance of the Company depends significantly on the financial performance of its major malls (being Mall of Arabia – Jeddah, Salaam Mall – Jeddah, and Mall of Dhahran). The occurrence of any adverse factors in any of these malls, including a reduction in footfall, occupancy rates and/or rental values, an increase in operating costs, or the occurrence of incidents beyond the control of the Company such as force majeure events, among other things, would adversely and materially affect the Company's business, results of operations, financial condition and prospects.

Given this risk, the Company leverages its proprietary retail database to optimize the balance of Super-Regional, Regional and Community offerings across its portfolio. The Company's business strategy involves continuous geographic expansion, with several malls and extensions in the near- and medium-term project pipelines projected to significantly increase ACC's total GLA and dilute the contribution of any one centre to the Company's consolidated top line.

**Risks associated with litigation involving the Company:** The Company, its directors and/or its officers may become involved in lawsuits and regulatory actions with several parties including tenants, suppliers, employees, competitors, visitors, regulatory authorities or owners of lands leased to the Company for its operations. The Company may also be the claimant in such lawsuits or litigation.

**Risks associated with expansion plans:** The successful implementation of ACC's expansion plans will depend on several factors including, most importantly: (1) the availability of sufficient financing on acceptable terms, (2) the Company's ability to complete the design and construction of new malls on time and on budget, (3) the Company's ability to attract tenants to its new malls and to achieve the expected occupancy rates and rental revenues within the timeframes set out in its business plan, (4) the Company's ability to successfully manage its expansion and ongoing operations in its new malls, including monitoring new operations, controlling costs and maintaining effective quality and service control and (5) favorable economic, regulatory and market conditions including oversupply and/or a reduction in demand for retail space.



## IV. Governance & Disclosures

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## 1. Corporate Governance

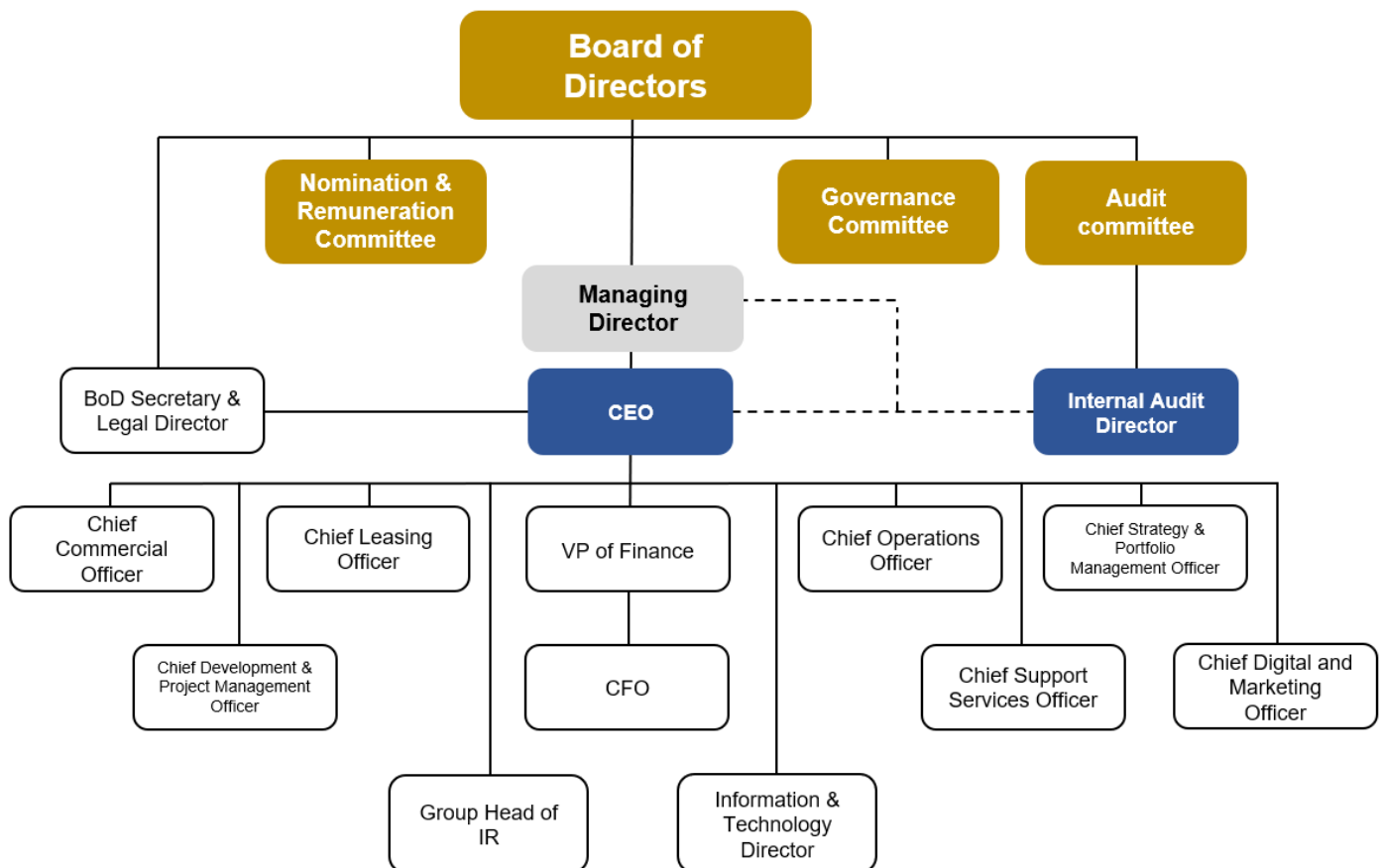
### Overview

The key sources of corporate governance for the Company are the corporate governance regulations issued by the Capital Market Authority (CMA), certain provisions of the Companies' Law and corporate governance best practices in the Kingdom.

The framework under the corporate governance regulations regulates the various relationships between the Board, executive directors, shareholders and other stakeholders, by establishing rules and procedures to facilitate decision-making processes with the objective of protecting the rights of shareholders and other stakeholders, and promoting the values of credibility, fairness and transparency in the Company's conduct.

These regulations, which entail the implementation of a clear and transparent disclosure process ensure that the Board acts in the best interests of the shareholders, and presents a clear and fair view of the financial condition of the Company and the results of its operations. The Company considers ongoing compliance with these regulations to be an important factor in its continued success.

### Company's Organizational Structure





### **Key Corporate Governance Requirements**

The key corporate governance requirements that the Company complies and will comply with are set out in the CMA Corporate Governance Regulations. These cover the following broad areas:

- General shareholder rights (Articles 4 to 9);
- Rights relating to General Assembly Meetings (Articles 10 to 15);
- The Board of Directors: formation, responsibilities, competencies, procedures and training (Articles 16 to 41);
- Conflicts of interest (Articles 42 to 49);
- Company committees (Articles 50 to 72); and
- Internal controls, external auditors, company reports and policies, and various other matters (Articles 73 to 98).

### **Corporate Governance Manual and Internal Policies**

The Board of Directors approved the Corporate Governance Manual of the Company on 29/12/1438H (corresponding to 20 September 2017).

The Company's Corporate Governance Manual was made to comply mainly with the CMA and Companies' Law requirements and includes the following internal policies and charters:

- Board of Directors policies and procedures;
- Board of Directors conflict of interest policy;
- Board of Directors committee principles and policies;
- Monitoring, assessment, internal and external audit and internal control policies;
- General Assembly policies;
- Dividend distribution policy;
- Shareholder communication policies;
- Disclosure and transparency policies;
- Audit Committee charter;
- Nomination and Remuneration Committee charter; and
- Corporate social responsibility policy.

### **Corporate Governance Compliance**

The Company applies all the provisions contained in the Rules of Corporate Governance issued by the CMA, except what is highlighted in the next section below. In particular, a majority of the Company's Board of Directors, which, as of 31 March 2020, consists of eight (8) directors, three (3) of which are non-executive members, and the Board has four (4) independent directors, which is more than one third of the Board of Directors (Article 16). In addition, the shareholders adopted the cumulative voting method in relation to the appointment of directors at the General Assembly meeting held on 03/01/1441H (corresponding to 30 September 2019). This method of voting gives each shareholder voting rights equivalent to the number of shares he or she holds. Each shareholder has the right to use all of his or her voting rights for one nominee, or to divide their voting rights between his or her selected nominees without any duplication of votes. This method increases the chances of minority shareholders appointing their representatives to the Board by exercising their cumulative voting rights in favor of a single candidate (Article 8).

In addition, in compliance with the Corporate Governance Regulations:



- The Ordinary General Assembly of the Company formed the Audit Committee, consisting of three non-executive members (two of them independent), on 18/03/1439H (corresponding to 6 December 2017). The Board of Directors, at its meeting held on 21 June 2020, approved the renewal of the term of the current members of the Audit Committee for the remaining term of the Board, subject to General Assembly final approval.
- The Board of Directors formed the Nomination and Remuneration Committee on 29/12/1438H (corresponding to 20 September 2017). The Board of Directors, at its meeting held on 21 June 2020, approved the renewal of the term of the current members of the Nomination and Remuneration Committee for the remaining term of the Board, subject to General Assembly final approval.
- The Company prepared the Audit Committee charter and the Nomination and Remuneration Committee charter, which were approved by the Board in its session held on 29/12/1438H (corresponding to 20 September 2017) and recommended to the Ordinary General Assembly for ratification.
- The Ordinary General Assembly ratified the committee charters during its session held on 18/03/1439H (corresponding to 6 December 2017) (Articles 50 and 54). The minutes of all meetings were prepared, reviewed and approved by the Board of Directors (Article 53).
- In accordance with Article 94 of the CMA Corporate Governance Regulations, the board established governance rules for the Company in accordance with the provisions of these Regulations in the form of a Governance Manual (referred to in a separate section under “Corporate Governance Manual and Internal Policies”).
- As per Article 95 of the CMA Corporate Governance Regulations, the board also formed a Corporate Governance Committee, on 19 May 2019 and assigned to it the competencies stipulated in Article (94) of these Regulations. The Committee responsibilities include overseeing any matters relating to the implementation of governance.
- In addition, management has established a number of management committees to oversee certain functions within the Company and assist the Board in ensuring effective supervision and operation of the Company's different departments. The management committees are not formal committees of the Board and include the following: (i) Executive Management Committee; (ii) Development Committee; (iii) Asset Management Committee; (iv) IT & Technology Committee; and (v) Tendering Committee.
- Furthermore, the Company has put in place measures to comply with provisions that deal with conflicts of interest and competing interests (Articles 71, 72 and 73 of the Companies’ Law and Articles 44 and 46 of the Corporate Governance Regulations). The Company will comply with the requirements of these provisions when it seeks the approval of the General Assembly for Related Party Transactions.
- Pursuant to the Corporate Governance Regulations, each Board Member is prohibited from voting on a decision taken by the Board or the General Assembly with respect to transactions and contracts that are executed for the company’s account, if he/she has a direct or indirect interest in those transactions or contracts (Article 44(b)(1)). The Companies’ Law sets out similar requirements to the effect that a director, without prior consent from the ordinary General Assembly, may not have any direct or indirect interest in transactions or contracts made for the account of the Company. The director also has an obligation to inform the Board of Directors of any personal interest he may have in such transactions or contracts and may not participate in voting on resolutions to be adopted in this respect by the Board of Directors or shareholder assemblies. The Chairman of the Board of Directors must inform the General Assembly of any transactions and contracts in which any director has a direct or indirect personal interest and accompany that with a special report from the Company’s external auditor (Article 71).
- In accordance with its Related Party Transactions Policy, the Company has interpreted the requirements of the Companies’ Law broadly, such that approval of the General Assembly is required whenever any entity in which a Director has a direct or indirect form of ownership enters into a transaction with the Company. Likewise, the Company has interpreted the scope of the voting restrictions in both the Companies’ Law and the Corporate Governance Regulations broadly, such that not only is the relevant Board Member restricted from voting on the resolution to approve the relevant transaction, but that any shareholder which is controlled by that director or a



relative of that director (such as Abdul Majeed Abdulaziz Al Hokair, who is the brother of Fawaz Abdulaziz Al Hokair and Salman Abdulaziz Al Hokair) would also be restricted from voting at the relevant General Assembly. The Corporate Governance Regulations also provide that if a member of the Board wishes to engage in a business that may compete with the company or any of its activities, he or she must notify the Board of the competing businesses and abstain from voting on the related decision in the Board meeting and general assemblies. The Chairman of the Board must inform the ordinary General Assembly of the competing businesses that the member of the Board proposes to be engaged in, and the authorization of the Company's General Assembly must be obtained for the member to engage in the competing business (Article 46). The Companies' Law sets out similar requirements (Article 72).

## What provisions have/have not been implemented of the Corporate Governance Regulations, with justifications

The Company applies all the provisions contained in the Rules of Corporate Governance issued by the CMA, except the provisions below:

Type	Article	Clause	Justification
Mandatory	Article 17 Paragraph b)	The General Assembly shall elect the Board Members for the term stated in the Company's bylaws, provided that such term shall not exceed three years. Board Members may be re-elected, unless otherwise provided for in the Company's bylaws.	Under the bylaws, the Board of Directors shall be comprised of nine (9) directors appointed by the General Assembly by means of cumulative voting.  As of 31 March 2020, the Board of Directors is comprised of eight (8) directors. The Company is actively seeking to fill the remaining one Board vacancy by canvassing potential candidates who are of a high calibre and are likely to add value to the Board. The Company has identified a number of quality candidates and anticipates completing its review and appointment process soon. Any decision to make further appointments will be determined primarily by the anticipated contribution the candidates will make to the Board.
Guiding	Article 32 Paragraph b)	The Board shall convene no less than four meetings per year, and no less than one meeting every three months.	As per the Company bylaws the board should meet two times per year minimum. The Board met three times during the past financial year (2019-2020) but will contemplate increasing its meeting frequency in the future.
Guiding	Article 39	<b>Training:</b> The Company shall pay adequate attention to the training and preparation of the Board Members and the Executive	The Company provides training programs for the executive management and also plans to provide training to board members in the future noting that



		Management, and shall develop the necessary programmes.	current board members possess the necessary capabilities and expertise.
Guiding	Article 41	The Board shall develop, based on the proposal of the Nomination Committee, the necessary mechanisms to annually assess the performance of the Board, its members and committees and the Executive Management using key performance indicators.	The Board of Directors did not develop such mechanisms yet. There are plans to develop it in the future.
Guiding	Article 70	<b>Composition of the Risk Management Committee:</b> The Company's Board shall, by resolution therefrom, form a committee to be named the "Risk Management Committee". The Chairman and majority of its members shall be Non-Executive Directors. The members of that committee shall possess an adequate level of knowledge in risk management and finance.	The Board of Directors did not see the need to establish a Risk Management Committee during the year. Instead, the company established a Risk Management department in May 2019 and hired a capable Risk Manager. It should be noted that the Audit Committee is overseeing the Risk Management functions in accordance with its charter.
Guiding	Article 87	<b>Social Responsibility:</b> The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community.	Arabian Centres has participated in many activities during the year under the supervision of the executive management. This article will be considered in the future.
Guiding	Article 88	<b>Social Initiatives:</b> The Board shall establish programs and determine the necessary methods for proposing social initiatives by the Company.	Currently, executive management takes responsibility and will take this article into consideration in future.



## 2. Board of Directors

### a. Composition of the Board of Directors

Under the bylaws, the Board of Directors shall be comprised of nine (9) directors appointed by the General Assembly by means of cumulative voting. The Companies' Law, corporate governance regulations, the Company's bylaws and corporate governance manual determine the duties and responsibilities of the Board of Directors. The term of the first appointed Board of Directors is for a period of five (5) years. Subsequently, the term of the Board of Directors will be of three (3) years.

The term of the current Board is five Gregorian years from the date of its formation on 19 June 2017 and shall end on 18 June 2022. The Board of Directors as of 31 March 2020 comprised of eight (8) directors as depicted in the following table:

No.	Name	Position	Status	Date of Appointment*
1	Mr. Fawaz Abdulaziz Al Hokair	Chairman of the Board	Non-Executive	19 Jun 2017
2	Eng. Salman Abdulaziz Al Hokair	Vice-Chairman and Managing Director	Executive	19 Jun 2017
3	Dr. Abdulrahman Abdulaziz Al Tuwaijri	Director	Independent	19 Jun 2017
4	Eng. Mohamed Abdullah Al Khorayef	Director	Independent	19 Jun 2017
5	Eng. Kamel Badih Al Qalam	Director	Non-Executive	19 Jun 2017
6	Dr. Bernard Higgins	Director	Independent	06 Dec 2017
7	Eng. Omar Abdulaziz Al Mohammady	Director	Non-Executive	30 Sep 2019
8	Dr. Omar Hadir Al Farisi	Director	Independent	30 Sep 2019
9	Vacant	Director	-	-

\* This means the appointment by the Shareholders General Assembly.

The current Secretary of the Board of Directors is Mr. Faisal Mohammed Al Wazzab.



## b. Board of Directors Biographies

### 1) Mr. Fawaz Abdulaziz Al Hokair (Chairman of the Board of Directors):

Current Executive Positions:	General Manager of Fawaz Abdulaziz Alhokair & Partners Holding Co., and the General Manager of many other Saudi and non-Saudi companies and establishments (Balad Al Riyadh Est.; Fawaz Abdulaziz Alhokair & Partners Real Estate; Al Farida Real Estate Co.; Fawaz Abdulaziz Alhokair & Co. Enterprises Co.; FAS Construction Co.; Al Farida Information Technology & Communications Co.; Al Bawarij International for Development & Real Estate Investment Co.; Fawaz Abdulaziz Alhokair and Sons Holding Co.; Al Farida Al Oula Real Estate Est.). He is also the Chairman of FAS Saudi Holding Co., in addition to his membership of many other Saudi and non-Saudi companies.
Previous Executive Positions:	Chairman of the Board of Fawaz Abdulaziz Alhokair and Partners Co.; General Manager of Advanced Retail International Co.; General Manager at International Fashion Concepts Co.; also he was the General Manager of many other Saudi companies that he either owns or established such as Al-Waheedah Equipment Co.; Wahba Trading Co.; Eqar Al Arab Global Co.; Eqar Al Watan Co.; Retail Group Egypt; Al-Waheedah Equipment General Trading Co.
Academic Qualifications:	<ul style="list-style-type: none"> <li>Bachelor's degree in Economics and Accounting from Loughborough University, United Kingdom, in 1989.</li> <li>Honorary Doctorate in Economics and Accounting from Loughborough University, United Kingdom, in 2008.</li> </ul>
Experience:	Over 30 years of business experience in investment management, fashion and real estate development. He also sits on several other boards and committees.

### 2) Eng. Salman Abdulaziz Al Hokair (Vice-Chairman of the Board of Directors, and the “Managing Director”):

Current Executive Positions:	General Manger of Salman Abdulaziz Alhokair & Sons Holding Co.; General Manager of Salman Alhokair Engineering Consulting Firm; General Manager of Kids Space Co.; General Manager of FAS Spain Est.; General Manager of Tadarees Najd for Trading Est. He also sits on several boards of other Saudi and non-Saudi companies such as Food and Entertainment Co.; Fawaz Abdulaziz Alhokair & Partners Holding Co.; Al Farida Real Estate Co.; FAS Construction Co.; Fawaz Abdulaziz Alhokair & Partners for Real Estate Projects Co.; Al Farida IT & Comms. Co.; FAS Holding for Hotels Co.; Al Bawarij International for Development & Real Estate Investment Co.; FAS Real Estate Co.; Billy Games Co.; Coffee Centres Trading Co.; Fantastic Bakery Co.
Previous Executive Positions:	Chairman of the Board of Fawaz Abdulaziz Al Hokair and Partners Co.; General Manager of Al-Jeel Clothing Trading Co. He also sat on several boards of other Saudi and non-Saudi companies like Al-Waheedah Equipment Co.; Wahba Trading Co.; Retail Group Egypt; Advanced Retail International Co.; Al-Waheedah Equipment General Trading Co.
Academic Qualifications:	Bachelor's degree in Architecture from King Saud University, KSA, in 1990.
Experience:	Over 28 years of business experience in investment management, fashion and real estate development. He also sits on several boards of almost 60 companies and sole proprietorships.

### 3) Dr. Abdulrahman Abdulaziz Al Tuwaijri (Member of the Board of Directors “Independent”):

Current Executive Positions:	Owner of Dr. Abdulrahman Al Tuwaijri Economic Consulting Firm.
Previous Executive Positions:	Chairman of the Board of Middle East Financial Investment Co.; Chairman of the Board of the Saudi Capital Market Authority (CMA); Member of the Board of Saudi Aramco Co.; General Secretary of the Supreme Economic Council; Managing Director and the representative of the Kingdom of Saudi Arabia in the International Monetary Fund (IMF); Economic Consultant at the Gulf Cooperation Council (GCC); Assistant Professor in the Department of Economics at King Saud University.
Academic Qualifications:	<ul style="list-style-type: none"> <li>Bachelor's degree in Economics from King Saud University, KSA, in 1978.</li> <li>Doctorate in Economics from Iowa State University, United States of America, in 1985.</li> </ul>
Experience:	Over 42 years of experience in business and economic consultancy. He also sits on several boards of Saudi companies.



**4) Eng. Mohamed Abdullah Al Khorayef (Member of the Board of Directors, and Chairman of the Nomination and Remuneration Committee “Independent”)**

Current Executive Positions:	Chief Executive Officer at Al Khorayef Group Company.
Previous Executive Positions:	Managing Director of Al Khorayef Water and Power Technology Company.
Academic Qualifications:	Bachelor's degree in Industrial Engineering from King Saud University, KSA, in 1988.
Experience:	Over 32 years of experience in the field of financial investments, industrial, water and energy and petroleum Sector. He also sits on several boards of Saudi companies.

**5) Eng. Kamel Badih Al Qalam (Member of the Board of Directors, and member of the Nomination and Remuneration Committee “Non-Executive”):**

Current Executive Positions:	Consultant at Fawaz Abdulaziz Alhokair and Co. Real Estate.
Previous Executive Positions:	Architect at the Federal Highway Administration in the Department of Transportation, United States.
Academic Qualifications:	<ul style="list-style-type: none"> <li>Bachelor's degree in Architecture from the University of North Carolina, United States of America, in 1988.</li> <li>Master's degree in Architecture from the University of North Carolina, United States of America, in 1990.</li> </ul>
Experience:	Over 32 years of experience in the field of architectural engineering, real estate development and business development. He also sits on several boards of Saudi and non-Saudi companies.

**6) Dr. Bernard Higgins (Member of the Board of Directors, and Chairman of the Audit Committee “Independent”):**

Current Executive Positions:	Executive Chairman of Buccleuch Group; Strategic Adviser to First Minister Scotland on the building of the Scottish National Investment Bank; Chairman of Scottish Government's Advisory Group on Economic Recovery post-COVID-19; Chairman of the National Galleries of Scotland. Chairman of Sistema Scotland; Chairman of Kyckr; Chairman of AAB Wealth (Anderson Anderson & Brown Wealth); Chairman of Forster Chase Advisory Limited; Chairman of The Fine Art Society (London and Edinburgh); Non-Executive Director at Glasgow Life; Trustee of Burrell Renaissance; Visiting Professor at University of Strathclyde; Honorary Professor at Edinburgh Business School and Heriot-Watt University; Honorary Professor at University of Edinburgh; Honorary Professor at University of Glasgow; Doctor of University at University of Glasgow; Court Member of Finance Committee at University of Glasgow; Commissioner of Infrastructure Commission of Scotland; Trustee of Edinburgh International Culture Summit.
Previous Executive Positions:	CEO of Tesco Bank and Group Strategy Director at Tesco; Executive Director at HBOS; Chairman at Sainsbury Bank; CEO of RBS Retail; Non-Executive Director at Citizens Group (USA); Non-Executive Director at RBS Insurance; General Manager (Sales) at Standard Life.
Academic Qualifications:	<ul style="list-style-type: none"> <li>First Class Honours Degree, Mathematics, University of Glasgow, United Kingdom.</li> <li>Fellow of the Faculty of Actuaries at the University of Glasgow, United Kingdom.</li> <li>Fellow of the Chartered Institute of Bankers in Scotland, United Kingdom.</li> <li>Fellow of the Royal Society of Edinburgh, United Kingdom.</li> <li>Doctor of the University, University of Glasgow, United Kingdom.</li> </ul>
Experience:	Banking, insurance, actuarial studies, investment and university academia.

**7) Eng. Omar Al Mohammady (Member of the Board of Directors “Non-Executive”):**

Current Executive Positions:	Group CEO at Fawaz Al Hokair Group Co.
Previous Executive Positions:	CEO at Batic Investments & Logistics; Head of Middle East for Dome Capital; Member of the Advisory Board of Alchemist Trading; CEO at Goldman Sachs Saudi Arabia; Head of KSA Investment Banking at Barclays Capital; Executive Director of Private Equity and Direct Investments at MerchantBridge.
Academic Qualifications:	Bachelor's in Chemical Engineering and Economics from Vanderbilt University, United States, in 2002.
Experience:	Over 18 years of experience in investment banking, consultancy, logistics and oil and gas industries.



**8) Dr. Omar Al Farisi (Member of the Board of Directors, and Chairman of Governance Committee “Independent”):**

Current Executive Positions:	Managing Member of Diyala Advisors, LLC, in New York.
Previous Executive Positions:	Board Member and Chairman of the Investment Committee of the Savola Group Company; Board Member and Chairman of the Risk Committee of Gulf International Bank, B.S.C.; Investment banker with Credit Suisse First Boston in New York; Corporate attorney at the law firm of White & Case in New York.
Academic Qualifications:	<ul style="list-style-type: none"> <li>Juris Doctorate from Columbia University School of Law, USA.</li> <li>Bachelor of Arts in Economics from the University of Notre Dame, USA.</li> </ul>
Experience:	Banking and finance, law, governance, risk management.

**c. Board of Directors Current and Previous Memberships in Other Companies:**

No.	Board member name	Names of the companies in which the member of the Board of Directors is a director or manager of its current board of directors	Inside the Kingdom/ outside the Kingdom	Legal entity (listed/ unlisted/ limited liability)	Names of the companies in which the member of the Board of Directors was a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/ limited liability)
1	<b>Mr. Fawaz Abdulaziz Al Hokair</b>	FAS Saudi Holding Co.	Inside	Unlisted	Akar Al Watan Co.	Inside	LLC
		Egyptian Centers for Real Estate Development.	Outside	Unlisted	Akar Al Arab Int'l Co.	Inside	LLC
		Saudi Medical Co.	Inside	Unlisted	Al Faridah Information Technology and Communication	Inside	LLC
		Marakez for Real Estate Investment, Egypt.	Outside	Unlisted	Wahbah Trading Co.	Inside	LLC
		Arabian Falcon Limited, UK.	Outside	LLC	FAS for Construction Co.	Inside	LLC
		Focus Hospitality, UAE.	Outside	LLC			
		Al Azizia Panda United Co.	Inside	Unlisted			
		FAS Holding, Italy.	Outside	Unlisted			
		FAS Real Estate Development, UK	Outside	LLC			
		Fawaz Abdulaziz Alhokair & Sons Holding Co.	Inside	LLC			
		Najmat Al Taqa Co.	Inside	LLC			
		Fawaz Alhokair & Co Real Estate ("FARE")	Inside	LLC			
		Al-Farida First Real Estate	Inside	LLC			
		Advanced International Retail	Inside	LLC			
		Al-Bawarij Int'l for Development and Real Estate Investment	Inside	LLC			
2	<b>Mr. Salman Abdulaziz Al Hokair</b>	FAS Saudi Holding Co.	Inside	Unlisted	FAS Hotels 1	Inside	LLC
		Focus Hospitality Co.	Outside	LLC	FAS Hotels 2	Inside	LLC
		Saudi Medical Co.	Inside	Unlisted	FAS Hotels 4	Inside	LLC
		Egyptian Centers for Real Estate Development Co.	Outside	Unlisted	FAS Hotels 5	Inside	LLC
		Marakez for Real Estate Investment Co.	Outside	Unlisted	Manzli Co.	Inside	LLC
		Arabian Falcon Co., UK.	Outside	LLC	FAS for Hotels Holding	Inside	LLC
		FAS Renewable Energy Co., Egypt.	Outside	Unlisted	Coffee Centres Co.	Inside	LLC
		ECHO Engineering Co., UK.	Outside	LLC	Al Faridah Information Technology and Communication	Inside	LLC



No.	Board member name	Names of the companies in which the member of the Board of Directors is a director or manager of its current board of directors	Inside the Kingdom/ outside the Kingdom	Legal entity (listed/ unlisted/ limited liability)	Names of the companies in which the member of the Board of Directors was a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/ limited liability)
		FAS Holding Co., Italy.	Outside	Unlisted	Arabic Pies Co.	Inside	LLC
		FAS Real Estate Development Co., UK.	Outside	LLC	Ice Cream Express Co.	Inside	LLC
		J&A International Consultants Co., UK.	Outside	LLC	Cake Palace Co.	Inside	LLC
		FAS Energy Co., UK.	Outside	LLC	Milk Taste Co.	Inside	LLC
		Tadarees Najad	Inside	LLC	First Pie Co.	Inside	LLC
		Salman Alhokair Engineering Consulting Office (ECHO)	Inside	LLC	Wonderful Bakery Co.	Inside	LLC
		FAS Energy Co.	Inside	LLC	Fashion Retail Co.	Inside	LLC
		Home Furniture	Inside	LLC	FAS for Retail and Commercial Investment Co.	Inside	LLC
		Skill Games Co.	Inside	LLC	Food & Entertainment Co.	Inside	LLC
		Farida 2 Real Estate	Inside	LLC	Manar Rental Co.	Inside	LLC
		Etqan Company for Managing Facilities	Inside	LLC			
		Vehicle Centers	Inside	LLC			
		FAS Technology	Inside	LLC			
		FAS El Miyya	Inside	LLC			
		Oyoon El Basateen	Inside	LLC			
		FAS Hotels 3	Inside	LLC			
		Erth Rasekh	Inside	LLC			
		FAS Energy	Inside	LLC			
		Salman Al Hokair & Sons	Inside	LLC			
		Billy Games	Inside	LLC			
		Riyadh Hotels	Inside	LLC			
		Kids space	Inside	LLC			
		SAAF International	Inside	LLC			
		FAS Real Estate	Inside	LLC			
		Makarem International	Inside	LLC			
		Fawaz Al Hokair & Partners for Limited Projects	Inside	LLC			
		Al Fareedah Real Estate	Inside	LLC			
		Fawaz Al Hokair & Partners Holding	Inside	LLC			
		Arkan Salam Real Estate	Inside	LLC			
		Al Waheedah Equipment	Inside	LLC			
		Arab Centres	Inside	LLC			
		FAS for Construction	Inside	LLC			
		Al Dahran Trading Centres	Inside	LLC			
		Aziz Trading Centres	Inside	LLC			
		Al Noor Centres	Inside	LLC			
		Yarmouk Centres	Inside	LLC			
		Dalica Arabian Saudi Co.	Inside	LLC			
		Albawarij Intr. for Development and Real Estate Investment	Inside	LLC			
		Sala Entertainment Co.	Inside	LLC			



No.	Board member name	Names of the companies in which the member of the Board of Directors is a director or manager of its current board of directors	Inside the Kingdom/ outside the Kingdom	Legal entity (listed/ unlisted/ limited liability)	Names of the companies in which the member of the Board of Directors was a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/ limited liability)
		Generation Clothes	Inside	LLC			
		Oyoun Al Raed	Inside	LLC			
		Erth Mateen	Inside	LLC			
		FAS First Investment and Development of Real Estate	Inside	LLC			
		Innovative models	Inside	LLC			
		Al Fareedah 2 Real Estate	Inside	LLC			
		High-end tastes	Inside	LLC			
		Fawaz Abdulaziz Alhokair and Partners for Trading.	Inside	LLC			
		Iskan Wa Akthar Co.	Inside	LLC			
		First Chicken Co.	Inside	LLC			
		Al Dammam Centre	Inside	LLC			
		Al Malaz Centre	Inside	LLC			
		Al Hamra Centre	Inside	LLC			
		Al Yasmeen Centre	Inside	LLC			
		Fashion Retail Co.	Inside	LLC			
3	Abdulrahman Abdulaziz Al Tuwaijri	Al Hanaf United Trading Co.	Inside	LLC	Saudi Aramco	Inside	Listed
		United Mining Investment Co.	Inside	LLC	MEFIC	Inside	Unlisted
4	Eng. Mohamed Abdullah Al Khorayef	Abdullah Ibrahim Alkhorayef & Sons Co.	Inside	Unlisted	Saudi Paper Manufacturing Company	Inside	Listed
		Alkhorayef Group Co.	Inside	Unlisted	Saudi Steel Pipe Company	Inside	Listed
		Alkhorayef Water & Power Technologies Co.	Inside	Unlisted			
		Alkhorayef Commercial Co.	Inside	LLC			
		Alkhorayef Industries Co.	Inside	LLC			
		Alkhorayef Petroleum Co.	Inside	LLC			
		RAKHA for Agricultural investment & Development Co.	Outside	Unlisted			
		Arabian Agricultural Services Company	Inside	Unlisted			
5	Eng. Kamel Badih Al Qalam	FAS Entertainment Co., Canada.	Outside	LLC	Amlak International for Real Estate Financing Company	Inside	LLC
		Egyptian Centers for Real Estate Development Co., Egypt.	Outside	Unlisted	FAS Entertainment Co., Canada.	Outside	LLC
		Escan Plus Co.	Inside	LLC	Milanosesto S.P.A., Italy	Outside	LLC
		J&A International Consultants Co., UK.	Outside	LLC	J&A International Consultants Co., UK.	Outside	LLC
		Echo Development Co., Italy.	Outside	LLC	Echo Development Co., Italy.	Outside	LLC
		Echo Architecture Co., UK.	Outside	LLC			
		FAS Holding Co., Italy.	Outside	Unlisted			
		Marakez for Real Estate Investment Co., Egypt.	Outside	Unlisted			



No.	Board member name	Names of the companies in which the member of the Board of Directors is a director or manager of its current board of directors	Inside the Kingdom/ outside the Kingdom	Legal entity (listed/ unlisted/ limited liability)	Names of the companies in which the member of the Board of Directors was a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/ limited liability)
		Ibtikar Renewable Energy for Investment Co.	Inside	LLC			
		Falcon Shopping centres Co., Italy.	Outside	LLC			
6	Dr. Bernard Higgins	Buccleuch Group Co., UK.	Outside	Unlisted	Tesco Bank	Outside	listed
		Kyckr Co., Australia.	Outside	Listed			
		Sistema Scotland	Outside	Unlisted			
		AAB Wealth (Anderson Anderson & Brown Wealth)	Outside	Unlisted			
7	Eng. Omar Al Mohammady	Saudi FAS Holding	Inside	Unlisted	Batic Investments & Logistics Company	Inside	Listed
		Fawaz Abdulaziz Alhokair and Company (PJSC)	Inside	Listed	Al Reef Sugar Refinery Co. (JSC)	Inside	Unlisted
		Citi Bank Group	Inside	Unlisted	Jazan Energy & Development Co. (PJSC)	Inside	Listed
8	Dr. Omar Al Farisi	Diyala Advisors	Outside	LLC	Savola Group Co.	Inside	Listed
					Gulf International Bank	Outside	Unlisted

## d. Board of Directors Meetings

### Meetings Procedures

The Board of Directors shall meet twice a year at least, upon an invitation from the Chairman. A Board meeting shall be quorate only if attended by a majority of the members.

Board meetings may be held by telephone or any other electronic method allowing all of the attending members to hear all other attendees, unless otherwise notified. Board resolutions shall be made by a majority of the presented or represented Board Members at the meeting. If votes were equal, the opinion adopted by the Chairman of the Board shall be accepted.

The Board may adopt resolutions by circulation to all Board Members, unless one Board Member submits a written request that a meeting be convened for deliberations. Such resolutions shall be adopted by a majority of Board Members, with the resolutions laid before the Board at its first subsequent meeting.

Deliberations and resolutions of the Board shall be recorded in minutes to be signed by the Chairman, the Directors present and the Secretary. Such minutes shall be entered in a special register to be signed by the Chairman and the Secretary.



### Board Meetings Held During the Year

The Board held three meetings during the financial year 2019-2020 as follows:

No.	Name	19 May 2019	30 Sept 2019	22 Dec 2019	Total
1	Mr. Fawaz Abdulaziz Al Hokair	Present	Present	Present	3
2	Eng. Salman Abdulaziz Al Hokair	Present	Present	Present	3
3	Dr. Abdulrahman Abdulaziz Al Tuwajiri	Present	Present	Present	3
4	Eng. Mohamed Abdullah Al Khorayef	Present	Present	Present	3
5	Eng. Kamel Badih Al Qalam	Present	Present	Present	3
6	Dr. Bernard Higgins	Present	Present	Present	3
7	Eng. Omar Abdulaziz Al Mohammady	NA*	Present	Present	2
8	Dr. Omar Hadier Al Farisi	NA*	Present	Present	2
9	Vacant	-	-	-	-

\* Eng. Omar Al Muhammady and Dr. Omar Al Farisi have been appointed by the Board on 24 May 2019 and been approved by the Annual Shareholders General Assembly on 30 Sep 2019.

### Directors' Attendance at Shareholders General Assembly Meetings

Three Shareholders General Assembly meetings were held during the fiscal year ending 31 March 2020. Below is the attendance log of the Board of Directors at those meetings:

No.	Member Name	Meetings Dates			Total Attendance
		AGM 30/9/2019	EGM* 27/10/2019	EGM* 16/3/2020	
1	Mr. Fawaz Abdulaziz Al Hokair	Present	Present	-	2
2	Eng. Salman Abdulaziz Al Hokair	Present	Present	-	2
3	Dr. Abdulrahman Abdulaziz Al Tuwajiri	Present	-	-	1
4	Eng. Mohamed Abdullah Al Khorayef	Present	-	-	1
5	Eng. Kamel Badih Al Qalam	Present	Present	Present	3
6	Dr. Bernard Higgins	Present	-	-	1
7	Eng. Omar Abdulaziz Al Mohammady	Present	Present	Present	3
8	Dr. Omar Hadier Al Farisi	Present	-	-	1

\* These two Extraordinary General Meetings related to granting the Board with the authority to issue Sukuk.



## Major Decisions Taken by the Board During the Year:

#	Board Decision Date	Board Decision
1	8 May 2019	To approve the offering of twenty percent (20%) of the company's shares for public subscription, which shall represent ninety-five million (95,000,000) ordinary shares, by: <ul style="list-style-type: none"> <li>Selling thirty million (30,000,000) new ordinary shares through an increase of the company's issued capital through the IPO process; and</li> <li>Selling sixty-five million (65,000,000) existing shares of the currently issued capital and applying the price stabilization mechanism at a rate of 3% on total company's share, after the offering.</li> </ul>
2	19 May 2019	Appointing of the following gentlemen as members of the Governance Committee upon the board meeting held on 19 May 2019 and after reviewing the recommendation of the Nomination and Remuneration Committee: 1- Omar Hadier Al Farisi. 2- Bernard Higgins. 3- Najm Alzayed, the Committee considered effective from the date of the approval of this decision.
3	19 May 2019	Approving on amendments to the company's governance manual and policies.
4	18 Feb 2020	Approving on the recommendation to issuance of up to USD 1 billion (or its equivalent in any other relevant currency) in aggregate principal amount of Shari'ah compliant sukuk, which may be issued from time to time either domestically and/or internationally in any currency and in a single or multiple issuances (the Sukuk funding). Provided that the number and value of any sukuk to be offered, and the timing of any issuance of sukuk pursuant to the sukuk funding, will be terminated by the BoD based on market conditions and the company's financial conditions, funding requirements and strategy. The sukuk funding remains subject to approvals of the relevant authorities in accordance with applicable laws and regulations, to the approval of the company's extraordinary general assembly.

## e. Interests of Board Members and their Relatives in Shares or Debt Instruments of the Company

No.	Board Member	Number of Shares Beginning of Year*	% Ownership Beginning of Year	Number of Shares End of Year	% Ownership End of Year	% Change During the Year
1	Mr. Fawaz Abdulaziz Al Hokair	38,000,000	8.00%	38,000,000	8.00%	-
2	Eng. Salman Abdulaziz Al Hokair	38,000,000	8.00%	38,000,000	8.00%	-
3	Dr. Abdulrahman Abdulaziz Al Tuwaijri	-	-	-	-	-
4	Eng. Mohamed Abdullah Al Khorayef	-	-	-	-	-
5	Eng. Kamel Badih Al Qalam	-	-	-	-	-
6	Dr. Bernard Higgins	-	-	-	-	-
7	Eng. Omar Abdulaziz Al Mohammady	-	-	-	-	-
8	Dr. Omar Hadier Al Farisi	-	-	-	-	-

### Declarations:

- There is no interest of the Board Members' relatives in the shares of the Company.
- There is no interest of the Board Members and their relatives in the debt instruments of the Company.

\* ACC has been listed on the Saudi Stock Exchange on 22 May 2019.



## **f. Procedures to Inform BoD with Shareholders' Suggestions**

The Board of Directors shall make available to all its members, especially non-executives, legal documents, financial reports, follow-up reports, future expansion studies, Board of Directors' reports as well as internal rules, procedures, policies and regulations that enable them to carry out their duties adequately, additionally including knowledge of shareholders' proposals and their observations about the Company and its performance.

The Company has established an Investor Relations Department that meets all investors' requests and responds to their inquiries. The department then briefs the Chairman of any recommendations suggested by the shareholders and submits their comments and suggestions to the Board of Directors of the Company. Several means are available and accessible to shareholders, including telephone and email correspondence.

## **3. Board Committees**

The Board of Directors has established the committees to improve the management of the Company. Each committee is required to adopt a charter which sets out its role, powers, responsibilities and meetings procedures for the purpose of discharging its duties.

The following is a summary of the structure, responsibilities and current members of each permanent committee:

### **a. Audit Committee**

The implementation of an effective internal control system is one of the responsibilities assigned to the Board of Directors. The main task of the Audit Committee is to verify the adequacy and effective implementation of the internal control system, and to make any recommendations to the Board of Directors that would improve and develop the system to achieve the Company's objectives. The Committee is also responsible for reviewing risk management policies, the annual risk report and risk reduction plans, before presenting the same to the Board of Directors. The scope of the Committee's work shall include all actions that enable it to fulfill its functions, including:

- Oversee the Internal Audit Department.
- Review the internal control, financial and risk management systems of the company.
- Review the internal audit reports and follow up on the implementation of corrective measures for the recommendations contained therein.
- Recommend to the Board of Directors to appoint the Director of the internal audit department and propose his remuneration.
- Review and evaluate internal audit procedures and make recommendations for the improvement thereof.
- Make a recommendation to the Board of Directors to appoint, dismiss, determine the fees and ensure the independence of external auditors.
- Review the audit plan with the external auditors and make any observations thereon.
- Review the auditor's report and his observations on the financial statements and follow up on the actions taken in that respect.
- Review the Company's interim and annual financial statements before submitting them to the Board of Directors.
- Review accounting policies and submit recommendations for improvement to the Board of Directors.



### Audit Committee Members Profile

The Audit Committee consists of three (3) members appointed by the Board of Directors for a period of three (3) years. The Chairman and one of the members are independent.

The following members of the Audit Committee were appointed during the Ordinary General Assembly meeting held on 18/03/1439H (corresponding to 6 December 2017) and the Board of Directors, at its meeting held on 21 June 2020, approved the renewal of their committee membership for the remaining term of the Board, subject to General Assembly final approval:

### Audit Committee Members

#	Name	Title
1	Dr. Bernard Higgins	Chairman (Independent)
2	Mr. Nadim Mustafa Shabsogh	Member
3	Mr. Fahad Ibrahim Al Khorayef	Member (Independent)

The following is a brief overview of the members of the Audit Committee:

#	Name	Education	Work Experience	Current Positions	Previous Positions
1	Dr. Bernard Higgins	Please refer to Dr. Higgins' biography in the "Board of Directors Biographies" section above.			
2	Mr. Nadim Mustafa Shabsogh	Bachelor's degree in Engineering from London University, United Kingdom  Master's in Business Administration from the University of Nottingham, United Kingdom	Business Investment and Advisory services	Managing Director at Mesk International LLC, a limited liability company established in the United Arab Emirates  Senior Advisor to Fawaz Alhokair Group  Managing Director at Broadview Strategic Partners JLT, a limited liability company established in the United Arab Emirates	Executive Director at Morgan Stanley International  Senior Managing Director at Bear Stearns International  Vice President at Credit Suisse First Boston
3	Mr. Fahad Ibrahim Al Khorayef	Bachelor's degree in Finance from King Saud University, KSA	Financial and Business Advisory Services	Member of the Board of Saudi Finance Company	Chief Risk Officer at Maceen Capital  Chief Risk Officer at Saudi Finance Company  Export Finance Manager at Al Khorayef Group  Manager at Samba Financial Group



## Audit Committee Meetings

During the year, the Committee held four meetings. The attendance of the committee members for these meetings was as follows:

Meeting Date	Dr. Bernard Higgins	Mr. Nadim Shabsogh	Mr. Fahad Al Khorayef
29 May 2019	Present	Present	Present
27 August 2019	Present	Present	Present
24 November 2019	Present	Present	Present
15 March 2020	Present	Present	Present

The main tasks accomplished during these meetings were as follows:

- 1) Reviewing the annual and quarterly financial statements of the company, discuss same with external auditors and submit recommendations to the Board of Directors for approval.
- 2) Improving the corporate governance framework and the internal control system.
- 3) Overseeing the process of nominating external auditors for appointment by the General Assembly.
- 4) Following up the implementation of major internal audit recommendations and risk management system.
- 5) Reviewing and approving the Internal Audit annual plan, internal audit charter and the internal audit manual.
- 6) Monitoring and evaluate internal audit performance.

*In addition, the Audit Committee confirms that there is no conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors, and the Board accepted the recommendations of the Committee on the appointment of the external auditors of the company.*

## b. Nomination and Remuneration Committee

The main function of the Nomination and Remuneration Committee is to identify qualified candidates who are eligible for Board Membership. The Committee is also responsible for assisting the Board in establishing a proper governance system and drafting the necessary policies and procedures. The Committee's scope of work includes all duties designed to enable it to fulfill its functions, including:

- Identifying qualified candidates and nominating them to the Board of Directors.
- Conducting an annual review of Board Membership requirements, which shall include the candidates' capabilities, experience and availability to fulfill their Board responsibilities.
- Reviewing the structure of the Board and proposing required changes to benefit the Company's interests.
- Determining the strengths and weaknesses of the Board and proposing required changes to benefit the Company's interests.
- Nominating candidates for the positions of Chief Executive Officer and Managing Director, as well as nominating committee members for approval by the Board of Directors or the General Assembly.
- Reviewing the approval policies and procedures for Board Membership prior to their adoption, through the General Assembly.
- Monitoring the independence of independent Board members and monitoring any conflicts of interest on an annual basis.
- Reviewing the preparatory materials and training courses destined to new Board Members.
- Establishing clear policies regarding the remuneration of managers and senior executives.
- Reviewing and proposing plans for the assumption of key executive functions.



- Reviewing and approving the Company's overall structure of rewards and privileges, which includes employment grades, structure of wages and privileges, as well as rewards and incentives associated with performance.
- Approving changes to the remuneration of the Chief Executive Officer and recommending changes to the remuneration of the Managing Director, as well as the directors and members of the various board committees.
- Approving extraordinary remuneration (signing or performance bonuses) for the Chief Executive Officer and senior executives.

The Nomination and Remuneration Committee consists of three (3) members appointed by the Company's Board of Directors for a period of three (3) years. During the year, the Committee held two meetings to which all members attended.

The Board shall take the necessary measures to enable the Committee to carry out its functions, including informing the Committee, without any restrictions, of all data, information, reports, records, correspondences or other matters which the Committee deems necessary.

The following members were appointed to the Nomination and Remuneration Committee during the Board of Directors' meeting on 25/02/1439H (corresponding to 14 November 2017):

#### Nomination and Remuneration Committee Members

#	Name	Title
1	Eng. Mohamed Abdullah Al Khorayef	Chairman (Independent)
2	Mr. Nadim Mustafa Shabsogh	Member
3	Eng. Kamel Badih Al Qalam	Member

The following is a brief overview of the members of the Nomination and Remuneration Committee:

#	Name	Education	Work Experience	Current Positions	Previous Positions
1	Eng. Mohamed Abdullah Al Khorayef	Please refer to Eng. Al Khorayef's biography in the "Board of Directors Biographies" section above.			
2	Mr. Nadim Mustafa Shabsogh	Please refer to Mr. Shabsogh's biography in the "Audit Committee" section above.			
3	Eng. Kamel Badih Al Qalam	Please refer to Eng. Al Qalam's biography in the "Board of Directors Biographies" section above.			

#### Nomination and Remuneration Meetings

During the year, the Committee held two meetings. The attendance of the committee members for these meetings was as follows:

Meeting Date	Eng. Mohamed Al Khorayef	Mr. Nadim Shabsogh	Eng. Kamel Al Qalam
19 May 2019	Present	Present	Present
16 Dec 2019	Present	Present	Present



## c. Governance Committee

The Board of Directors of Arabian Centres has a steadfast commitment to best-in-class corporate governance. As part of this commitment, and in accordance with Article 94 of the CMA Corporate Governance Regulations, the Board established governance rules for the Company in accordance with the provisions of these regulations in the form of a Governance Manual (referred to in a separate section under “Corporate Governance Manual and Internal Policies”). In addition, and as per Article 95 of these regulations, the Board also formed a Corporate Governance Committee, on 19 May 2019 and assigned to it the competencies stipulated in Article 94 of these regulations (the “Governance Committee”). The Governance Committee’s responsibilities include:

- Overseeing any matters relating to the implementation of governance.
- Monitoring the implementation of governance rules established by the Board, verifying their effectiveness, and recommending amendments to them as necessary pursuant to statutory requirements and best practices.
- Reviewing and developing codes of professional conduct representing the Company's values and other internal policies and procedures in order to fulfill the Company's requirements and in accordance with best practices.
- Regularly informing the Board of developments in corporate governance and best practices.
- Providing the Board with its reports and recommendations at least annually.

### Governance Committee Membership

As per its charter, the Committee shall consist of at least three (3) members, a majority of whom should be independent board members.

Currently, the Governance Committee consists of three (3) members. The chairman and one member are independent Board members and one member is external. The term of the first appointed Governance Committee members shall end on 25 April 2022 to coincide with the current board term. Subsequently, the term of the committee members will be for three (3) years.

The following members of the Governance Committee were appointed by the Board of Directors, at its meeting held on 19 May 2019:

### Governance Committee Members

#	Name	Title
1	Dr. Omar Al Farisi	Chairman (Independent)
2	Dr. Bernard Higgins	Member (Independent)
3	Dr. Najem Al Zayd	Member (Independent)

The following is a brief biography of the members of the Governance Committee:

#	Name	Education	Work Experience	Current Positions	Previous Positions
1	Dr. Omar Al Farisi	Please refer to Dr. Al Farisi’s biography in the “Board of Directors Biographies” section above.			



#	Name	Education	Work Experience	Current Positions	Previous Positions
2	Dr. Bernard Higgins	Please refer to Dr. Higgins' biography in the "Board of Directors Biographies" section above.			
3	Dr. Najem Al Zayd	<p>Doctor of Juridical Science degree from George Washington University Law School, Washington, D.C.</p> <p>Master of Laws from University of Minnesota Law School, Minneapolis, MN.</p> <p>B.A., Qada'a "Islamic Jurisprudence" from Umm Al-Qura University, KSA.</p>	Law, Audit, Risk Management and Governance.	<p>Vice Chairman of the Board of Saudi Electricity Company, KSA.</p> <p>Board Member and the Chairman of Risk, and Governance Committees of Gulf International Bank, Bahrain.</p> <p>Board Member and the Chairman of Risk Committee of Gulf International Bank, KSA.</p> <p>Member, Regulatory Policy &amp; Oversight Committee of the Saudi Stock Exchange (TADAWUL), KSA.</p> <p>Member, Audit &amp; Risk Committee, The Diriyah Development Authority, Saudi Arabia.</p>	<p>Vice Chairman of the Board, Chairman of Risk, and Governance Committees in Mediterranean &amp; Gulf Cooperative Insurance &amp; Reinsurance Co., KSA.</p> <p>Board Member &amp; Audit Committee member of National Privatization Centre, KSA.</p> <p>Chief Governance &amp; Legal Officer of Al Rajhi Bank, KSA.</p> <p>BoD Member of the Capital Market Authority (CMA), KSA.</p> <p>Director &amp; General Counsel, Legal Affairs Division, the Capital Market Authority (CMA), KSA.</p>

### Governance Committee Meetings

During the year, the Governance Committee held four meetings. The attendance of the committee members for these meetings was as follows:

Meeting Date	Dr. Omar Al Farisi	Dr. Bernard Higgins	Dr. Najem Al Zayd
30 September 2019	Present	Present	Present
24 December 2019	Present	Present	Present
6 February 2020	Present	Present	Present
28 March 2020	Present	Present	Present

The main tasks accomplished during these Governance Committee meetings were as follows:

- 1) Completing many administrative tasks including electing committee chairperson, appointing a secretary and approving a committee charter.
- 2) Reviewing the existing governance structure and recommending improvements.
- 3) Overseeing the process of reviewing the status of corporate governance at ACC by an external consultant.
- 4) Reviewing and discussing in detail the governance process over related parties' transactions (RPT) and importance of ensuring compliance with internal governance policies and guidelines related thereto.



- 5) Sponsoring the implementation of a board governance platform and information system (Convene) to enhance communications and information sharing at board and committees' levels and to optimize board and committee meetings.
- 6) Discussing other governance matters including enhancing processes and long-term scheduling for board and committee meetings.

## 4. Board of Directors and Committees Members Remuneration

### a. Board Members Remuneration during the Fiscal Year ended on 31 March 2020 (Saudi Riyal):

No.	Name	Fixed Remuneration			Aggregate Amount
		Specific Amount	Allowance for Attending Board Meetings	Total Allowance for Attending Committee Meetings	
First: Independent Directors					
1	Dr. Abdulrahman Al Tuwajjri	300,000	50,000	-	350,000
2	Eng. Mohammed Al Khorayef	300,000	50,000	15,000	365,000
3	Dr. Bernard Higgins	300,000	50,000	60,000	410,000
4	Dr. Omar Hadir Al Farisi*	-	-	-	-
Total		900,000	150,000	75,000	1,125,000
Second: Non-Executive Directors					
1	Mr. Fawaz Abdulaziz Al Hokair	300,000	50,000	-	350,000
2	Eng. Kamel Badih Al Qalam	300,000	50,000	15,000	365,000
3	Eng. Omar Abdulaziz Al Mohammady*	-	-	-	-
Total		600,000	100,000	15,000	715,000
Third: Executive Directors					
1	Eng. Salman Abdulaziz Al Hokair	300,000	50,000	-	350,000
Total		300,000	50,000	-	350,000
Grand Total		1,800,000	300,000	90,000	2,190,000

Note: The above-mentioned remuneration were related to the fiscal year ended on 31 March 2019 and that have been paid during the fiscal year ended on 31 Mar 2020.

\* Eng. Omar Al Muhammady and Dr. Omar Al Farisi have been appointed by the Board on 24 May 2019 and been approved by the Annual Shareholders General Assembly on 30 Sep 2019.



**b. Board Committees Remuneration during the Fiscal Year ended on 31 March 2020 (Saudi Riyal):**

Name	Fixed Remuneration (Except for the Allowance for Attending Board Meetings)	Allowance for Attending Committee Meetings	Total
<b>1) Audit Committee</b>			
Dr. Bernard Higgins (Chairman)	-	60,000	<b>60,000</b>
Mr. Nadim Shabsogh (Member)	100,000	60,000	<b>160,000</b>
Mr. Fahad Al Khorayef (Member)	100,000	60,000	<b>160,000</b>
<b>Total</b>	<b>200,000</b>	<b>180,000</b>	<b>380,000</b>
<b>2) Nomination and Remuneration Committee</b>			
Eng. Mohammed Al Khorayef (Chairman)	-	15,000	<b>15,000</b>
Mr. Nadim Shabsogh (Member)	100,000	15,000	<b>115,000</b>
Eng. Kamel Alqalam (Member)	-	15,000	<b>15,000</b>
<b>Total</b>	<b>100,000</b>	<b>45,000</b>	<b>145,000</b>
<b>3) Governance Committee*</b>			
Dr. Omar Al Farisi (Chairman)	-	-	-
Dr. Bernard Higgins (Member)	-	-	-
Dr. Najem Al Zayd (Member)	-	-	-
<b>Total</b>	-	-	-
<b>Grand Total</b>	<b>300,000</b>	<b>225,000</b>	<b>525,000</b>

Note: The above-mentioned remuneration was related to the fiscal year ended on 31 March 2019 and that have been paid during the fiscal year ended on 31 Mar 2020.

\* The Governance Committee was formed by the Board of Directors on 19 May 2019, so their members aren't entitled for any remuneration related to the fiscal year ended on 31 March 2019.



## 5. Senior Executives

### a. Senior Executives Remuneration

Total remuneration paid to the top five senior executives (including the CEO and CFO), of which are not board members, was SAR 14.3 million for the year ended 31 March 2020. Such expenses include salaries, housing, transportation and other benefits. The below table is a summary of such expenses:

Senior Executives	Fixed Benefits					Variable Benefits					End of Service Benefits	Total Benefits for Board Member Executives, if any	Gross Total
	Salaries	Allowances	In-kind Benefits	Other Benefits	Total	Periodic Bonuses	Profits	Short-term Motivation	Granted Shares (Value)	Total			
Top Five Senior Executives (including the CEO and CFO)	10,711,824	320,000	-	-	11,031,824	-	-	-	-	-	3,279,597	-	14,311,421
<b>Total</b>	<b>10,711,824</b>	<b>320,000</b>	<b>-</b>	<b>-</b>	<b>11,031,824</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,279,597</b>	<b>-</b>	<b>14,311,421</b>

### b. Description of Any Interest of the Senior Executives and their Relatives in Shares or Debt Instruments of the Company:

No.	Name	Shares at the Beginning of Year*	Shares at the End of Year	Change	% Change
1	Eng. Salman Abdulaziz Al Hokair (Vice Chairman and MD)	38,000,000	38,000,000	-	0.00%
2	Mr. Olivier Nougrou (CEO)**	-	-	-	-
3	Dr. Lionel Ponsard (VP of Finance)**	-	-	-	-
4	Mr. Mohamed Balbaa (Chief Leasing Officer)**	-	-	-	-
5	Mr. Khalid Al Dhubaie (Chief Commercial Officer)**	-	-	-	-
6	Mr. Jamil Karmoul (Chief Operating Officer)**	-	-	-	-
7	Mr. Bruno Wehbe (Chief Portfolio and Asset Management Officer)**	-	-	-	-
8	Mr. Jabri Maali (Chief Financial Officer)	-	-	-	-
9	Mr. Ghassan Abu Mutair (Chief Development and Project Management Officer)	-	-	-	-
10	Mr. Turki Al Zahrani (Chief Support Services Officer)	-	-	-	-
11	Mr. Francois Kanaan (Chief Digital and Marketing Officer)	-	-	-	-
12	Mr. Rayan Al Karawi (Group Head of Investor Relations)**	-	15,434	15,434	100%
13	Mr. Naji Fayad (Director of Internal Audit)	-	-	-	-
14	Mr. Faisal Al Wazzab (Legal Director and Board Secretary)	-	2016	2016	100%
15	Mr. Abdullah Al Harbi (IT Director)	-	-	-	-

Declarations:

- 1) There is no interest of the senior executives' relatives in the shares of the Company.
- 2) There is no interest of the senior executives and their relatives in the debt instruments of the Company.

\* ACC has been listed on the Saudi Stock Exchange on 22 May 2019.

\*\* These Executives have stepped down from their positions stated above in June 2020, except Mr. Olivier who stepped down from his position in May 2020 to be the Strategy Adviser to the new CEO and Board of Directors.



## 6. Waived Remuneration and Compliance

a. The company did not receive any notification that any of the Company directors, senior executives or shareholders have waived any remuneration/dividends.

b. The remuneration shall be paid to the members of the Board of Directors, the members of the board committees and senior executives, in accordance with the regulations approved by the Board of Directors as well as with the provisions of the Company's bylaws and approved by the General Assembly, as well as the remuneration policy based on the recommendation of the Nomination and Remuneration Committee.

## 7. Annual Review of Internal Controls Effectiveness

The internal control system has an important role to play in the success of any organization. Arabian Centres is committed to ensuring an effective internal control system to achieve regulatory objectives, asset protection, accurate internal and external reporting, risk reduction and adherence to regulatory requirements.

The Internal Audit Department carries out its functions according to the audit regulations adopted by the Company's Board of Directors. The Internal Audit Department provides independent objective services to assist the Board of Directors, the Audit Committee and the Executive Management in discharging their responsibilities. The Internal Audit Department is not subject to any influence by the Executive Management and has full powers and unrestricted access to all documents as required by the performance of its work. In carrying out its work, the Internal Audit Department adopted a systematic approach to evaluate and improve internal control effectiveness to achieve the Company's objectives and protect its assets.

The scope of work of the Internal Audit Department included examining the adequacy and effectiveness of the internal control system of the Company to verify whether the Company's internal systems, in particular the financial and administrative regulations and policies and the Corporate Governance frameworks approved by the Board of Directors, General Assembly and legislative and regulatory controls, ensure the achievement of the objectives of the Company.

The scope of internal audit management included:

- Audit and periodic examination of the majority of the Company's departments during periodic periods, giving priority to internal activities and jobs depending on the degree of risk.
- Informing officials in the various departments whose work has been examined of the observations revealed during the examination process as well as management recommendations to address these observations.
- Evaluation of the procedures provided by executives in different departments to address the observations and implement the recommendations contained in the audit reports. In case of insufficient procedures, the matter was discussed with the executives to ascertain the efficiency and adequacy of the measures taken.

The Audit Committee studied and followed up with the implementation of the approved audit plan with the Internal Audit Department as well as following up with the implementation of the recommendations contained in the internal audit reports. The Company has taken positive steps to strengthen its internal control system, maintain the Company's assets and provide reasonable assurance about the integrity of financial reports prepared from accounting records. The internal audit department of the company examines the internal control system on an ongoing basis to ensure its efficiency and effectiveness and carry out financial and operational reviews to evaluate the company's business.

The internal control system for the various work cycles and financial reports of the Company includes those policies and procedures which:



- Relate to maintaining records in such a way as to ensure the availability of detailed and accurate information and reflect substantially the fact of transactions and disposals in the assets of the company.
- Provide reasonable assurance that the registration of transactions allows the preparation of financial statements in accordance with the accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants.
- Provide reasonable assurance as to the timely prevention or disclosure of unauthorized purchase, use or disposition of the Company's assets that could have a material impact on the financial statements.

The Audit Committee oversees the Internal Audit work, which periodically reviews the adequacy and effectiveness of the internal control system, to provide a continuous assessment of the internal control system and its effectiveness. The Committee also reviews the External Auditor's reports and management letter, which might include any lack of internal control noted by the External Auditor as part of its internal controls' assessment. This comes within the objectives of the Board of Directors to obtain reasonable assurance about the soundness of the design and effectiveness of the performance of the Company's internal control system.

Based on the above, the Audit Committee believes that the internal control system within the Company is appropriately designed and effectively serves organizational objectives, operational efficiency, financial reporting reliability and regulatory compliance. No material deficiency or material weakness was found, although some improvements are needed and were communicated to the management, which is actively working on enhancing the controls based on audit recommendations.

*It is worth noting that all Audit Committee recommendations are consistent with the decisions of the Board of Directors.*



## 8. Subsidiaries and Affiliates

Name of Subsidiary*	Capital (SAR)	Nature of Business	Ownership %	
			Direct	Indirect
Riyadh Centres Company Limited	500,000	Real Estate	95%	5%
Al Bawarij International for Development & Real Estate Investment Company	500,000	Real Estate	95%	5%
Al Makarem International for Real Estate Development Company	500,000	Real Estate	95%	5%
Oyoun Al Raed Mall Trading	100,000	Real Estate	95%	5%
Oyoun Al Basateen Company for Trading	100,000	Real Estate	95%	5%
Al-Qasseem Company for Entertainment and Commercial Projects Owned by Abdulmohsin Al Hokair and Company	500,000	Real Estate	50%	-
Yarmouk Mall Company Limited	500,000	Real Estate	95%	5%
Al Erth Al Matin Trading Company	100,000	Real Estate	95%	5%
Arkan Salam for Real Estate and Contracting Company Limited	1,000,000	Real Estate	95%	5%
Mall of Arabia Company Limited	500,000	Real Estate	95%	5%
Aziz Mall Trading Company Limited	500,000	Real Estate	95%	5%
Dhahran Mall Trading Company Limited	500,000	Real Estate	95%	5%
Al Noor Mall Trading Company Limited	500,000	Real Estate	95%	5%
Al Yasmeen Mall Trading Company	100,000	Real Estate	95%	5%
Al Dammam Mall Trading Company	100,000	Real Estate	95%	5%
Al Malaz Mall Trading Company	100,000	Real Estate	95%	5%
Al Hamra Mall Trading Company	100,000	Real Estate	95%	5%
Al Erth Al Rasekh Trading Company	100,000	Real Estate	95%	5%

\* All subsidiaries are limited liability companies incorporated in KSA.



## 9. Shares and Debt Instruments Issued by Subsidiaries

In November 2019, ACC successfully completed a Shari'ah compliant Sukuk offering valued at USD 500 million (SAR 1.9 billion), Ijara/Murabaha term facilities of USD 1.2 billion (SAR 4.5 billion) and a revolving Murabaha facility of USD 0.2 billion (SAR 0.75 billion), embedding a lengthened tenor and improved pricing conditions into ACC's debt structure.

Proceeds from the transaction were utilized in refinancing ACC's SAR 7.2 billion facility. Enhanced credit terms and the reduction in secured debt as a proportion of overall borrowing facilitate the optimization of ACC's capital structure, while the extended maturity profile better enable the Company to pursue operational expansion over the following quarters.

The refinancing transaction included the offering and pricing of a fixed-rate USD 500 million Sukuk issuance with a five-year tenor and a coupon rate of 5.375%. The issue represents a milestone capital raise for the private sector in Saudi Arabia and was four times oversubscribed, receiving inaugural ratings of BB+ from Fitch and Ba1 from Moody's.

Additionally, the transaction also included a senior secured Ijara and Murabaha dual currency term facilities of USD 1.2 billion (SAR 4.5 billion) and a senior secured dual currency revolving Murabaha facility of USD 200 million (SAR 0.75 billion). In combination with the Sukuk proceeds, the new facilities were utilized to refinance ACC's existing bank facilities, extending the company's debt maturity profile, increasing flexibility to invest in the business and reducing secured debt as a proportion of the Company's overall borrowing.

## 10. Interests and Contractual Rights for BoD Members, Executives and Relatives in Shares and Debt Instruments

There are no interests, contractual securities or rights issues with the Board Members, senior executives and their spouses and minor children on shares or debt instruments of the company or its affiliates (other than those mentioned in sections "Board of Directors" and "Senior Executives" in this report).

## 11. Related Parties Transactions

### Related Party Transactions Policy

The Company relies upon a number of important relationships with various related parties such as tenants and suppliers of construction and other services, which are material to conducting business. In view of the significance of these relationships and to reflect the conflict of interest provisions contained in the Corporate Governance Regulations and the Companies' Law, the Company adopted a Related Party Transactions Policy on 06/01/1440H (corresponding to 16/09/2018) to ensure that these relationships are conducted on an arm's length basis and on normal commercial terms. The Board believes that this policy will not only assist the Company in fully complying with its legal obligations with respect to related party transactions, but will promote best practices standards of corporate governance and transparency in the way that it conducts its business.

The Related Party Transactions Policy requires that management conduct a review of its list of related party relationships on a periodic basis, and that all related party transactions be subject to a process of internal review involving management, the Company's internal audit function, the Audit Committee and the Board (with only "non-interested directors" being entitled to vote, being directors who do not have an interest in the relevant transaction). This happens before being recommended for approval by a majority of the non-interested shareholders at a General Assembly of the Company. Non-interested shareholders are those through which no director has an interest in the relevant transaction. Pursuant to the



Companies' Law and the Corporate Governance Regulations, shareholders through which a director has an interest in the relevant related party transaction are not permitted to vote on the resolution for the approval of such transaction.

The Related Party Transactions Policy contemplates that the Company will enter into "framework agreements" to govern relationships with certain related parties which are material to conducting Company business. The framework agreements are intended to set forth a broad framework for the related parties' relationship, to ensure that transactions entered into between the Company and the Related Party are conducted on an arm's length basis. Framework agreements will not be entered into with related parties, where the related party transactions involved are more likely to be less material, low value and/or conducted on an ad hoc basis. Nevertheless, all related party transactions, whether conducted pursuant to a framework agreement or not, will be subject to the review and approval procedures described above.

Related Party transactions are regulated by relevant Saudi laws and regulations regarding the entering into of such transactions. As noted above, on 06/01/1440H (corresponding to 16/9/2018) the Company's board approved a policy for dealing with Related Parties. In addition, in the case of FARE, Fawaz AbdelAziz Alhokair & Co. and Food and Entertainment Company, being the related parties with which the Company undertakes the most material related parties transactions, such transactions are entered into based upon the principles set out in the related framework agreement(s) (please see details below).

## **Framework Agreements with Related Parties**

### **Leasing Framework Agreement with Fawaz Abdelaziz Alhokair & Co.**

On 16 December 2018, the Company entered into a framework agreement ("Leasing Framework Agreement") with Fawaz Abdelaziz Alhokair & Co. which sets forth a broad framework for the parties' relationship to ensure that all tenancy leases for stores in the shopping centres entered into between the Company and Fawaz Abdelaziz Alhokair & Co. are conducted on an arm's length basis.

In particular, the Leasing Framework Agreement includes:

- An agreed set of "rent pricing principles" which may be taken into account when determining the rent for any store in one of the shopping centres;
- An agreed set of parameters for each key term of the leases entered into, including rent escalation, rent free periods and GLA based concessions. These agreed parameters stipulate that certain rent discounts may be granted based on the Company's discount policy; and
- An agreed upon standard lease template which is to be used for new leases entered into, following the execution of the Leasing Framework Agreement.

The parties agree to coordinate their marketing efforts for the benefit of each of the Company's shopping centres, in which Fawaz Abdulaziz Alhokair & Co. is a tenant and the FR brands operating within those shopping centres, provided that each party bears its own cost.

The term of the agreement is seven years from the date of execution and the agreement may be terminated by either party if the other party is in default of a material obligation (which is not remedied within 30 days of a receipt of notice concerning the default) or suffers an insolvency event.



### Leasing Framework Agreement with Food and Entertainment Company

On 13 December 2018, the Company entered into a framework agreement (“Leasing Framework Agreement”) with Food and Entertainment Company, which sets forth a broad framework for the parties’ relationship to ensure that all tenancy leases for stores in the shopping centres entered into between the Company and Food and Entertainment Company are conducted on an arm’s length basis.

In particular, the Leasing Framework Agreement includes:

- An agreed set of “rent pricing principles”, which may be taken into account when determining the rent for any space in one of the shopping centres;
- An agreed set of parameters for each key term of the leases entered into, including with respect to rent escalation, rent-free periods and GLA-based concessions. In particular, these agreed parameters stipulate that certain rent discounts may be granted based on the Company’s discount policy; and
- An agreed standard lease template to be used for new leases entered into, following the execution of the Leasing Framework Agreement.

The parties agree to coordinate their marketing efforts for the benefit of each of the Company’s shopping centres in which Food and Entertainment Company is a tenant, provided that each party bears its own cost.

The term of the agreement is seven years from the date of execution and the agreement may be terminated by either party if the other party is in default of a material obligation (which is not remedied within 30 days of a receipt of notice concerning the default) or suffers an insolvency event.

### Construction Framework Agreement with Fawaz Alhokiar Real Estate Co. (FARE)

On 13 December 2018, the Company entered into a framework agreement (“Construction Framework Agreement”) with FARE, which sets forth a broad framework for the parties’ relationship to ensure that all construction contracts for the development of new shopping centres entered into between the Company and FARE are conducted on an arm’s length basis.

The provisions of the construction framework agreement apply to construction contracts entered into following the execution of the agreement (“New Construction Contracts”).

In particular, the Construction Framework Agreement:

- Includes an agreed set of parameters for each key term of the new construction contracts entered into, including contractor warranties, contract allocation risk, lump sum pricing, variations to scope, liquidated damages and limitations on liability; and
- Provides that the scope of the service under each new construction contract shall be in the form of a design and build contract, and that the works shall follow an agreed sequence, which includes the appointment of a third party cost consultant to review the contract price to ensure that it is consistent with the market benchmark.

From the date of the Construction Framework Agreement, neither party is bound to deal exclusively with the other such that the Company may appoint other contractors for the development of new shopping centres, and FARE is not restricted from undertaking shopping mall construction projects on behalf of other clients.



The term of the agreement is seven years from the date of execution, and the agreement may be terminated by either party if the other party is in default of a material obligation (which is not remedied within 30 days of a receipt of notice concerning the default) or suffers an insolvency event.

### Summary of Transactions with Related Parties

A summary of the related parties with whom the Company conducts business together with a description of the relationship, and a confirmation of whether a framework agreement will be entered into, is set out below:

Entity	Nature of Transactions with the Company	Aggregate Value of Dealings as of 31 March 2020	Framework Agreement	Nature of Related Party Relationship
Fawaz Abdulaziz Alhokair & Co.	Fawaz Abdulaziz Alhokair & Co. is a "Key Account Tenant" in the Company's shopping malls. It has a portfolio of premium, international fashion brands that play an important role in attracting other tenants and generating consumer traffic. Fawaz Abdelaziz Alhokair & Co. generally occupies 25% to 30% in the Company's shopping malls, often securing tenancies through pre-leasing during the development phase.	350,914,140	Yes	Fawaz Abdulaziz Alhokair and Salman Abdulaziz Alhokair, as directors of the Company, are indirect controlling shareholders.
Food and Entertainment Company and its Subsidiaries	Food and Entertainment Company leases space for food courts and numerous kiosks across the Company's shopping malls.	20,603,944	Yes	Fawaz Abdulaziz Alhokair and Salman Abdulaziz Alhokair, as directors of the Company, are indirect controlling shareholders.
Abdul Mohsin Al Hokair Group for Tourism and Development	Abdul Mohsin Al Hokair Group for Tourism and Development leases space for indoor and outdoor family entertainment centres across the Company's shopping malls.	26,834,371	No	Owned by a relative of the controlling shareholders.
Billy Games Company	Billy Games Company leases space for indoor soft play entertainment venues across the Company's shopping malls.	15,360,265	No	Fawaz Abdulaziz Alhokair and Salman Abdulaziz Alhokair, as directors of the Company, are indirect controlling shareholders.
Kids Space Company	Kids Space Company leases space in Mall of Arabia (Jeddah) for Kidzania, a children's interactive play centre.	2,458,890	No	Fawaz Abdulaziz Alhokair and Salman Abdulaziz Alhokair, as directors of the Company, are indirect controlling shareholders.



Next Generation Company Limited	Next Generation Company Limited leases space for the introduction of cinemas to the Company's shopping malls.	25,848,736	No	Owned by relatives of the controlling shareholders.
Coffee Centres Trading Co.	Coffee Centres Trading Co. leases space for a food court and kiosks in several of the Company's shopping malls.	831,827	No	Fawaz Abdulaziz Alhokair and Salman Abdulaziz Alhokair, as directors of the Company, are indirect controlling shareholders.
Fawaz Alhokair Real Estate Company	Currently, the Company exclusively relies on FARE for the construction of its shopping malls.	331,905,340	Yes	Fawaz Abdulaziz Alhokair and Salman Abdulaziz Alhokair, as directors of the Company, are indirect controlling shareholders.
Tadaris Al Najd Security Company	TNS provides security services to all of the Company's shopping malls.	57,278,571	No	Salman Abdulaziz Alhokair, as a director of the Company, is the direct sole shareholder.
AZAL Company	Azal Company leases space for food courts and numerous kiosks across the Company's shopping malls.	6,348,816	No	Fawaz Abdulaziz Alhokair and Salman Abdulaziz Alhokair, as directors of the Company, are indirect controlling shareholders.
Skill Innovative Games	Skill Innovative Games leases space for entertainment venues in Yasmeen Mall Jeddah.	4,074,149	No	Fawaz Abdulaziz Alhokair and Salman Abdulaziz Alhokair, as directors of the Company, are indirect controlling shareholders.
NESK Trading Project Company	NESK Trading Project Company is a "Key Account Tenant" in the Company shopping malls.	77,441,233	No	Fawaz Abdulaziz Alhokair and Salman Abdulaziz Alhokair, as directors of the Company, are indirect controlling shareholders.
Food Gate Co.	Food Gate Co. leases space for food courts and numerous kiosks across the Company's shopping malls.	15,313,237	No	Fawaz Abdulaziz Alhokair and Salman Abdulaziz Alhokair, as directors of the Company, are indirect controlling shareholders.
Etqan Facilities Management Company	Etqan is the single external provider for all facilities management services to the Company.	36,818,438	No	Fawaz Abdulaziz Alhokair and Salman Abdulaziz Alhokair, as directors of the Company, are indirect controlling shareholders.



Innovative Union Co. Ltd.	Innovative Union Co. Ltd. leases spaces in several of the Company's shopping malls.	8,861,644	No	Fawaz Abdulaziz Alhokair and Salman Abdulaziz Alhokair, as directors of the Company, are indirect controlling shareholders.
Fashion District Trading Co.	Fashion District Trading Co. leases spaces in several of the Company's shopping malls.	17,279,328	No	Owned by relatives of the controlling shareholders.
Via Media	Via Media leases in several of the Company's shopping malls.	18,427,930	No	Owned by relatives of the controlling shareholders.
Nail Palace Trading Est.	Nail Palace Trading Est. leases spaces in several of the Company's shopping malls.	2,447,522	No	Owned by relatives of the controlling shareholders.
Majd Business Co. Ltd.	Majd Business Co. Ltd. leases spaces in several of the Company's shopping malls.	1,069,546	No	Owned by relatives of the controlling shareholders.
Ezdihar Sports Co.	Ezdihar Sports Co. leases space for a fitness centre in U-Walk.	4,054,403	No	Owned by relatives of the controlling shareholders.
Saaf Trading Co.	Saaf Trading Co. leases spaces across in several of the Company's shopping malls.	136,066	No	Owned by relatives of the controlling shareholders.
FAS Technologist Trading Co.	FAS Technologist Trading Co. provides I.T. support services to the Company.	2,136,265	No	Salman Abdulaziz Alhokair, as a director of the Company, is the direct sole shareholder.

In summary, the following transactions took place with related parties (as disclosed in notes to F/S for the year ended on 31 March 2020):

Description	SAR
<b>Saudi FAS Holding Company - Ultimate Parent Company</b>	
Payment to suppliers on behalf of the Ultimate Parent Company	45,607,280
Initial public offering expenses charged to Ultimate Parent Company	16,192,603
Transfer of Zakat Payable to Ultimate Parent Company	(18,345,202)
<b>Fellow subsidiaries and other related parties</b>	
Dividend settled through adjusting amount due to related party	7,500,000
Construction work included in projects under construction	331,905,340
Rental Revenue, net	598,306,047
Service Expenses	94,097,009
Board of Directors remuneration and compensation	3,905,000

Other than Abdul Mohsin Al Hokair Group for Tourism and Development, Next Generation Company Limited, Fashion District Trading Co., Via Media, Nail Palace Trading Est., Majd Business Sports Co., Ezdihar Sports Co. and Saaf Trading Co., each of the related parties listed in the table above is an entity in which one or more directors (who are also controlling shareholders), have a direct or indirect ownership interest. Abdul Mohsen Al Hokair Group for Tourism and Development, Next Generation Company Limited, Fashion District Trading Co., Via Media, Nail Palace Trading Est., Majd Business Sports Co., Ezdihar Sports Co. and Saaf Trading Co. are entities owned by relatives of the controlling



shareholders. Accordingly, the Company considers that transactions with these related parties are subject to the requirements of Article 71 of the Companies' Law.

#### Summary of Account Balances with Related Parties

Entity	Balances as of 31 March 2020
Saudi FAS Holding Company	5,402,530
FAS Holding Company for Hotels	350,322,579
Fawaz Abdulaziz Alhokair & Co.	32,282,559
Food and Entertainment Company and its Subsidiaries	3,828,663
Abdul Mohsin Al Hokair Group for Tourism and Development	28,211,447
Billy Games Company	8,469,448
Kids Space Company	1,796,225
Next Generation Company Limited	22,631,374
Coffee Centres Trading Co.	7,116
Fawaz Alhokair Real Estate Company	614,438,352
Tadaris Al Najd Security Company	18,868,656
FAS Technologist Trading Co.	179,248
Azal Company	751,962
Echo Design Consultant	1,328,098
Skill Innovative	2,703,953
Nesk Trading Project Company	49,966,141
Food Gate Co.	21,647,155
Etqan Facilities Management Company	(3,899,682)
Via Media Co.	15,393,827
Fashion District Co.	12,050,255
Innovative Union Co. Ltd	8,672,483
Ezdihar Sports Co.	3,359,412
Nail Place Trading Est.	2,317,325
Majd Business Co. Ltd.	1,032,501

## 12. Conflict of Interest

Neither the Company's bylaws nor any of the Company's internal regulations and policies grant any director or the CEO the power to vote on any contract or proposal in which he has a direct or indirect interest, in accordance with Article 71 of the Companies' Law which states that a Member of the Board of Directors should not have any interest, whether directly or indirectly, in the transactions or contracts made for the account of the company, except with an authorization from the Ordinary General Assembly.

Pursuant to Article 71 of the Companies' Law, a member must inform the Board of Directors of any interest he may have in the transactions or contracts made for the account of the Company. The Chairman of the Board of Directors shall inform



the Ordinary General Assembly, when it convenes, of the transactions and contracts in which any member has an interest. Such communication shall be accompanied by a special report from the auditor. Such declaration must be recorded in the minutes of the Board meeting, and the interested member shall not participate in voting on the resolution to be adopted in this respect.

Based on the foregoing, the directors undertake to comply with the following:

- Complying with the provisions of Articles 71, 72, 73, 74 and 75 of the Companies' Law and Articles 44 and 46 of the Corporate Governance Regulations.
- Refraining from voting on General Assembly resolutions pertaining to contracts entered into with the Company where the director has a direct or indirect interest in such contract.
- Avoiding participating in any business that competes with that of the Company, unless such member has authorization from the Ordinary General Assembly.
- All related party transactions will be made on an arm's length basis in accordance with the terms of the Related Party Transactions Policy.

As of the date hereof, none of the members of the Board of Directors, senior executives or current shareholders are party to any agreement, arrangement or understanding under which they are subject to any non-compete or similar obligation with respect to the business of the Company.

Given the scope of the voting restrictions applicable to the General Assembly approvals pursuant to Article 46 of the Corporate Governance Regulations, which the Company has interpreted broadly as noted above, no shareholders would be permitted to vote on the relevant resolution at the General Assembly. Accordingly, General Assembly approval to approve the participation of directors in competing businesses will be sought at the first General Assembly following completion of the IPO.

As of the date hereof, the table below presents information on members in the Company's Board of Directors and sets out their shareholding in, or representation of companies engaged in similar or competing activities.

**Directors participating in companies that perform activities similar to or competing with those of the Company, through their membership on the Board or participation in the capital thereof:**

Another Company Related to a Board Director	Director Title in the Related Company		Nature of the Related Company's Business	Does it Compete
	Owner	Director/Manager		
Fawaz Abdulaziz Fahad Alhokair				
Egyptian Centers for Real Estate Development - Arab Republic of Egypt	Yes	Yes	Ownership and management of commercial complexes	No - The activities of the Egyptian Centers for Real Estate Development are confined to the Arab Republic of Egypt and has no activities in the KSA.
Fawaz Abdelaziz Alhokair & Co.	Yes	No	Commerce, ownership and management of	Yes - the director owns 6.19% of the capital of Fawaz Abdelaziz Alhokair & Co., which owns 16.66% of the shares of Rivadh Gallery Mall in Rivadh.



Another Company Related to a Board Director	Director Title in the Related Company		Nature of the Related Company's Business	Does it Compete
	Owner	Director/Manager		
			commercial complexes	
Arabian Centres Company Jordan	Yes	No	Ownership and management of commercial complexes	No - Arabian Centres Company Jordan has no activities in the KSA.
Marakez for Real Estate Investment - Arab Republic of Egypt	Yes	Yes	Ownership and management of commercial complexes	No - Marakez for Real Estate Investment has no activities in the KSA.
<b>Salman Abdulaziz Fahad Alhokair</b>				
Egyptian Centers for Real Estate Development - Arab Republic of Egypt	Yes	Yes	Ownership and management of commercial complexes	No - The activities of the Egyptian Centers for Real Estate Development are confined to the Arab Republic of Egypt and has no activities in the KSA.
Fawaz Abdelaziz Alhokair & Co.	Yes	No	Commerce, ownership and management of commercial complexes	Yes - whereas the director owns 7% of the capital of Fawaz Abdelaziz Alhokair & Co., which owns 16.66% of the shares in Riyadh Gallery Mall in Riyadh.
Arabian Centres Company Jordan	Yes	No	Ownership and management of commercial complexes	No - Arabian Centres Company Jordan has no activities in the KSA.
Marakez for Real Estate Investment - Arab Republic of Egypt	Yes	Yes	Ownership and management of commercial complexes	No - Marakez for Real Estate Investment has no activities in the KSA.
<b>Kamel Badih Al Qalam</b>				
Egyptian Centers for Real Estate Development - Arab Republic of Egypt	No	Yes	Ownership and management of commercial complexes	No - The activities of the Egyptian Centers for Real Estate Development are confined to the Arab Republic of Egypt and has no activities in the KSA.
Falcon Shopping Centres Company – Italy	No	Yes	Ownership and management of commercial complexes	No - The activities of Falcon Shopping Centres Company are confined to Italy and has no activities in the KSA.
Marakez for Real Estate Investment	No	Yes	Ownership and management of	No - Marakez for Real Estate Investment has no activities in the KSA.



Another Company Related to a Board Director	Director Title in the Related Company		Nature of the Related Company's Business	Does it Compete
	Owner	Director/Manager		
- Arab Republic of Egypt			commercial complexes	

### 13. Loans

In November 2019, the Group entered into a long-term Islamic facility arrangement amounting to SR 5,250 million (equivalent to USD 1,400 million), with local and international banks. This facility is divided into Murabaha facility up to SR 500 million (maturing in 12 years), Ijara facilities up to SR 4,000 million (maturing in 8 and 12 years) and Revolving Murabaha up to SR 750 million (maturing in 3 years). These facilities are fully utilized as of reporting date. However, this new facility has been used to settle in full the previous facility completed in April 2018.

#### Movement in the long-term loans is as follows:

Item	31 March 2020 (Saudi Riyal)
Balance at the beginning of the year	6,814,144,763
Addition of a new facility	5,368,675,202
Settlement of old facility	(6,932,826,693)
Repayment of a new facility	-
Less: unamortized transaction costs	(61,490,717)
<b>Balance at the end of the year</b>	<b>5,188,502,555</b>
Less: current portion of long-term loans	(45,000,000)
<b>Non-current portion of long-term loans</b>	<b>5,143,502,555</b>



## 14. Outstanding Statutory Payments

Government Party	Actual Payments for the Fiscal Year ended on 31 March		Accruals for the Fiscal Year ended on 31 March	
	2020	2019	2020	2019
Zakat and Value Added Tax (VAT)	123,149,913	98,229,905	84,200,521	110,186,312
GOSI	9,201,318	7,097,304	999,339	663,953
Passports and visas	352,599	2,193,658	-	-
Baldiya	2,946,361	3,192,543	-	-
Chamber of Commerce	1,097,966	664,803	-	-
<b>Total</b>	<b>136,748,157</b>	<b>111,378,214</b>	<b>85,199,860</b>	<b>110,850,265</b>

## 15. Zakat, Taxes and Fees

### Status of Zakat Assessments

Until the year ended on 31 March 2019, the Ultimate Parent Company prepared and submitted combined zakat returns for the Ultimate Parent Company and its wholly owned subsidiaries, including Arabian Centres Company, to GAZT as per GAZT letter. Accordingly, the combined zakat returns for the years 2007 to 2016 were submitted to GAZT. The final assessment order for the combined zakat returns for the Ultimate Parent Company and its wholly owned subsidiaries for the years 2007 to 2016 were received from GAZT. The Ultimate Parent Company has allocated SR 8.8 million as the Group's share of Zakat liability for the years 2007 to 2016. The Group has Zakat provision of SR 83.9 million for the years 2007 to 2016. Accordingly, the Group has recorded the impact of final assessment received in the consolidated statement of profit or loss for the year ended on 31 March 2019. The Ultimate Parent Company has received provisional zakat certificates until the year ended on 31 March 2019.

### Movements in Zakat Provision During the Year

The movement in the provision for zakat is as follows:

Item	31 March 2020 (Saudi Riyal)	31 March 2019 (Saudi Riyal)
Balance at beginning of the year	82,457,716	146,559,970
Excess provision reversed	-	(75,142,143)
Provision for the year	20,290,170	19,865,318
	<b>20,290,170</b>	<b>55,276,825</b>
Transferred to Ultimate Parent Company	(18,345,202)	(8,825,429)
Paid during the year	(5,877,732)	-
<b>Balance at end of the year</b>	<b>78,524,952</b>	<b>82,457,716</b>



## 16. Dividends

### Dividends Distribution Policy

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

- 10% of the net profit shall be set aside to form a statutory reserve, and the Ordinary General Assembly may discontinue said deductions when the statutory reserve amounts to 30% of the Company's share capital.
- The Ordinary General Assembly may, upon request of the Board of Directors, set aside a percentage of the annual net profits to form an additional reserve, to be allocated towards one or more specific purposes.
- The Ordinary General Assembly may resolve to set aside other reserves, to the extent that doing so serves the interest of the Company or ensures the distribution of as stable a dividend as possible to shareholders. Said assembly may also deduct amounts from the net profits for the establishment of social institutions for the Company's employees, or to help existing institutions.
- Out of the balance of the net profits, shareholders shall be paid an initial payment amounting to 5% of the Company's paid-up capital.
- Without prejudice to the provisions of Article 21 hereof and Article 76 of the Companies' Law, no more than 5% of the remainder shall be allocated to remunerate the directors, provided that the remuneration is commensurate with the respective number of sessions attended by each member.
- The remainder shall then be distributed to shareholders as an additional share of profits or deferred to the following years as approved by the General Assembly.
- The Board of Directors may resolve to distribute periodic dividends deducted from the annual profits specified in paragraph (4) of this article in accordance with the rules governing said distribution as issued by the competent authorities.

Dividends Distribution during the year:

Item	Amount (Saudi Riyal)
Retained earnings as of 1 April 2019	183,241,759
<b>Add:</b>	
Profit for the year ended on 31 March 2020	633,934,247
<b>Minus:</b>	
Transfer to statutory reserve	63,393,425
Dividends	(427,500,000)
<b>Retained earnings as of 31 March 2020</b>	<b>326,282,581</b>

## 17. Investments and Reserves Made to the Benefit of Employees

There are no investments or reserves created for the benefit of employees other than those determined according to the labor system in the Kingdom.

## 18. Fines and Penalties

No penalties have been imposed on the Company by the Capital Market Authority during the fiscal year 2020 (financial period from 1 April 2019 to 31 March 2020).



## 19. Shareholders Register Applications

The below table summarizes the number and dates of Shareholders Register applications requested by the Company and the reasons for that during the fiscal year ended on 31 March 2020:

No.	Date	Reason
1	22-05-2019	Company's procedures
2	01-06-2019	Company's procedures
3	01-07-2019	Company's procedures
4	18-07-2019	Company's procedures
5	01-09-2019	Company's procedures
6	30-09-2019	Shareholders General Assembly
7	27-10-2019	Shareholders General Assembly
8	01-12-2019	Company's procedures
9	18-12-2019	Dividend Distribution
10	01-01-2020	Company's procedures
11	01-02-2020	Company's procedures
12	16-03-2020	Shareholders General Assembly
13	01-03-2020	Company's procedures

## 20. Major Shareholders List

Below are the major shareholders list of the Company, and movements during the previous fiscal year (from the listing day on 22 May 2019 till 31 March 2020), and a description of any interest in a class of voting shares held by persons (other than the Company's directors, senior executives and their relatives) who have notified the Company of their holdings, together with any change to such interests during the last fiscal year:

No.	Name	Shares at the Beginning of the Year*	Ownership at the Beginning of the Year	Shares at the End of the Year	Ownership at the End of the Year	Change	% Change
1	FAS Real Estate Co.	184,775,000	38.90%	197,382,322	41.55%	12,607,322**	6.82%
2	Dr. Abdulmajid Abdulaziz Al Hokair	38,000,000	8.00%	38,000,000	8.00%	0	0.00%
3	Mr. Fawaz Abdulaziz Al Hokair	38,000,000	8.00%	38,000,000	8.00%	0	0.00%
4	Eng. Salman Abdulaziz Al Hokair	38,000,000	8.00%	38,000,000	8.00%	0	0.00%
5	Al Farida Al Oula Co.	19,000,000	4.00%	19,000,000	4.00%	0	0.00%
6	Al Farida Al Thaniah Co.	19,000,000	4.00%	19,000,000	4.00%	0	0.00%
7	Al Farida Al Thalitha Co.	19,000,000	4.00%	19,000,000	4.00%	0	0.00%
8	SAAF Al Alamiya Co.	11,400,000	2.40%	11,400,000	2.40%	0	0.00%
<b>Total</b>		<b>367,175,000</b>	<b>77%</b>	<b>379,782,322</b>	<b>80%</b>	<b>12,607,322</b>	<b>6.82%</b>

Declaration: Regarding the declaration of movements in major shareholders' ownership in accordance with listing rules, the Company confirms that it has not received any written notification during the previous fiscal year ended on 31 March



2020 from any of its major shareholders indicating any changes or movement in their ownership percentages. The disclosed information is based on the Saudi Stock Exchange (Tadawul) records on 31 March 2020.

*\* ACC has been listed on the Saudi Stock Exchange on 22 May 2019.*

*\*\* This is due to the green shoe period at the beginning of the IPO process.*

## 21. Board of Directors Declarations

- 1) No third party has carried out an assessment of the performance of the Board of Directors and performance of its Committees. The Board of Directors is considering developing a mechanism to assess the performance through internal periodical surveys.
- 2) There is no conflict between the recommendations of the Audit Committee and the Board resolutions regarding appointing or dismissing the Company's External Auditor, or determining its remuneration, assessing its performance and independence or appointing the Internal Auditor.
- 3) There are no interests in any class of voting shares for anyone (except to the Board members and senior executives and their relatives) who have notified the Company with these interests, and any changes in these rights during the last fiscal year.
- 4) No convertible debt instruments, contractual securities, subscription right notes or similar rights were issued/ granted by the Company during the financial year.
- 5) No conversion or subscription rights under any convertible debt instruments, contractual securities, subscription right notes or similar rights were issued or granted by the Company.
- 6) There was no redemption, purchase or cancellation by the Company of any redeemable debt instruments.
- 7) No shareholder of the Company has waived any rights to dividends.
- 8) No investments or reserves were made or set up for the benefit of the employees of the Company.
- 9) The auditor's report does not contain any reservation about the approved annual financial statements.
- 10) The Board of Directors did not recommend replacing the external auditor before the end of their term.
- 11) There are no treasury shares retained by the Company.
- 12) There is no inconsistency with the standards approved by the Saudi Organization for Certified Public Accountants.
- 13) The Board of Directors declares the following:
  - a) Proper books of accounts have been maintained.
  - b) The system of internal control is sound in design and has been effectively implemented.
  - c) There are no significant doubts concerning the Company's ability to continue as a going concern.