



**2021**

FIPCO Filling & Packing  
Materials Mfg. Co.

# ANNUAL REPORT

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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# Introduction

Honorable shareholders of the Filing and Packing Materials Manufacturing company "FIPCO ", peace, mercy and blessings of God be upon you

We are pleased to present to you the annual report of the Board of Directors of the Filing and Packing Materials Manufacturing Company (FIPCO), which is submitted to your esteemed General Assembly for discussion and approval. This report included a summary of the activities of FIPCO and its subsidiary (FPC industrial company) and its business developments for the fiscal year 2021. This report also included a full summary of the implementation of FIPCO governance and detailed information about the members of the Board of Directors and the committees emanating from the Board. In addition to the outlines of the goals and initiatives for all operational sectors in FIPCO and its subsidiary during the fiscal year 2021, in addition to providing a quick overview of our future expectations for the fiscal year 2022.

Noting that the information contained in this report related to the company's operational performance and related development initiatives and future expectations in line with the company's strategic plans, which that the Board of Directors believes are correct. Based on the data that may materially affect the achievement of these results, positively or negatively, especially those related to initiatives and development plans in the company's operating divisions or future financial expectations.

It is worth mentioning that this report was prepared in accordance with the requirements of the corporate governance and registration and insertion rules on the Financial Market Authority and in accordance with the requirements of the companies issued by the Ministry of Commerce and Investment, taking into account international principles, standards and global practices in governance scope, while preparing it, we took into account the adoption of a high degree of transparency and disclosure to ensure that FIPCO shareholders, investors and stakeholders are provided with everything that helps them to take their investment decisions. In what qualifies FIPCO to compete in obtaining prizes and appreciation certificates from all relevant official and non-official authorities.





# Board message

Dear, shareholders of the Filing and Packaging Materials Manufacturing Company (FIPCO) Peace, mercy and blessings of God be upon you

The Board of Directors of the Filing and Packaging Materials Manufacturing Company "FIPCO" is pleased to present to the company's shareholders the report of the Board of Directors for the results of the year ending on December 31, 2021 AD, which reflects the company's performance within the framework of the company's tireless efforts and vision to achieve its goals and objectives. Despite the challenges facing the company since the year 2020 AD and their continuation during the year 2021 AD, FIPCO was able to maintain its position in the market as the largest supplier in the Middle East which requires more efforts by reducing costs and reducing profit margins.

However, FIPCO has achieved a net loss of SAR 9.1 million at the end of 2021 compared with a net loss of SAR 3 million during the year 2020 it shall view more financial information to identify the most prominent financial transformations during the year 2021 by finding the Chapter 4 of this report.

The Board's strategy for dealing with the next phase of two main axes is to strengthen our current center as the largest manufacturing companies in the Middle East, in terms of meeting the needs of the local and global market of the company and targeting new markets and treasures.

The strategy of the board of directors to deal with the next phase is based on two main axes. The first one is to strengthen our current position as the largest company working in the field of Filing and Packaging Materials Manufacturing in the Middle East. In regarding of meeting the needs of the local and global market of the company and targeting new markets and sectors, In addition to the development of production process and increasing production efficiency, and the second axis is optimal investment in the growth sectors and we started with our investment in the subsidiary (FPC industrial company), which will represent - With God's help and success - a qualitative leap in the development of FIPCO's business and its strategy for expansion and growth.





The (FPC industrial company) project is considered the first of its kind worldwide in terms of production technology and the largest in the Middle East and North Africa in terms of production capacity and product diversity. The production lines are characterized by being the latest in their field and the latest European technologies, and they are also characterized by being designed to manufacture products with multiple applications.

As we look forward to the new project that conforms to the Kingdom's vision 2030 by not relying heavily on manpower in addition to the presence of an external market. As we aim to export at least 60% of sales, we also aim to cover self-sufficiency in the projects of the Two Holy Mosques represented in Mina tents, in addition to registering a Saudi imprint in Public Investment Fund projects such as Neom, Qiddiya, Red Sea, Amala and The Line projects

Since the launch of the economic transformation programs within the programs to achieve the Kingdom's Vision 2030, the Board has been working on reformulating the strategy, vision, plans and goals through which we work to work in parallel with the initiatives and programs to achieve the vision with the aim of activating our national role as an economic partner in the national industry



The Board of Directors of FIPCO also confirms that the company operates according to a clear vision and strategy through which it can ensure the company's commitment to maximizing value to stakeholders and consolidating FIPCO's position as one of the leading Saudi industrial brands in the field of textile regionally and globally.

With our continued focus on diversifying our product groups and developing new products and solutions for customers in the areas of textile manufacturing industries to meet local and global request in order to achieve sustainable growth

In conclusion, we extend our sincere thanks and appreciation for your trust in FIPCO. Thanks are due to colleagues in the executive management and all FIPCO employees for their sincere efforts. We also thank our customers and shareholders for their trust and support, which will always motivate us to do more, looking forward to more successes during the year 2022 AD. We hope to meet with you during the annual meeting of the General Assembly of Shareholders to answer your inquiries regarding what is included in this report.

**Board of Directors**



# Our Vision

Is to be a major player in the field of manufacturing industries, achieving competitive efficiency, sustainable growth, leadership in the regional market, and presence in global markets



# Our message

Is to expand our local and global presence through efficient production and effective marketing, using the best professional practices, and achieving the desired results for stakeholders





# Pillars of our strategies

## Strengthening our current position

1

Providing the needs of the local and global market of the company's products by increasing sales and targeting new markets and sectors.

2

Work to reduce the job drop-out rates in terms by improving the working environment and maintaining qualified staff.

3

Production efficiency and production process development

## Optimal investment in growth sectors

1

Sharing our experiences with the subsidiary (FPC industrial company) and advancing it to lead in the regional and global market.

2

Diversification of sources of income through cash management and entering into new investments with growth.



# 1



- » Establishing
- » Activity
- » FIPCO in Numbers
- » Positions of Power & Competitive Advantage
- » Certificates
- » Our products
- » Our Affiliates companies

## About FIPCO

# Establishing

# Activity



The Packing and Packaging Materials Manufacturing Company (FIPCO) was established as a Saudi joint stock company under the commercial registration issued in Riyadh city under the number (1010084155) and the date 17/10/ 1411 AH and the two ministerial resolutions no. (935 & 851) on 29/11/1411 AH the factory operates under the industrial license (FIPCO 1001009549) dated on 29/02/ 1441 AH. FIPCO's head office is located in Riyadh. FIPCO has been listed in the Saudi Stock Exchange since 1998 AD.

FIPCO is one of the largest companies in the field of production and marketing woven bags with made of polypropylene. FIPCO produces two types of bags, lined and unlined, with low-density polyethylene bags for long-term heavy uses, large-sized bags, plastic straps, plastic cables, and plastic sewing threads. For cables, polypropylene woven rolls, polyethylene liners and plastic waste recycling, and marketing them inside and outside the Kingdom of Saudi Arabia.

In accordance with the requirements of the basic FIPCO system, the company carries out and implements the following purposes:

Manufacturing industries and their affiliates companies according to industrial licenses.

Electricity, gas, water and its branches

Mines, petroleum and its branches

Transportation, storage and refrigeration

Construction

Contracting

Operating and Maintenance

Commerce

information technology

Financial, business and other services

Social, group and personal services

agriculture and fishing

FIPCO's current main activities are the production of polypropylene woven bags lined with heavy-duty, unlined bags, jumbo bags, plastic drums, plastic strapping tapes, plastic cable gaskets, plastic thread, polypropylene woven rolls, ethylene liners, and side-hole cement bags. Plastic waste recycling



# FIPCO in Numbers

## Small bags



**155,000,000**

Meter per year

## Fabric production



**180,000,000**

Meter per year

## Team work



**+ 1000**

Human Professionals

## OTHER PRODUCTS



**11,500,000**

Kg per year

## Cement Bags



**100,000,000**

Bag per year

## Jumbo bags



**3,000,000**

Bag per year

## Countries we reach



**+ 30**

Country

## Export Sales



**72,400,000**

Saudi riyals




# Power centers and competitive advantages


**SAUDI AEO** المشغل الاقتصادي المصرح به  
Authorized Economic Operator

A member of the "Authorized economic operator"


One of the first companies listed on the Saudi Stock Exchange and the only one among the companies working in the field of manufacturing packaging materials




Pioneering the local market with a history of success of more than 30 years.




A supportive company for the Kingdom's vision 2030.




A deep-rooted and strong trade name in the local, regional and international market.




Enormous human resources and highly experienced technical and administrative cadres, numbering more than 1,000 employees from 15 different nationalities.




High Saudization rates and qualified national technical and administrative cadres of both sexes.




A broad and diverse customer base where we sell and market our products on 5 continents, exporting our products to more than 30 countries.




One of the largest companies working in the field of manufacturing packaging materials in the Middle East.




Huge production capacity estimated at about 2,500 tons per month of various products.




Exports represent almost a third of sales




Diversity of products and packaging solutions. We manufacture more than 20 different products.




A member of the "Saudi Made" program




المصادر السعودية  
هيئة تنمية الصادات السعودية  
Strategic account with the Saudi Export Development Authority




High proportion in the measurement index of the local content ratio of our products according to the measurement followed by the Local Content and Government Procurement Authority




A strong credit rating according to the investment grade according to Simah Credit Rating Agency (rating) according to the latest rating prepared in December 2018



A solid reputation for adhering to the highest quality rates adopted by major international specialized organs.



Giants factories constructed on 75000 square meters (roughly the area of 10 football fields by professional measurement), which comprises the state-of-the-art industrial technology in the second industrial city of Riyadh.





# Certificates

FIPCO has all approved certificates for the «Quality Management System» (2015:9001 & 2005:220000) (Food Safety Management System).

FIPCO bears full responsibility for the quality of its products to its customers at all stages of manufacturing, and to increase the reliability, all FIPCO products have been tested in specialized, technically supported laboratories through international distinguished laboratories such as LABORDATA in Germany and elsewhere.

The Quality Assurance Team reviews all stages of production, ensures that specifications and performance are followed by 100% and conducts systematic scientific testing to ensure accuracy and quality.



# Our products

FIPCO manufactures over 20 different products. Each of them has different uses and purposes. FIPCO also adapts its products to satisfy the aspirations of its customers, as well as suggesting the right product to customers and providing recommendations that help them to meet their needs while reducing costs. Examples of our main products are:

## Jumbo Bags

High-Capacity Large Size Polypropylene Woven Jumbo Bags Capacity starts at 500kg and goes up to more than 2000kg

These bags are used in many fields, including, but not limited to (construction, food industries, grains, petrochemicals, chemical industries and mining).

In terms of design and types, there are many designs according to the customer's request and also according to the purpose of use.



## Valve Bag

Packing bags with a side opening, known as Valve, and these bags are a major breakthrough in the field of packaging, as they were manufactured specifically for packing building materials from cement of all kinds, gypsum, glue and others. But it soon spread to other fields such as organic compounds, chemicals and petrochemicals.

The reasons for the transformation of most industries from paper bags to these bags is to reduce the percentage of production and transportation, as it is known that paper bags are easy to damage and cannot resist moisture or rain, which prompted most consumers to turn to this distinguished type of bags.

In addition to the requirement of some countries that the materials exported from and imported to them be packed in this type of bags, which are known to be environmentally friendly.



## Small Bags

Woven bags made of polypropylene are small in size and are the most popular products due to their versatility. These bags are used in packing food stuff such as rice, flour, sugar, salt, etc. They are also used in packing fodder, chemicals, petrochemicals and recycled materials, as well as in the field of contracting.

There is more than one type that varies according to the packing capacity and the type of specific materials inside, and there are also types that contain an inner plastic layer or an outer layer of laminated polyethylene that is fluid for air or water leakage to preserve the products. FIPCO also complies with the instructions of the Saudi Standards and Metrology Organization in compliance Saudi standard specifications in the production of bags with biodegradable materials to protect the environment in all sizes and colors, and the capacity of these bags starts from 5 kg and reaches 100 kg.



## Container liner

Woven covers for containers, which are a cover for the container in order for materials to be filled inside, which secures the materials during the transportation process and prevents their leakage outside the container, thus preserving the value of the product from the country of origin to branching and consumption. And materials and crushed, whatever their quality.

The sizes of this type of product come in two sizes, 40 feet or 20 feet, depending on the capacity of the container. This product is also characterized by saving the time and effort required to complete the process of loading containers, as the process is done automatically by pumping materials into the bag inside the container so that the container is completely filled in a few minutes.



## Strapping Band

Plastic strapping tapes are used to tie and secure goods and seal cartons such as electrical and electronic devices packages, as well as secure pallets and concrete blocks in order to keep the product itself from slipping or leaking during the shipping process, which helps reduce transportation losses.

This product is divided into two types, the first type is made of PET material and the second type is made of polypropylene. The type of material and the sizes of the tape itself differ according to the type of material that is secured and tied during the transportation process and also differ according to the type of machines that will tie the tapes, including automatic machines, including manual machines and this product is manufactured in different densities according to customer requirements.



## Agri Twins

FIPCO provides many products, including yarns of all kinds, whether they are for agriculture, tying or knitting. These products are available in different densities, colors and weights. They also contain a high percentage of materials resistant to ultraviolet rays due to the interactions they may be exposed to during their use.



## Cable Fillers

This product is used in the electrical cable industry and works to secure the integrity of the internal wires. This product is manufactured with different and accurate measurements, and the sizes vary according to the different types of cables, whether they are high, medium or low voltage.

This product is wrapped on paper, wooden or plastic reels, according to the size of the filler, and then wrapped from the outside with a thermoplastic material.

In order to meet the customers' desires, FIPCO has produced the cable filler product without the use of the twist unit, and it has pioneered and spread to some large customers in cable production.



# Subsidiaries

FIPCO conducts its business through a single operating segment that is technically and administratively managed by FIPCO itself. In the wake of FIPCO's acquisition of the entire minority stake in its subsidiary, the management of the activity has moved completely to FIPCO, and in the following table is a detailed statement on the general situation of the subsidiary company, and the activities of the subsidiary and its business developments will be highlighted in a separate chapter in this report.

|  |   |
|--|---|
| <b>Subsidiary name</b>                         | FPC industrial company  |
| <b>legal entity</b>                            | One Person Limited Liability Company  |
| <b>The main activity</b>                       | Manufacturing industries and its branches   |
| <b>Sub activity</b>                            | Manufacture of textiles with technical and industrial characteristics of high-density yarns coated with polyvinyl chloride (pvc), silicone or Teflon, called CTF for short  |
| <b>Capital</b>                                 | riyals 18,000,000   |
| <b>year of foundation</b>                      | AD 2017   |
| <b>Founding country</b>                        | Kingdom Saudi Arabia  |
| <b>Operation State</b>                         | Kingdom of Saudi Arabia and has a marketing office in Dubai, United Arab Emirates   |
| <b>FIPCO Ownership Percentage (Direct)</b>     | 100%  |
| <b>Partners and their ownership percentage</b> | N/A   |
| <b>Total revenue during the year .2021 AD</b>  | The company started its commercial production at the beginning of the second quarter of 2019, and its revenues during the year 2021 AD amounted to 50 million riyals, while the revenues for the fiscal year 2020 amounted to 35.4 million riyals |

\*According to what was announced on the Saudi Stock Exchange (Tadawul) website on March 2, 2020, FIPCO signed an agreement to acquire the entire minority stake in the subsidiary company, and FPC industrial company became wholly owned (100%) of FIPCO after the partner's exit (Erat Investment Company) according to certain terms and conditions, then FIPCO later announced on April 27, 2020 the completion of all the necessary statutory procedures to complete the acquisition of the entire minority stake in its subsidiary (FPC Industrial Company)



# 2

## Operational performance summary

- » Operations Department
- » Production department
- » Research & development department
- » Quality Control Department
- » Maintenance Department
- » Sales and Marketing Department



# Operational performance summary

FIPCO's main activity is the production and sale of packaging materials. Its activities and operations are managed through several departments. In the following lines, it summarizes its most important achievements during the past year and sheds light on its objectives during the current year as follows:

## 1- Operations Department:

There is no doubt that the Operations Department is the main driver of FIPCO, as it is responsible for manufacturing all FIPCO products in a manner that ensures quality, efficiency, and in accordance with customer needs. For this purpose, the Operations Department of FIPCO relies on 4 main departments, all of which work in harmony to achieve FIPCO's objectives, and these departments are:

- Jumbo Bags
- Small Bags
- AD Star Bags
- Fabric rolls
- Cable Fillers
- Sling Bags
- Strapping Band of materials PP&PET
- Liner Bags
- Bailer Twine
- Agri Twins
- Blown Film
- Sewing Thread
- Lamination of all bags with layers ranging from 20-30 microns.

## First: Production Department

He is responsible for the main production operations as he transforms raw materials into a final product according to the specific specifications of each customer. Under this section, several sub-categories are divided, each of which is specialized in manufacturing different products in terms of size, capacity and use. FIPCO's main products include woven bags of various types as follows:



## Second: Research and Development Department

In light of the fierce competition between local and regional companies working in this field, it has become necessary to focus on research and development initiatives in order to reach a standard operating mechanism to raise production capacity and improve production rates through a model strategy for flexible manufacturing (Lean Manufacturing) by working on creating the best international technologies that will improve production processes, raise the quality of current products, innovate new products and provide creative solutions to customers in line with their aspirations and desires.

The main objective of the Research and Development Department since its inception was to focus primarily on product development activities and their applications, and during the year 2021, efforts continued in cooperation with the research and development team of the subsidiary company to develop capabilities in the areas of process evaluation by activating joint work mechanisms to provide added value and focus on research and development operations, and introducing New products bring added value to both companies.

At end, the research and development team in FIPCO arranged joint meetings and workshops with many companies working in the manufacture of machines and production lines and conducted many practical experiments to reach points of excellence and singularity to reach the standard production equation, despite the restrictions imposed on travel and freedom of movement. Replacing field visits with joint workshops remotely through various means of communication.

As soon as the precautionary measures were eased and travel restrictions were lifted, the company's management sent some members of the research and development team to visit a number of specialized exhibitions that were held in Germany and the United Arab Emirates, which was positively reflected on improving the properties of the products and reducing manufacturing costs.

FIPCO always aims to stimulate industrial thought by introducing the latest systems in this field and always looking forward to research and development initiatives and taking them seriously to ensure the precedence that enables it to continue its leadership in the local and regional market, and in line with that, FIPCO has continued to train its staff until it reaches the Sustainable development in all parts of the factory at the lowest possible cost with the ability to implement it in practice.

On the other hand, the company's technical cadres have been studying and analyzing all energy expenditures continuously since 2017, including wasted energy, discovering the causes of waste and treating weaknesses and efficiency levels to reach accurate results by calculating the optimal cost of energy needed to produce each producing unit, then using methods Engineering production processes to analyze exchange points, consumption and efficiency using the theory (20% & 80%), through which the standard production equation was reached according to the latest technological methods.

For more information, FIPCO's sustainable development initiatives and programs have been detailed in a separate chapter in this report.



### Third: Quality Control Department

This department is an integral part of FIPCO's daily activities, and one of its strengths, as it plays a key role in ensuring product quality and compliance with customer requirements and satisfaction.

And because we at FIPCO are ISO certified and related to the quality management system and food safety system, we have enough laboratory equipment to confirm quality through a highly qualified and professional team, where they check the quality of raw materials used in manufacturing, review all production stages and review specifications. The technical and endurance capacity of the bags produced in accordance with international standards in this field, bearing in mind that the selection process is carried out in a tight manner to confirm the accuracy up to the stage of exiting the final product and its conformity with international specifications, so we confirm that all our products have been tested in our laboratories and supported by international laboratories such as LABORDATA laboratory in Germany.

Customer complaints are always addressed after carefully listening to customer feedback and conducting re-examination and auditing accordingly, then all necessary corrective measures are taken and practical solutions are developed for future dealing with those observations, and field visits to customers are coordinated with the aim of raising quality levels.

During the year 2021 AD, FIPCO did the following:

| Certificate name                         | Source/donor         | Notes  |
|--|----------------------|--|
| ISO 22000:2018 certificate for foods     | TUV NORD             | Upgrade the certificate from the old version |
| ISO 9001:2015                            | TUV NORD             | Annual audit                                 |
| Small bag for bags 5H3                   | Labordata laboratory | new certificate                              |
| Biodegradable Plastic-Logo Certification | SASO                 | Certificate renewal                          |
| 13H2 Jumbo Bag Certificate               | Labordata laboratory | new certificate                              |



### Fourth: Maintenance Department

This department includes a team of engineers and specialized technicians who provide the necessary technical support for machines and production lines to ensure continuity of work to ensure that the required products are manufactured according to the specified schedule. The department adopts a new policy aimed at reducing the consumption of spare parts and working on development and modifications that reduce energy consumption in line with the measures taken by FIPCO to reduce energy costs.

During the year 2021 AD, there was a decrease in the consumption of spare parts compared to the previous two years, 2019 AD, 2020 AD, as a result of continuing efforts to re-engineer some machines to restore their original condition to reach their maximum production rates, in addition to modernizing a number of production lines by replacing and renewing some machines to improve their productivity. It is also reflected in energy costs and the proportion of labor, in addition to the efforts made to introduce some repairs to spare parts instead of buying them from abroad, while informing technicians of the value of the spare sector in order to increase care, which resulted in a tangible saving value.

On the other hand, a mechanism for withdrawing spare parts has been established in a systematic manner, whereby daily withdrawals of spare parts are followed up and the attrition of new parts is reduced by repairing parts that can be repaired internally or what can be maintained externally at a negligible cost compared to their replacement value, and the positive results of this methodology have begun appearing during the fourth fourth of 2021 AD.

The maintenance team also expanded the use of stagnant spare parts by modifying the nature of the work of some mechanical and electrical machines, setting a mechanism for calculating consumption rates on a daily basis, monitoring consumption for machines with high rates and developing the necessary solutions for them without affecting the speed or capacity of the machines and the quality of products.

while continuing to develop electrical parts and capacitors to control the electrical energy consumption of the machines, with the assistance of a number of specialized companies in the development of electrical energy rationalization studies and other studies with specialized companies in order to increase the capacity of solar energy. As well as the existence of other projects that will have strong contributions to rationalizing energy consumption and obtaining the energy needed for operation from alternative sources.



## The most prominent achievements of the Operations Department during the year 2021 AD

- 01 Increase the quantity produced steadily in some of the main FIPCO products in a different manner, as the total production quantity increased by 16% from the year 2020, and 29% from the year 2019.
- 02 Conducting studies aimed at accurately determining the specifications and technical characteristics required to modernize machines in order to increase productivity and improve product quality. Some machines that have proven economic feasibility have already been purchased during the year 2021 AD, and work is underway to complete the modernization plan during the current year.
- 03 Making use of old machines to be replaced and using scrap materials on a large scale to provide an added value on the products of some of the main customers.
- 04 Working continuously with suppliers of machinery and production lines and adopting joint development initiatives. These efforts have been crowned with success in creating production units that have contributed greatly to reducing the percentage of spoilage, raising productivity and saving time and effort.
- 05 Take advantage of the specialized exhibitions and research forums that were attended to modify the production equations and manufacturing mixtures in a way that improves the properties of finished products and reduces the cost of manufacturing.
- 06 Modernizing recycling machines and expanding the use of recycled materials in the production of finished products.
- 07 Legalizing the number of workers and aligning qualified workers in all production departments in light of the effects of the new Corona virus and the suspension of air traffic between the Kingdom and a number of countries, as well as the desire of some workers, elderly and experienced, to retire and final exit.
- 08 Expand the use of national female technical cadres in all FIPCO production departments to maintain Saudization rates and cover the existing labor shortage.
- 09 Making use of old machines to be replaced and using scrap materials on a large scale to provide an added value on the products of some of the main customers.

## The proposed operation department development plan for the year 2022 AD

- △ Continuing to raise production efficiency and reduce the costs of the production process, and this is done by working on two main axes, namely working to reduce manpower and searching for new machines or making modifications to the current machines in order to reduce the manual production stages.
- △ Activating the application of the ERP System, which is being developed in cooperation with the Information Technology Department in FIPCO, in order to reach a distinct productive behavior in terms of the production cost-calculation mechanism, the introduction of barcodes, and the CRM customer relationship management system to develop products to conquer local and regional markets.
- △ Continuing to maintain the company's basic infrastructure to ensure the continuation of the production process at the minimum cost and to ensure that there is no downtime, in all production buildings and halls.
- △ Expansion of the cable filler product, by adding new production lines that increase production capacity and modifying the technical characteristics of existing machines in order to take full advantage of the machines' capacities and reduce purchase costs for new machines.
- △ Work on implementing digital transformation plans by utilizing technical cadres and under the supervision of the competent technical partner.
- △ Work to reduce wastage rates at acceptable rates and as minimally as possible for this field.
- △ Activating the development and innovation policy and adopting a flexible reward system linked to performance and creative industrial ideas.
- △ Continuing to provide training programs for all members of the production system in order to raise awareness and participate in the decision-making process and diversify training programs to extend to security, environmental safety, health and occupational health.
- △ Reviewing and reducing the stock of semi-finished or finished products, as well as checking and reviewing the stock of spare parts and others.
- △ Working in harmony with all other FIPCO divisions and departments to achieve the objectives of raising capital to enable FIPCO to keep pace with the Fourth Industrial Revolution - one of the objectives of the Kingdom's Vision 2030 in industrial transformation programs aimed at raising the efficiency of Saudi factories through the following:





## Sales and Marketing Management

FIPCO carries out marketing and distribution of its products through a qualified, experienced and highly efficient team of multiple nationalities in order to serve all spectrums of FIPCO clients around the world. Expand and spread, depending on the quality of our products and the efficiency of our marketing team.

The main activity of the Sales and Marketing Department is based on marketing, selling and distributing the main FIPCO products of various types, and during the year 2021 AD, the company, through the sales and marketing teams, expanded in the local and international market through coordination and work on visits and continuous communication with customers, whether with pre-service During and after sales in order to win the loyalty of its customers and maintain its market share in the local and international markets in a sustainable and satisfactory manner.

Despite the repercussions of the emerging corona virus and its metaphors that cast a negative shadow on the global economy in a significant and noticeable way, FIPCO continued to implement its plans to expand and spread, as it focused heavily on sales of jumbo bags, small bags, cement bags and cable fillers, while making efforts to sell and market more products. Others, especially those that do not require much manual labor and whose manufacture depends mainly on automatic machines.

On the other hand, and within the framework of implementing FIPCO's plans and initiatives for sustainable development, FIPCO, in cooperation with governmental and semi-governmental agencies, has worked on developing and converting cement bags into plastic bags instead of paper bags for the local market, as this development will have a large local return, as the production of these bags will be local, 100%. Also, these experiments are currently under development by the competent authorities.

In addition to the constant work to intensify the visits of clients on a continuous basis to gain their trust and strengthen the relationship, as well as arrange visits with potential clients to build lasting strategic relationships, although the schedule of those visits was negatively affected by restrictions on travel and freedom of movement during the year 2021 AD.

Given the intensity of competition in the local and global market for such products, FIPCO looks forward to targeting major customers to obtain a larger market share, based on raising production



capacity and the efforts of the research and development team in FIPCO, in order to improve the quality of products to distinguish from competitors in technical specifications.

As participation, arrangements and meeting potential customers in local and international exhibitions are one of the most important pillars that the sales and marketing team relies on to expand the customer base and attract new customers from different countries of the world through the distinguished and effective presence in most of the international events and events that are held in the field of our business, which are carefully selected according to Geographical diversity, and despite the cancellation of a number of those exhibitions and the events accompanying them, in addition to the impact of supply and export chains due to the precautionary measures taken regionally and globally, FIPCO is working on implementing its expansion strategy by steadily increasing the proportion of its exports over the next few years in line with the government's orientation and benefiting from of support programs designated for this purpose.

Since the scope and duration of these effects are still uncertain and depend on future developments that cannot be accurately predicted at the present time, FIPCO will continue to monitor the situation in the Kingdom and all geographical areas it deals with for the purpose of reviewing and dividing potential risks, in a manner that ensures a balance between The level of risks and plans for expansion and spread.

With regard to the customer base, during the year 2021 AD, FIPCO continued to gain the trust of its customers, with whom they have strategic relations for more than twenty years, and these relationships are usually with governmental, semi-governmental and international companies through tenders and competitions in which the contract period extends for long periods. Up to three years, FIPCO has succeeded in entering into contractual relationships with large local companies such as mills and wheat companies around the regions of the Kingdom. Those who have been cut off for various reasons over the past years, and the company has already completed renegotiations and agreements with a number of them.

During the year 2021, FIPCO continued investing in its technical infrastructure, benefiting from social networking sites, and activating e-commerce more by supporting its website with more information and the ability to inquire and order online with the expansion of the company's electronic marketing campaigns through international companies specialized in e-commerce, and also launched Promotional clips to introduce the company and its products to ensure the expansion of its presence on social networking sites such as LinkedIn & AliBABA and other global digital marketing tools.

With regard to the work team, FIPCO has adopted a new strategy by using sales representatives who have a customer base and have accumulated experiences in the same industry in a number of countries in the world to contribute to diversity and geographical spread and expand the customer base in areas that FIPCO has not previously accessed.



# 3



**FPC**  
**industrial**  
**Company**

- » Project Concept
- » Competitive Advantages
- » Vision, Mission, and Values
- » FIPCO Objectives of the Project
- » Phases of the Production Process
- » Raising Productive Capacity and Improving Quality Standards
- » Conformity Certificates and Product Quality Assurances
- » The most prominent entities that have officially adopted FPC products
- » Product chain and its applications
- » Pictures of some projects implemented with FPC products
- » The repercussions of the Corona virus and its variants on FPC's business during 2020 and 2021
- » Company's most outstanding achievements during the year 2021
- » Targeted development plans and initiatives implemented during the year 2021



# Project Concept

Manufacture of textiles with technical and industrial properties from high-density yarns coated with polyvinyl chloride (PVC), silicone or Teflon, called CTF for short.

## Competitive Advantages



01

Localizing the technical textiles industry to meet the needs of local demand from the government and private sectors and replacing it with imported products.

02

Taking advantage of the initiatives and programs launched by the state to support local content and localize government purchases.

03

A professional team of multi-skilled and experienced in this field and from different countries of the world.

04

The factory is the first of its kind in the Middle East in terms of production technology and the fifth of its kind in the world in terms of production capacity and product diversity.

05

The only factory in the world that wraps textiles with PVC & PTFE materials under one roof.

06

A smart factory where most of the manufacturing process is automated and relied on a small number of hands.

07

Production lines are the latest in their field and the latest in European technology.

08

We invest in research and development to manufacture value-added products and unconventional solutions.

09

Production lines are designed to manufacture products for multiple applications.

10

100% Saudi made.

**Mission**

Meeting the needs of our customers with the highest quality and best price and building a long-term trust relationship in the world from within the Kingdom of Saudi Arabia.

**Values**

Honesty Initiative  
Respect Excellence  
Trust Cooperation

**Vision**

We plan to become the leaders in the technical textile industry in the local, regional and global markets.

## FIPCO Objectives of the Project

- 01 Initiating investments and reducing risks.
- 02 Investment returns for shareholders and the creation of added value for all related parties.
- 03 Achieving sustainable growth and localizing the industry in line with the objectives of the Saudi Vision 2030.
- 04 More involvement in the fields of quality manufacturing industries, benefiting from its cumulative experience of more than 30 years in the textile industry.
- 05 Covering the needs of the regional market, and opening broad export horizons to penetrate the global markets.
- 06 Targeting the export of at least 50% of the products in line with the Kingdom's plans to raise the percentage of non-oil exports.



# Phases of the Production Process

## Thread Arrangement



## Knitting Process



## Coating Process





## quality and development



## examination



## Storage

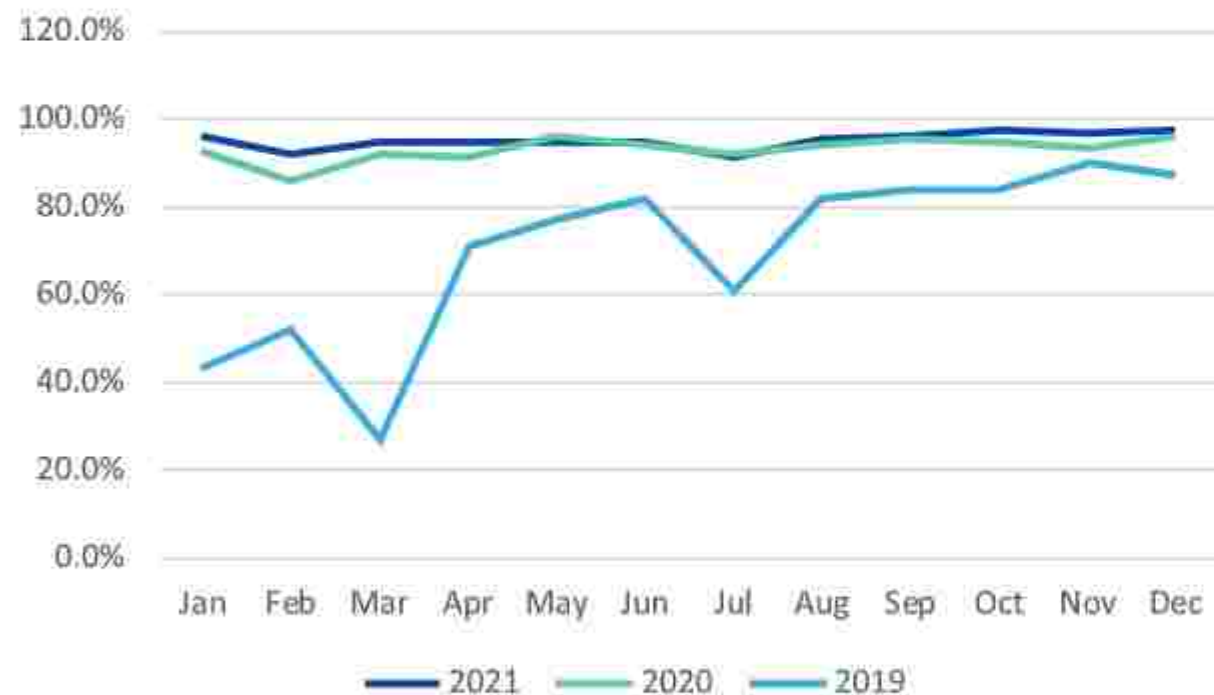




# Upgrading production capacity and improving quality levels as shown in the following graphs:



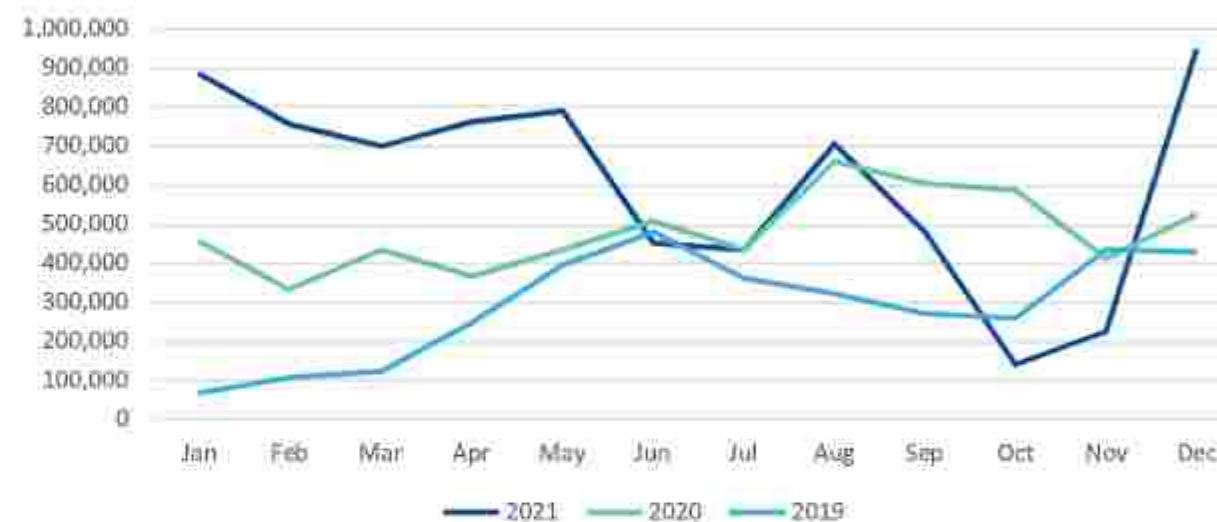
Evolution of quality levels 2019 - 2020 - 2021



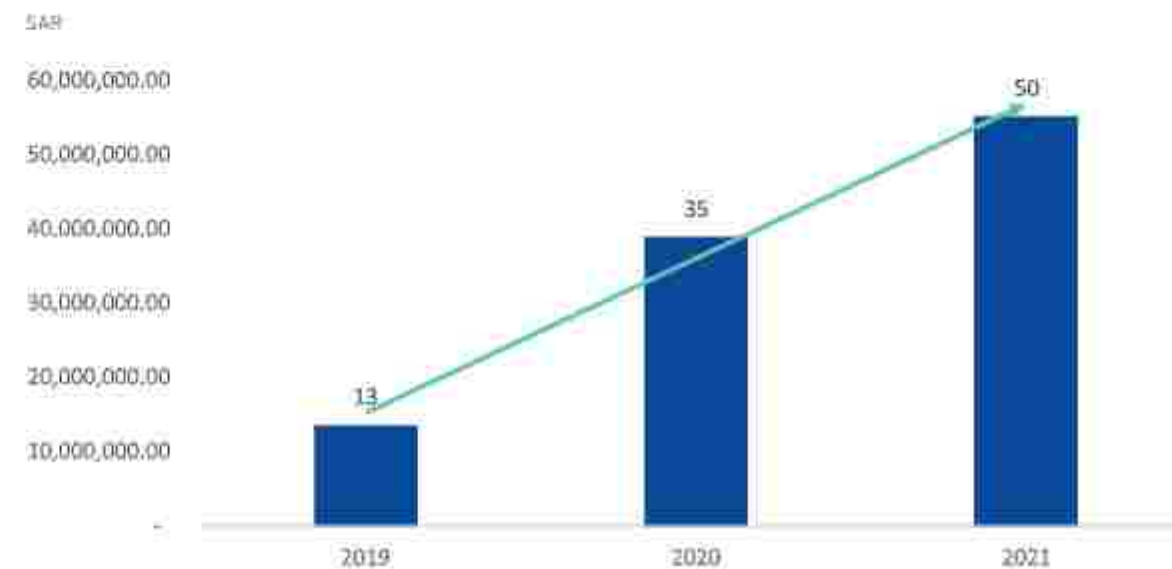
## Registration of trademarks for exclusive products of the company, namely Panama & Dana



Production capacity development 2019 - 2020 - 2021



The evolution of FIPCO sales during the last three years



# Conformity certificates and product quality assurances



# The most prominent authorities that have officially adopted the company's products



About FIPCO  
Operational Performance Summary  
FPC Industrial Company  
Summary of Financial Performance  
Risks and Sustainability  
Governance in FIPCO



# Series of products and their applications

Signage, Billboard & Sign Board Technical Fabric



Tarpaulin & Truck Covers





**PTFE Fabric**



**Agricultural Technical Fabric**



**Foldable Water Tanks**





### Hajj tents



### Sun shades Technical Fabric



### Technical Fabric for Military Applications



### Facade



### Event Tents



### Food delivery bags

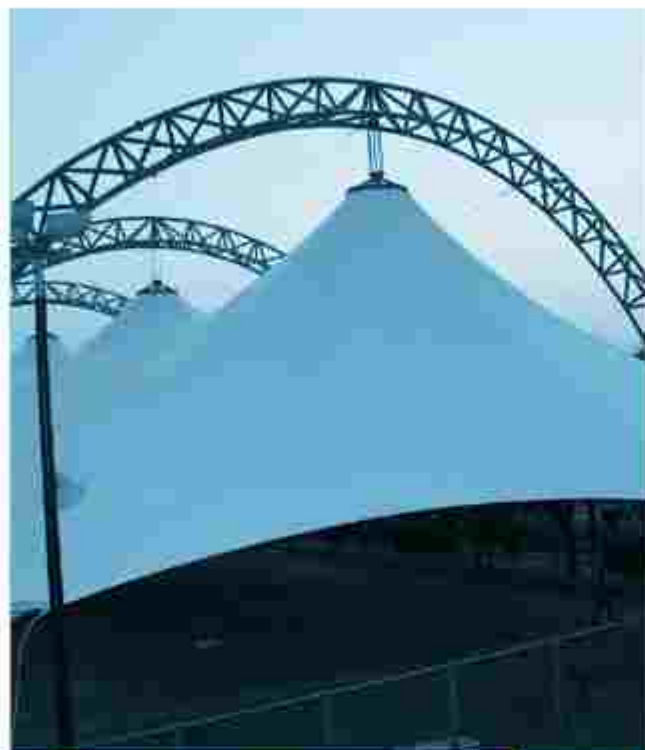




# Pictures of some previously implemented projects

1

Giant umbrellas in multiple parks (Kingdom of Saudi Arabia)



2

Military Use Tents (Kuwait)



3

Football play ground (Kingdom of Saudi Arabia)



4

Umbrellas for a university (Kingdom of Saudi Arabia)



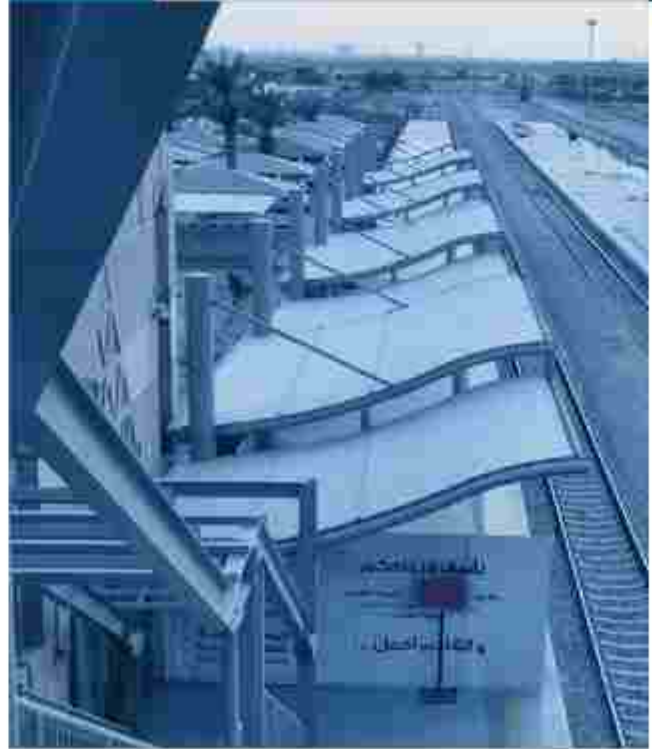
**5**  
Tents  
(Sultanate of Oman)



**7**  
Dates Market  
(Medina)



**6**  
Civil Defense  
Umbrellas  
(in Makkah)



**8**  
Train station  
(Al-Ahsa)



9

Civil hospital to deal with Corona cases (Sierra Leone - Africa)



10

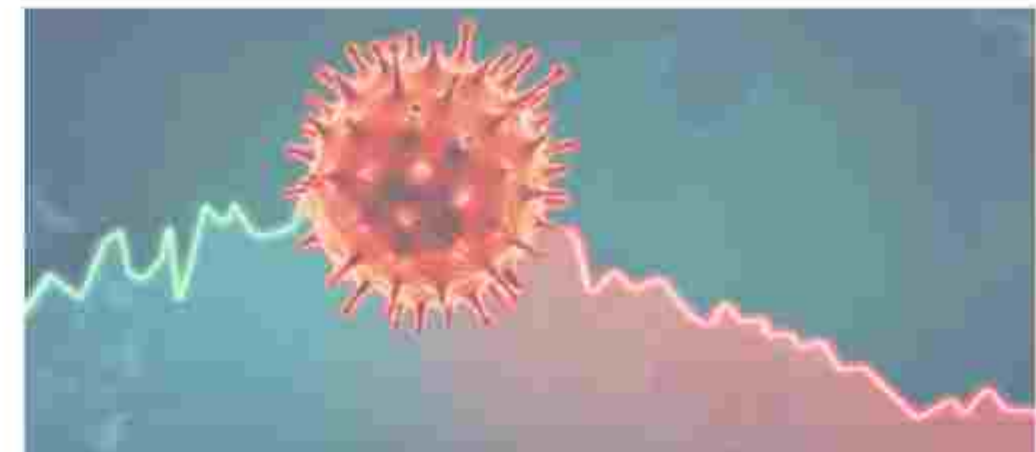
King Fahd Bridge (Saudi-Bahrain Border Bridge)



## Repercussions of the emerging corona virus and its modifications on the work of FPC during 2021 & 2020

Due to the scope of the commercial operation of FPC industrial company during the second quarter of the fiscal year 2019, and this was done gradually according to production requirements, desired quality levels, market share and levels of demand for products. The year 2020 was the first actual operating year for FPC, which was it is scheduled to reach the sales targets, especially in the wake of the spread of the brand and penetration in the local, regional and international markets, in addition to reaching appropriate levels of productivity and reaching the highest levels of quality, but in light of the changes in the global epidemiological situation and the spread of the new Corona virus in all countries of the world - most likely - We review the following, the most prominent curves that cast a shadow on the business of FPC for Industry:

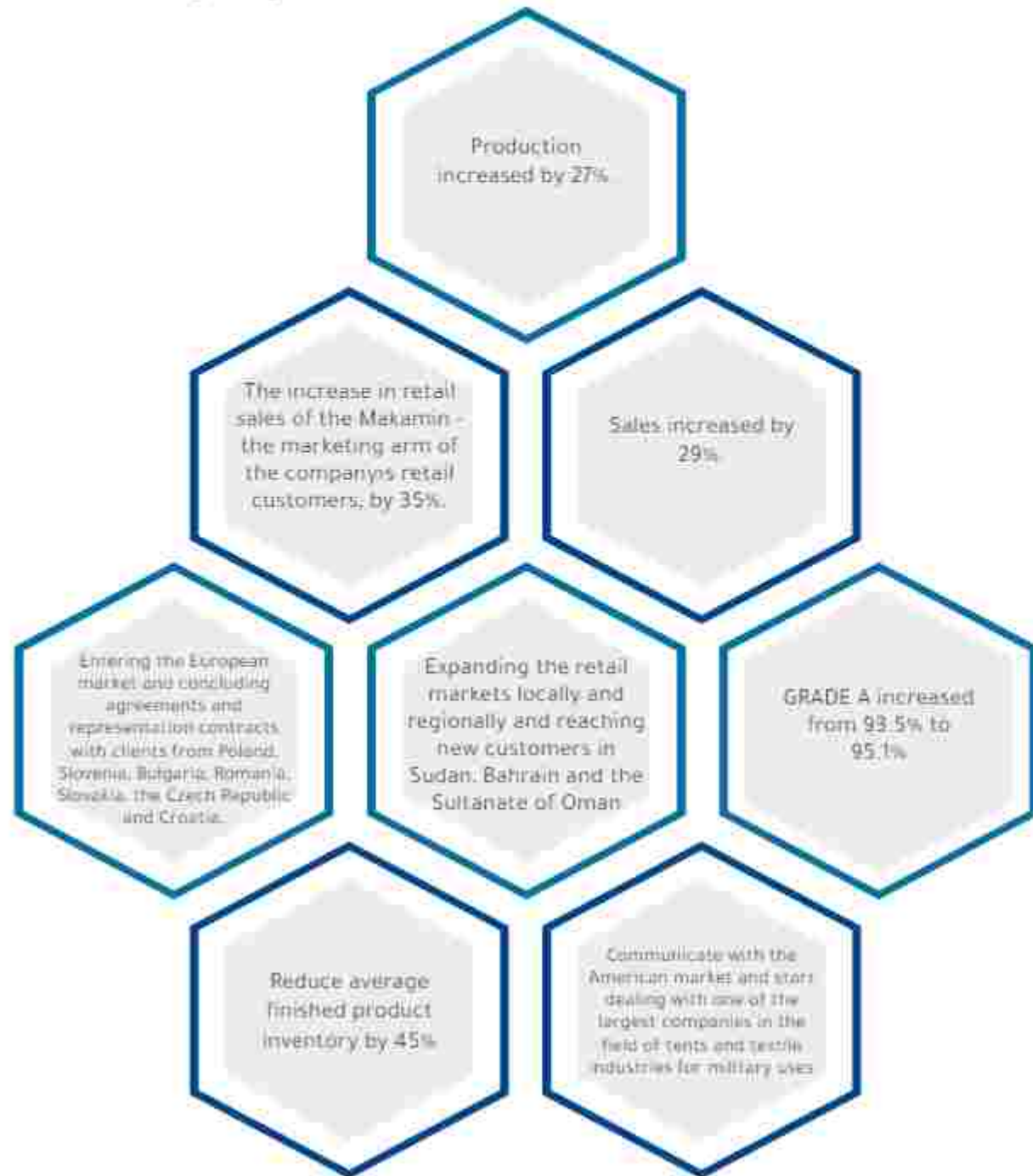
1. Delaying the arrival of some raw materials from outside the Kingdom of Saudi Arabia as a result of the supply chains being affected.
2. Higher freight costs both locally and internationally, which led to an increase in operational costs related to the supply chains, both at the procurement and sales levels.
3. The restrictions and precautionary measures imposed by the government of the Kingdom of Saudi Arabia at the beginning of the pandemic led to a halt in production for some time.
4. Some of the important targeted government projects have been discontinued during the past period, including, but not limited to, projects related to the holy sites due to the limited Hajj season during the past two years, especially since FPC products were approved as a product that conforms to the specifications of those projects, in addition to other projects affiliated to the Ministry of Interior, the National Guard and the High Authority for the development of the city of Riyadh.
5. The inability to supply export orders due to the general closure as a result of the pandemic, which led to sales not reaching their target levels and the accumulation of the final product in warehouses.



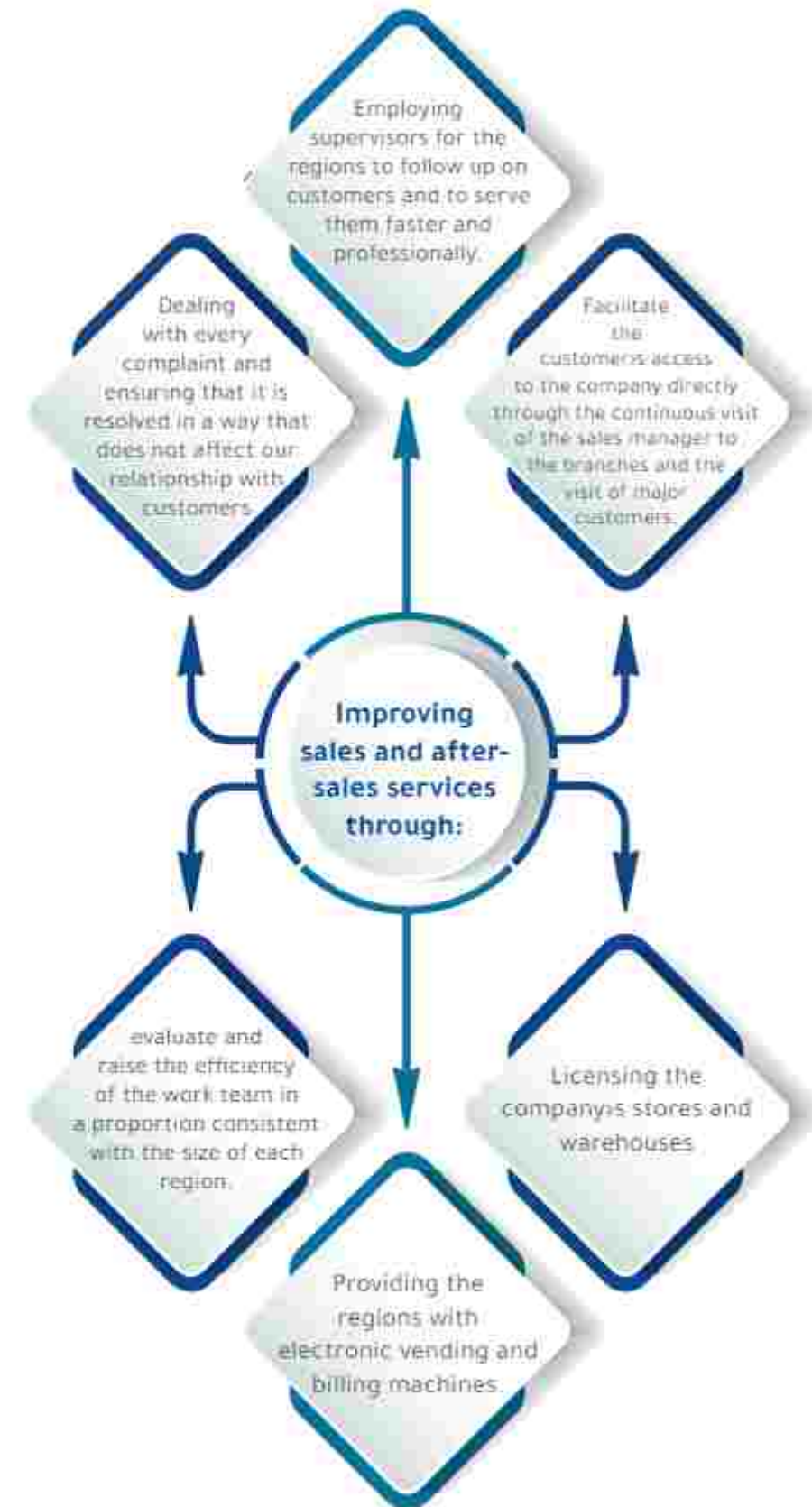


# Most prominent achievements of the company during the year 2021

Despite the continuing repercussions and effects associated with the emerging corona virus and its variants, FPC Industry has implemented some ambitious plans and ideas that have contributed to upgrading the company's position, improving its manufacturing operations, expanding its customer base, and enhancing its regional and international presence, as follows:



In terms of sales and marketing activities, the focus has been on the following:

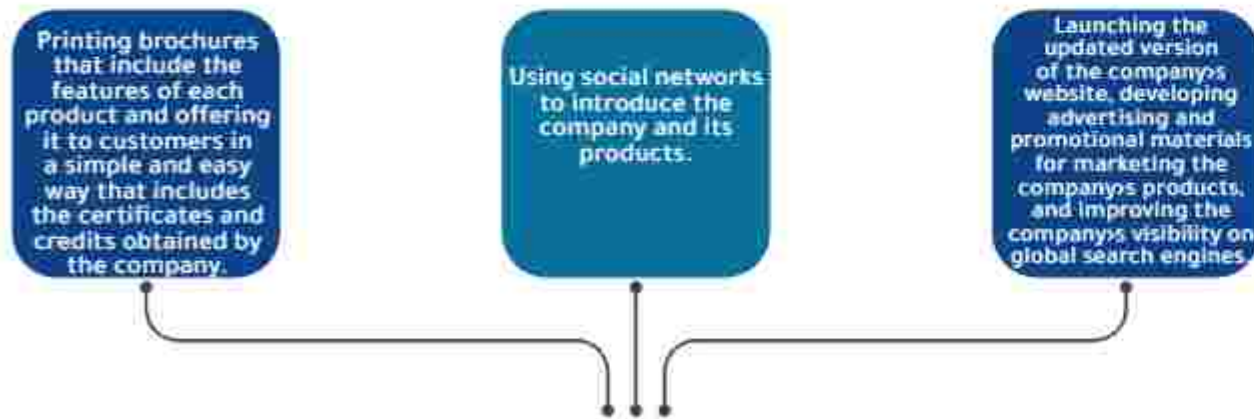




Diversity of the customer segment from retail clients to major clients and success partners through:



Intensifying the company's marketing and introductory efforts through:



## Targeted development plans and initiatives to be implemented during 2022.

1. Continuing to appoint sales representatives in the target countries according to market studies and with a flexible commission system linked to sales targets.
2. Continuing expansion in retail sales and opening branches in various regions of the Kingdom to sell the company's products of varying quality levels according to market needs.
3. Entering into contractual relationships with suppliers of raw materials to obtain preferential benefits and competitive prices and to give the company an annual return on the volume of its annual purchases in a manner that ensures supply and mitigates the risks of not obtaining materials needed for manufacturing at the necessary time, especially in light of the continuing effects of the emerging corona virus and its modifiers in a number of From the countries of the world, in addition to the impact of supply chains as a result of the political and economic changes that the world is witnessing during the recent period.
4. Continuing to update the company's website, developing advertising and promotional materials for marketing the company's products, and improving the company's visibility on global search engines and communication networks.
5. Holding joint workshops with the Council of Engineers and Contractors and Chambers of Commerce to introduce and approve products with the aim of entering into extended strategic relationships.
6. Develop automated solutions for the company's warehouses to facilitate the process of shipping, transportation and distribution.
7. Continuing to establish the technical infrastructure to link all machines and production lines to the resource management system and to issue the necessary reports to take appropriate decisions.
8. Targeting to raise production capacity by up to 35% compared to the current production capacity, to reach the maximum capacity.
9. Aiming to increase sales by approximately 50%.
10. Targeting to increase the production of first-class products to 97.5%.
11. Signing a supply agreement with one of the largest marketing companies specialized in marketing the company's products in the Scandinavian countries.
12. Signing a distribution agreement with one of the largest marketing companies specialized in marketing the company's products in the American market.
13. Developing new products according to the requirements of global markets.
14. Targeting the announced projects of the Ministry of Sports aimed at establishing 11 sports stadiums.



# 4



## Financial Performance Summary

- » Company sales.
- » Performance of each activity of the company's business volume.
- » Operating profit.
- » Net profit.
- » Earnings per share in Saudi riyals.
- » Evolution of asset growth.
- » Assets versus liabilities.
- » Liabilities versus Property rights.
- » Change in Property rights.
- » Liquidity ratios and indicators.
- » Geographical analysis of FIPCO's revenue.
- » Loans.
- » Regular payments.
- » Note of Zakat & Value Added Tax.
- » Fines.
- » Deviation from the application of any of the applicable accounting standards.
- » Repercussions of the emerging corona virus on the company's activities during the year 2021.



## First: Company's sales

FIPCO net sales amounted to 222.6 million riyals in the fiscal year ending on December 31, 2021, compared to 181.5 million riyals for the year 2020, with an increase of 22.6%. The following table shows net sales versus cost of sales during the past five years:

Million Saudi Riyals

|                        | 2017  | 2018  | 2019  | 2020  | 2021  |
|------------------------|-------|-------|-------|-------|-------|
| <b>Net sales</b>       | 153.6 | 163.5 | 164.1 | 181.5 | 222.6 |
| <b>Cost of sales</b>   | 126.4 | 134.6 | 141.6 | 152.2 | 193.6 |
| <b>Total of income</b> | 27.1  | 29    | 20.6  | 29.3  | 29    |
| <b>Net profit</b>      | 5.2   | -5.9  | -20.3 | -3    | -9.1  |

## Second: The performance of each activity of the company's business volume.

### 1. Jumbo Bags

Jumbo bags sales during 2021 amounted to 59.4 million riyals compared to 42.9 million riyals for the year 2020, an increase of 38.46%, due to the increase in customer requests during the year 2021 AD compared to last year in addition to the increase in selling prices, and jumbo bags represent approximately 27% of Total of sales.

### 2. Small & Valve Bags

FIPCO sales of small and valve bags amounted to 80.1 million riyals for the year 2021 AD, compared to 71.3 million riyals for the year 2020, an increase of 12.34%, due to the increase in the average selling price of these products of all kinds during the period, small and valve bags represent approximately 36% of the total of sales.

### 3. Twisted Products

The sales of twisted products (cap pads - suspension threads and agricultural bindings) for the year 2021 amounted to 26.3 million riyals, compared to 16.4 million riyals for the year 2020, an increase of 60% due to the high demand during the period for CABLE-FILLER & STRAPPING BAND products. Brominated products represent approximately 12% of total of sales.

### 4. Contribution of the subsidiary company (FPC industrial company) to the volume of the company's activities

The sales of the subsidiary company FPC amounted to 50 million riyals for the year 2021, compared to 35.4 million riyals for the year 2020, with an increase of 41%, due to the increasing demand for the company's products and the gradual raising of production and quality levels. FPC sales account for approximately 22% of



## Third: Operating Profits

Operating losses for the year 2021 amounted to 5 million riyals, compared to operating profits of 3.8 million riyals for the previous year 2020, and the reason for this decrease is due to the decrease in the total profit due to the increase in raw material prices, the increase in shipping prices globally and the increase in expected credit losses in line with the international standard No. 9

## Fourth: Net Profits

FIPCO recorded a net loss of 9.1 million riyals by the end of the year 2021, compared to losses of 3 million riyals recorded during the same period in 2020. The reasons for this are mainly due to the following:

1. A slight decrease in gross profit due to the increase in raw material prices and the increase in production costs due to the increase in the minimum wage for Saudi employees, despite the growth in sales of the company and its subsidiary.
2. The increase in selling and distribution expenses as a result of the increase in export sales and the increase in freight rates globally, in addition to the expansion in opening retail distribution branches for the subsidiary company (FPC Industry).
3. Increasing the allowance for expected credit losses in the subsidiary company in line with International Standard No. 9, in addition to the fact that the allowance for credit losses in the parent company was reversed due to the absence of its purpose during the fiscal year 2020, mainly to collect the amounts due and settle credit relationships with some customers.
4. Decrease in other revenues arising - mainly - from the transfer of low-economic feasibility capital assets with other high-efficiency new assets, which will positively affect production capacity, during the fiscal year 2021 AD, in addition to the presence of some support amounts collected from the Human Resources Development Fund and the Small Enterprises Authority and medium and medium enterprises, and charging some customers with delay fines arising from contractual relationships during the fiscal year 2020.
5. The increase in financing costs due to the high cost of interest of the potential obligation in exchange for the purchase of the non-controlling stake in the subsidiary company, despite the government initiatives launched by the state (represented by the Saudi Arabian Monetary Agency) to mitigate the effects of the emerging corona virus, and related to postponing the payment of the due installments of loans without financing interest.
6. Increase in zakat provision.

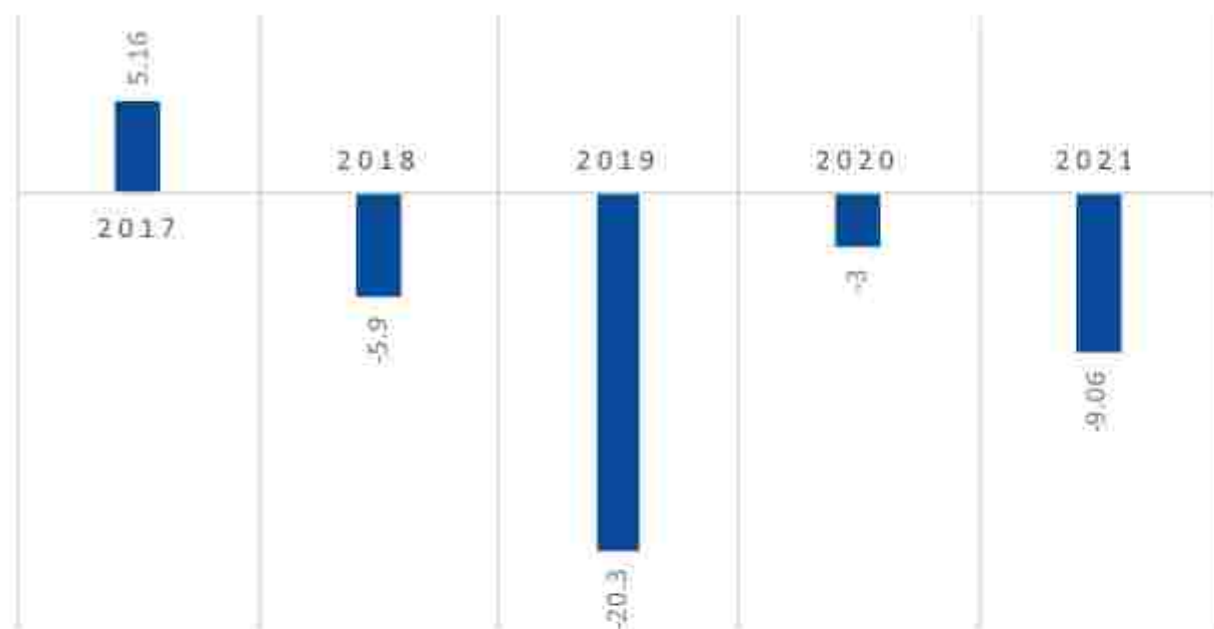
It came though:

1. The decrease in general and administrative expenses as a result of the increase in production capacity in the subsidiary company due to the decrease in unused capacity and the improvement in quality levels.
2. Change in the obligation to purchase the equity of the non-controlling interest.
3. Increase profits arising from financial investments at fair value through profit or loss.

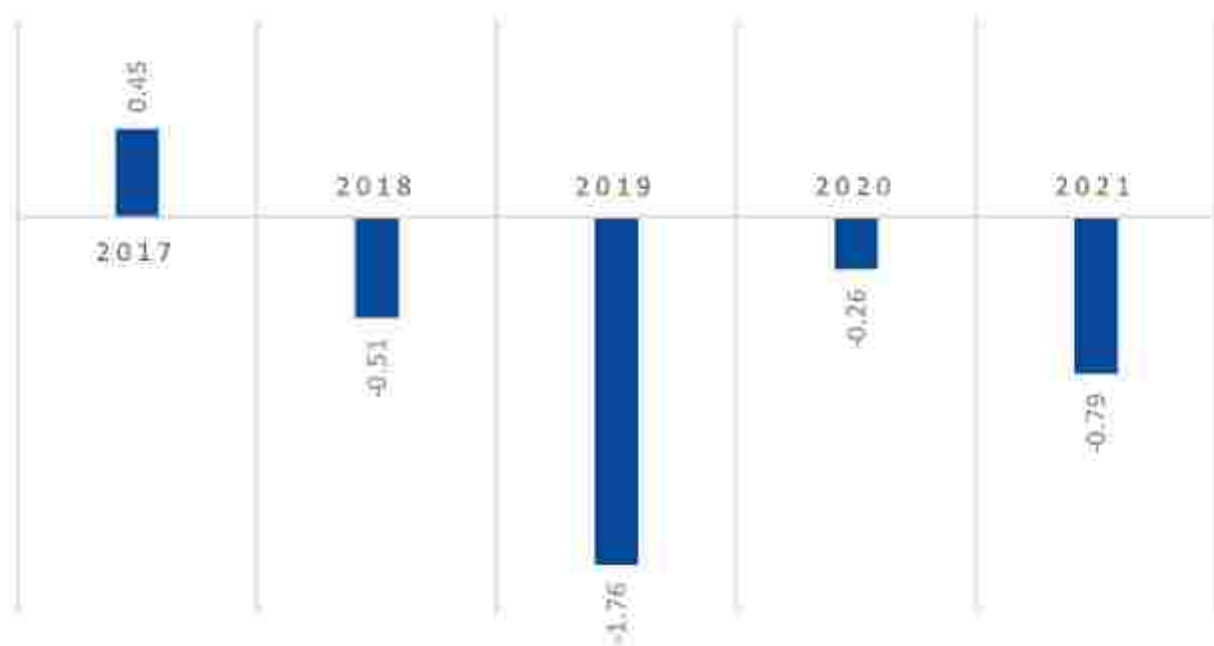
It is also worth noting the following:

- Actuarial profits amounting to 447 thousand riyals were realized arising from the re-measurement of employee benefit obligations, which are classified under comprehensive income.
- The balance of non-controlling interests has been adjusted as a result of amending the statement of profits and losses in the subsidiary company by reclassifying the financing income of the subsidiary company in line with International Financial Reporting Standards, which in turn was reflected in the net loss attributable to the company's shareholders, shareholders' equity and earnings per share, as shown in Note 32 of The annual consolidated financial statements ended on December 31, 2020.

Net profit (in millions of riyals)



Earnings per share (in Saudi riyals)



Sixth: The development of asset growth

Million Saudi Riyals

|  | 2017    | 2018   | 2019   | 2020   | 2021   |
|--|---------|--------|--------|--------|--------|
| <b>Current Assets</b>                        | 160.5   | 157.86 | 137.87 | 149.11 | 147.90 |
| <b>Non-current assets</b>                    | 84,005  | 150.24 | 154.32 | 160.55 | 155.54 |
| <b>Total Assets</b>                          | 244.5   | 308.11 | 292.19 | 309.66 | 303.44 |
| <b>Current liabilities</b>                   | 47.1    | 76.8   | 85.2   | 98.16  | 87.28  |
| <b>long-term liabilities</b>                 | 14.4    | 53.6   | 54.4   | 82.8   | 96.08  |
| <b>Total liabilities</b>                     | 61.5    | 130.4  | 139.6  | 180.96 | 183.36 |
| <b>Shareholders' Property rights</b>         | 183.6   | 176.9  | 157.6  | 128.7  | 120.09 |
| <b>Non-controlling Property rights</b>       | (0.576) | 0.683  | (5.03) | 0      | -      |
| <b>Total of Property rights</b>              | 183     | 177.63 | 152.57 | 128.7  | 120.09 |
| <b>Total liabilities and Property rights</b> | 244.5   | 308.11 | 292.6  | 309.66 | 303.44 |





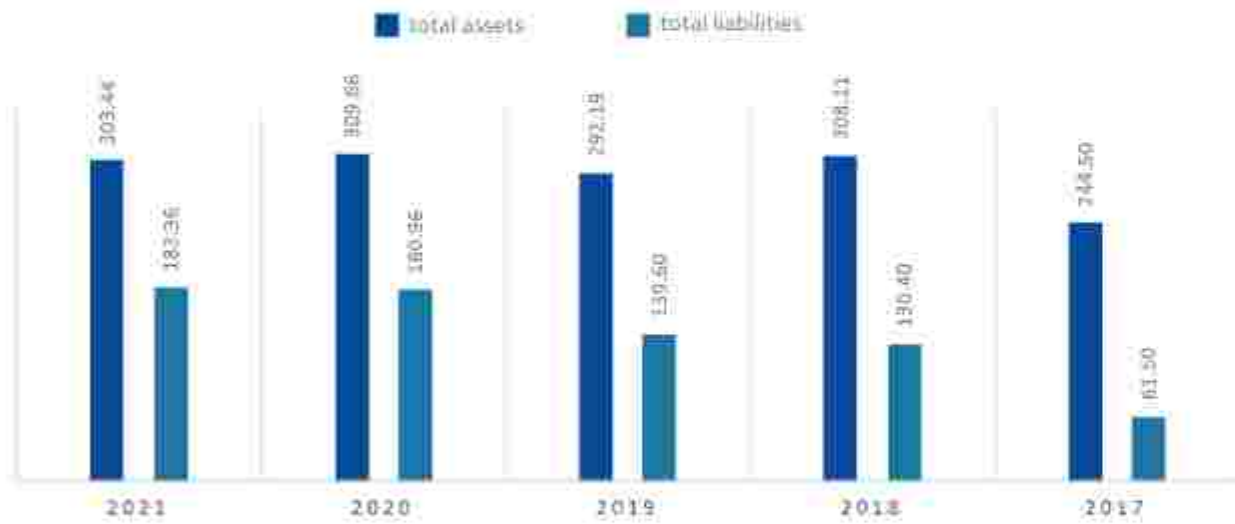
### Asset growth development (in million riyals)



### Total Equity (in million riyals)

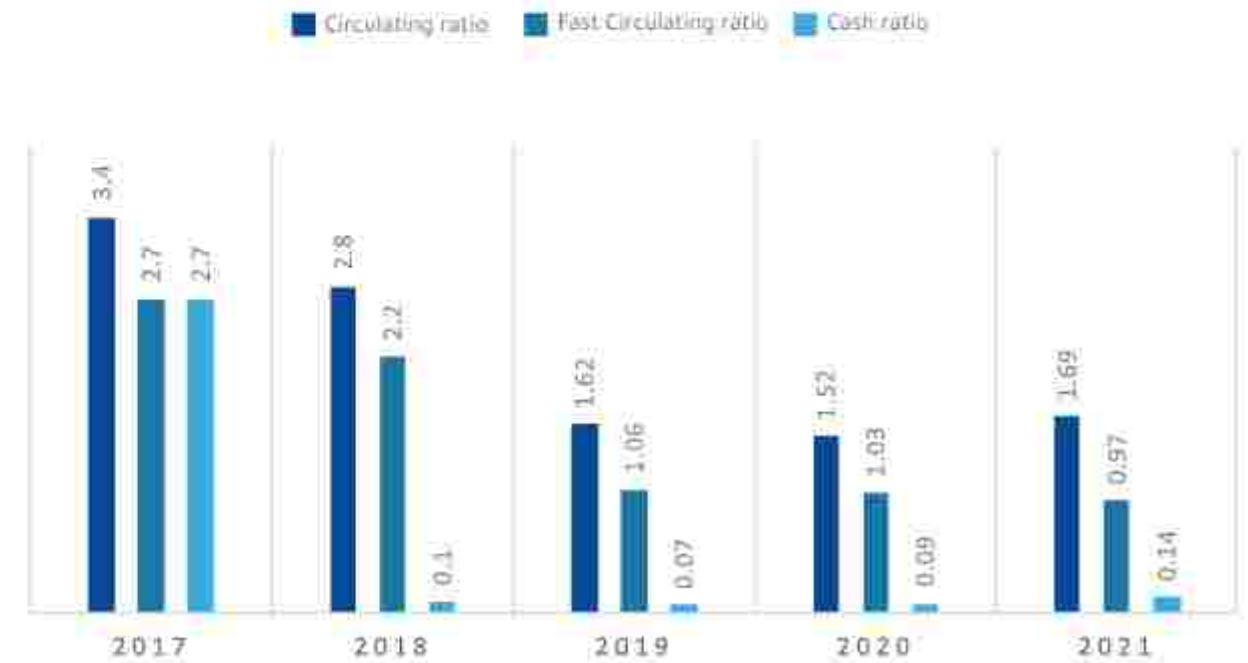


### Total assets and liabilities (in million riyals)

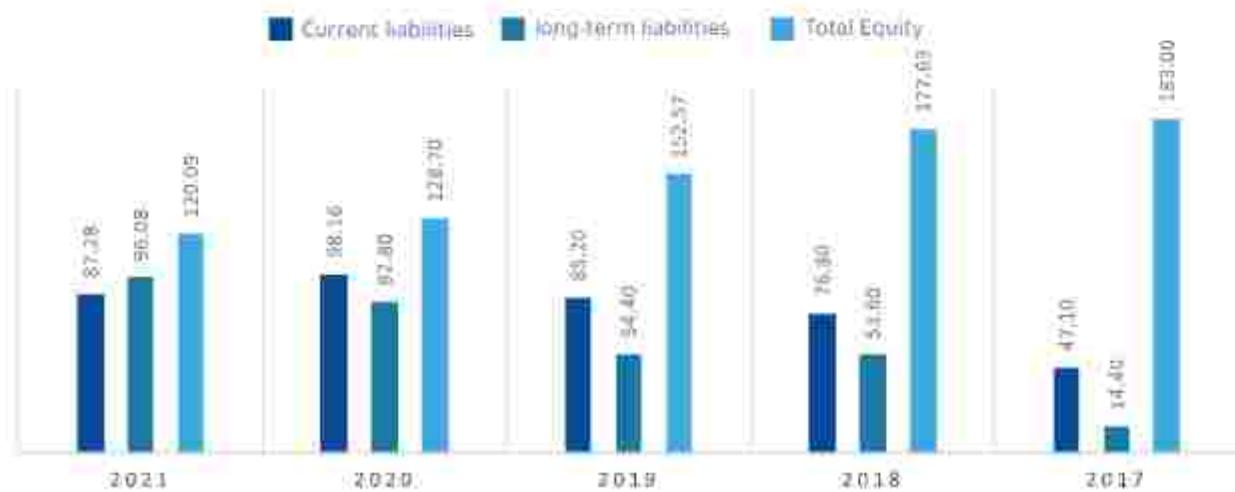


■ 2021 ■ 2020 ■ 2019 ■ 2018 ■ 2017

### Liquidity ratios and indicators



### Growth of liabilities and equity (in million riyals)



Sales within the Kingdom of Saudi Arabia



Eastern Reigon

| 2021 | 2020 |
|------|------|
| 31.8 | 21.6 |

Central Region

| 2021 | 2020 |
|------|------|
| 72.5 | 75.2 |

Southern Region

| 2021 | 2020 |
|------|------|
| 0.09 | 0    |

Total

| 2021  | 2020  |
|-------|-------|
| 150.2 | 128.7 |

Western Region

| 2021 | 2020 |
|------|------|
| 45.8 | 31.9 |

All numbers are in millions of Saudi riyals.

Sales outside the Kingdom of Saudi Arabia (exports)

Europe



| 2021 | 2020 |
|------|------|
| 1.6  | 0.6  |

Asia



| 2021 | 2020 |
|------|------|
| 21.2 | 21.9 |

Total

| 2021 | 2020 |
|------|------|
| 72.4 | 52.8 |

All numbers are in millions of Saudi riyals.

North Amarica



| 2021 | 2020 |
|------|------|
| 0.5  | 0.8  |

Africa



| 2021 | 2020 |
|------|------|
| 35.9 | 23.3 |

Gulf States



| 2021 | 2020 |
|------|------|
| 13.2 | 6.2  |



## Twelfth: Loans

Loans based on FIPCO and its subsidiaries as at 31 / 12 / 2021 AD

Million Saudi Riyals

|              | Donor                             | loan type  | Principal amount of the loan | Purpose   |  | Balance at the beginning of the year | Additions during the year | Repayment    | Balance at year end | Method of Payment*   |
|--------------|-----------------------------------|------------|------------------------------|---|--|--------------------------------------|---------------------------|--------------|---------------------|--|
| 1            | Saudi Industrial Development Fund | long-term  | 53,4                         | Financing the expansions in the production lines of FIPCO           |  | 2,9                                  | 7,55                      | 2,9          | 7,55                | Unequal semi-annual installments starting from 11/04 /2009 until 26 /06 /2029. |
| 2            | Saudi Industrial Development Fund | long-term  | 35,3                         | Financing the subsidiary company's project (FPC Industrial Company) |  | 35,3                                 | -                         | 3,2          | 32,1                | Unequal semi-annual installments starting from 28 /03 /2021 to 09/ 08 /2025.   |
| 3            | Riyadh Bank                       | long-term  | 38                           |   |  | 33,7                                 | -                         | 1,6          | 32,1                | Semi-annual installments of equal value from May 2019 to July 2027             |
| 4            | Riyadh Bank                       | short-term | 23                           |   |  | 12,6                                 | 19,8                      | 26,4         | 6                   | Revolving loan with a maximum of 6 months.                                     |
| 5            | National Bank                     | short-term | 30                           |   |  | 26,39                                | 1,7                       | 5,42         | 22,67               | Revolving loan with a maximum of 12 months.                                    |
| <b>Total</b> |                                   |            | <b>179,7</b>                 |   |  |                                      | <b>110,89</b>             | <b>29,05</b> | <b>39,52</b>        | <b>100,42</b>  |

\* The repayment schedule for some loans has been modified in line with the government initiatives launched by the state (represented by the Saudi Central Bank) to mitigate the economic effects of the spread of the new Corona virus.

Million Saudi Riyals

|                                     |               |
|-------------------------------------|---------------|
| <b>Current portion of loans</b>     | 48,81         |
| <b>Non-current portion of loans</b> | 51,61         |
| <b>Total</b>                        | <b>100,42</b> |



## Thirteenth: Regular Payments

It includes all amounts that the company has paid or owed to legal authorities, whether they are related to the business of the company itself or its subsidiary company.

| Item                               | 2021      | 2020      | Due at the end of 2021 and not paid | Description   | Reasons   |
|------------------------------------|-----------|-----------|-------------------------------------|---|---|
| Zakat                              | 4,337,013 | 4,218,612 | 2,671,120                           | Paying the legal zakat  | The amount due is paid after submitting the zakat returns and approving them with the Zakat and Income Authority  |
| Social Security                    | 2,701,711 | 1,799,457 | 269,940                             | Contribution of workers and pensions under the Insurance Law                                      | Governmental fees   |
| value added tax                    | 4,347,726 | 1,439,936 | *(943,392)                          | Paying the taxes due in accordance with the regulations of the General Authority of Zakat and Tax | Governmental fees   |
| withholding tax                    | 12,670    | 4,735     | 600                                 | Paying the taxes due in accordance with the regulations of the General Authority of Zakat and Tax | The company withholds taxes on some transactions with non-resident parties in the Kingdom of Saudi Arabia as required according to the tax regulations in force in the Kingdom of Saudi Arabia, and the withholding tax related to foreign payments is recorded as obligations. |
| Passports and Labor Office         | 4,963,907 | 5,717,304 | -                                   | Approved statutory costs for non-Saudi workers  | Governmental fees   |
| Saudi Industrial Development Fund  | 6,548,800 | 486,200   | -                                   | Paying loan installments and follow-up fees, and no installments were paid during the year 2020   | The loan is repaid according to what was indicated in the loan schedule according to the agreement, but the loan repayment was postponed during the year 2020 in line with government initiatives to mitigate the economic effects of the emerging corona virus.                |
| Saudi Stock Market Company Limited | 268,889   | 253,661   | -                                   | Fees for trading services and requesting reports  | statutory fees  |
| Customs                            | 2,235,574 | 1,614,820 | -                                   | customs fees of import  | Governmental fees   |

\* Balances due to the company.

## Fourteenth: Clarifying Zakat & Taxes

The Zakat provision is calculated in accordance with the regulations issued by the General Authority for Zakat. The Zakat provision is charged to the profit and loss statement. Any additional obligations are recorded, and settlements resulting from Zakat assessments (if any) are processed, which may become due upon completion of the assessment in the same year. The finances in which the zakat assessment is approved.

The group submitted the zakat return "from its point of view" for the fiscal year ending on December 31, 2020 AD, and the group obtained a certificate from the General Authority for Zakat and Tax valid until April 30, 2022 AD, and the Authority for Zakat, Tax and Income issued a zakat assessment on the company for the years 2019 And 2020 during the year 2021 resulted in an outstanding zakat difference of 718,023 Saudi riyals.

Regarding FIPCO's tax status, revenues and expenses from assets are recorded after deducting the transaction tax (value added tax), with the exception of items that are not subject to this type of tax. FIPCO is also committed to deducting taxes on some transactions with non-resident entities or individuals in the Kingdom of Saudi Arabia in accordance with the tax regulations applicable, and withholding tax related to foreign transactions is recorded as liabilities.

## Fifteenth: fines

During the year 2021 AD, FIPCO and its subsidiary company were subject to fines of 72,276 riyals by Saudi Passports as a result of the delay in renewing the residencies of some employees, due to the Corona pandemic and the delay in completing its procedures, and customs fines of 60,340 riyals for the delay in clearing some imports. These exceptional circumstances are not repeated. In addition to a fine of 6000 riyals by the social insurance and municipal fines on the shops of the FPC industrial company, amounting to 5500 riyals, and precautionary action plans were drawn up to avoid the recurrence of these mistakes. The concerned departments were also alerted to the application of labor regulations against some negligent employees to avoid this in the future.

The company has not signed any of the penalties, penalties or precautionary restrictions imposed by the Capital Market Authority or any other supervisory, regulatory or judicial authority.

## Sixteenth: Deviation from the application of the applicable accounting standards

FIPCO is committed to applying the accounting standards issued by the Saudi Organization for Certified Public Accountants, and there is no deviation in the application of these standards.

The Board of Directors is obligated to provide the Capital

Market Authority, with any additional information. It requests in the event the auditor expresses any reservations about the annual financial statements.

## Seventeenth: The repercussions of the emerging corona virus on the company's activities during the year 2020 and 2021.

In response to the outbreak of the new Corona virus (Covid-19) at the beginning of the year 2020 AD and its spread in several geographical areas around the world and the resulting disruptions to economic and business activities, FIPCO formed a working team to assess the expected effects on the group's business inside the Kingdom. By taking a series of preventive measures to ensure the health and safety of its employees, customers and society to ensure the continuity of its operations.

The effects of the pandemic on the company's activity included the impact of the production process relatively for some time as a result of taking the precautionary measures directed by the governmental authorities, which consisted mainly of isolating influential workers suspected of being infected and applying the regular procedures related to travel and movement restrictions, as well as the delay in the arrival of some raw materials necessary for the production process. And the impact extended on selling prices in some products and there was also an impact on demand in other products. In addition to some difficulties that the company faced in its export operations and high freight prices.

Since the scope and duration of these effects are still uncertain and depend on future developments that cannot be accurately predicted at the present time, the management and those responsible for governance in the company will continue to monitor the situation in the Kingdom and all the geographical areas with which the group deals with the purpose of reviewing and dividing the potential and related risks with the supply chain of raw materials, human resources, and current stock levels, ensuring the continuity and operation of the company's production facilities without interruption and providing stakeholders with developments (when applicable) as required by laws and regulations.

FIPCO also monitors all government support initiatives submitted by the government of the Custodian of the Two Holy Mosques to mitigate the effects of the spread of the new Corona virus, and studies the aspects of benefiting from them to support the company's activities and business continuity.



# 5



## Risks and Sustainability

- » Risks and how to deal with them
- » FIPCO's sustainability and business growth.
- » Human Capital (Human Resources)
- » Occupational safety, health and the environment.
- » Social Responsibility
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# First: The concept of risk management in FIBCO

Risk management is the process of measuring and evaluating potential risks and developing strategies for their management in order to ensure the preventive handling of those risks and to facilitate work on the early detection of actual problems in order to reduce their negative effects on FIPCO.

## Why does FIPCO care about the risk management process?

Tightening control over the risks surrounding FIPCO's activities and business.

Determine specific dentin for each type of risk; Work to reduce losses and accept them to a minimum.

Providing appropriate confidence to all stakeholders in FIPCO, especially shareholders, creditors, customers and suppliers, in order to protect the ability to generate profits despite any accidental losses that may lead to reduced profits or non-realization.

## FIPCO's philosophy in dealing with risks

FIPCO believes that risks are an integral part of any profit-oriented activity, especially in the Industrial sector, and the optimal handling of the risk management process from FIPCO's perspective is to adopt an open policy to deal with risks to ensure that risks that may result in large losses or material effects are addressed, while not neglecting Lowest Impact Risks. Therefore, FIPCO deals with risks by categorizing them into 4 main stages and they include the following:



## The most important risks facing FIPCO and its subsidiaries

The risks described below do not include all the risks that FIPCO may face, but it is possible that there are additional risks that are either unknown to FIPCO at the present time, or that FIPCO may consider them to be immaterial and not hinder its work, or FIPCO has done this through its risk management unit. Building a record of the risks that you may face and the control points that will reduce the effects of those risks if they occur or impede their occurrence. These risks can be summarized as follows:

### 1 - Global economic fluctuations and financial crises

FIPCO is not only affected by the local economy, but the impact on its operations and expansion extends to global economic conditions, and is definitely affected by the global financial crises that appear from time to time, which may force FIPCO's current and potential customers to reduce spending on FIPCO's products and thus affect its profitability, especially since FIPCO has a significant proportion of external clients in various continents of the world, and the financial institutions that FIPCO deals with may be affected, and the time, strength or duration of any subsequent economic slowdown or recovery cannot be predicted.

### 3 - The economic performance of the Kingdom of Saudi Arabia

Despite the launch of Saudi Vision 2030 and the adoption by the government of the Kingdom of Saudi Arabia of its new program of financial transformation aimed at disengaging the link between oil and the Kingdom's GDP and creating an economic environment that is not completely dependent on oil, any fluctuations in oil prices may cast a direct shadow on the Kingdom's economy and all its sectors. Especially the industrial sector that relies heavily on raw materials from petroleum or petrochemical derivatives, which may affect the performance of the company and its main operations and may negatively affect the company's expectations and business results.

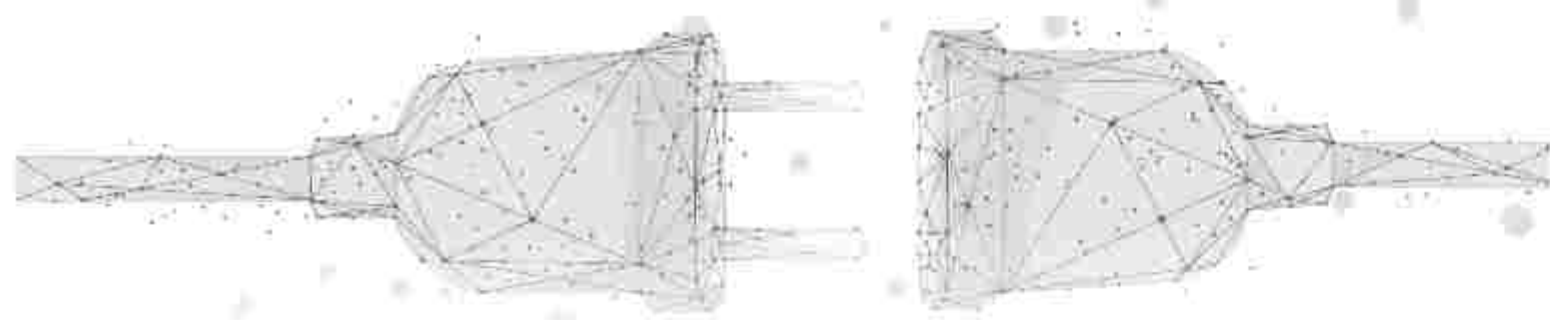
### 2 - Regional political and economic situation

The region is witnessing some political fluctuations that extend to many of the countries that FIPCO deals with, in addition to global conflicts and possible wars that cast a shadow on energy markets, the movement of cash, exchange rates and other variables of the global economy, which may negatively affect access to some customers in those regions. Thus, this affects one of FIPCO's most important strategic objectives by targeting new markets and diversifying sources of income.

### 4 - Competitive environment

FIPCO's growth and maximizing its profits are closely related to its ability to compete and maintain its leading position among other local, regional and international companies by maintaining the quality and diversification of its products. However, the competitive environment may push FIPCO to reduce some of its prices to maintain its major customers and market share.





## 5 - Main suppliers

Reliance on one main supplier of raw materials that the company uses in the manufacture of its products is one of the greatest risks that FIPCO pays special attention to, especially since the main supplier directly affects FIPCO's main activities if the supply stops for any reason or the supplier refrains from any consideration in addition to his exclusive right to Determine the price levels of raw materials. On the other hand, FIPCO does not have enough ability to import these materials from the global market at higher prices due to considerations of customs duties, transportation, storage and other fees, as well as the difficulty of obtaining the approval of the concerned authorities to import a locally available product.

## 6 - Main customers

Also, relying on major customers in purchasing huge products from FIPCO is one of the most important risks that FIPCO pays special attention to. For this purpose, FIPCO always works to expand its customer base and the difference in the quality of goods sold, in order to reduce dependence on major customers locally or internationally to avoid the constant change in the Price levels and pressure on profit margins.

## 7 - Prices of energy products and raw materials

FIPCO's sales and profitability directly depend on two main factors, namely, the prices of energy products and the prices of raw materials, those prices that FIPCO cannot predict, especially with the recent government decisions that included an increase in the prices of energy products with a lack of clarity about the possibility of increasing them in the future, in addition to the fluctuation of raw materials prices. According to the fluctuation of oil prices globally, and this is expected to be repeated in the future, FIPCO's performance depends in part on its ability to include these changes in costs within the selling prices of products.

## 8 - Sudden shutdown and crash

Work in FIPCO is carried out according to the system of division of labor on the workforce to ensure the continuation of the factory's work without interruption and around the clock on all days of the week, and there are some risks that may negatively affect the operational efficiency of the company such as natural disasters, malfunctions in machines or computers, and accidents related to employees important, and interruption of electricity or water, which may lead to increased costs and reduced returns and profits, and FIPCO cannot provide any guarantees that its operations will not be disrupted, despite its fulfillment of all standards of periodic and continuous preventive maintenance.



## 9 - FIPCO Resource Management System (ERP)

All FIPCO departments rely mainly on computer systems in managing their assets and controlling their activities and financial records, in addition to using the ERP system in all their financial, administrative and operational processes, and therefore any defect arising from this system or a dispute over its ownership rights or others will negatively affect FIPCO's operations and the smoothness of its work. To avoid this, FIPCO is keen to make the necessary updates to the system periodically and through a specialized consultant, and a contract is being made with a specialized company to store all its information as a backup copy.

## 10 - Currency exchange rates and interest rates

In all its international imports and exports, FIPCO deals with currencies closely related to the Saudi riyal, such as the US dollar and the euro, and any fluctuation between the value of the Saudi riyal and any of those currencies may have a negative impact on FIPCO's revenues and profits, and any negative shift in exchange rates in markets that do not dominate The dollar could have a negative impact on the company's profitability due to the Saudi riyals peg to the US dollar. In addition, fluctuations in interest rates between Saudi banks (SIBOR), in addition to the fluctuation of interest rates globally and their impact on financial institutions that FIPCO may deal with now or in the future, can increase borrowing costs and have a negative impact on the results of operations.



## 11 - Insurance coverage

Although FIPCO has a number of insurance coverage related to its work in the field of manufacturing industries, these policies or policies may not provide complete insurance against all potential risks related to its business as a result of changing market conditions, and the premiums and deductibles in some insurance policies can be significantly increased in some cases, which may lead to a significant increase in operating costs, which leads to a decrease in its profitability.

## 12 - Human Resource

The high wages of labor is considered one of the most important risks facing FIPCO, because the nature of the industry in FIPCO is highly dependent on manpower. Therefore, FIPCO has undertaken several initiatives to reduce labor leakage, which contributed significantly to reducing its risks to FIPCO, and among the most important of these initiatives improving the work environment for human cadres in addition to increasing wages and incentives, in addition to automating some production lines to reduce dependence on the human factor.





### 13 - Legislative and regulatory environment

FIPCO operates in a dynamic legislative environment, as FIPCO is subject to the laws and regulations in force in the Kingdom of Saudi Arabia, and these laws and regulations may be subject to change, which may reflect on FIPCO's business negatively or positively. Those legislation and laws, and in order to reduce the negative effects arising from any of these changes, if they exist, FIPCO is constantly aware of any infringements that take place on the regulations in force locally or in any of the countries to which its activity extends, and then studies the impact of these infringements on the scope of its work and from Then take all necessary measures to reduce its effects or try to employ it to serve its business.

### 14 - Labor laws and regulations

Legislation in the Kingdom of Saudi Arabia requires adherence to achieving the percentage of Saudization of jobs in companies through the Nitaqat program, which requires a percentage of Saudi employees out of the total employees. Employment in its various departments, and FIPCO signed an agreement with the Human Resources Development Fund to support the job localization plan in line with the regulations and laws issued in this regard.

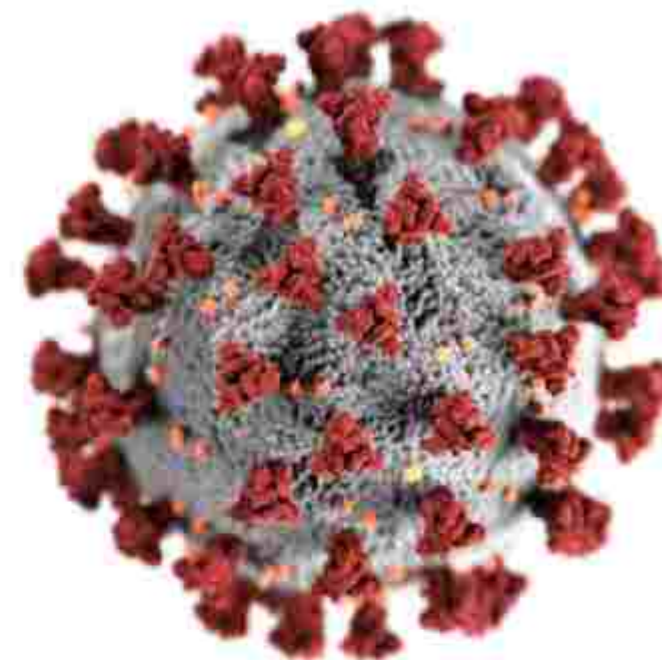
Despite FIPCO's belief in the importance of Saudization as a national development requirement, it faces difficulties and challenges due to the nature of its industrial activity, the inappropriateness of its work to nationals seeking work, and its dependence mainly on expatriate workers, which makes it difficult to achieve Saudization and Emiratisation rates, and the risks associated with this continue, especially with the high costs of labor and employment.

### 15 - Environment, safety and occupational health

Based on FIPCO's endeavor to implement the highest levels of occupational safety, security and health, it has taken upon itself to adopt more stringent standards to provide safety precautions, which raises its costs, which may have a negative impact on the results of its business and financial position, and may affect FIPCO's business and financial position in a way Negative in the event of material losses or damages that may result from handling hazardous and toxic materials, or in the event of accidents occurring during production processes that are not covered by insurance policies or resulting from accidents that are not covered by insurance policies. Therefore, FIPCO considers that maintaining the health and safety of its employees and human resources is one of its most important strategic priorities, and that all of its facilities are subject to local and international safety standards.

### 16 - Financial results of the subsidiary company (FBC Industry)

FIPCO owns 100% of its subsidiary company (FBC Industry), and FIPCO undertakes the task of financing the entire project through a mixture of self-financing and financing the Industrial Fund as well as bank facilities. Therefore, any failure of this project, the inability to enter the market for the company's products, or the suspension of production for any reason whatsoever, will lead to FIPCO bearing the burden of financing and investment losses.



### 17- Risks associated with disease outbreaks

In general, an outbreak of infectious disease or a similar threat to public health or fear of such events may have a material adverse effect on the Company's business and financial condition.

A new type of Corona virus (Covid 19) has been discovered and this disease has spread in most countries of the world, which led many countries, including Saudi Arabia, to take multiple measures to limit the spread of the virus, which included imposing temporary restrictions such as preventing travel and imposing a ban Touring, the extent of the impact of the Corona virus on the company's business depends on the development of current events and new information that may appear regarding the seriousness of the virus and the necessary measures to contain it or remedy its impact. A material negative effect on the company's business, financial position, results of operations and future growth.

### 18 - Risks of conflicts and wars

There is no doubt that conflicts and wars have serious repercussions and repercussions on global economic conditions, and since we are part of this world, we must focus on reactions and develop alternative plans to reduce potential risks, especially the complex problems of supply chains and sharp fluctuations in shipping trends and record heights in Shipping prices and inflation rates, which will push FIPCO to more strict procedures and activate the principles of caution and caution in all its dealings with all stakeholders.



## Second: FIPCO's sustainability and its business growth

Sustainability is gaining wide importance at the local and global levels, which in turn motivates FIPCO to continue to carry out its work and support its future plans with the same passion and vitality.

Sustainability in FIPCO has become an integral part of the company's culture and has become a major driver of the decision-making process within FIPCO.

FIPCO's sustainability strategy is subject to periodic review to ensure its continued effectiveness to enhance the positive impact in the environmental, social and economic aspects; especially that FIPCO and its subsidiary have started to adopt new mechanisms in the industry to keep pace with the Fourth Industrial Revolution through adding new areas to its strategy, which is "digitization" or automating its operational processes, benefiting from the programs and initiatives launched by the state in line with the Kingdom's vision 2030. As FIPCO announced on the Saudi Financial Market Website (Tadawul) on February 4, 2020, the signing of an agreement with the Saudi Authority for Industrial Cities and Technology Zones (Modon) to support the Industrial Transformation Plan within the National Productivity Program Initiative after passing the controls and standards developed by Modon with the

Saudi Industrial Development Fund and King Abdulaziz City for Science and Technology to enter the program. Accordingly, it has been proceeding with the implementation of the program initiatives to enable industry and promote national productivity by providing studies and transformation plans by a global technical partner, putting FIPCO in the path of national companies contributing to the creation of an industrial environment and sustainable development.

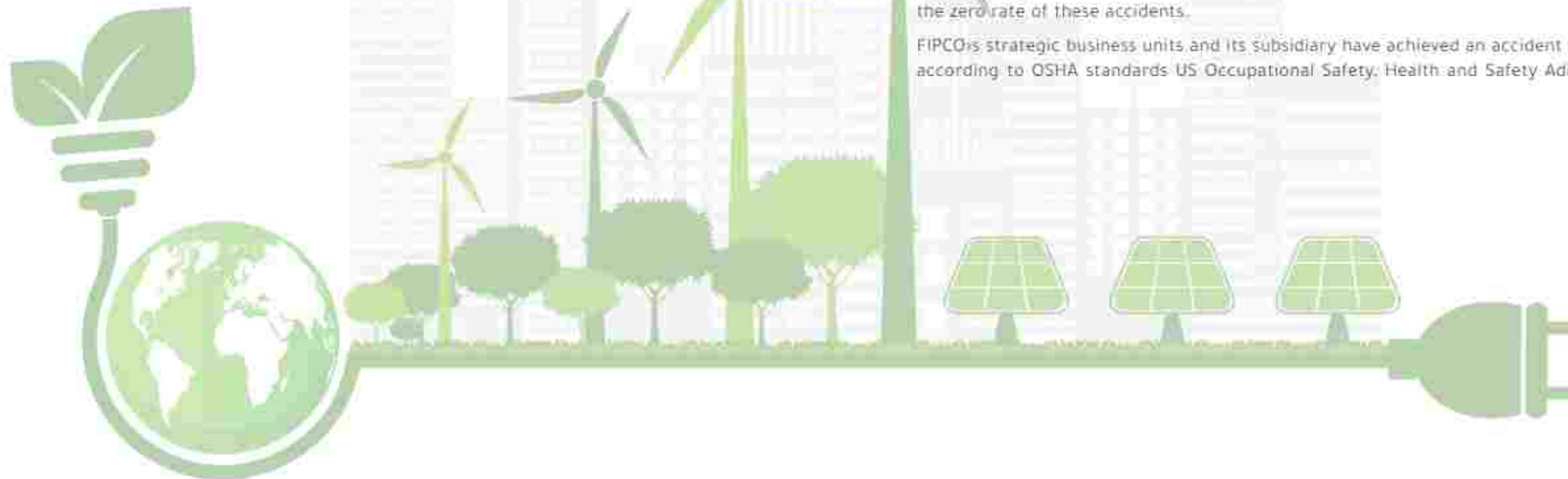
Therefore, FIPCO and its subsidiary company are continuing their efforts to achieve the maximum interest from the outputs of this program, which FIPCO believes will have future positive reflections to limit industrial costs, and mainly represented in reducing energy costs and reducing high employment and improving product quality levels, discovering and correcting errors. Whereas, the most prominent challenges currently facing FIPCO are the high numbers of workers, which exceed 1,000 workers, according to the nature of the industry in FIPCO, which bear company annual salaries estimated at 38 million riyals, in addition to the cost of electrical energy of approximately 7 million riyals annually.

On the other hand, FIPCO always abides by environmental standards and environment, health, safety and security requirements in accordance with its values, purposes, objectives, policies and annual key performance indicators, as FIPCO succeeded since the year 2019 in passing the biodegradable plastics materials tests for a number of its products at the Saudi Standards and Metrology Authority, obtained the official license for this, and these certificates are renewed annually. The subsidiary company's products have also succeeded in passing the tests of international research centers to suit the products' environmental and health considerations applicable globally, which broadens the export horizons of the company's products.

Over the past two years, FIPCO has achieved tangible developments in the fields of environment, health, safety and security, including improved safety procedures, sustainable environmental performance, increased awareness of employee health, and promoting a culture of safety, and this will be discussed in detail in the coming paragraphs.

The company is working on a continuous decline in the rate of serious accidents in its sites to reach the zero rate of these accidents.

FIPCO's strategic business units and its subsidiary have achieved an accident rate of less than (one) according to OSHA standards (US Occupational Safety, Health and Safety Administration), which is





a strong industry performance. The Environment, Health, Safety and Security Teams also provided extensive support to build organizational capacity and foster a strong environment, health, safety and security culture.

FIPCO's efforts are combined in working with some private sector companies and research and development departments to develop environmentally friendly plastic products that are used as supporting tools in many industries.

In addition, and since the promotion of local content is a fundamental pillar to achieve the Kingdom's Vision 2030, FIPCO has begun working with the Local Content and Government Procurement Authority to lay the foundations necessary to measure the company's local content in line with the Kingdom's vision. The company has got a very advanced level in the local content measurement index after auditing its file submitted by one of the bodies licensed by the Authority. The authority officially approved its classification in early 2020, and this approval was reviewed and a higher percentage was obtained in the middle of 2021.

Finally, FIPCO believes that leadership in the field of sustainability at the local, regional and global levels requires optimal directing of the company's resources by placing sustainability as a main objective in the company's higher strategy, which is adopted by the Board of Directors.



## FIPCO Programs for Sustainable Development

### Solar energy(alternative)

Where solar energy is one of the most important sources of alternative energy to reduce the use of electricity used in productive processes. Accordingly, FIPCO has activated the use of solar panels in its factories not only to reduce expenditures but also to activate clean energy initiatives in line with FIPCO's objectives in sustainability and to provide permanent solutions based on natural energy sources and in line with the Vision 2030.

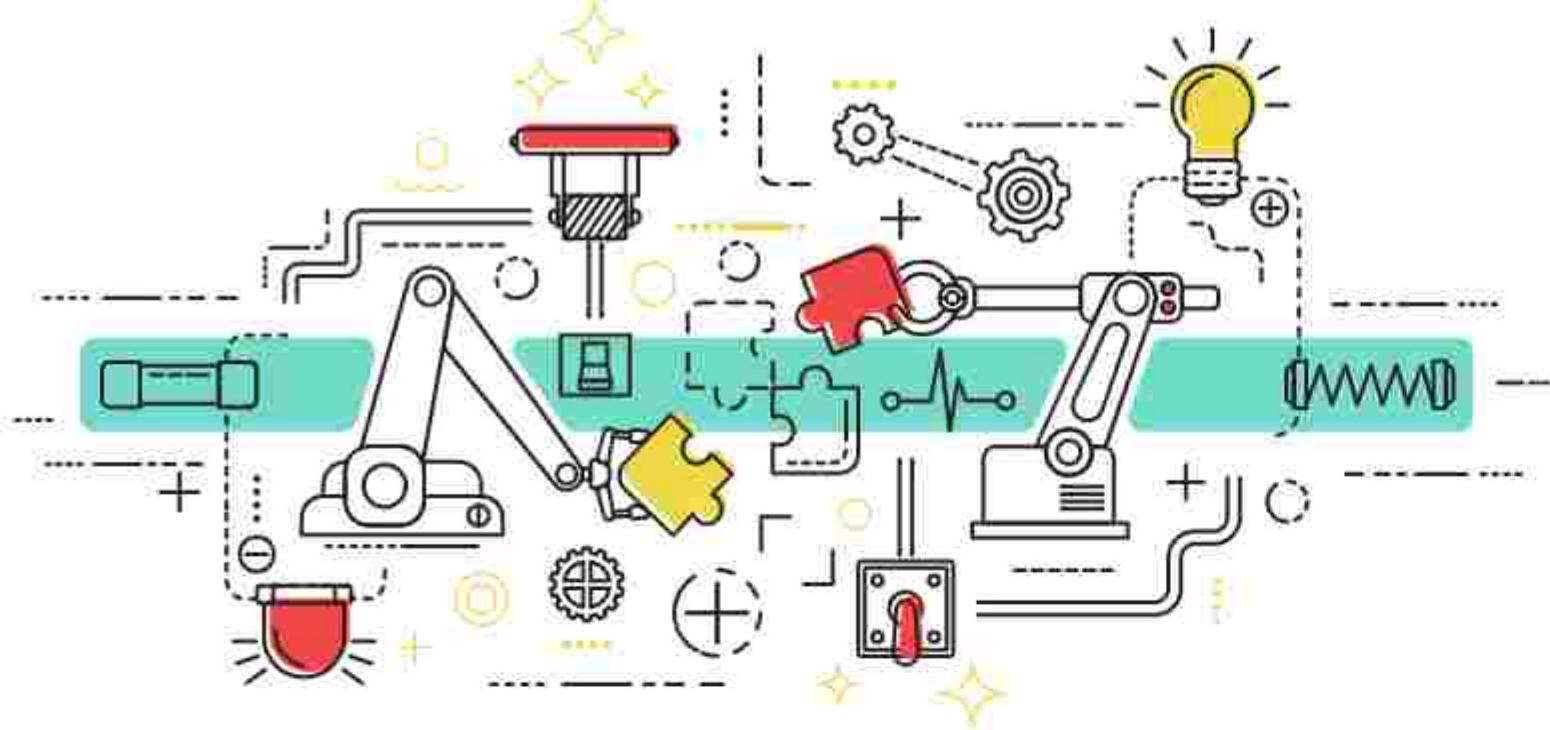
To this end, and based on its pioneering role, FIPCO began reaping the benefits of the savings achieved as a result of installing solar cell units, as it is expected that the return on investment will return within approximately seven years since the launch of the project. In view of the newness of technology and the latest technologies related to solar energy, FIPCO has decided to structure its project in several phases to benefit from lower prices and keep pace with modern technologies.

FIPCO has completely overturned the installation of solar powered units 5.0 mega (500 kWh) as a first phase of the integrated project, which has been striking on three phases: through the continuing work with the largest leading companies in this area globally, for the purpose of completing the second phase, which is expected to cover the larger part of the current plant consumption, which ultimately ensures the consumption of FIPCO of energy by solar cells, which will be positively reflected on the costs of production in FIPCO in the coming years to ensure leadership and raise profitability and contribute to sustainable development.

On the other hand, FIPCO is studying another project to generate electricity by itself from sources other than solar panels, but the project is still under study and legalization with the relevant government agencies.







### Re-engineering of existing machines

This is achieved by modifying work methods to reduce energy consumption and raise the efficiency of machines, as well as introducing some engineering modifications and automating some processes to reduce dependence on the human factor, and thus is reflected in the quality of products and production processes, in order to reach the optimal goal of reducing costs and meeting the high levels of customer requirements.

Also, during the year 2021, FIPCO continued to purchase new machines with modern technologies, which are characterized by the nano technology to ventilate the bags during the filling process, as well as features that would enable the user to easily open the bag in order to facilitate business. In addition to a number of sewing machines with advanced features, cutting and slicing machines, new tools, and machines for producing intermediate production materials used in the different phases of the manufacturing cycle, which will give FIPCO a competitive advantage over its most prominent competitors. Given that the new machines are able to manufacture new products at a lower cost and at low prices, in addition to their superior ability to raise production capacity, improve quality, finding the necessary flexibility to develop products and provide creative solutions according to the needs of the local and global market.

During 2020, FIPCO intends to continue to study technical developments related to the textile industry by investing in new machines that will expand the manufacture of some products to meet domestic and global demand and increase their productivity from various products, improve product characteristics, provide quality solutions, as well as attracting upgraded parts and machines that will reduce the time to change between production requests, reduce waste and increase production.

On the other hand, FIPCO targets the implementation of digital transformation initiatives and adopt the proposed creative solutions, which resulted in the production of previous years of research and analysis with global technical partners within the National Industrial Development and Logistics Program (NIDLP). As FIPCO was previously selected to be a part of this program after passing all the conditions, controls and standards set by the relevant government agencies.

### Strengthening FIPCO's relationships with major machine manufacturers and suppliers of materials used in bags production

Despite the repercussions of the Corona virus and its new mutated and restrictions on freedom of travel, mobility and limited contract meetings, research conferences and workshops, which are FIPCO always keen to participate in it. However, FIPCO did not prevent the development of its relationships with its existing partners and establish new relationships with potential partners at all levels of technical, logistical and strategy, in order to keeping a permanent knowledge of good manufacturing developments in the field of packaging and the introduction of modern technologies to the production equation of growth and continuity of production processes in less energy and achieving higher quality rates in accordance with market requirements, which enhances the competitive center of FIPCO locally, regional and globally. FIPCO has also strengthened its partnership with suppliers of materials used in the manufacture of bags, in order to achieve comprehensive quality and introduce additions and improvements that give FIPCO the advantage over the rest of the competitors by introducing the specifications of the types of its products that serve the fields of customers of all segments.



### Integration with sister companies and activating the benefit of the subsidiary company's products in developing products and providing solutions

FIPCO invested in the outputs of the productive process in the sister company (FBC Industry) has been able to re-manufacture various products that serve different slices of existing customers and attract new customers for both companies and new doors in the fields of manufacturing, which will be positively affect the marketing of the company's products locally and globally. The research and development team of both companies is still working side by side with the sales and marketing team in a harmonious effort to formulate a joint strategy that ensures market penetration to achieve FIPCO's interests and to the benefit of all its stakeholders.

As a result of these efforts, a number of products have been developed that serve new sectors and target a different customer network. Among those products are food storage bags used in delivery applications, tools used in the furniture industry, and finished products that serve travel supplies sector, and other products that increase the company's market value, diversify its sources of income, and expand its customer base.



## Investing in human capital

Where the labor force is one of the most important challenges facing the operations and process department during the past years, and the pace of these challenges has increased in light of the repercussions of the Corona virus and its variants during the past years and restrictions on freedom of travel and movement. However, FIPCO has reconsidered the working conditions of the labor in all sections of production, investment, increase skills and training, and attract national competence and cadres and national staff, depending on the various training programs that are self-sufficient, to ensure the redistribution of labor and reduce their cost while maintaining the operation of the machines around the clock, all days of the week, 24 / 7.

It is worth noting that the Operations Department has adopted a balanced policy in the entry of new workers in line with the number of production requests, with their aspiration to achieve FIPCO's vision of raising the production capacity of a number of products in increasing demand. In addition, a stimulus system for workers was launched and linked to the key performance indicators to reduce the number of workforce and make maximum use of the current human cadre. A reward for administrative excellence has also been created to motivate those with competencies and experiences or those who present initiatives that contribute to the production process and are reflected in the efficiency of outputs.



## Investing in technical infrastructure 5 Cyber security

Realizing the importance of technology and its role in the advancement of the company, and because of their strong and noticeable effects in reducing costs, facilitating business, enhancing investor confidence, and providing a secure electronic environment that ensures the realization of the digital transformation programs and electronic transactions that FIPCO has recently pursued as part of the mechanisms to achieve its ambitious strategy in harmony with the Kingdom's vision 2030.

To this end, FIPCO has strengthened its investments in its technical infrastructure through:  
Building policies for upgrading major servers, network hardware, and technical support.  
Infrastructure of systems and applications.

Designing the SharePoint interface to manage and enable the work team to find files quickly and collaborate seamlessly through FIPCO's internal portal.

Upgrading and updating all computers and systems for running the employees in the different departments.

Implementing best practices for the private storage system for all servers and systems used.

Automation of the human resource management system, quality control programs, point of sale programs, and integration of all those applications with the company's resource management system.

Implement basic cyber security controls. And auditing those practices by one of the accredited audit offices.



Saudi Aramco Company General Use



## Activating the benefit of economic transformation programs and initiatives launched by the state to support industry

Where FIPCO participated in most of the events and activities that strongly contribute to the development of the industry, finding solutions and access to world-leading practices. Through the strong presence and diligent representation in the forums of the Ministry of Energy, Industry and Mineral Resources, the Saudi Authority for Industrial Cities and Technology Zones (Modon), the Saudi Basic Industries Corporation (SABIC), the Saudi Industrial Development Fund (SIDF) and others, which will lead to tangible results.

In a variety of areas to develop the industry to reach the points of excellence and leadership.

As a result of these efforts, FIPCO announced on the Saudi Stock Exchange (Tadawul) website on February 04, 2020, that it had been selected to benefit from the initiative of the National Productivity Program - one of the programs of the Kingdom's Vision 2030. Under the supervision of the Saudi Authority for Cities, Industrial and Technology Zones (MODON).

There is no doubt that the Fourth Industrial Revolution is based on replacing human hands with technological tools, modern technologies and artificial intelligence units. This helps in raising economic growth rates, reducing costs, improving quality in production, as well as providing broader services in the field. Perhaps the most prominent features of this accelerating revolution is the electronic commerce leap that the world has witnessed during the past years. FIPCO was one of the leading companies to advance this project in cooperation with MODON.

As the program aspires to transform the Kingdom into a leading industrial power and an international logistics platform. In a number of promising areas (with a focus on the application of 4G technologies to the industry). By focusing on the development of the inductive structure. Expanding the application of digitization procedures. Strengthening the search, early and training operations.

Raising the efficiency of the available cadres. FIPCO realized that the outputs of this program will have positive repercussions in the future that reduce industrial costs, which are mainly represented in reducing energy costs, reducing high numbers of labor, improving product quality levels, and discovering and treating errors. The most prominent challenges facing FIPCO currently are the high number of workers, which exceed 1,000 workers, according to the nature of the textile industries. Which brings the company approx annual salaries estimated at 38 million riyals. In addition to the cost of electrical energy, which amounts to approximately 7 million riyals annually.

Despite the economic impacts associated with the emerging corona virus, and restrictions on freedom of travel and movement. And the difficulties faced by the work team in accurately identifying the nature of the industry, including the production process with all its challenges, and analyzing the strengths and weaknesses. FIPCO made exceptional efforts with the technical partner officials, and extended workshops were held to reach the final stage of the project and deliver its outputs at the end of 2020. During the year 2021 AD, FIPCO held several meetings and visits to major companies specialized in digital transformation, choosing the appropriate mechanisms to connect machines to control screens, and discussing all relevant details.

FIPCO is currently working with the global technical partner to put the final touches to implement some digital transformation projects and initiatives that have been settled after verifying their economic feasibility during the year 2022 AD.

FIPCO is also working with a number of government agencies to study the initiatives and proposed development plans for products that have environmental dimensions and are sustainable in the long term. Among these entities are the Ministry of Energy, Industry and Mineral Resources, the Local Content and Government Procurement Authority, the National Center for Environmental Compliance, and others.

## Third: Human Capital

Since its establishment, FIPCO has realized the importance of the human element in its path. Realizing that success is undoubtedly dependent on taking care of this vital element. Therefore, it pays most attention to it through the Human Resources Department.

Which realizes the importance of its role in creating a healthy and successful work environment. And it helps the employee to innovate the job.

It enhances its production capacity, which contributes to the continued success of the company. Where it was keen to meet all the basic needs of the employee. In addition to ensuring health and safety conditions.

FIPCO always strives to create a work environment that gives the employee the ability to participate in the management of decision making and in setting his goals. To comply with the general objectives of the company, and create an appropriate environment for it. And motivate him to do any distinguished work. And help him highlight his achievements as an important part of the system.

### Creating national competencies

Because of our firm belief that the private sector is a success partner and complement to the public sector, FIPCO has contributed to creating national cadres and competencies through its partnerships with the Higher Institute of Plastic Industries to train national competencies to obtain a diploma and an ambitious career path plan to enhance these competencies to obtain leadership positions. As well as raising the level of the quality of their job performance. Through information that helps them achieve their goals and the company's goals. It contributes to the development of their skills and abilities. In addition to the positive impact that is reflected on behavior and trends, the individual acquires ideas that contribute to changing his behavior for the better in its practical aspects. This benefits his abilities and skills in many situations. Whether the skills are technical, or intellectual, or behavioral.

FIPCO also continued to work with its strategic partners to activate training programs ending in employment. He urged the people of the country to knock on the doors of the industrial fields in all their practical stages.





## Optimum Efficiency

FIPCO has continued its constant endeavor to raise the level of efficiency and quality through the efforts it has made

It has human resources management according to many plans, in order to raise the levels of quality of internal work by developing a system of objectives and performance evaluation, Restructuring and consolidation of departments, And enhancing the level of efficiency in a way that contributes to achieving the company's goals.

FIPCO is also keen to develop programs to receive new employees and raise the level of their professionalism before they join the work team. Enabling them to obtain all the tools that help them succeed in the practical and personal fields.

On the other hand, in 2020, the Human Resources Department was able to develop the payroll scheduling system to be carried out through the company's resource management system. Which was launched at the beginning of the year 2021 to include all employees of the company.

The management has also increased and updated all the company's job descriptions, and use new custom models. And worked on the development of the behavioral competency systems, and technical efficiency.



## Healthy work environment

FIPCO realizes the necessity of providing a healthy and attractive environment for work. In order to create a sense of happiness and comfort for the employees. And enhance their desire to come to the company passionately. This is what automatically calls them to work hard, dedication and harmony. It contributes to harnessing their competencies and experts to advance the company and achieve its goals and missions to the fullest. Which will reflect positively on the public interest. It contributes to the sustainability of mortality and excellence in all sectors and fields.

The company was keen to provide services and high benefits to its employees. As well as providing personal and practical needs, especially in light of the developments and preventive measures

accompanying the repercussions of the new Corona virus in all the company's facilities or its labor accommodation, based on its responsibility towards its human capital and in line with the health instructions issued by the relevant authorities.

To this end, the Security and Safety Department has been restructured to be among the sub-sections of the Human Resources Department. This department has made a number of tangible achievements during 2021 that will be discussed in detail in a separate section of this report.

## Women's Empowerment

Saudi women have shown remarkable and tangible superiority in the various experiences they have undergone. Scientific and practical. And she was able with her diligence to put her a significant place at the top. From this point of view, the supervisor;

FIPCO has been keen that women have an important place in their system, in which they are treading the paths of success. And to be a major partner involved in decision-making. Formulating messages and goals. And support the system to reach all its aspirations. In 2021, FIPCO was able to raise the level of women's empowerment within the company. Where it was able to increase the number of Saudi female employees in the production departments and use them in new production tasks that are not limited to the usual sewing work. Rather, it extended to work on machines, production lines, and others.

As well as attracting administrative competencies in other departments of the company. The number of Saudi female workers constitutes 68% of the total Saudi FIPCO employees. FIPCO believes that its role in empowering women is a reflection of the Kingdom's wise government's interest in them and their future. And her keenness for women to have a space in all fields and positions, by setting laws and regulations that guarantee her rights in her choices in education and work. Therefore, FIPCO is keen to be a pioneer in creating practical opportunities that benefit and suit the aspirations of Saudi women. Which supports it and helps it invest its distinguished energies in line with the Kingdom's Vision 2030.







### Empowering People with Disabilities

Given our belief in the importance of integrating people with disabilities into the work environment and the need to develop the workplace to be suitable for them to help them settle into work, FIPCO has worked to integrate employees with disabilities into the company. And consolidating the principle of supporting the work and employment of people of determination in our culture. This initiative aims to create opportunities for them and to support our community by increasing their employment rate. We have implemented all the criteria of the harmonization program for developing the work environment to suit people of determination, which qualified FIPCO and its subsidiary to obtain the harmonization silver category certificate for a period of two years from the Ministry of Human Resources and Social Development as a supportive work environment for people of determination for the year 2021 AD.



### Continuous Improvement

The administration is still in a continuous development journey, as it aims during 2022 to do the following:

- 01 Updating the company's policies, procedures and regulations to implement the best human resources practices, in a way that positively reflects on the company and the employee.
- 02 Updating the company's organizational structure to include merging the joint departments between the company and its subsidiaries in a manner that ensures smooth work, raising productivity, reducing costs and equitable benefits for employees of the same category.
- 03 Develop the job ladder with benefits and rewards according to the market changes imposed by the Corona pandemic.
- 04 Develop a performance indicators measurement system, which depends on updating performance measurement standards and monitoring them continuously throughout the year.
- 05 Investing in human capital by developing appropriate training programs and refining leadership skills for some important jobs, ensuring smooth succession and raising the level of loyalty.
- 06 Increasing the level of employee loyalty by developing the work environment.
- 07 Establishing a policy for remote work and examining how to make the most of the cadres and expertise at the lowest possible costs.



# Fourth: Occupational safety, health and the environment

Based on FIPCO's interest and keenness to provide a healthy and attractive work environment for all its employees, it has established a strong and solid system that operates on a systematic basis of a scientific nature in line with the instructions of the competent authorities in this regard. The actions that were taken included the following:

## 1 - Enhancing safety and protection levels through the following:

- 01 Adding early warning systems and automatic extinguishing devices in transformer rooms and main electrical panels
- 02 Providing a foaming protection system for the chemical storage areas.
- 03 Carrying out simulation work in the event of an emergency, evacuating the facility, and submitting the report after monitoring the evacuation method, identifying weaknesses, and providing the necessary tools to raise the readiness of the facility in emergency cases.
- 04 Providing an automatic spraying system for the entire factory and ensuring coverage of all production areas by 100%.
- 05 Adopting safety plans for emergency evacuation
- 06 To contract with a company that provides preventive maintenance for early warning devices, firefighting and extinguishers to ensure their effectiveness on a permanent basis.
- 07 Contracting with companies accredited to the Civil Defense to add early warning system devices and fire-fighting tools according to the requirements and stipulations within the factories (fire boxes, complete fire extinguishers and fire-fighting equipment).



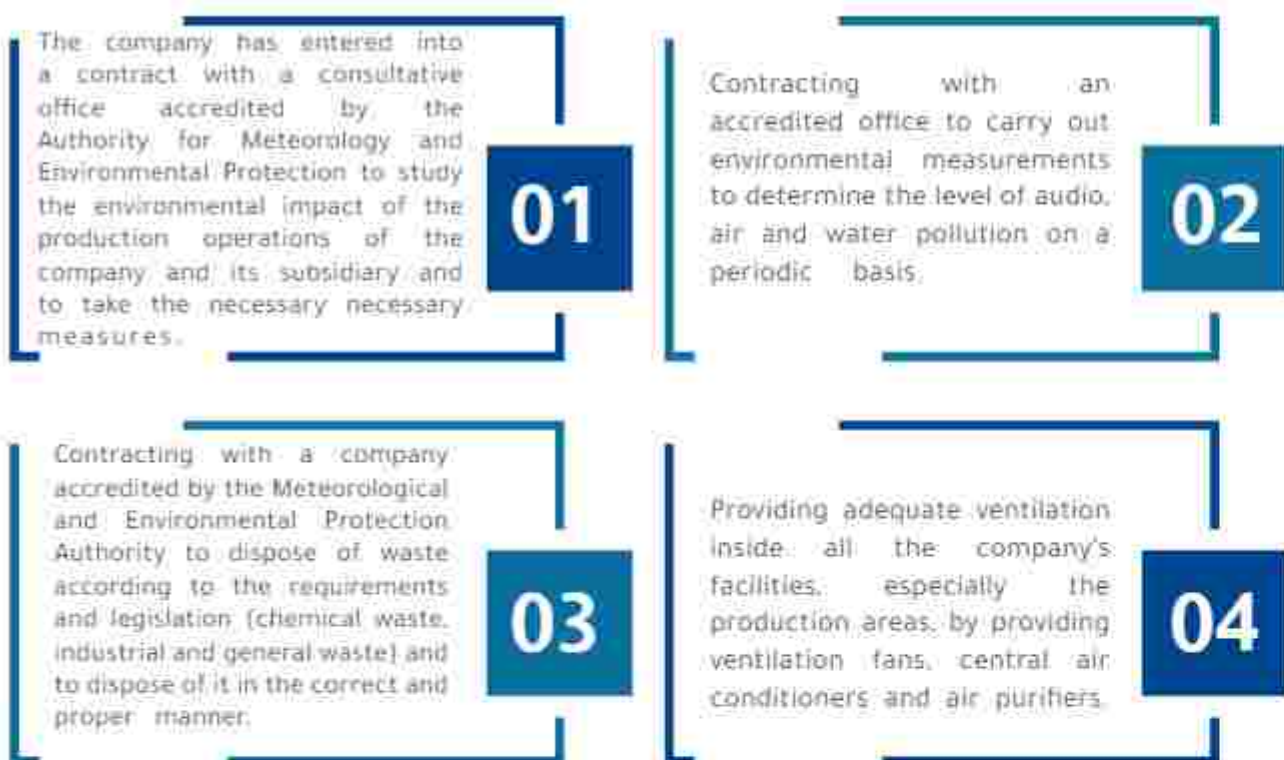
## 2 - Providing means of occupational health through the following:

1. Providing a private clinic in which a doctor is present on a daily basis to receive employees who suffer from any diseases, follow up on their condition and provide medicines in a way that gives the character of interest to the company's employees. We also provide workshops to educate employees in the way they work and do it in the right way.
2. Providing translated publications in a number of languages that enhance the activity of employees and educate them about their physical and psychological health, and motivate them to exercise.
3. Submit and analyze reports of injuries and work on finding appropriate solutions to prevent their recurrence.
4. Providing detergents and sterilizers approved by the Food and Drug Authority and placing leaflets to explain how to use them.
5. Providing the necessary safety tools for each department according to the method of work and according to the risk identification schedule.
6. Putting safety policies and procedures accessible to all and translating them into the official languages of the company (Arabic, English and Urdu).
7. Providing first aid boxes in all areas and departments of the company under the supervision of trained persons from within the departments.





### 3 - Adopting best practices towards environmental commitment as follows:



### 4 - Periodic examination of the risk classification calculation by preparing daily examination forms to verify the following:



### 5 - Development initiatives:

1. Reviewing and updating policies and procedures on an annual basis to comply with all regulations and legislation issued by the relevant regulatory authorities.
2. Preparing and updating the risk register for industrial operations and the activities accompanying them and finding solutions to determine and reduce the risk ratio as much as possible. The risks are re-studied and identified on an annual basis for the entire register. High risks are followed up in writing and re-evaluated periodically.
3. Carry out periodic meetings to discuss new observations and developments related to employee safety and develop appropriate solutions for them through a committee formed for this purpose called the Occupational Safety, Health and Environment Committee, in which production department supervisors participate to raise problems related to operations inside the factory, discuss injuries and find solutions to reduce repetition.
4. Spreading a culture of occupational safety among employees.
5. Implementation of a proposal to replace natural gas liquid to reduce the risk of the presence of tanks containing highly flammable substances and produce substances that are harmful to the data, and that the production of gas is not a matter of substance. The project was approved and the room for natural gas requirements was processed and the intranet of pipeline was being extended and the necessary tests were being performed as required and followed in Saudi Arabia.
6. Training employees on the use of fire extinguishing devices such as extinguishers and water hoses, and making them aware of the types of fires and the correct methods of extinguishing them.

In light of the implemented initiatives and action plans mentioned above, FIPCO achieved fruitful results in the field of security, safety and environment during the year 2021 AD, which can be summarized as follows:

1. Reducing work injuries to 2%.
2. Raising awareness by providing 4235 awareness lectures. With regard to security and safety practices, at the rate of 5 members for each lecture, with the aim of emphasizing the optimal behavior in emergency situations during work when they occur - God forbid.
3. Continuing to carry out inspection tours inside factories and administrative buildings, recording observations and submitting them to the risk management, with the necessary recommendations and suggestions to avoid and reduce the notes that were recorded by the safety department and find a radical solution to end any observation, with the possibility of seeking help from external parties to carry out inspections from time to time and provide them with all observations and risks, if any.
4. Installing surveillance cameras and setting up a security monitoring system that ensures 24 / 7 follow-up and investigation.

The Security and Safety Department has set a number of goals to work on achieving during the year 2022, which are as follows:

1. Reducing work injuries to 1%.
2. Increasing safety awareness sessions to 6000 sessions at a rate of 6 individuals per session.
3. Decreasing the number of observations to 5.
4. Increasing the emergency evacuation training plans to 4 trainings during one year.
5. Installing a new firefighting system in the spare generator room.



## Fifth: FIPCO's Social Responsibility (CSR)

Stemming from its keenness to achieve ethical goals, and realizing that investing in the local community will benefit everyone, FIPCO, as a responsible national company since its inception, believes that the company's growth and development depends not only on its financial position, but also on its ability to contribute to the community. The role assigned to it towards society, by doing the following:

- 01 It provides a competitive and attractive work environment, stimulates development and innovation initiatives, and reinforces the concepts of quality.
- 02 It assigns some work to charities instead of contracting with commercial companies to achieve mutual benefit.
- 03 The work environment has improved to attract employees with disabilities, and it has obtained appropriate certificates from the Ministry of Human Resources.
- 04 It pays great attention to the Saudi female component, as they are relied upon in some tasks of the administrative and production process, as the female component constitutes 68% of the total Saudi workforce. Diversifying their use at all technical, production and administrative levels.
- 05 It communicates permanently with its strategic clients and companies internally and externally to ensure the sustainability of trust, interaction and partnership and listens carefully to their opinions and suggestions to develop products and enhance the mental image.
- 06 Sustainability initiatives, in cooperation with a number of ministries, support bodies from government and semi-governmental agencies concerned with inter-dimensional, vision realization initiatives, and national transformation programs.
- 07 It plays its role towards the environment, in doing so, it relies on raw materials that do not have environmental damage. It also does some recycling work and reduce the consumption of natural resources in order to preserve the environment, in addition to adopting high standards of security, safety and occupational health.
- 08 It invests in recycling and waste reduction mechanisms from chemicals and develops new products from recycled materials.
- 09 It concludes agreements and supports initiatives with industrial and training bodies to develop human cadres, and works in harmony with government agencies and large companies to adopt training initiatives ending in employment and other programs that contribute to the Saudization of the industrial sector.

## Sixth: Joining the "Made in Saudi Arabia" program

The Packaging Materials Manufacturing Company (FIPCO) and its subsidiary Vic Industry Company have the honor of joining the "Made in Saudi Arabia" program on merit, after applying to the program and fulfilling all the requirements to join.

The "Made in Saudi Arabia" program is a national initiative launched by The Saudi Export Development Authority, as part of the National Industrial Development and Logistics Program, aims to stimulate national industries and encourage consumers to purchase local goods, and to develop and promote the Kingdom's exports to global markets. And yet it serves as an opportunity to celebrate technical innovations and creative talents and reflects the Kingdom's ambitious vision for the national economy, as the program contributes to strengthening cooperation between the participating members of the manufacturers, and thus advancing the national economy.

The Made in Saudi Program is committed to building a unified industrial brand with the aim of providing promising opportunities for companies, expanding the scope of their businesses and promoting their products so that Saudi goods will be the preferred choice locally and globally, and private.

The use of the "Made in Saudi Arabia" logo on the products of Saudi companies also contributes to enhancing the Kingdom's image in the world





## Advantages and incentives for joining the "Made in Saudi Arabia" program:

Through the "Made in Saudi Arabia" program, national businesses can benefit from marketing, joint cooperation and events related to the field, in addition to support services and many advantages, most notably:

- 01 Promotion of the company's name on the program website and the companies directory that will be created soon.
- 02 The company's use of the program's slogan "Made in Saudi Arabia" on the company's products and on social media.
- 03 Communicate with much government sector agencies through the program.
- 04 Learn more by exchanging knowledge with services and advice from partners from government agencies and private sector experts.
- 05 Strengthen your relationship with program partners from the public and private sectors through the program.
- 06 Participation in training workshops, obtaining special consultations, quality certificates, entering international markets, developing local content, or developing other skills provided by the program.

And many other advantages and incentives provided by government agencies. It is also worth noting that membership is permanent and free of charge, but it is necessary to continue to fulfill all requirements and requests that the entity asks about by the program.



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# Seventh: The future outlook in line with Saudi Vision 2030

Saudi Vision 2030 is a post-oil plan for the Kingdom of Saudi Arabia that was announced on April 25, 2016, and is based on three main axes: namely, the Arab-Islamic depth, the leading investment power. The axis of connecting the three continents, and it is implemented in a phased manner through several factors, initiated by the Kingdom by announcing the National Transformation Program, which was approved by the Council of Ministers on June 7, 2016, and the subsequent amendments and the launch of accompanying development programs on all sectors in support of the aforementioned axes.

In order to achieve a prosperous economy, the "Saudi Vision" aims to raise the percentage of non-oil exports from 16% to at least 50% of the non-oil GDP, and advance the Kingdom's rank in the Logistics Performance Index from 49 to 25 globally and 1 regionally. A new Bank Saderat was established with a capital of 30 billion riyals to encourage export activity and support industrial and mining projects in the Kingdom.

Among the most prominent points around which the ambitious Saudi plan revolves is increasing the private sector's contribution to the GDP from 3.8 percent currently to 5.77%, increasing women's participation in the labor market from 22 percent to 30 percent, and reducing the unemployment

rate among Saudis from 11.6 percent to 7 percent.

With regard to the manufacturing industries, the Kingdom has started its mighty industrial project, which aims to transform from an importer of manufacturing materials and consumer final products to their manufacture and production locally, through the exploitation of the wealth of raw materials, which opens the prospects for huge investments for the manufacturing sector, estimated at 200 billion riyals and providing nearly 100,000 job.

As an extension of what was mentioned, and in light of the orientation of the strategic policies of the Kingdom to support its economy through reliance on non-oil means and focus on supporting the industry and opening the way to encourage exports, and developing ways to employ the vast wealth of raw materials locally in the interest of developing national manufacturing industries, diversifying its final and consumer products, stopping its import and providing self-sufficiency. Giving the Saudi factories the opportunity to export the surplus, all of these ingredients support FIPCO's activity and the continued growth of its business, which FIPCO looks at with optimism and works hard to invest these ingredients to achieve leadership and sustainable development.

FIPCO works hard to provide tangible social

and economic benefits by adding value to the national economy through business revenues, social consulting, job creation and improving environmental awareness, especially since most of FIPCO's major operations are all in line with the objectives of the Kingdom's Vision 2030 by being environmentally friendly and generating revenue from external export, and they are two main factors in the financial transformation program.

As for FIPCO's future plans, we plan to actively expand the manufacturing and marketing of its products within and outside Saudi Arabia, despite the local competitions and foreign affairs, affirming our determination to continue to develop and growth through diversifying our products and launching lines new production in the areas of manufacturing industries which - we believe that the market is still hungry for such projects, as well as targeting the manufacture of products it is not available in the local market and its users rely heavily on imports in line with achieving our profitability goals to maximize the return on investment for FIPCO shareholders and assuming the role entrusted to us in supporting the plans and programs of the Kingdom's vision, Manufacturing Industries - The new project in all its details was highlighted in Chapter Three of this report.

FIPCO also seeks to enter into value-added partnerships in the field of manufacturing industries, FIPCO and its new subsidiary also intend to expand their participation in local and international exhibitions and forums to maximize our brands and open investment windows. Local, regional and international.

On the technical level, FIPCO aims to rely on the latest developments in technology in the production process to reduce technical and professional errors and to reduce dependence on the human factor in all stages of manufacturing. The plans for those visits had been affected by the restrictions imposed by the Corona pandemic during the current time.

With regard to FIPCO sales, and for the purpose of continuing to increase the current growth rates and to reduce pressures on the profit margin, we are implementing a number of initiatives and means to maintain effective growth rates by diversifying sources of income and targeting new products with high profit margins, and carrying out more market studies and research to improve the quality of products and reduce ratios of raw materials used in manufacturing, less waste and recycling.

FIPCO is fully aware that achieving these goals depends on a strong and qualified work team. Therefore, it continues to invest in human capital and attract qualified human cadres to provide the best value to its customers and investors.

We are committed to supporting growth and development plans, taking advantage of the existing national economic transformations, and looking forward to a promising future as one of the most important national companies working in the field of manufacturing industries.

\*This section of the annual report includes future data and potential studies and is usually subject to risks and uncertainties, according to the nature of the business and its operating factors. It may reflect positively or negatively on the expected results, you should be aware.

برنامج تطوير الصناعة  
الوطنية والخدمات  
اللوجستية





# 6

## Risks and Sustainability



- » FIPCO's philosophy towards governance.
- » Governance Structure in FIPCO.
- » Historical Development of Governance in FIPCO.
- » The duties of the board of directors.
- » Composition of the Board of Directors and classification of its members.
- » Names of companies inside or outside the Kingdom of which a member of the board of directors is a member or one of their managers.
- » Company Executive Management.
- » Record attendance of board meetings and general assemblies held during the fiscal year 2021 AD.
- » Capital and ownership disclosures.
- » Committees emanating from the Board of Directors.
- » Actions taken by the Board of Directors to inform its members - especially non-executives - of shareholders' proposals and comments regarding FIPCO and its performance.
- » The means that the board relied on in evaluating its performance, the performance of its committees and members, and the external party that carried out the evaluation (if any)
- » Dividend Policy
- » Remuneration policy for members of the Board of Directors, sub-committees and senior executives, and a statement of any material deviations
- » What Board Members, Committee Members and Senior Executives Received.
- » Transactions with related parties.
- » Results of governance practices during 2021.
- » Disclosure and Transparency Policies.
- » Subsequent major developments.
- » Declarations of the Board of Directors.
- » Board assurances.
- » FIPCO shareholder records requests.
- » Shareholders' rights and the mechanism for communicating with them.

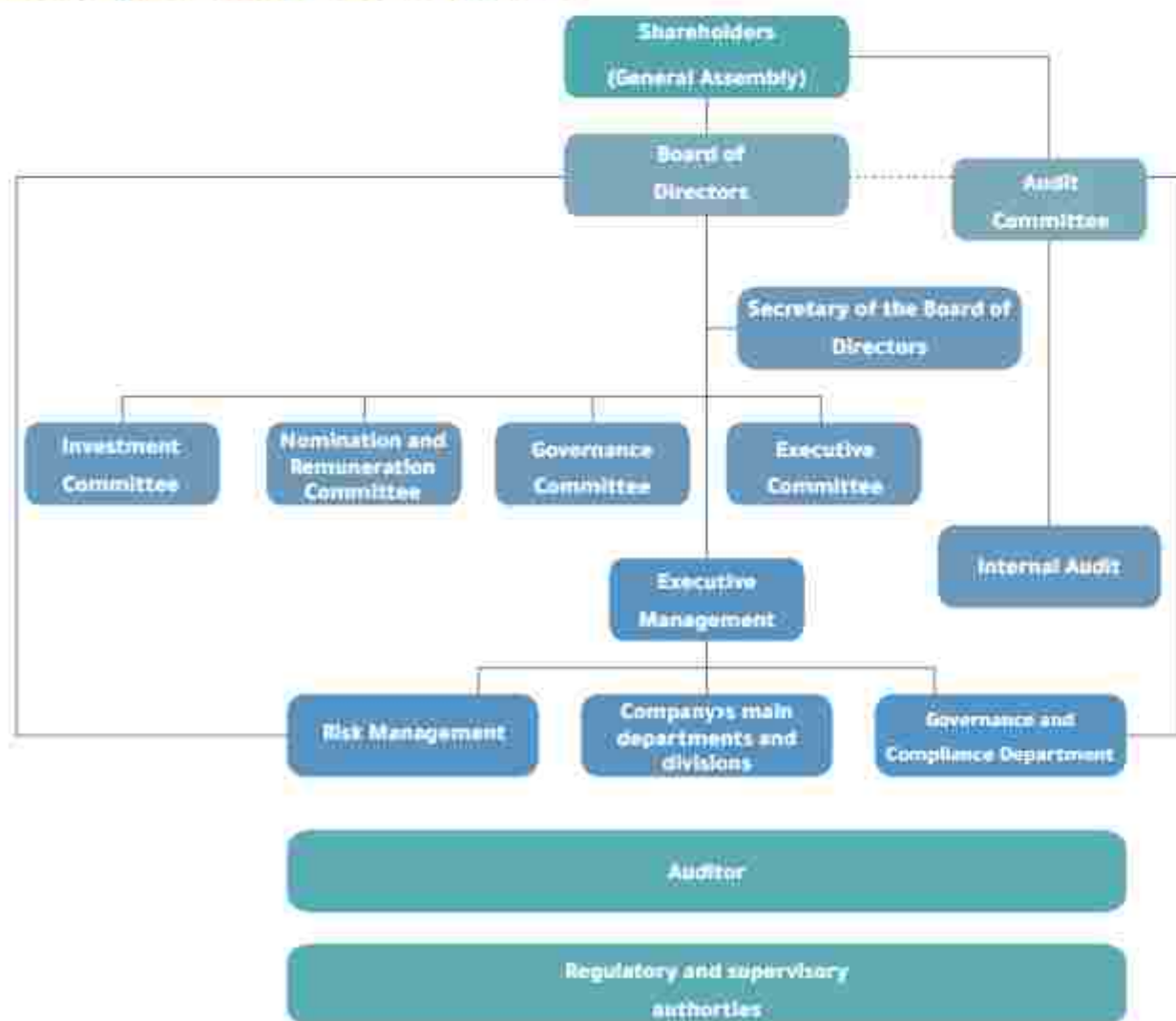


## First: FIPCO's philosophy of governance

The corporate governance system defines as "the optimal system through which the company is directed and controlled." The governance structure defines the distribution of powers and responsibilities among the various participants in the company, such as members of the Board of Directors, managers, shareholders, and other parties, and clarifies the rules and procedures related to decision-making in relation to all the affairs of the company.

FIPCO is so firmly believed that compliance with effective governance systems and commitment to good governance standards, financial and non-financial reporting is the firewall of protection to overcome many potential risks, whether internal or external. The company will monitor attractive investment opportunities and speed up the decision-making process. In this way, FIPCO is always keen to adopt practices and criteria for governance, which ensures the institutionalization of the governance system. Therefore, FIPCO has made significant efforts to consolidate some of the principles and policies to make a culture and is not obligatory to develop the principles of transparency, disclosure, justice and preservation of all owners interests, and this trend extended to also include the subsidiary company (FPC Industrial Company), and governance in FIPCO has passed through several curves throughout its history, which we review as follows:

## Second: Governance Structure in FIPCO



## Third: The Historical Development of Governance in FIPCO

### 2006

The Capital Market Authority issued the first corporate governance code, and it was not binding on the listed companies in implementation, but it is binding in disclosure.

### 2008

FIPCO issued its corporate governance rules for the first time on January 23, 2008.

### 2009

The Capital Market Authority introduced a number of amendments during the period from 2009 to 2012 that include obligating some articles of the governance code related to shareholders' rights, internal control systems, and the formation of the board and committees.

### 2013

FIPCO reversed these amendments to its corporate governance regulation and re-approved its corporate governance regulation through the twenty-fourth ordinary general assembly held on April 21, 2013.

### 2015

The new Companies Law was issued by the Ministry of Commerce and Industry during the year 2015 by Royal Decree No. M/3 dated 281437/01/ AH corresponding to 112015/11/.

### 2017

The Capital Market Authority issued the updated Corporate Governance Regulations in April 2017 to reflect the variables of the corporate system with a more comprehensive update and development of the regulations' chapters and articles in line with international best practices.

### 2017

FIPCO has updated the general framework of its governance rules in line with systemic changes with the creation of 12 policies that enhance governance practices and the effectiveness of the Board of Directors. All of them were approved by the Board of Directors on November 5, 2017, and some of these policies were submitted to the General Assembly and were approved on December 12, 2017.

### 2021

The Capital Market Authority issued some amendments to the regulation on January 14, 2021, and the company is studying these amendments and will amend the necessary policies to reflect the relevant changes.



#### Fourth: Duties of the Board of Directors

The Board's main responsibilities are focused on guiding the company to achieve its long-term interests. The Board of Directors is also responsible for issuing clear directions to the executive management of the company and determining the standards within its limits. This includes setting a clear vision and strategy, defining the powers that are delegated to the executive management, and setting policies and standards within which the management is allowed to operate.

##### This is achieved through:

1. Develop a comprehensive strategy for the company, main work plans, manage risks related to policies, and review and update those policies.
2. Determine the most appropriate capital structure for the company, approve its annual budgets, supervise capital expenditures, and own and dispose of assets.
3. Determine the business objectives to be achieved, supervise their implementation, and follow up on the company's overall performance in general.
4. Periodic review of the organizational and functional structures in the company and its approval.
5. Set the necessary rules for internal control systems and supervise these systems.
6. Develop a written policy regulating conflict of interest and addressing any potential conflict of interest for each of the members of the Board of Directors, executive management and shareholders, including misuse of the company's assets and dealings and dealings with the parties.
7. Ensure the integrity of the financial and accounting procedures, including procedures related to the preparation of financial reports.
8. Ensure that appropriate control procedures are applied to manage risks through foreseeing the risks that the company may face and disclosing them in a transparent manner.
9. Annual review of the effectiveness of internal control systems.
10. Formulate the company's corporate governance system and rules in a manner that does not conflict with the provisions and texts of the systems and regulations in effect, and monitor the effectiveness of these rules in general and amend them when necessary.
11. Set the policies, standards and procedures for the membership of the Board of Directors and put them into practice after approval by the General Assembly.
12. Develop a written policy regulating the relationship with related parties in order to protect the rights of all parties.
13. Develop the rules of professional conduct for the company's directors and employees in line with sound professional and ethical standards.
14. Develop policies and procedures that ensure the company's respect for laws and regulations, and the company's commitment to disclosing material information to shareholders, creditors and other parties.
15. Prepare the financial statements and the annual report on the company's activities and financial position for the past financial year, including the proposed method for the payment of dividends.
16. Recommend to the shareholders' general assembly to appoint and dismiss auditors and determine their fees.

#### Fifth: Composition of the Board of Directors and classification of its members

Article (17) of the company's bylaws stipulates that the management of FIPCO shall be taken over by a board of directors consisting of five members who are appointed by the ordinary general assembly for a term not exceeding three years.

|   | Member Name                      | Position  | Membership Status |
|---|----------------------------------|---|-------------------|
| 1 | Ahmed Abdullatif Al-Barrak       | Chairman of the Board of Directors                          | Non-executive     |
| 2 | Faisal Mohammed Al-Harbi         | Vice Chairman and Managing Director                         | Executive         |
| 3 | Abdulrahman Ibrahim Al-Mudaimagh | Board Member  | Independent       |
| 4 | Nimr Nasser Al-Harbi             | Board Member  | Independent       |
| 5 | Abdullah Mohammed Al-Harbi       | Board Member and Director of the Risk Management Department | Executive         |

\* Board member Mr. Abdulrahman Ibrahim Al-Mudaimagh was replaced by Mr. Hisham Safar Al-Otaibi (independent member of the Board of Directors) pursuant to the decision of the thirty-fourth General Assembly held on June 10, 2021, for the new Board session that began on January 01, 2022, and for a period of three years ending on December 31, 2024.





The following is a brief summary of the members of the Board of Directors:

|   | Name                              | Membership status | Current Jobs  |  | Previous Jobs   | Qualifications   | Practical experiences  |
|---|-----------------------------------|-------------------|---|--|---|--|--|
| 1 | Ahmed Abdellatif Labrak           | non-executive     | Chairman of the Board of Directors of FIPCO<br>Member of the Board of Directors of FPC<br>Member of the Board of Directors of Budget Saudi Arabia<br>Member of the Board of Directors of the Touristic Enterprises Company (Shams)<br>Chairman of the Board of Directors of Dana Ice Cream Company Ltd. |  | Systems Administration Assistant at the Saudi Electricity Company<br>Operations Manager at Benaia Factory for Advanced Concrete Products<br>General Manager of the Saudi Bina Engineering Consultancy Office<br>Vice Chairman and Managing Director of FIPCO  | Bachelor of Systems Engineering, King Fahd University of Petroleum and Minerals - Dhahran  | Engineering consultancy work<br>Executive management work  |
| 2 | Faisal Mohammed Al-Harbi          | Executive         | Vice Chairman and Managing Director of FIPCO<br>Chairman of the Board of Directors of FPC<br>Member of the Board of Directors of the Touristic Enterprises Company (Shams)<br>Member of the Board of Directors of the Arab Pipe Company<br>General Manager of Savannah International Trading Company    |  | General Manager of Saudi Faya Company<br>General Manager of Savannah International Trading Company<br>Chairman of the Board of Directors of FIPCO   | Bachelor's degree in Business Administration with a specialization in Marketing<br>MBA   | Entrepreneurship and investment in a number of companies.  |
| 3 | Abdul Rahman Ibrahim Al-Mudalmegh | independent       | Executive Partner of Water Partners   |  | Executive Vice President and Vice President of Business Development at Bawan Corporation<br>Worked as Vice President of Business Development and then CEO in charge of Bawan Corporation for 6 years<br>He contributed to the establishment of Binaa Holding Company, an industrial investment company affiliated to Bawan, and served as its general manager for 4 years<br>He worked in the Saudi Industrial Development Fund as a credit analyst for 3 years | Bachelor of Financial Management from Prince Sultan University, Kingdom of Saudi Arabia<br>MBA from London business school, UK   | Growth strategies and activities<br>Product development and introduction of new products<br>Establishing companies leading businesses    |
| 4 | Nimr Nasser Al-Harbi              | independent       | General Manager of Business Climate Foundation  |  | General Manager of Nafo International Company   | Commercial secondary diploma specializing in office work   | Diverse practical experience in business and company establishment   |
| 5 | Abdullah Mohammed Al-Harbi        | Executive         | Director of Risk Management at FIPCO<br>Member of the Board of Directors of the Arab Pipe Company<br>Member of the Governance and Risk Management Committee of Budget Saudi Arabia<br>Co-founder and CEO of Makamin Management Consulting   |  | Investment Manager at Faya Saudi Arabia   | Bachelor's degree in Business Administration with a specialization in Marketing<br>MBA with Honors   | Diverse practical experience in business and economic journalistic writing<br>Management consulting<br>Governance and risk management    |
| 6 | Hazal Safar Al-Otalbi             | Independent       | Regional Director of SOVERCOM in Saudi Arabia   |  | Oilfield engineer at Schlumberger<br>Graduation in the positions of the Communications and Information Technology Commission to the position of Director of the Authority's branch in the Eastern Province  | Bachelor's degree in Electrical Engineering from King Fahd University of Petroleum and Minerals<br>Master's degree in Communication Systems Management from Northeastern University<br>Executive MBA from King Fahd University of Petroleum and Minerals | Communication and information technology systems<br>Strategies, policies and procedures<br>Development, creativity and leadership skills |

Board member Mr. Abdurrahman Ibrahim Al-Mudalmegh was replaced by Mr. Hazal Safar Al-Otalbi (independent member of the Board of Directors) pursuant to the resolution of the thirty-fourth General Assembly held on June 10, 2021 AD, for the new Board session that started on January 01, 2022 AD and for a period of three years Expires on December 31



Sixth: The names of the companies inside or outside the Kingdom that are a member of the company's board of directors

|   | Member name                        | Names of the companies in which a member of the Board of Directors is a member of their current boards of directors or one of their managers | Company Headquarters    |  | legal entity                     | Names of the companies in which the board member is a member of their previous boards of directors or one of their managers | Company Headquarters    | legal entity                     |
|---|------------------------------------|--|-------------------------|--|----------------------------------|---|-------------------------|----------------------------------|
| 1 | Ahmed Abdullatif Al-Barrak         | Dana Ice Cream Company   | Kingdom of Saudi Arabia |  | Limited Liability Company        | Packaging Materials Manufacturing Company (FIPCO)   | Kingdom of Saudi Arabia | Public joint stock company       |
|   |                                    | FPC Industrial company   | Kingdom of Saudi Arabia |  | Limited Liability Company        | -   |                         |                                  |
|   |                                    | Budget Saudi Company   | Kingdom of Saudi Arabia |  | Public joint stock company       |   |                         |                                  |
|   |                                    | Touristic Enterprises Company (Shams)  | Kingdom of Saudi Arabia |  | Public joint stock company       |   |                         |                                  |
| 2 | Faisal Mohammed Al-Harbi           | FPC industrial company   | Kingdom of Saudi Arabia |  | Limited Liability Company        | Packaging Materials Manufacturing Company (FIPCO)   | Kingdom of Saudi Arabia | Public joint stock company       |
|   |                                    | Touristic Enterprises Company (Shams)  | Kingdom of Saudi Arabia |  | Public joint stock company       | -   |                         |                                  |
|   |                                    | Arab Pipe Company  | Kingdom of Saudi Arabia |  | public joint stock company       | -   |                         |                                  |
|   |                                    | Savannah International Trading Company   | Kingdom of Saudi Arabia |  | Limited Liability Company        | -   |                         |                                  |
| 3 | Abdul Rahman Ibrahim Al Mudalmegeh | Benaa Company for Ready Mix Concrete Products (a subsidiary of Bowen)  | Kingdom of Saudi Arabia |  | Holding                          | Bowen Company   | Kingdom of Saudi Arabia | Listed joint stock company       |
|   |                                    | National Building and Marketing Company  | Kingdom of Saudi Arabia |  | Limited Liability Company        | -   |                         |                                  |
|   |                                    | Future Ceramic Company   | Kingdom of Saudi Arabia |  | Saudi closed joint stock company | -   |                         |                                  |
|   |                                    | Taseer Financial Company   | Kingdom of Saudi Arabia |  | Saudi closed joint stock company | -   |                         |                                  |
|   |                                    | National Gypsum Company  | Kingdom of Saudi Arabia |  | Saudi listed joint stock company | -   |                         |                                  |
|   |                                    | Al Maather REIT Fund   | Kingdom of Saudi Arabia |  | Real Estate Traded Funds         | -   |                         |                                  |
| 4 | Nimr Nasser Al-Harbi               | -  |                         |  | -                                |   |                         |                                  |
| 5 | Abdullah Mohammed Al-Harbi         | FPC industrial company   | Kingdom of Saudi Arabia |  | Limited Liability Company        | Packaging Materials Manufacturing Company (FIPCO)   | Kingdom of Saudi Arabia | Saudi listed joint stock company |
|   |                                    | Makamin Management Consulting Company  | Kingdom of Saudi Arabia |  | Professional Company             | -   |                         |                                  |
|   |                                    | Arab Pipe Company  | Kingdom of Saudi Arabia |  | Public joint stock company       | -   |                         |                                  |
| 6 | Hazal Saffar Al-Otaibi             | -  |                         |  | -                                |   |                         |                                  |





## Seventh: The company's executive management

| Name                              | Current Jobs   | previous Jobs   |  | Qualifications   | Experience   |
|-----------------------------------|--|---|--|--|--|
| <b>Faisal Mohammed Al-Harbi</b>   | Vice Chairman and Managing Director                                |   |  |  | It was previously discussed in the section on the board of directors   |
| <b>Abdullah Mohammed Al-Harbi</b> | Member of the Board of Directors and Director of Risk Management   |   |  |  | It was previously discussed in the section on the board of directors   |
| <b>Hamza Mahdi Baybars</b>        | Executive Vice President of Finance                                | He worked for Ernst & Young in Jordan and Saudi Arabia, then gradually worked in internal auditing and financial management   |  | Bachelor of Accounting and CPA Exams   | years' experience in the field of external and 14 internal auditing and high management  |
| <b>Karim Marquise</b>             | General Manager of the Subsidiary Company (FPC industrial company) | <p>Factory Director of Convertex for Plastic Industries and Printing in Lebanon and Romania</p> <p>He held a number of administrative and leadership positions in a number of companies working in the field of plastic industries, including the National Plastic Company, Al Sharq Plastic Factories, the Saudi Printing and Packaging Company, and Al Marbal Group for Industry.</p> |  | Bachelor's degree in mechanical engineering and then a master's degree in the manufacturing industries of plastic materials from the University of Grenoble in France  | years in the field of plastic manufacturing 30 and printing between France, Lebanon, Romania and Saudi Arabia  |
| <b>Salah Sabry</b>                | Governance and Compliance Manager                                  | <p>Working in the Technical Analysis and Financial Market Research Department at City Trade for Securities Brokerage</p> <p>Working in the Investor Relations Department and the Secretariat of the Board of Directors at Jarir Marketing Company</p> <p>Work as an assistant to the Financial Director for Governance Affairs at the Saudi Automotive Services Company (SASCO)</p>     |  | <p>Bachelor of Languages and Translation - Al-Azhar University - Egypt</p> <p>Obtaining the Certified Corporate Governance Officer CC60 certificate from the London School of Business and Management</p> <p>Obtaining the secretariat program from the Egyptian Institute of Directors of the Egyptian Financial Supervisory Authority</p> <p>He successfully passed the disclosure certificate test according to the trading requirements of the Financial Academy in Riyadh</p> | Multiple experiences in the areas of governance, compliance, business management, and the secretariat of boards of directors and committees for more than 12 years |





## Eighth: Record attendance of board meetings and general assemblies held during the fiscal year 2021

During the year 2021 AD, two meetings of the Board of Directors were held in attendance: in addition to the Board taking seven decisions by passing among its members in line with the FIPCO basic system in order to take important decisions, including the approval of financial statements for the purposes of publication and disclosure, bearing in mind that the Board is always keen to hold regular meetings in attendance and by 4 meetings annually, but due to the current circumstances, only two meetings were held and decisions were issued in urgent matters by passing.

Also, during the year 2021 AD, one meeting of the General Assembly of shareholders (ordinary general assembly) was held in which the annual financial results of the company, the auditor's report and the report of the company's board of directors for the fiscal year 2020, were approved, and the auditor was appointed to audit the accounts of the fiscal year 2021 and the first quarter of the year 2022 AD, and his fees were determined, in addition to elect members of the Board of Directors from among the candidates for the term of the Board of Directors that began on January 01, 2022 AD and for a period of three years ending on December 31, 2024 AD, and the following is a statement of the dates of the meetings and a statement of the attendance of the members of the Board of Directors and the percentage of their participation

|   | Name                              | Dates of the Board of Directors' meetings held during the year 2021 AD |            |                  |                 | The Annual Ordinary General Assembly Meeting was held on June 10, 2021 AD |
|---|-----------------------------------|--|------------|------------------|-----------------|---|
|   |                                   | 2021/03/15   | 2021/12/27 | Attendance times | Attendance rate |   |
| 1 | Ahmed Abdel Latif Al-Barrak       | ✓  | ✓          | 2                | % 100           | ✓   |
| 2 | Faisal Mohammed Al-Harbi          | ✓  | ✓          | 2                | % 100           | ✓   |
| 3 | Abdul Rahman Ibrahim Al-Mudalmegh | ✓  | ✓          | 2                | % 100           | ✓   |
| 4 | Nimr Nasser Al-Harbi              | ✓  | ✓          | 2                | % 100           | ✓   |
| 5 | Abdullah Mohammed Al-Harbi        | ✓  | ✓          | 2                | % 100           | ✓   |

## Ninth: Capital and Disclosures Related to Ownership

### Capital information

The following table shows the capital information of FIPCO and the number of its shares as on 12 / 31 / 2021

| رأس المال                                     |                                |
|---|--------------------------------|
| البيان  | القيمة                         |
| Authorized Capital (SAR)                      | 115,000,000                    |
| Paid-up Capital (SAR)                         | 115,000,000                    |
| *Number of shares issued                      | 11,500,000                     |
| **Number of free shares                       | 11,500,000                     |
| Par value per share (SAR)                     | 10                             |
| Paid value per share (SAR)                    | 10                             |
| The stock market in which the stock is traded | Saudi Stock Exchange (Trading) |
| Market type                                   | Main market                    |
| Main sector                                   | Basic materials                |
| Share code                                    | 2180                           |
| International Code                            | SA0007879352                   |

\* All of the issued FIPCO shares are ordinary shares, and they do not have any preferred shares

\*\* The number of free shares varies from one period to another according to the movement of the FIPCO share trading



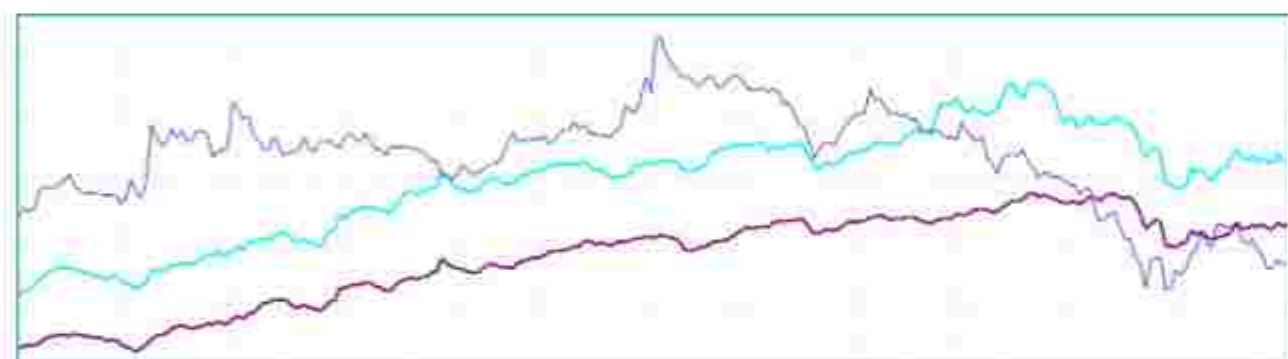
## Stock data

The following table shows the company's share trading information during the fiscal year 2021

| Trading Information          |   |
|------------------------------|---|
| البيان                       | Value                                   |
| Share price as on 01/01/2021 | 57.70                                   |
| Share price as on 12/31/2021 | 52.00                                   |
| Highest share price in 2021  | (registered on July 4, 2021) 77.00      |
| Lowest share price in 2021   | (registered on November 28, 2021) 49.85 |

Saudi Riyals

A comparative chart of the performance of the FIPCO stock with the sector index and the market index



Fipco Index Sector Index Market Index

## Investment Restrictions

There are no restrictions on the company's shares as stated in both the rules regulating qualified foreign financial institutions' investment in listed securities and the instructions regulating foreign strategic investors' ownership of strategic stakes in listed companies, in accordance with the company's bylaws and the instructions issued by the supervisory and supervisory authorities to which the company is subject.

### List of major shareholders and change in ownership interests

FIPCO does not have any of the main shareholders who own 5% or more, according to the shareholder register dated 12 / 31/ 2021.

### Shares ownership percentage and its change for members of the board of directors and senior executives

1- Board members, their spouses and minor children:

|   | Name                              | The number of FIPCO shares owned and in which they have an interest |             |                        |              | Debt Instruments and financial Instruments |
|---|-----------------------------------|---|-------------|------------------------|--------------|--|
|   |                                   | Start of 2021   | End of 2021 | Change during the year | Change rate% |  |
| 1 | Ahmed Abdel Latif Al-Barrak       | 1050  | 1050        | 0                      | 0            | There's no                                 |
| 2 | Faisal Mohammed Al-Harbi          | 0   | 0           | 0                      | 0            |  |
| 3 | Abdul Rahman Ibrahim Al Mudalmegh | 20  | 20          | 0                      | 0            |  |
| 4 | Nimir Nasser Al-Harbi             | 0   | 0           | 0                      | 0            |  |
| 5 | Abdullah Mohammed Al-Harbi        | 0   | 0           | 0                      | 0            |  |



## 2- Members of the audit committee and their spouses and children:

|   | Name                              | The number of FIPCO shares owned and in which they have an interest |                        |             |                   | Debt Instruments and financial Instruments |
|---|-----------------------------------|---|------------------------|-------------|-------------------|--|
|   |                                   | percentage change %   | Change during the year | end of 2021 | Beginning of 2021 |  |
| 1 | Fawzy Ibrahim Al Habib            | not apply   | not apply              | No thing    | No thing          | No thing                                   |
| 2 | Abdulaziz Suleiman Al-Etiqi       | not apply   | not apply              | No thing    | No thing          |  |
| 3 | Abdul Rahman Ibrahim Al Mudaimagh | 0   | 0                      | 20          | 20                |  |

## 3- Senior executives and their spouses and children:

|   | Name                             | The number of FIPCO shares owned and in which they have an interest |                        |             |                   | Debt Instruments and financial Instruments |
|---|----------------------------------|---|------------------------|-------------|-------------------|--|
|   |                                  | percentage change %   | Change during the year | end of 2021 | Beginning of 2021 |  |
| 1 | Faisal Mohammed Hilal Al-Harbi   | 0   | 0                      | 0           | 0                 | No thing                                   |
| 2 | Abdullah Mohammed Hilal Al-Harbi | 0   | 0                      | 0           | 0                 |  |
| 3 | Karim Marquise                   | not apply   | not apply              | No thing    | No thing          |  |
| 4 | Hamza Baibars                    | not apply   | not apply              | No thing    | No thing          |  |
| 5 | Salah Sabry                      | not apply   | not apply              | No thing    | No thing          |  |

## Tenth: Committees emanating from the Board of Directors

According to FIPCO's needs and working conditions, and in order for the Board of Directors of FIPCO to perform its duties effectively, the Board of Directors has formed specialized committees in line with the company's below and the corresponding corporate system and corporate governance regulations issued by the Capital Market Authority.

These committees were formed in accordance with general procedures set by the Board, which include defining the tasks of each committee, the duration of its work, the powers granted to it, and how the Board monitors them.

It is worth noting that the Board of Directors of FIPCO, when forming these committees, took into account what was included in the Corporate Governance Regulations issued by the Capital Market Authority, which is in line with the best systems and practices in force globally, by appointing a sufficient number of non-executive board members to the committees concerned with the tasks that Conflicts of interest may arise from it, such as ensuring the integrity of financial and non-financial reports, reviewing related party deals - if any, nomination for board membership, appointment of senior executives, determining remuneration and others.

The chairmen and members of these committees are committed to the principles of honesty, honesty, loyalty, care and concern for the interests of FIPCO and its shareholders, and prioritizing them over their personal interests.

The Board's committees included the Audit Committee, the Nominations and Remunerations Committee, the Executive Committee, the Governance Committee and the Investment Committee (recently formed), noting that the term of work of all committees ends at the end of the current session of the Board of Directors (31/ 12/ 2021). Also, the regulations regulating the work of all committees have been updated to reflect the rules and regulations issued by the relevant authorities





The following summarizes a description of the affiliated committees and a statement of their members, responsibilities and meetings held during the year 2021 AD.

### 1-Audit Committee:

In accordance with Article 101 of the Companies systems issued by the Ministry of Commerce for Investment and Article 54 of the Corporate Governance Regulations issued by the Board of the Capital Market Authority and the corresponding articles of FIPCO's Articles of Association and Governance Regulations, the Audit Committee was formed by a decision of the 31st Ordinary Extraordinary General Assembly Held on 19 December 2018 and for a period of three years (20 19 -2021) from three members who are not members of the executive board of directors, all of whom are specialized in financial and accounting affairs; with the adoption of the committee's work regulations specifying the rules and procedures for its work and the remuneration of its members.

And recently, the committee was reconstituted after the end of the previous committee's session by a decision of the thirty-fifth ordinary general assembly held on February 17, 2022 AD for a period of three years ( 20 22 - 2024).



| Name                  | Fawzy Ibrahim Al Habib   | Abdulaziz Sufelman Al-Etiqi   | Abdul Rahman Ibrahim Al Mudalmegh  |
|-----------------------|--|---|--|
| Membership status     | Chairman   | Member  | Member   |
| Current Jobs          | <ul style="list-style-type: none"> <li>-Works in financial advisory (licensed by the Ministry of Commerce and Investment).</li> <li>-Member of the Audit Committee of Qassim Cement Company.</li> </ul>  | <ul style="list-style-type: none"> <li>-He works in the field of legal review and consultancy</li> <li>-Member of the Audit Committee of the National Bank of Saudi Arabia.</li> <li>-Member of the Audit Committee of the National Agricultural Company a limited liability company.</li> <li>-Head of the Audit Committee of the Saudi Falcons Club.</li> <li>-Head of the audit committee at Tadawul Real Estate Company.</li> </ul> | One of the members of the board of directors that we have already talked about |
| previous Jobs         | <ul style="list-style-type: none"> <li>-He worked in the Capital Market Authority for 12 years as head of follow-up and implementation, and then as head of internal audit.</li> <li>-Worked as Head of Internal Audit at Arab National Bank for more than nine years.</li> <li>-Worked at Emist 6 Young for more than three years.</li> </ul> | <ul style="list-style-type: none"> <li>Work at the Capital Market Authority</li> <li>Work in the Saudi Company for (Basic Industries (SABIC</li> </ul>  |  |
| Qualifications        | <ul style="list-style-type: none"> <li>Holds a Bachelors degree in Accounting King Saud Abdulaziz University</li> <li>Passed the American-Associate of Certified Public Accountants (CPA) exam</li> </ul>  | <ul style="list-style-type: none"> <li>-Holds a Bachelors degree in Accounting - King Saud University.</li> <li>-Holds a fellowship certificate of the Saudi Organization for Certified Public Accountants (SOCPA).</li> </ul>  |  |
| Scientific experience | Extensive experience in internal review and audit work in the private and government sectors   | More than 25 years of work experience in the private and government sectors   |  |



The duties of the audit committee include in particular the following:

#### A - Financial Reports;

1. Studying the preliminary and annual financial statements before submitting them to the Board of Directors and expressing an opinion and recommendation on them.
2. Expressing a technical opinion - at the request of the board of directors - on whether the board's report and the company's financial statements are fair, balanced and understandable and include information that allows shareholders and investors to evaluate the company's financial position, performance, business model and strategy.
3. Studying any important or unfamiliar issues included in the financial report.
4. Thoroughly research any issues raised by the financial manager, whoever undertakes his duties, the compliance officer or the auditor.
5. Verifying the accounting estimates in the essential issues mentioned in the financial reports
6. Studying the accounting policies followed and expressing an opinion and recommendation to the Board of Directors in this regard.

#### B - Internal Audit:

1. Studying and following up the internal and financial control systems and risk management in FIPCO.
2. Studying the internal audit reports and following up on the implementation of the corrective measures and the notes contained therein.
3. Monitoring and supervising the performance and activities of the internal audit department in FIPCO to verify the availability of the necessary resources and their effectiveness in carrying out the work and tasks assigned to it.

#### C- The Auditor:

1. Recommending the Board of Directors to nominate and dismiss auditors, determine their fees, and evaluate their performance after verifying their independence, reviewing the scope of their work and the terms of the contract.
2. Verify the auditor's independence, objectivity and fairness, and the effectiveness of audit work, taking into consideration the relevant rules and standards.
3. Reviewing the auditor's plan and work, and verifying that he did not submit technical or administrative works outside the scope of audit work.
4. Answer the inquiries of the FIPCO auditor
5. Studying the auditor's report and his notes on the financial statements and following up on what was taken in their regard.

#### d- commitment guaranty

1. Reviewing the results of the reports of the regulatory authorities and verifying the company's union and the necessary actions in this regard.
2. Verify the company's compliance with the relevant laws, regulations, policies and instructions.
3. Reviewing the contracts and transactions proposed to be conducted by the company with the related parties and presenting its views in this regard to the Board of Directors.
4. Submitting the issues it deems necessary to take action on to the board of directors, and expressing its recommendations for the actions to be taken.

In addition, the Committee supervises the control operations related to fraud or errors that occur in FIPCO or any other matters that the Committee considers important to monitor. Therefore, the Committee has established a mechanism to provide notes on any abuse in financial or other reports confidentially, by setting up an e-mail dedicated to this. The purpose is in addition to setting up a fund to present these proposals in the company, provided that these notes are reviewed and their essentiality determined by the company's internal auditor, and his report is submitted to the Audit Committee, and then the committee performs its role to verify the application of this mechanism in the correct manner and conduct an independent investigation commensurate with the volume of the error or override, and adopt appropriate follow-up procedures.

Five meetings of the Audit Committee were held during 2021 AD, and the following is a statement of the names of the members and the attendance record:

| Name                              | Position | Dates of meetings held during the year 2021 |          |       |        |       | Attendance times | Attendance percentage |
|-----------------------------------|----------|---|----------|-------|--------|-------|------------------|-----------------------|
|                                   |          | 21 Nov                                      | 22 April | May 9 | Aug 19 | Nov 7 |                  |                       |
| Fawzi Ibrahim Al Habib            | Chairman | ✓   | ✓        | ✓     | ✓      | ✓     | 5                | 100%                  |
| Abdulaziz Suleiman Al-Atiqi       | Member   | ✓   | ✓        | ✓     | ✓      | ✓     | 5                | 100%                  |
| Abdul Rahman Ibrahim Al Mudalmegh | Member   | ✓   | ✓        | ✓     | ✓      | ✓     | 5                | 100%                  |

✓ - Attendance

X- Apologies

### Results of the annual review of the effectiveness of FIPCO's internal control procedures

The Internal Audit Unit in FIPCO provides assurance and advisory services independently and objectively by imposing value addition, improving operations and achieving the company's strategic objectives. The risk basis, through which the audit work is directed towards the most risky and important activities and works for the company, and in accordance with the best professional practices.

The scope of the work of the internal audit unit also includes the review of activities, processes, risk management procedures, internal control systems, information systems, governance processes and help protect against and detect fraud, fraud and embezzlement.

The Internal Audit Unit has implemented some of the periodic and special audits in accordance with the 2021 plan approved by the Audit Committee with the aim of giving the necessary assurances regarding the effectiveness and efficiency of internal control and risk management in FIPCO, with a focus on high-risk activities and functions.

Proceeding from the fact that internal control is one of the most important fundamentals necessary to protect FIPCO's assets as well as support it in achieving its objectives, and since sound financial, operational and administrative control procedures are enough to limit the misuse of FIPCO's assets and influence its actions, the Board of Directors of FIPCO pays special attention to it and annually checks the effectiveness of These procedures by reviewing them annually and directing the necessary amendments to develop the control work. This is done in light of the recommendations and directives issued by the Audit Committee.





## The opinion of the audit committee on the adequacy of the internal control system in FIPCO

Based on the foregoing and based on the work carried out by the company's internal audit department according to the plan approved by the audit committee during the fiscal year 2021 AD, and the observations of the company's external auditor, bearing in mind that any internal control system, no matter how soundly designed and implemented its procedures, cannot provide absolute assurance about the effectiveness of the applicable internal control systems. Accordingly, the Audit Committee did not find a fundamental weakness in the internal control system in place within the company, with the Audit Committee's continuing recommendation to the company's management to continuously follow up to develop and improve the efficiency and effectiveness of the applicable internal controls and the need for continuous updating of the company's policies and its procedures, and the implementation of the observations received from the committee regarding the internal audit reports in line with the nature of the company's activity, as well as with regard to the subsidiary company FPC and what the early stages of the start of the subsidiary company's activity require from a continuous evaluation of all activities of the subsidiary company in the operational and financial aspects, commitment and risk management.

### 2 - Nominations and Remunerations Committee

The Nominations and Remunerations Committee is composed of three members according to the following table:

| Name                              | Membership status                       | Current Jobs  | previous Jobs   | Academic qualifications  | Practical experiences   |
|-----------------------------------|---|---|---|--|---|
| <b>Nimr Nasser Al-Harbi</b>       | Chairman (independent board member)     | One of the members of the board of directors who were previously talked about.  |   |  |   |
| <b>All Saleh Al-Shadokhl</b>      | Member (outside the board of directors) | -Founder and Consultant at Harmony of Objectives for Recruitment and HR Solutions<br>-Consultant and Vice President of New Thinkers Company for Content and E-Books | -Has a Bachelor degree<br>He worked as a lecturer at the Technical College for 11 years<br>-He held the position of Operations Manager and then the position of General Manager at Saudi Bells Company for 5 years<br>-General Manager of the Content Unit at Integral for one of the Saudi Telecom companies for 4 years | -He holds a Bachelors degree in Electrical Engineering from King Saud University<br>-He holds a masters degree in Computer Engineering from the University of New Haven, USA | He has extensive experience in consulting and human resources work in the private and government sectors. |
| <b>Ahmed Abdullatif Al-Barrak</b> | Member (Non-Executive Board Member)     | One of the members of the board of directors who were previously talked about.  |   |  |   |

## Its duties and responsibilities are as follows:

1. Preparing a clear policy for the remuneration of the members of the Board of Directors and the committees emanating from the Board and the Executive Management. And submitting them to the Board of Directors in preparation for approval by the General Assembly, taking into account the use of performance-related criteria when developing these policies
2. Clarify the relationship between the granted rewards and the applicable rewards policy, indicate any material deviation from this policy
3. Periodic review of the rewards policy, and evaluation of its effectiveness in achieving the desired goals.
4. Recommend to the Board of Directors the remuneration of the members of the Board of Directors and its committees and senior executives of the company in accordance with the approved policy regarding nominations:
5. Propose clear policies and criteria for membership in the Board of Directors and Executive Management
6. Recommending the Board of Directors to nominate and re-nominate members in accordance with the approved policies and standards. Taking into account not to nominate any person previously convicted of a crime breaching trust.
7. Preparing a description of the capabilities and qualifications required for membership of the Board of Directors and occupying executive management positions
8. Determining the time that the member should allocate for the work of the Board of Directors
9. Annual review of the necessary needs for skills or appropriate experience for membership of the Board of Directors and executive management functions
10. Review the structure of the board of directors and the executive management and make recommendations regarding changes that can be made.
11. Annual verification of the independence of the independent members, and the absence of any conflict of interest if the member is a member of the board of directors of another company
12. Develop job descriptions for executive members, non-executive members, independent members and senior executives
13. Establishing special procedures in the event that the position of a member of the Board of Directors or a senior executive feels concerned
14. Determining the weaknesses and strengths in the Board of Directors and proposing solutions to address them in line with the company's interest.

Two meetings of the Nomination and Remuneration Committee were held during 2021, as follows:

| Name                              | Position | Dates of meetings held during the year 2021 |        | Attendance times | Attendance percentage |
|-----------------------------------|----------|---|--------|------------------|-----------------------|
|                                   |          | March 10                                    | May 17 |                  |                       |
| <b>Nimr Nasser Al-Harbi</b>       | Chairman | ✓   | ✓      | 2                | 100%                  |
| <b>All Saleh Al-Shadokhl</b>      | Member   | ✓   | ✓      | 2                | 100%                  |
| <b>Ahmed Abdullatif Al-Barrak</b> | Member   | ✓   | ✓      | 2                | 100%                  |



### 3 - Executive Committee

In accordance with the vision of the Board of Directors and the organization of work within the Board, the Executive Committee has been formed from three members and some tasks have been assigned to it to play its role in allocating more time and effort to discuss certain topics to facilitate decision-making within the Board of Directors, and among those tasks are the following:

1. Reviewing periodic management reports, evaluating performance and reviewing new investments or reinvestments and approving them before submitting them to the Board for approval.
2. Review annual budgets and plans and investigate the essential differences related to budgets (if any) before they are presented to the Board of Directors.
3. Follow-up and receive reports on the implementation and completion of major projects or major expansion works of the company.
4. Follow up the company's performance and seek explanations for any deviations from the approved plans, budget and expectations.
5. Assisting the Council in carrying out its responsibilities, particularly with regard to the tasks entrusted to it by the Council when the time factor is decisive.
6. Receipt of periodic reports from the company's management on the company's risk management processes, including risk assessment and procedures established to address and follow up on these risks.
7. Ensuring that the administrative committees (if they exist) in the company are working effectively.
8. Receiving management reports periodically through the CEO on the company's performance to be presented at the Executive Committee meetings for discussion and review before submitting to the Board (if the need arises).
9. Communicate with senior officials in government and private agencies and private sector companies to overcome the difficulties that face FIPCO's work and explain its programs to officials as long as it is within the limits of the laws in force.

The committee is composed of three members whose qualifications and experiences were previously discussed in the members section of the board of directors, and the executive committee held only one meeting during the year 2021 AD, as shown in the following table:

| Name                              | Position | Dates of meetings held during the year 2021 |  | Attendance times | Attendance percentage |
|-----------------------------------|----------|---|--|------------------|-----------------------|
|                                   |          | March 15                                    |  |                  |                       |
| Ahmed Abdullatif Al-Barrak        | Chairman | ✓   |  | 1                | 100%                  |
| Abdul Rahman Ibrahim Al Mudaimagh | Member   | ✓   |  | 1                | 100%                  |
| Faisal Mohammed Al-Harbi          | Member   | ✓   |  | 1                | 100%                  |

### 4- Governance Committee:

FIPCO's rapid response to the development of its rules of governance and rules of good management comes in the belief that following the rules of good governance is the firm basis for its management, control of its resources and tight control over them to ensure the best returns for its shareholders and stakeholders, which made the Board of Directors take its decision on 01 January 2019 M, to form a special committee on governance - despite the fact that this committee is not mandatory to form a system - to review compliance with the rules related to governance on a regular basis and allocate more time and effort in this regard, based on FIPCO's keenness to obtain an advanced position in the indicators for measuring the levels of governance issued by the recognized centers of competence locally and externally.

The aforementioned board decision stipulates the formation of a three-member Governance Committee. Its main tasks are as follows:

1. Verify FIPCO's compliance with the rules and regulations issued by the Ministry of Commerce and Investment, the Capital Market Authority and any other relevant regulatory or supervisory bodies.
2. Review and update the policies and rules in accordance with the legal requirements and the best practices applicable globally.
3. Recommending the amendment of the company's articles of association (if the need arises).
4. Reviewing and developing the rules of professional conduct that represent FIPCO's values, and other internal policies and procedures to meet FIPCO's need and in line with best practices for developing the work environment.
5. Keeping the members of the Board of Directors informed of developments in the field of corporate governance and the best practices followed globally.

The committee is composed of three members whose qualifications and experiences were previously discussed in the section on board members and senior executives. The Governance Committee held only one meeting during the year 2021, and its statement is illustrated in the following table:

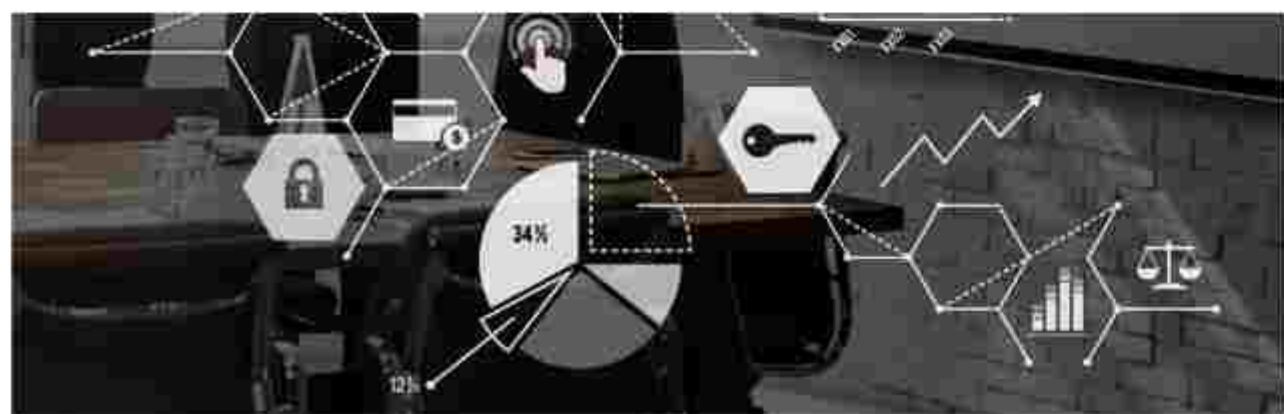
| Name                       | Position | Dates of meetings held during the year 2021 |  | Attendance times | Attendance percentage |
|----------------------------|----------|---|--|------------------|-----------------------|
|                            |          | March 8                                     |  |                  |                       |
| Abdullah Mohammed Al-Harbi | Chairman | ✓   |  | 1                | 100%                  |
| Ahmed Abdullatif Al-Barrak | Member   | ✓   |  | 1                | 100%                  |
| Salah Mohamed Sabry        | Member   | ✓   |  | 1                | 100%                  |



## 5- Investment Committee:

In accordance with what was included in Board Resolution No. 4 of 2021 issued by passing on August 15, 2021 AD to form the Investment Committee and approve its work regulations with updating the applicable investment policies, its most important tasks were as follows:

1. Presenting recommendations on mergers and acquisitions to the Board of Directors.
2. Make recommendations regarding the company's purchase of its shares.
3. Review investment plans in the company's excess liquidity.
4. Receiving periodic reports from the company's management on the company's risk management processes, including the assessment of risks and the procedures established to address and stem these risks.
5. Reviewing important financial issues and standards, including the alignment of financing.
6. Reviewing investment and expansion opportunities, in addition to identifying the challenges facing FIPCO's operational activities to ensure the quality of products.
7. Periodic review of capital expenditures and keeping the company's assets in mind.
8. Discussing and making decisions related to issues that require urgent investment decisions, such as entering into public subscriptions, linking deposits, or other aspects of investment.
9. Ensure the distribution of the company's resources in a manner that achieves compatibility between the strategic plans of the company and its subsidiaries, and the operational and investment objectives.
10. Preparing and reviewing recommendations to the Board of Directors related to annual and long-term financial goals and strategies (company financial planning).
11. Reviewing important financial matters of the company and its subsidiaries, such as matters related to the capital structure, the company's credit rating, cash flows, borrowing, and investment deposits, in cooperation with the company's executive management and in a manner that does not conflict with the work of other committees.
12. Evaluate existing forms or discuss future opportunities and submit a periodic report on them to the Board of Directors, when applicable or upon request.
13. The possibility of seeking assistance from specialized companies, individuals or houses of expertise to assist in evaluating or entering into any investment opportunity after verifying its economic feasibility.



The committee is composed of three members whose qualifications and experiences were previously discussed in the members section of the board of directors. The investment committee held two meetings during the year 2021, and its statement is illustrated in the following table:

| Name                       | Position | Dates of meetings held during the year 2021 |       | Attendance times | Attendance percentage |
|----------------------------|----------|---|-------|------------------|-----------------------|
|                            |          | Aug 15                                      | Nov 8 |                  |                       |
| Ahmed Abdullatif Al-Barrak | Head     | ✓   | ✓     | 2                | 100%                  |
| Faisal Mohammed Al-Harbi   | Member   | ✓   | ✓     | 2                | 100%                  |
| Abdullah Mohammed Al-Harbi | Member   | ✓   | ✓     | 2                | 100%                  |

## Eleventh: Actions taken by the Board of Directors to inform its members - especially non-executives of the shareholders' proposals and comments regarding FIPCO and its performance

The company's articles of association and FIPCO Governance Regulations guarantee to the shareholders all the rights related to the share. Accordingly, FIPCO has taken a number of measures to inform the members of the Board of Directors, especially the non-executives, about the shareholders' proposals regarding the company and its performance as follows:

Where FIPCO has designated an investor relations unit in the company that will respond to the inquiries of shareholders and receive their comments or complaints through the available communication channels via phone, fax or e-mail, any of the parties involved.

And this e-mail is followed up and tracked by the council president himself, and he may raise to the council members something that needs attention if material information is received.

These inquiries or information - if any - are examined and classified, and the essential ones are submitted to the Board of Directors during its periodic meetings.

FIPCO is always keen to urge all members of its board of directors to attend the general assemblies to answer the shareholders' questions and to view their views and observations on the company and its performance. The work regulations of the board committees also obligate the heads of committees affiliated to the board of directors or their representatives to attend the general assemblies to answer shareholders' inquiries.

Shareholders' questions and inquiries are recorded in the minutes of the general assembly's meetings and kept at the company's headquarters and any shareholder can view them.



## Twelfth: The means that the board relied on in evaluating its performance, the performance of its committees and members, and the external party that carried out the evaluation (if any).

The Board of Directors of FIPCO is keen to follow up the implementation of the guiding articles in the Corporate Governance Regulations issued by the Capital Market Authority. Especially with regard to the role of the Chairman of the Board in listening to the views of the non-executive members of the Board with regard to their observations and opinions about the performance of the company and the evaluation of its executive management, in addition to holding meetings from time to time between the members of the Board without the Chairman of the Board to discuss about the Chairman carrying out the tasks assigned to him. These meetings will take place during the year 2021 following the Board meeting held on December 27, 2021 AD.

FIPCO also intends to continue preparing a self-assessment for the members of the Board through appropriate and effective mechanisms to discover errors and that it is constantly updating these mechanisms, so that the member evaluates himself and his peers from the Board of Directors, and then the evaluation form explores the opinion of each member of the Board's performance of its tasks and proposes ways to develop the performance of the Board and the effectiveness of its role, and evaluation forms are developed for each of the committees of the Board of Directors to ensure that it performs the roles assigned to it as stipulated by the work regulations of those committees.

A third party (an external evaluation body) may be used if necessary, according to the absolute evaluation of the Nomination and Remuneration Committee and the approval of the Board of Directors.

## Thirteenth: Dividend Distribution Policy

The process of distributing profits in FIPCO depends on the net profits achieved, cash flows and future expectations of the main investments, taking into account the importance of maintaining a strong financial position to meet any changes in the general situation, exposure to epidemics, dramatic changes in global financial conditions, or any material changes that may affect the state of the market and the economic climate in general.

Although FIPCO is keen to maximize the return on investment for all its stakeholders, there are no guarantees of current cash dividends or guarantees of the value of future dividends, and the dividend policy may change from time to time according to the company's financial performance and the vision of the Board of Directors based on the analysis of investment opportunities, the cash and capital needs and expectations of expansions in the main activities. The distribution process takes place by submitting a proposal from the Board of Directors to the General Assembly, which approves or rejects the proposal. If approved, the distribution will take place at the place and dates determined by the Board of Directors in accordance with the instructions and regulations issued by the competent authorities in this regard.

Based on paragraph (47) of FIPCO's Articles of Association, which was approved by the Extraordinary General Assembly held on 30 /9 /2018, net profits are distributed (annually - semi-annually - quarterly) after authorizing the Ordinary General Assembly of the Board to do so, and this is renewed Delegating annually, after deducting all general expenses and other costs as follows:

- 1- Set aside 10% of the net profits to form the company's statutory reserve, and the Ordinary General Assembly may stop this set-up when the said reserve reaches 30% of the paid-up capital.
- 2 - The Ordinary General Assembly, based on a proposal from the Board of Directors, may set aside 30% of the net profits to form a consensual reserve to support the company's financial position.

3- The statutory reserve is used to cover the company's losses or to increase the capital. If this reserve exceeds 30% of the paid-up capital, the company's general assembly may decide to distribute the increase to shareholders in the years in which the company does not achieve net profits sufficient to distribute the share determined for them in the company's articles of association.

4 - The Ordinary General Assembly may decide to form other reserves, to the extent that achieves the interest of the company or ensures the distribution of fixed profits as much as possible to the shareholders.

5 - After that, a percentage of no less than 5% of the paid-up capital shall be distributed to the shareholders.

6- The Board of Directors shall approve its annual report submitted to the General Assembly the percentage of profits distributed to shareholders during the different periods of the current year. In addition to the percentage of the proposed profits to be distributed at the end of the fiscal year and the total of these profits.

7- Zakat systems and any other tax systems in force in the Kingdom of Saudi Arabia shall be applied.

8 - The cash dividends to be distributed to the shareholders are deposited in their accounts linked to their investment portfolios, and the granted shares are deposited in the shareholders' investment portfolios after announcing that on the Saudi Stock Exchange website (Tadawul).

It is worth noting that the Board of Directors of FIPCO issued a resolution on March 22, 2021 to recommend to the General Assembly not to distribute cash dividends for the fiscal year 2021 due to the realization of net losses during the year 2021 and the company's need to support the financial position of FIPCO and its 100% owned subsidiary and to finance its future expansions, which it largely aims to diversify its products in line with the company's goals and investors' aspirations.

## Fourteenth: Remuneration policy for members of the board of directors, sub-committees and senior executives, and a statement of any fundamental deviation

In its way of disbursing remunerations to members of the Board of Directors, sub-committees, and senior executives, FIPCO relied on the regulating policy approved by the General Assembly and the corresponding articles of the company's articles of association, which included the following:

1. The remuneration of the members of the Board of Directors consists of a certain amount, attendance allowance for sessions, certain benefits, or a certain percentage of the net profits, and two or more of these benefits may be combined.
2. If the reward is a certain percentage of the company's profits, then this percentage may not exceed (10%) of the net profits, after deducting the reserves decided by the general assembly, and after distributing a profit to shareholders of no less than 5% of the company's paid-up capital.
3. In all cases, what a member of the Board of Directors receives in terms of financial or in-kind remunerations and benefits shall not exceed five hundred thousand riyals annually in accordance with the regulations set by the competent authorities.
4. The members' remuneration may be of varying amount to reflect the member's experience, competence, tasks entrusted to him, his independence, the number of sessions he attended, and any other considerations according to the discretion of the Board of Directors.
5. The report of the Board of Directors to the General Assembly must include a comprehensive





statement of all that the members of the Board of Directors received during the fiscal year in terms of remunerations, allowances, expenses and other benefits, and also include a statement of what the members of the Board received in their capacity as workers or administrators, or what they received in return Technical or administrative work or consultancy, and it shall also include a statement of the number of council sessions and the number of sessions attended by each member from the date of the last meeting of the general assembly.

- A member of the Board of Directors may obtain a reward in return for his membership in the Audit Committee formed by the General Assembly, or in return for any additional work or executive, technical, administrative or advisory positions (a professional license is required if the nature of the work is advisory) assigned to him in the company, and that in addition to the remuneration that he can obtain as a member of the Board of Directors and in the committees formed by the Board of Directors in accordance with the Companies Law and the Company's Articles of Association.
- The remuneration of independent board members must not be a percentage of the profits achieved by the company or be based directly or indirectly on the profitability of the company, according to what is set by the competent authority.

During the year 2021, and based on the recommendation of the Nomination and Remuneration Committee during its meeting held on March 22, 2022 and the issuance of the Board of Directors' resolution by passing on March 22, 2022 AD, the following were approved:

- Not paying remunerations to members of the Board of Directors for their membership in the Board during the fiscal year 2021.
- Disbursing the rewards of the committees emanating from the board of directors to independent members from outside the board, as shown in the committee members' reward schedule.
- Disbursing remunerations to some committee chairpersons from members of the Board of Directors, as also shown in the committee members' remuneration schedule.

With regard to the remuneration of the executive management, they are subject to the following:

- The company's adopted policies in this regard must be taken into account when approving the remuneration of the executive management, and the achievement of the objectives set for it.
- The remuneration determined for each employee in the executive management may vary according to the results he achieved during the year under evaluation.
- When approving the reward, the companies operating in the sector, as well as the companies operating in the Saudi market, are taken into consideration.
- The upper ceiling of the executive management remuneration may be reviewed annually, and any proposed amendments may be submitted to the Board.
- This policy must be consistent with the company's strategy and objectives, and in line with the applicable performance and evaluation policy with regard to remunerating the executive management.

FIPCO believes that the bonuses were distributed during the fiscal year 2021 AD in accordance with the approved policy, and there are no fundamental deviations from it.

## Fifteenth: What Board Members, Committee Members and Senior Executives Received

### 1- Remuneration of Board Members

| Executive Members  | Non-Executive Members |                                   | Independent Members        | Membership Nature        |                            |
|--|-----------------------|-----------------------------------|----------------------------|--------------------------|----------------------------|
| Member Name  | Nimr Nasser Al-Harbi  | Abdul Rahman Ibrahim Al-Mudaimagh | Ahmed Abdullatif Al-Barrak | Faisal Mohammed Al-Harbi | Abdullah Mohammed Al-Harbi |
| <b>Fixed Rewards</b>   |                       |                                   |                            |                          |                            |
| Specific amount  | —                     | —                                 | *720,000                   | —                        | —                          |
| Allowance for attending council sessions   | 6,000                 | 6,000                             | 6,000                      | 6,000                    | 6,000                      |
| Allowance for attending committee sessions                                       | 6,000                 | 18,000                            | 18,000                     | 9,000                    | 9,000                      |
| In-kind benefits   | —                     | —                                 | —                          | —                        | —                          |
| Rewarding technical, administrative and advisory works                           | —                     | —                                 | —                          | —                        | —                          |
| Remuneration of the Chairman, Managing Director, or Secretary, if he is a member | —                     | —                                 | —                          | —                        | 3,000                      |
| <b>Total</b>   | <b>12,000</b>         | <b>24,000</b>                     | <b>744,000</b>             | <b>15,000</b>            | <b>18,000</b>              |
| <b>Variable Rewards</b>  |                       |                                   |                            |                          |                            |
| percentage of profits  | —                     | —                                 | —                          | —                        | —                          |
| Regular rewards  | —                     | —                                 | —                          | —                        | —                          |
| short term motivational plans  | —                     | —                                 | —                          | —                        | —                          |
| long term motivational plans   | —                     | —                                 | —                          | —                        | —                          |
| Granted shares   | —                     | —                                 | —                          | —                        | —                          |
| <b>Total</b>   | <b>—</b>              | <b>—</b>                          | <b>—</b>                   | <b>—</b>                 | <b>—</b>                   |
| Indemnity  | —                     | —                                 | —                          | —                        | —                          |
| <b>Grand total</b>   | <b>12,000</b>         | <b>24,000</b>                     | <b>744,000</b>             | <b>15,000</b>            | <b>18,000</b>              |
| Expense allowance  | —                     | —                                 | —                          | —                        | —                          |

\* The amount paid to the Chairman of the Board of Directors is equivalent to a monthly remuneration of 60,000 riyals as a "lump sum" as recommended by the Nomination and Remuneration Committee on July 7, 2020, and the Board's decision on July 28, 2020, based on the exceptional efforts made by the Chairman of the Board in managing a number of One of the files related to the company's business and its subsidiaries, in a way that consolidates its strategic relations, and based on the work and efforts it makes from continuous communication with major customers and suppliers, as well as some government agencies, and given that these works greatly serve the interests of the company and the time and effort it contains.





## 2-Committee member rewards

Saudi Riyals

| Commission                                       | Fixed Rewards (with-out session allowance) | Allowance for attend-ing sessions | Total   |
|--|--|-----------------------------------|---------|
| <b>Audit Committee Members</b>                   |  |                                   |         |
| Fawzi Ibrahim Al Habib                           | 125,000                                    | 15,000                            | 140,000 |
| Abdulaziz Suleiman Al-Atiqi                      | 75,000                                     | 15,000                            | 90,000  |
| Abdul Rahman Ibrahim Al Mudaimagh                | 50,000                                     | 15,000                            | 65,000  |
| <b>Nominations and Rewards Committee Members</b> |  |                                   |         |
| Nimr Nasser Al-Harbi                             | 150,000                                    | 6,000                             | 156,000 |
| Ali Saleh Al-Shadokhi                            | 50,000                                     | 6,000                             | 56,000  |
| Ahmed Abdullatif Al-Barrak                       | -  | 6,000                             | 6,000   |
| <b>Executive Committee Members</b>               |  |                                   |         |
| Ahmed Abdullatif Al-Barrak                       | -  | 3,000                             | 3,000   |
| Abdul Rahman Ibrahim Al Mudaimagh                | -  | 3,000                             | 3,000   |
| Faisal Mohammed Al-Harbi                         | -  | 3,000                             | 3,000   |
| <b>Governance Committee Members</b>              |  |                                   |         |
| Abdullah Mohammed Al-Harbi                       | 150,000                                    | 3,000                             | 153,000 |
| Ahmed Abdullatif Al-Barrak                       | -  | 3,000                             | 3,000   |
| Salah Mohamed Sabry                              | -  | 3,000                             | 3,000   |
| <b>Investment Committee Members</b>              |  |                                   |         |
| Ahmed Abdul Latif Al-Barrak                      | -  | 6,000                             | 6,000   |
| Faisal Mohammed Al-Harbi                         | -  | 6,000                             | 6,000   |
| Abdullah Mohammed Al-Harbi                       | -  | 6,000                             | 6,000   |

## 3- Senior Executive Rewards

The table below shows the total amounts earned for six senior executives who received the highest remuneration and compensation, including the managing director and the financial director, in addition to the deputy general manager of operations, the risk manager, the general manager of the subsidiary company, and the sales manager of the subsidiary company, noting that the relationship of the deputy general manager of operations with the company was terminated during the year fiscal year 2021 AD, as follows:

Saudi Riyals

| <b>Five senior executives</b>        |                  |
|--------------------------------------|------------------|
| <b>Fixed Rewards</b>                 |                  |
| Salaries                             | 3,051,032        |
| Allowances                           | 1,000,600        |
| In-kind benefits                     | -                |
| <b>Total</b>                         | <b>4,051,632</b> |
| <b>Variable Rewards</b>              |                  |
| Periodic Rewards                     | -                |
| Profits                              | -                |
| Short-term stimulus plans            | 80,868           |
| Long-term stimulus plans             | -                |
| Granted shares                       | -                |
| <b>Total</b>                         | <b>80,868</b>    |
| Indemnity                            | -                |
| Total executive reward for the board | -                |
| <b>Grand total</b>                   | <b>4,132,500</b> |

In this regard, FIPCO affirms the following:

There are no arrangements or agreements whereby a member of the Board of Directors or a senior executive has waived any bonuses, salaries or compensations during the fiscal year 2021.

There are no arrangements or agreements under which one of the shareholders of FIPCO has waived any rights to profits during the fiscal year 2021.

There are no other investments or reserves created for the benefit of FIPCO employees during the year 2021, except for the end-of-service gratuity according to the regulations issued by the competent authorities.





## Sixteenth: Dealings with Related Parties

FIPCO confirms that during the fiscal year 2021, no contracts, deals or transactions were concluded in which FIPCO or any of its subsidiaries was a party and in which there was an interest for any of the members of the Board of Directors, the Managing Director, the Financial Manager, any of the senior executives of the company or with any person related to any of them.

Nor did any of the members of the Board of Directors or senior executives or any person related to any of them, practice any business that competes with the company or its branches.

## Seventeen: The results of governance practices during the year 2021

During the year 2021, FIPCO believes that the basic and mandatory provisions and rules of governance have been adhered to and that no violation of these provisions has occurred. Rather, FIPCO is always keen to achieve the guiding articles included in the governance regulation in addition to developing the best practices applicable globally during the year 2021, recognizing the importance of governance and its role in Achieving sustainable development. For this purpose, FIPCO has previously done the following:

- Creating a governance committee affiliated to the Board of Directors and approving its work regulations.
- Develop disclosure and transparency policies and define appropriate procedures to ensure that shareholders are kept informed of the latest developments in FIPCO's activities and business developments.
- Establishing a risk management unit and defining its terms of reference.
- Holding a meeting of the Board of Directors led by the Chairman of the Board and without the presence of any of the Executive Board members.
- Holding a meeting for all members of the Council without the Chairman, for the purpose of evaluating the performance of the Chairman of the Council.
- Develop a list of tasks confirmation for all committees of the Board of Directors and review it periodically to ensure that these committees carry out the tasks entrusted to them.
- Establishing the necessary mechanisms for evaluating the Board of Directors through assessment forms prepared for the purposes of self-assessment and peer assessment in the Board, as well as assessing the performance of the Board as a whole on an annual basis according to appropriate performance indicators.
- Develop appropriate training programs for members of the Board of Directors, whereby training courses are granted to the member of the Board responsible for the risk management unit on relevant topics, and executive members are dispatched to attend conferences and workshops related to technical matters necessary to manage the company, and the Chairman of the Board has completed the Executive MBA program From a prestigious university, the members of the Council are also keen to attend the workshops and lectures that were recently held remotely and held by governmental and non-governmental agencies related to the company's business.
- Develop appropriate training programs for the company's executive management team according to the competence of each department, so that employees in the financial department are trained on international financial reporting standards, and those responsible for technical management and operations are trained on new machines and production lines, and registered to attend interactive seminars and workshops remotely to be informed of all developments in the nature of the industry, FIPCO is also interested in research and development initiatives and sends representatives to follow up on them, in addition to training administrative cadres on executive management programs, office work, computer programs, law, governance and others, which may benefit the company and the employee in the future.
- FIPCO is keen to carry out social work initiatives and has some social responsibility initiatives and has dedicated a section for this in the report. The company also plans to develop programs to develop and stimulate participation and performance for employees of the company within the plans of its human resources department during the year 2022.

## Eighteenth: Disclosure and Transparency Policies

Disclosure and transparency policies are an integral part of FIPCO's governance regulation, in its belief in the shareholder's right to obtain all information with clarity and detail necessary to build investment decisions on it while ensuring non-discrimination in the provision of information to all shareholders, through the multiplicity of mechanisms for publishing and disclosing information that FIPCO considers necessary. To inform stakeholders, FIPCO publishes its quarterly and annual financial results on the Saudi Stock Exchange (Tadawul) website during the statutory periods required for publication, it belongs to FIPCO itself or its subsidiary company, or any variables that affect negatively or positively significantly on the activities of FIPCO and its operations, and the company's management works continuously to improve the level of disclosure through the nature, quality and timing of the information disclosed while continuing to enrich the website with all the information that may help. All stakeholders have knowledge of FIPCO's activities and business developments to help them make their investment decisions.

FIPCO is also always keen to include in its annual report all information in a more detailed manner, as the annual report is one of the most important disclosure tools that enable stakeholders to accurately determine the company's activities and business developments, whether related to it or its subsidiary company, as well as highlighting the reasons for the change in results and setting Reasons for the strategic decisions that the board of directors or the executive management of the company may take during the fiscal year or the important material events prior to or following the end of the fiscal year 2021 AD. In the following table, we list what FIPCO made in disclosures during the year 2021 AD.

| Disclosure date | Disclosure type                                    | The nature of disclosure  |
|-----------------|--|---|
| February 25     | financial re-sults                                 | Consolidated annual financial results for fiscal year 2020  |
| April 12        | Credit facilities                                  | Renewal of the Shariah-compliant banking facility agreement with Bank Albilad                         |
| April 15        | Candidacy for membership in the Board of Directors | Opening the door for candidacy for membership of the Board (2024-of Directors for the new term (-2022 |
| April 25        | financial re-sults                                 | Consolidated quarterly financial results for the first quarter of the fiscal year 2021AD              |
| May 20          | general as-semblies                                | Inviting shareholders to attend the 34th Ordinary General Assembly Meeting                            |
| June 7          | Credit facilities                                  | Renewal of the Shariah-compliant banking facility agreement with Riyadh Bank                          |
| June 13         | general as-semblies                                | Results of the 34th Ordinary General Assembly Meeting   |
| August 19       | financial re-sults                                 | Consolidated quarterly financial results for the second quarter of the fiscal year 2021AD             |
| November 08     | financial re-sults                                 | Consolidated Quarterly Financial Results for the Third Quarter of Fiscal Year 2021                    |
| December 15     | Credit facilities                                  | Signing a financing agreement with the Saudi Industrial Development Fund                              |





## Nineteenth: Subsequent Substantive Developments

Subsequent material developments mean the important events that occurred after the end of the fiscal year 2021 and before the issuance of this report, which were announced on the website of the Saudi Stock Exchange (Tadawul) as soon as they occurred. For existing shareholders or potential investors, these key developments are summarized as follows:

According to the results of the company's 34th Ordinary General Assembly meeting held on 10/14/2022/29/ corresponding to 10/2021/06/G, and published on the Saudi Stock Exchange (Tadawul) website on 13/2021/06/AD, which included electing members of the Board of Directors from among the candidates for the new term and its duration Three Gregorian years starting on January 01, 2022 AD and ending on December 31, 2024 AD. On January 2, 2022 AD, FIPCO announced the decisions of its Board of Directors during its first meeting for the new term, which included the appointment of Mr. Ahmed Abdullatif Al-Barrak (non-executive) FIPCO as Chairman of the Board of Directors and the appointment of Mr. Faisal Mohammed Al-Harbi (Executive) as Vice Chairman of the F2C Board of Directors and Managing Director, appointing company representatives to the Capital Market Authority and the Saudi Tadawul Group for all purposes related to the application of the Capital Market Law and its executive regulations, and appointing a Secretary of the Board of Directors, in addition to forming committees affiliated with the Board of Directors, including (the Nomination and Remuneration Committee, The Investment Committee, the Governance Committee, the Executive Committee), as well as a recommendation to the next general assembly to approve the formation of the audit committee of the company.

The 35th Ordinary General Assembly meeting of the company was held on February 17, 2022, and the results of the meeting were announced on the website of the Saudi Stock Exchange (Tadawul) on February 20, 2022, during which the formation of the Audit Committee was approved, its tasks, work controls and rewards for its members for the new term starting from The date of the approval of their membership by the General Assembly on February 17, 2022 until the end of the session on December 31, 2024. The committee was formed by Mr. Fawzi Ibrahim Al-Habib, Mr. Khalid Al-Ateen and Mr. Hatha Safar Al-Otaibi,

recommendation of its Board of Directors to the Extraordinary General Assembly to increase the

company's capital by issuing priority rights shares by 115 million riyals, with a detailed statement of its objectives from the capital increase request, and then announced later on February 28, 2022 Appointment of a financial advisor to Wasatah Capital Company to manage the subscription of the rights issue.

## Twenty: Declarations of the Board of Directors.

The Board of Directors acknowledges the following:

1. That the account records are properly prepared
2. The internal control system was prepared on sound foundations and implemented effectively
3. There is little doubt about FIPCO's ability to continue its activity.

## Twenty-first: Board confirmations.

In line with the Corporate Governance Regulations issued by the Capital Market Authority and the FIPCO Corporate Governance Regulations, the Board of Directors affirms the following:

1. FIPCO is committed to working to protect the rights of shareholders and not to discriminate between shareholders who own the same class of shares and not to withhold any right from them in the form of fair treatment of all shareholders
2. FIPCO did not receive a request from shareholders owning 5% or more to convene the General Assembly during the ended year, and it was not held.
3. FIPCO did not receive from shareholders owning 5% or more a request to add one or more topics to the agenda of the general assembly meeting when it was prepared.
4. FIPCO has not instituted any measure that may impede the shareholder's use of his right to vote
5. FIPCO did not provide any cash loan of any kind to any of its board members, nor did it guarantee any loan contracted by a member of its board of directors with third parties.
6. Loans with a term of more than three years have not been entered into, and no real estate

owned by FIPCO has been sold or mortgaged, other than what has been disclosed in this report.

7. None of FIPCO's debtors were released from any of their obligations towards it during the year 2021 AD, with the exception of an amount of 154,061 riyals belonging to one of the subsidiary company's customers due to quality problems in some supplies of products previously manufactured at the beginning of commercial operation, in addition to the fact that the subsidiary company of FIPCO obtained orders judicial execution against a number of its defaulting clients and the necessary legal measures have been issued against them, and FIPCO continues its efforts to collect these amounts.
8. Neither FIPCO nor any of its subsidiaries have issued any shares or debt instruments during the year 2021.
9. Neither FIPCO nor any of its subsidiaries has informed any person (other than members of the Board of Directors, senior executives and their relatives) that they have any interest or rights in the class of voting shares during the year 2021.
10. There are no interest, contractual securities and subscription rights belonging to members of the Board of Directors and senior executives in shares or debt instruments of FIPCO or any of its subsidiaries during the year 2021.
11. Neither FIPCO nor any of its subsidiaries have convertible debt instruments, any contractual securities, warrants, or similar rights issued or granted by FIPCO or any of its subsidiaries during the year 2021.
12. There are no transfer or subscription rights under convertible debt instruments, contractual securities, subscription right memoranda, or similar rights issued or granted by FIPCO or any of its subsidiaries during the year 2021.
13. Neither FIPCO nor any of its affiliates have any refund, purchase or cancellation of any re-deemable debt instruments.
14. FIPCO does not have privileged shares or shares that enjoy special voting priority,

whether for shareholders or members of the board of directors, and that all FIPCO shares are ordinary shares of equal nominal value and equal in voting rights and other rights according to the system.

15. During the fiscal year 2021, the company's external auditor did not provide any services of an advisory nature to the company and did not receive any fees in this regard.
16. The company's external auditor's report did not include any reservations or drawing attention to the annual financial statements for the fiscal year 2021.
17. FIPCO did not receive a request from the auditor to convene the General Assembly during the ended fiscal year, and it was not held.
18. No recommendation was issued by the Board of Directors to replace the external auditor before the end of the period for which he was appointed.
19. There is no conflict between management decisions and the recommendations of the Audit Committee.
20. There are no recommendations from the Audit Committee that the Board refused to accept regarding the appointment and dismissal of the auditor, determining his fees, evaluating his performance, or appointing the internal auditor.
21. There are no lawsuits filed in favor of or against FIPCO with a value exceeding 5% of its net assets during the year 2021.
22. FIPCO does not have any treasury shares to hold during fiscal year 2021 or any prior years.
23. There are no material subsequent events affecting the integrity of the financial position of FIPCO, and the results of its operations occurred after the end of the year and were not clarified, other than what is included in this report.
24. The profits due to shareholders that were previously decided to be distributed to them by the general assembly of shareholders and were not received by their owners until 31/2021/12/ due to the lack of updating the data amount to 5,149,274 riyals.





## Twenty-second: FIPCO shareholder records requests during the year 2021

| Request date | Reason for request   |
|--------------|--|
| January 04   | Updating the shareholder register and ownership data for board members, senior executives, their wives and their minor children in order to prepare the annual report for the fiscal year 2020 |
| February 11  | Corporate procedures   |
| March 04     | Corporate procedures   |
| April 13     | Corporate procedures   |
| May 10       | Corporate procedures   |
| May 27       | Corporate procedures   |
| June 07      | Corporate procedures   |
| June 10      | List of shareholders who have the right to vote in the 34th Ordinary General Assembly  |
| June 05      | Corporate procedures   |
| October 06   | Corporate procedures   |
| December 07  | Corporate procedures   |

## Twenty-third: Shareholders' rights and the mechanism for communicating with them

Based on FIPCO's keenness and concern for the rights of its shareholders, and the board of directors' awareness of its responsibilities towards shareholders in order to achieve communication based on a common understanding of FIPCO's strategic objectives and interests, it has included all rights of shareholders and stakeholders in its articles of association and these rights have been focused on in detail in the shareholders' guide. All of these documents can be viewed on FIPCO's website [www.fipco.com.sa](http://www.fipco.com.sa). There is also a special department for FIPCO to follow up on the affairs of its shareholders, which performs its duty through continuous communication, responding to inquiries, and following up on any potential problems that shareholders may face regarding dividend distribution operations or otherwise. The Shareholders Affairs Department can be contacted through the e-mail [fr@fipco.com.sa](mailto:fr@fipco.com.sa) or by speaking to us directly on the phone 01126522999/ - Ext: 770. Shareholders can also follow our news and important events and direct questions and inquiries through our Twitter account @fipcoksa. And as FIPCO is keen to protect the rights of its shareholders and all its stakeholders, an email [secret@fipco.com.sa](mailto:secret@fipco.com.sa) has been launched and announced on its official website, without disclosing any misleading transactions or suspicion of fraud or other, and such cases are dealt with directly by the senior management of FIPCO.



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