

Fawaz A. Alhokair

Board of Directors' Report
FY 2021 - 2022



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Chairman's Statement

“We are witnessing a new era of growth and transformation, and the Kingdom is developing fast as a residential, tourist, and entertainment hub with an agile workforce. Alhokair is well positioned to contribute to, and benefit from this transformation.”



Dear Shareholders of Fawaz Abdulaziz Alhokair Company,

I am pleased to introduce Alhokair's Board of Directors' Report for the financial year ended 31 March 2022.

After a difficult financial year from 2020-2021, the past 12 months witnessed significant improvements from the economic challenges created by a combination of Covid-19, travel restrictions and supply chain constraints. We have seen a steady recovery across our local and international operations, with consumer demand remaining healthy despite a spike in Omicron cases during December 2021.

It is mainly thanks to the tireless efforts of our Government, led by the Custodian of the Two Holy Mosques, His Highness King Salman Bin Abdulaziz Al Saud, and His Highness the Crown Prince Mohammed bin Salman bin Abdulaziz Al Saud, that the Kingdom was able to navigate the difficulties of the past 2 years. More importantly, those efforts, and the Vision 2030 ambitions, have ensured that the Kingdom

now finds itself in a strong position to return to a path of prosperity and growth as the impact of the pandemic recedes.

Expanding opportunities – the Saudi growth story

The Kingdom has a steadily growing population, with revenue in the apparel market amounting to over USD 16 billion in 2022. The market is expected to grow annually by 4.16% (CAGR 2022-2026). In addition, Saudi demographics are rapidly shifting, with a growing youth population and an increased economic participation by women. Tourism and discretionary spending are also on the rise, the latter increasing by an average of 7% per year, despite the Covid-19 obstacles. Thanks to Vision 2030, the country expects to see ongoing expansion in infrastructure investment over the next 8 years, with no less than 11 new cities also

Revenue in the apparel market

USD 16bn

planned for development over that time. Despite this strong position, the Kingdom still has a low e-commerce penetration of around 2.7%, which provides substantial potential for growth, particularly given the expanding youth population.

Retail stands to be a prime beneficiary of Vision 2030 given that the sector is envisioned as a primary driver of employment growth in the coming years. The sector has proven successful in attracting local, regional and international brands, with an emphasis on large-scale, organized and modern retail formats. In addition, as more members of the working-age population, particularly women, enter the Saudi labor force, the retail sector's already solid fundamentals are likely to be strengthened further.

We are witnessing a new era of growth and transformation, and the Kingdom is developing fast as a residential, tourist, and entertainment hub with an agile workforce. Alhokair is well positioned to contribute to, and benefit from this transformation.

Transforming our Company for sustainable growth

Against this strengthening economic backdrop, Alhokair's proven track record and excellent brand partnerships are set to catalyze and support our growth. We continue to implement our turnaround strategy aimed at enhancing and further differentiating our offering, driving operational excellence and unlocking value through digitalization. We are confident that our well established operations, coupled with evolving sector and market dynamics, will support growth as we welcome new franchises, expand in new segments, enrich our omnichannel ecosystem, transform to a customer-centric model and deliver on operational upgrades.

Developing our people

Alhokair is one of the biggest employers of talent in the Saudi private sector. We recognize that our people are our greatest strength and contribute heavily to the Company's success. We therefore remain fully committed to effectively engaging with our employees and working with them to transform our corporate culture. We are proud that this culture supports the Kingdom's social and economic agenda, while

empowering our Staff through shared values, a greater sense of accountability, and a commitment to positive change.

A key part of this transformation is the evolution of our talent onboarding and development initiatives. We are constantly innovating to ensure our people have the support, training and opportunities they need to achieve their professional ambitions and career goals.

Our efforts in this space have earned Alhokair the Great Place to Work Certification™ that we received for the first time this year. We also achieved an excellent score of over 70 out of 100 in the accompanying employee experience survey, reflecting the progress of our people transformation journey.

Alhokair is also well known for its support of the Government's Saudization goals, and our total staff now comprises of 70% Saudi nationals, which equates to platinum status on the Nitaqat nationalization scheme. Our support of gender equity is also well recognized, and approximately 70% of our employees are women. In the coming year, we will be growing our investment in the development of our people, with the establishment of 3 academies to train Saudi talent to take up positions in our industry.

Management and governance

At Alhokair, we take good corporate governance very seriously and are progressing our journey towards achieving ever-higher standards that will guide the business through its future growth phases. The Board and Executive Management are fully aligned with our vision and are committed to delivering results, while improving the sustainability of the business at a structural level. We are seeing the positive impact of this stronger governance framework in terms of securing the organization's competitive advantage and enabling a more

Our efforts have earned Alhokair the Great Place to Work Certification™ that we received for the first time this year.

agile response to changes in our operating environment. This year, we released our first ever formal Corporate Governance guidelines, established a Business Development Department, which conducts a comprehensive due diligence assessment all proposed acquisitions, and enhanced our succession planning strategy, with many leadership positions now filled by professionals who are not members of the Alhokair family. This is a key development in terms of ensuring the sustainability of the business.

In April 2022, the Board of Directors accepted the resignation of outgoing Chief Executive Officer, Mr. Marwan Moukarzel, and approved the appointment of Mohamad Mourad as interim Chief Executive Officer of the Company, effective from 1 May, until a permanent replacement is finalized. The Board fully supports and has confidence in Mr. Mourad and his Executive team to continue to drive the Group's strategy, and we wish Mr. Moukarzel well in his new role as Chief Executive Officer of International Operations at Saudi FAS Holding Co.

With gratitude

Thank you to my fellow Board Members for their commitment, wisdom and support of our Management team. On behalf of the Board, I would also like to extend my deepest gratitude to our loyal customers for their ongoing support of all our brand partners, both in stores and online. Finally, thank you to our Management, Staff, and Shareholders for their dedication to the business and their contribution to its success.

Fawaz Abdulaziz Alhokair
Chairman

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Operational Review

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Operational Review

Alhokair is the leading franchise retailer in Saudi Arabia, operating more than 1,668 retail stores and F&B outlets across the Kingdom and in 10 international markets.

We currently operate a diverse brand portfolio of 83 international brands in economical and fast fashion, beauty, sports, multimedia, and F&B. The business has added new brands in new segments, such as athleisure and variety, and is on track to become the leading lifestyle retailer in the Kingdom. The retail segment remained our major topline contributor at 92%, with a growing contribution from the F&B segment (8%) on the back of the ongoing investments in the

segment following the IUC acquisition in 2019. The recently signed master franchise agreement with the world's largest restaurant brand, Subway, is testament to Alhokair's strategic commitment to diversifying and expanding its F&B portfolio in the Kingdom.

Despite the return of consumers to the malls, our online revenues remained buoyant as the business doubled down its efforts towards implementing its digitization and automation strategy, with the ultimate objective of developing an omnichannel footprint.

Saudi Arabia's leading franchise retailer operating over 80 brands

Alhokair remains one of Saudi Arabia's largest employers in the retail industry, with over 7,500 employees in the Kingdom and a total headcount of over 10,500.

Alhokair successfully navigated a challenging year to report revenues of SAR 5,915 million for the full year, recording a 39.8% increase from the previous year and exceeding pre-pandemic levels. The strong top-line performance was predominately driven by the recovery in retail in both the domestic and international markets, due to a strong improvement in consumer sentiment which translated to higher in-store foot traffic, despite being marginally affected by the emergence of the Omicron variant in December. F&B revenues continued to grow, albeit hampered by the capacity restrictions and other Covid-19

related regulations which persisted throughout the year. Overall, the Company reported a net profit for the 2022 financial year of SAR 38 million, compared to a net loss of SAR 1,109 million in 2021 financial year, with the increase driven by the growth in revenues, expansion in trading margins, and the absence of one-off inventory provisions recorded in the 2021 financial year.

Revenue

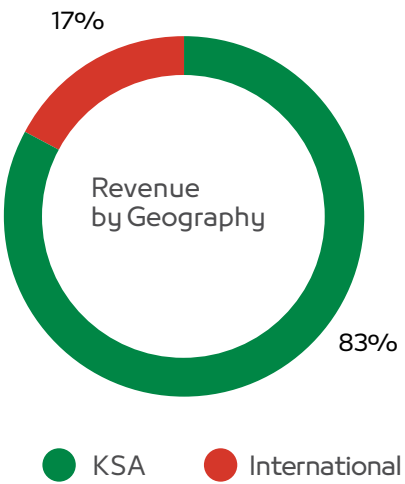
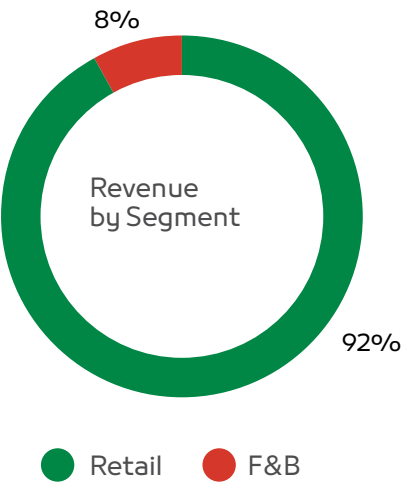
SAR 5,915m

39.8%  **yoy**

Net profit for 2022

SAR 38m

	Total
Number of brands in the portfolio	83
Number of stores	1,668
Total sales 2022 financial year	SAR 5,915 million
Total net profit 2022 financial year	SAR 38 million



Retail

Overview



Number of brands in the portfolio

70



Number of stores

1,350



Total sales 2022 financial year

SAR 5,417m

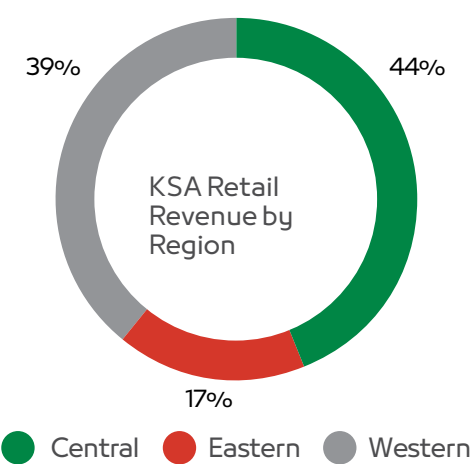
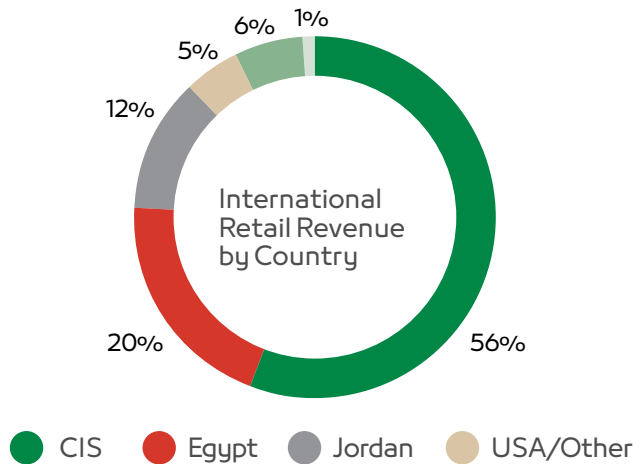
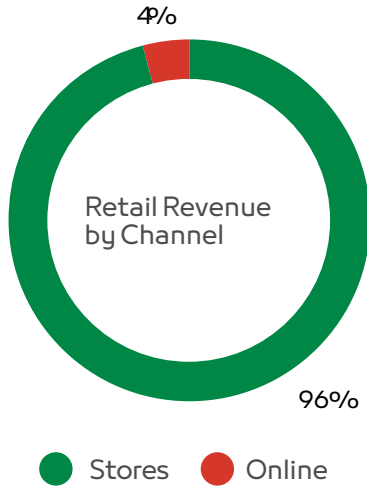
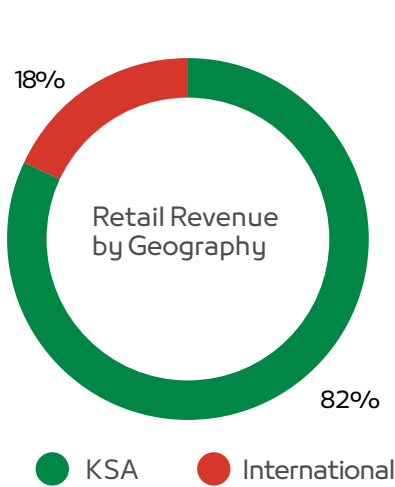
Retail is Alhokair's primary source of revenue across all its markets. By the 2022 financial year-end, Alhokair was operating 1,350 retail stores as opposed to 1,438 stores the previous year, as Alhokair continued to close non-performing stores as part of its store rationalization strategy. Alhokair's retail portfolio comprises of 70 brands across multi-segment fashion, athleisure, multimedia, and beauty and cosmetics.

The Kingdom continues to host the bulk of Alhokair's retail stores, with 1,042 stores (FY21: 1,120 stores) comprising of 63 brands spread across its Central, Western and Eastern region within 30 major malls. Internationally, the Company operates 308 retail stores across 38 fashion brands (FY21: 318 stores) in 10 countries, including Egypt, Jordan, Kazakhstan, Azerbaijan, Georgia, Armenia, Serbia, Montenegro, Morocco, and the USA.

In addition to the physical retail outlets, our fashion, beauty, lifestyle and electronic offerings are supported by an extensive e-commerce presence, with ongoing integration of Alhokair brands on Vogacloset which now has 47 brands live.



Financial Performance



Financial Performance

Total retail sales for the 2022 financial year reached SAR 5,417 million, increasing by 39% year-on-year from SAR 3,892 million in the 2021 financial year. This solid performance came on the back of the successful implementation of the Company's Operational Upgrade Strategy which enabled us to seize the benefits from the recovery in consumer sentiment and spending, despite the emergence of the Omicron variant in December 2021 and the outbreak of the war in Ukraine in February 2022. Retail sales in the KSA came to SAR 4,419

million (82% of total retail revenue) whereas the international markets recorded sales of close to SAR 1 billion, a staggering growth of 81% year-on-year.

Like-for-like sales recorded a double-digit growth of 37%

Net profit from the retail segment for the year under review amounted to SAR 80 million, compared to a loss of SAR 1,027 million in the previous year.

Total retail sales for the 2022 financial year

SAR 5,417m

39% ↑ yoy

Retail sales in KSA

SAR 4,419m

32.2% ↑ yoy

Operating Environment

With Covid-19 restrictions easing, in-store shoppers are looking for the social and tactile experiences they have missed out on in the previous year, combined with convenience and safety. The majority of shoppers have faced significant levels of disruption, and it is evident that this has fundamentally impacted shopping behaviors and attitudes worldwide. According to a 2021 Saudi Arabia report on the future of shopping, 2 in 3 Saudi consumers have missed the social aspect of shopping in-store since the start of the pandemic, rising to 70% among

millennials. At the same time, with the accelerated use of e-commerce channels during the pandemic, consumers also demonstrated a clear demand for in-store services that can match the convenience of online shopping.

To entice and engage shoppers back to bricks-and-mortar, physical retailers will need to elevate their convenience propositions, as well as foster enhanced social interaction in-store. To facilitate this, investment and adoption of new in-store technologies will be critical. Mobile devices are

empowering connected shoppers across entire shopping journeys, connecting online and offline channels, and bridging shopping and social interactions.

As consumers seek to build renewed connections with the physical world, but also retain the convenience of online, retailers in Saudi Arabia will need to leverage technological solutions – from virtual try-on to smart mirrors – which will further accelerate connected shopping.

Operational Highlights and Achievements

Opened 74 new retail stores across Saudi Arabia and 12 stores internationally, totaling 86 new stores

Entered the Athleisure and Variety segments by launching Decathlon, Alo Yoga, and Flying Tiger to the portfolio

Continued to invest in our “STAR” brands – the best performing brands in our portfolio – with CAPEX of SAR 125m during the year

Strengthened relations with all our brand partners, including a direct relationship with Apple

Continued our commitment to digital by bringing more brands to the Vogacloset e-commerce platform

Operational Review

Fashion (Inditex and non-Inditex brands)

Within the Fashion segment, we continued to leverage on our strong relationship with Inditex, which started in 1991. Most Inditex brands are affordable and fall within the fast fashion category, catering for young consumers and fashion trendsetters. This fits well with the lifestyle image we want to create. We have however, continued to invest in our portfolio of Inditex brands with 16 new stores opened in the KSA and 3 new stores internationally. These top performing STAR brands are perfectly aligned with our strategy to establish an optimized and concentrated portfolio. Inditex brands remained a significant revenue contributor making up close to 50% of the Company's top-line revenues.

Our non-Inditex fashion portfolio comprises 45 brands, with 3 new brands being added: Bizou, a jewelry and fashion accessories brand; Public Desire, a footwear brand; and Marie France, a legwear and lingerie brand. The additions were part of our ongoing efforts to diversify our portfolios. Overall, we opened 42 new non-Inditex stores during the 2022 financial year – 37 in the KSA and 4 in international markets namely CIS, Egypt and Jordan – as Alhokair continued investing in key brands. Further operational improvements were achieved through strengthening our relationships with brand partners and renegotiating their deals. This was complemented by improved stock management, which achieved a below 10% terminal inventory level in line with the budget.

We also worked to enable omnichannel processes such as

enabling iPad sales across Zara and the Inditex business, while allowing walk-in customers to order online from within our stores when remote inventory is not available.

Beauty

Alhokair's Beauty segment currently holds 6 brands: Bobbi Brown, Estee Lauder, Kiko, Flormar, Nature Republic and Smashbox. During the year, we further enhanced our brand portfolio by exiting 3 brands (Skin Food, Sentence, and Makeup Studio) and expanding into high performing brands such as Kiko, which the Company introduced to Georgia and Azerbaijan. Overall, we opened a total of 11 new stores, 7 in the KSA and 4 internationally.

Our marketing executives are well aware of the value social media can bring. As such, we have built strong relationships with Influencers and Bloggers to support the marketing of our brands. We also increased our social media footprint by partnering with new agencies that helped create different social pages for the brands and strengthened our online presence.

Athleisure

Alhokair is keen on shaping the Athleisure segment in the Kingdom by making sportswear and sports goods available to everyone at affordable prices. Following the opening of our first flagship Decathlon store in Jeddah in April 2021, Alhokair added 2 new stores in Riyadh during the year, in Al Hamra Mall and in The View Mall. Our offering was complemented by launching our Decathlon e-commerce website (decathlon.com.sa) that offers our customers same day delivery in Riyadh and Jeddah, and cash on delivery as part

of our continuous efforts to provide a convenient shopping experience for our customers. During the year, we further increased the brand's awareness by boosting our presence on sports-related social media and through partnering with governmental entities such as the Saudi Sports for All Federation (SFA) to sponsor big events such as the Riyadh Marathon.

Expanding our athleisure offering with Decathlon and Alo Yoga

Another exciting addition to our Athleisure segment is the Alo Yoga franchise agreement, signed in May 2021. Notably, this is Alo Yoga's first franchise agreement outside the United States. The partnership aligns with our goal of promoting a healthy and active lifestyle in Saudi Arabia. The first Alo Yoga store opened in December 2021 at Kingdom Centre, Riyadh. A second Alo Yoga branch is scheduled to open in June 2022 at Al Nakheel Mall in Riyadh.

Multimedia and Electronics

Aleph Apple Premium Reseller, Alhokair's Apple retail business in the Kingdom, performed strongly during the financial year. Profitability continues to be enhanced as we have now entered a direct relationship with Apple, further boosting our accessories offering, value-added services and speed to market.

This is the only brand within Alhokair's portfolio that does not have an exclusive brand agreement with our Company. We are

Operational Review (continued)

therefore building an ecosystem that allows us to acquire and retain customers through unparalleled customer service, pre- and post-sales support, product financing and additional value-added services such as Apple Care and trade in deals. Aleph doubled its presence by opening 6 new stores during the 2022 financial year, expanding into Tier 1 cities such as Riyadh. We are also diversifying our footprint and launching Aleph stores outside of the major cities to increase our catchment area and reach underserved segments of the Saudi population.

Our Fnac Darty agreement, signed in May 2021, allows us to tap into the growing demand for consumer electronics in the Kingdom. We have identified potential store locations and are developing our brand positioning around superior quality and experience. Set to open its doors during the 2022 calendar year, the first Fnac Darty store in Saudi Arabia will showcase multi-brand consumer electronics, household appliances, stationery, books, as well as cultural and lifestyle products.

Lifestyle

Alhokair has also acquired franchising rights for Flying Tiger from Denmark, a Scandinavian

Introduced the lifestyle segment with the launch of Flying Tiger

variety store built around the values of aesthetics and design, good quality and sustainability. During the year under review, we launched 4 stores, 2 in the Central region (Al Nakheel Mall, Riyadh, and Galleria Mall, Riyadh) and 2 in the Eastern region (in Mall of Dhahran and Nakheel Mall, Dammam). Initial acceptance of the store by consumers has been highly satisfactory, as evidenced by massive store traffic, pleasing average basket sizes and high revenues per square meter. The roll out of Flying Tiger will continue in the coming year with 7 new stores planned for the Kingdom.

Contributing towards Vision 2030

The Kingdom's retail sector represents a significant opportunity for diversification away from oil-based industries. The Ministry of Labor is exploring deeper Saudization of important economic sectors, including retail. This presents an exciting and compelling opportunity for Alhokair to contribute to the growth of the

sector, the development of the Saudi workforce, and to help shape its evolution in the coming years.

Alhokair's retail division creates numerous job opportunities, and we constantly invest in training and development opportunities for the young people working in our stores. As an example, our Aleph brand ecosystem is underpinned by well-educated and capable young Saudi employees who are all trained and certified by Apple. Many of our employees are subsequently promoted to higher positions within the Company over time.

From a societal perspective, the Vision 2030 program seeks to empower women to join the workforce. This drive both diversifies the local retail workforce and creates greater disposable income for families to feed back into the retail sector. The majority of our employees in fashion stores are women.

By developing our digital strategy, accelerating services and introducing new functionality such as "Buy Now, Pay Later" or "Pay on Delivery", we are enhancing consumer experiences for all our Saudi customers.

Challenges and Opportunities

The retail industry has witnessed much instability over the last 2 years due to the ongoing Covid-19 pandemic, with downward pressure on footfall at physical retailers negatively impacting sales volumes. The pandemic has also acted as a catalyst to speed up the rate of digital adoption. E-commerce has seen steady growth in recent years as the pace of seamless technological advancement and integration into daily life has increased. Consolidation and unification of brands into an omnichannel offering became a key theme, a trend which Alhokair is harnessing.

During the 2022 financial year, the retail segment was hampered by pandemic-related production and transportation disruptions. A shortage of shipping containers led to supply chain bottlenecks and increased logistical costs in some instances. These rising container costs are in line with recent global inflation trends and we continue to

monitor our costs closely to protect the purchasing power of our customers.

Experiential retail projects provide a major point of difference for brands. Instead of the in-store experience being purely transaction-orientated, it provides additional value by directly engaging with customers, inviting them to experience the brand live and in-person.

Differentiating our offering with superior brands, quality and service in a seamless omnichannel experience

On top of our ongoing digital enhancements, our FAS Finance offering will create an unparalleled shopping experience, giving our brands a distinct advantage over competitors.

Now that most Covid-19 travel and social distancing restrictions have largely been relaxed, there are positive signs that retailing in Saudi Arabia will see fresh stimulus. Saudi Arabia's comprehensive economic reforms are well underway in making the Kingdom a thriving international hub for business and living. Various Vision Realization Programs will completely overhaul how business is done in the Kingdom, giving renewed vitality to many of the industries that operate here.

Outlook

During the 2023 financial year, we will be accelerating our Buy-Now, Pay-Later (BNPL) lifestyle-enabling Fintech platform, providing digital consumer finance solutions in Saudi Arabia through FAS Finance. With the integration of innovative payment solutions, we will be offering greater affordability and value for our customers, all available through one digital platform. The Alhokair Loyalty Program and CRM system, which will launch in mid-2022, will further boost Alhokair's ability to control the shopping experience from the store or online point-of-sale (POS) all the way to payment options. This strategy is perfectly aligned with our commitment to drive a robust omnichannel experience.

We will be accelerating our Buy-Now, Pay-Later (BNPL) lifestyle-enabling Fintech platform

We will continue to develop and roll out new brands in the year ahead. With regards to our established brands, we will persist in optimizing our footprint, store locations, inventory management and customer experience. Many of our existing stores will be revamped during the coming financial year, in line with our commitment to deliver

a fully integrated shopping platform that engages consumers throughout the entire purchase journey, from pre-purchase to post-purchase.

In Fashion, we are committed to continue providing our customers in the KSA and international markets with new stores. Besides renovating existing stores, we expect to see 45 new stores overall with the majority being in the KSA.

In Beauty, we will continue migrating Kiko and Flormar to international markets, namely Morocco and Azerbaijan, with 5 new stores planned for next year. We also plan to open 14 totally new stores in the Beauty segment. New concepts are currently being explored which, if materialized, would allow Alhokair to acquire a major market share in the Beauty segment in the Kingdom.

For Decathlon, we have set a target to open 30 additional stores across the Kingdom as part of the 10-year franchise agreement. In the 2023 financial year, we aim to expand on the 3 locations which we currently have in the Kingdom by adding 2 new locations in Al Nakheel Mall Riyadh and Mall of Dhahran. Our athleisure offering will be further complemented by a new Alo Yoga store in Al Nakheel Mall expected to open in June 2023.

Our Apple Premium Reseller, Aleph, will see further expansion, with 7 new stores planned for the 2023 financial year, predominantly in the Central and Western regions. Revenues will be further

Our Apple Premium Reseller, Aleph, will see further expansion, with 7 new stores planned for the 2023

complemented by expanding into direct Business-to-Business dealings. For Fnac Darty, we intend to open 3 stores during the 2023 financial year.



Food & Beverage

Overview



Number of brands in the portfolio

13



Number of stores

318



Total sales 2022 financial year

SAR 498m

Alhokair's F&B segment operates a variety of international and homegrown brands spanning Quick Service Restaurants (QSRs), casual dining, and coffee shops. Our F&B brands have a wide presence across the Kingdom, covering its Central, Eastern, and Western regions. We are strongly positioned to benefit from access to prime landmarks with heavy commercial and residential density. In addition, our extensive knowledge of the F&B industry and the Saudi market advantageously positions us to lead the integration and growth of unique restaurant concepts and deliver a high-quality experience to our patrons.

The Company's acquisition of the Innovative Union Company (IUC) has considerably strengthened our exposure to the Kingdom's lucrative and fast-growing F&B sector. This acquisition brought an additional 10 brands and 200 locations to Alhokair's F&B portfolio, including global brands such as Cinnabon and Seattle's Best Coffee, and leverages IUC's existing relationships with landlords and shared central services.

Our current F&B brand portfolio consists of 13 brands, with a total of 318 outlets operating in the Kingdom as at 31 March 2022 (FY21: 301). This is over and above

a growing number of sub-franchises as part of our strategy to expand our brands to regions in the Kingdom in which we do not yet have a presence. During the year, the Company studied and explored various expansion opportunities to migrate existing brands to select international markets including Egypt, Morocco and the CIS. This is expected to materialize in the 2023 financial year as the business continues to invest in the F&B segment.

Financial Performance

Total F&B sales for the 2022 financial year reached SAR 498 million, an increase of 46% year-on-year despite the ongoing Covid-19 related restrictions which continued to hamper the operations. Almost throughout the entire 2022 financial year, our F&B outlets were operating at 60% capacity, which affected sales at the store level. However, this was compensated for by a pickup in our

delivery sales that reached SAR 68 million, registering a growth of 183% year-over-year.

Delivery sales were largely driven by three brands: Cinnabon, Mama Bunz, and Shwarma AlMohalhel whose delivery sales totaled SAR 63 million, 93% of total delivery sales, and representing 23% of these three brands' total sales.

Total F&B sales for the 2022 financial year reached

SAR 498m

46% ↑ yoy

Operating Environment

The Saudi F&B sector enjoys strong fundamentals, underpinned by a relatively young population with an appetite for discretionary spending, and a pent-up desire to resume experiences outside of the home as pandemic restrictions ease. Strong growth in the F&B sector is set to continue post-pandemic, supported by growing tourism and increased spending on entertainment by Saudi nationals.

The F&B sector continued to be affected by periodic waves of Covid-19 throughout the 2022 financial year, which resulted in

restricted operations for certain periods. Although we continued to offer take-aways, pick-up and delivery services, these surges had a negative impact on overall annual sales. In response, we looked at various ways to retain traffic and generate revenues. Our key focus was on building an off-premises business and growing in-house and third-party deliveries in order to sustain sales.

Since F&B outlets have recommenced operations, we have ensured compliance with all necessary health and safety

requirements and accelerated our capacity to explore new business models and store ecosystems. These include expanding into ghost kitchens, new store concepts such as drive-thru and street-side locations, and new points of distribution. The F&B unit also began to construct central kitchens throughout the Kingdom to improve logistical efficiency and reduce costs. This has also enhanced relationships with delivery aggregators to mitigate the impact from any potential downturn in mall footfall.

Operational Highlights and Achievements

47 new F&B locations opened in the 2022 financial year

Finalized a master franchise agreement with Subway. Signed in November 2021 and concluded in January 2022, it will result in over 145 new stores in the next 5 years

Ongoing investment in outlet network of select F&B brands

Cost rationalization on the back of ongoing IUC integration

Saudization rate in the F&B segment is now at 32%

Operational Review

New Franchise Agreements

During the year, Alhokair signed a master franchise agreement with Subway. This is an important addition to our F&B portfolio as it enables us to immediately leverage the brand's existing footprint of 210 restaurants in the Kingdom. In addition, the franchise agreement falls perfectly within the business' requirement for scalability, adaptability, and portability. With Subway's commitment to offering affordable, freshly made menu items, backed by convenient service, it will continue to attract more patrons and position the brand well for growth in Saudi Arabia for years to come.

Groundbreaking deal with the addition of Subway, the world's largest restaurant brand

In November 2021 Alhokair signed a master franchise agreement with Secrets, a rising Lebanese patisserie and bakery concept, bringing a new and unique F&B concept to the Kingdom.

Growing the F&B Footprint

In addition to onboarding new brands, we maintained our focus on investing in our F&B brands, namely Cinnabon, Crepe Affair, and Mama Bunz. During the 2022 financial year, we opened 47 new locations mostly in the Central and Western regions. Cinnabon's Saudi Arabia locations have performed well in the country for the past 18 years, driving further investment in the chain with the Company signing a deal to expedite the roll out of the brand's stores in the Kingdom. During the year, we saw 20 new Cinnabon openings. We also continued to focus on Mama Bunz, Crepe Affair and our home-grown concept Shawarma Al Muhalhel opening 13, 2, and 9 new stores respectively.

Integrating the Innovative Union Company (IUC) acquisition

For the past 12 months, we have continued to integrate the IUC acquisition, an F&B operator, into the Company's business while rationalizing costs. During the 2022 financial year, we decreased IUC's back-office expenses as a result of Back-office headcount optimization and F&B integration with Fashion Retail. This will see us leverage synergies and improve efficiencies.

Contributing towards Vision 2030

As part of Alhokair's strategy, the F&B division embraces the training and employment of qualified Saudi nationals to fill key positions in store operations and management. By offering young Saudis the opportunity to start their careers in the hospitality and services sector, we are actively contributing towards the Vision 2030 objectives for tourism and hospitality. Additionally, hiring employees with less experience allows the Company to train them to the standard and methods we prefer, and allows Saudis to explore new environments that would help them nourish their skills and, in turn, grow the Saudi economy.

Alhokair is committed to recruiting, developing, and retaining exceptional talent, promoting Saudization and supporting diversity and inclusion. In pursuit of this, we will continue to facilitate knowledge transfer within the local, regional, and international industry; enhance professional development opportunities and develop young Saudi talent. The current level of Saudization for F&B is 32%.

Challenges and Opportunities

Our objective is to become the leading restaurant operating platform in the KSA and in the MENA market. We have identified four key criteria which should be met in order to succeed in the current restaurant market environment:

- Access to the right brands: Benefit from our internal network in the GCC, US and Europe in order to secure best-in-class concepts
- Strong management and execution: On-boarded a solid leadership team and working on identifying and aligning a pipeline of strong Saudi Senior Management teams
- Access to the best locations: Solidify relationships with key landlords and mall developers
- Adaptability to different countries and market changes: Secure strategic partnerships with leading groups in key countries

A key challenge area for the year ahead will be rising inflation. A variety of factors are expected to cause food prices to increase, including rising transportation costs, supply chain disruptions and rising commodity prices. Packaging materials are also expected to increase. We rely on our high brand power and customer loyalty to retain business during this period of rising inflation, while also focusing heavily on our cost optimization and product consolidation strategies

Outlook

The F&B segment is a key contributor to the future growth plans for Alhokair. With a 5-year plan to triple our outlets across the KSA and in select international markets, Management is focused on key strategic pillars:

Revenue growth

- Exponentially grow and expand selected brands within our current portfolio, in the KSA and in new markets, while exiting underperforming and outdated concepts
- On-board quality brands that are scalable, adaptable, exportable and non-trend driven with a target to create a balanced portfolio of brands in quick service and casual/fast casual dining.
- Aggressively grow our digital sales footprint

Cost optimization

- Integrate F&B structure within Fashion Retail
- Build cost- and operational efficiencies across the Company

Cinnabon's recent deal will bring 130 new outlets to Saudi Arabia within the next 5 years, adding to the 120 locations that we currently operate in the country

Accordingly, the business is planning to significantly expand its Subway network by nearly doubling its store count in Saudi Arabia over the next 6 years, where at least 145 new locations will be added. The Subway restaurants will feature the

sandwich chain's new "Fresh Forward" restaurant design, a distinctive tech-savvy concept devised to transform and enhance the dining experience, complete with self-order kiosks in select locations and digital menu boards. In addition, the recently signed deal with Cinnabon will see Alhokair bring 130 new outlets to Saudi Arabia within the next 5 years, adding to the 120 locations that we currently operate in the country.



E-Commerce

Overview



Number of brands available online

14

brands available through mono sites in the KSA

5

brands available through international mono sites

54

brands available through marketplace channels



Digital footprint

Over

45m

visitors in 2022 financial year



Total sales

SAR 219m

The Company understands how profoundly the Covid-19 pandemic has changed consumers' behaviors and the way they shop. Globally we have seen online shopping increase significantly during the past 2 years and we expect that these structural shifts are not cyclical. E-commerce and online shopping are here to stay.

This is perfectly aligned with our digital and omnichannel strategy as we continue to strengthen our e-commerce offering by constantly expanding our platforms and capabilities. This is evidenced by our decisive move into e-commerce through the acquisition, in March 2021, of a stake in UK-based Vogacloset.

During the year, we concluded the acquisition and have enabled close to 50 of our brands on Vogacloset.

The key to delivering lifestyle brands is understanding the shopping experience journey that our customers demand. It's vital for us to define ourselves by creating the best digital customer across each touchpoint in the journey. In this regard, we have augmented our available product offering online through opening new monobrand online platforms for Tier 1 brands, and on marketplaces such as Vogacloset, Namshi and Mumzworld. Furthermore, we have complemented the better product offering by enabling BNPL and

Apple Pay, improving the user experience and interface design of our sites and optimizing execution.

We have also invested into improving our service delivery, with a much improved after sales service. We now have the ability to deliver same-day in Riyadh and within 48 hours in Jeddah and Dammam. Our Gulf CX shift means we can engage our customers as never before, both during and after the sale process, and in a more efficient manner. Data integrity allows our teams to analyze trends and bring immediate benefits to our operations, while also helping to align the business to our overall objectives of scalability.

Financial Performance

Online sales in the 2022 financial year reached SAR 219 million, consistent year-on-year despite the increase in footfall to our physical stores. This buoyant online performance came on the back of our ongoing expansion of our digital footprint, with improved customer

experiences and supply chain efficiencies.

Oysho and Massimo Dutti were the top performing Inditex brands, with Aldo and Mango leading the balance of the E-commerce portfolio.

Online sales in the 2022 financial year reached

SAR 219m

Operating Environment

The reopening of brick-and-mortar stores during the 2022 financial year meant consumers had the ability to spend both offline and online again, resulting in a softening of online sales at the beginning of the year. The E-commerce division has responded by accelerating its ability to offer omnichannel journeys.

The demand for great digital experiences is growing within the KSA, driven largely by speed of execution, whether this is through the online experience, ease of transacting, or after sales processes such as 'last mile' delivery. We have invested much of our time and resources to improve our current execution, while working

with our teams and third-parties to meet enhanced customer expectations.

E-commerce is a highly competitive environment, with differentiators including brand strength, product assortment, promotional cadence, experience and speed of service. The digital retail space is also characterized by a war for talent acquisition.



Operational Highlights and Achievements

Enabled 47 brands across Vogacloset in the 2022 financial year

Improved product assortment and brand mix through the Vogacloset channel

Launched 5 new mono sites, tailored to meet the needs of brand-centric customers

Improved conversion rates and lowered abandonment rates across the monobrand offering

Enhanced customer journeys with additional payment options, better ‘last mile’ service and improved execution on site

Partnered with a third-party development agency to develop KSA mono sites and enable more efficient international development

Operational Review



Vogacloset

The acquisition of Vogacloset, a regional e-commerce player, with 12 million active users across the MENA region, was a milestone for Alhokair and a vital step in widening the reach, and deepening the capabilities, of our e-commerce offering. The acquisition does more than simply combine our brand portfolios. It provides all Stakeholders with an integrated and enriched ecosystem that brings together the most powerful features of Alhokair’s front-end infrastructure with a proven back-end system.

Launching Vogacloset was a significant project for the e-commerce team and involved enabling brands operationally to utilize the inventory across multiple functions. Our Vogacloset acquisition is performing well, with month-on-month positive growth since launching our first brands on the platform. As the year has progressed, we have understood our customers better in this channel and are becoming more efficient at satisfying these customers through product assortment and brand mix. With a total of 47 brands currently trading on Vogacloset, the new platform has become our top revenue generating marketplace. We anticipate this growth continuing into the 2023 financial year.

With a total of 47 brands currently trading on Vogacloset, the new platform has become our top revenue generating marketplace

During the 2022 financial year Alhokair also launched 10 fragrance brands, introducing a new category and further diversifying our brand offering on the platform.

Monobrand

The E-commerce division developed and integrated 5 new monobrand platforms in the Kingdom during the 2022 financial year, namely: Call It Spring, Public Desire, Decathlon and Uterque. In our other markets, we launched Massimo Dutti Georgia and Armenia. In total, the Company currently operates 19 monobrand websites, with 14 in the Kingdom and 5 in our other markets.

Growth of our mono sites in 2022 was strong, led by Mango and Aldo. The Company’s top line grew on improved conversion rates and lower abandonment rates across our monobrand sites. We believe there are more improvements to be made and are continuously reviewing our consumer’s behaviors and our competitors to identify new trends.

Enablement of new channels has been an e-commerce key focus, and we are building systems to achieve this. During the year, we identified and onboarded a

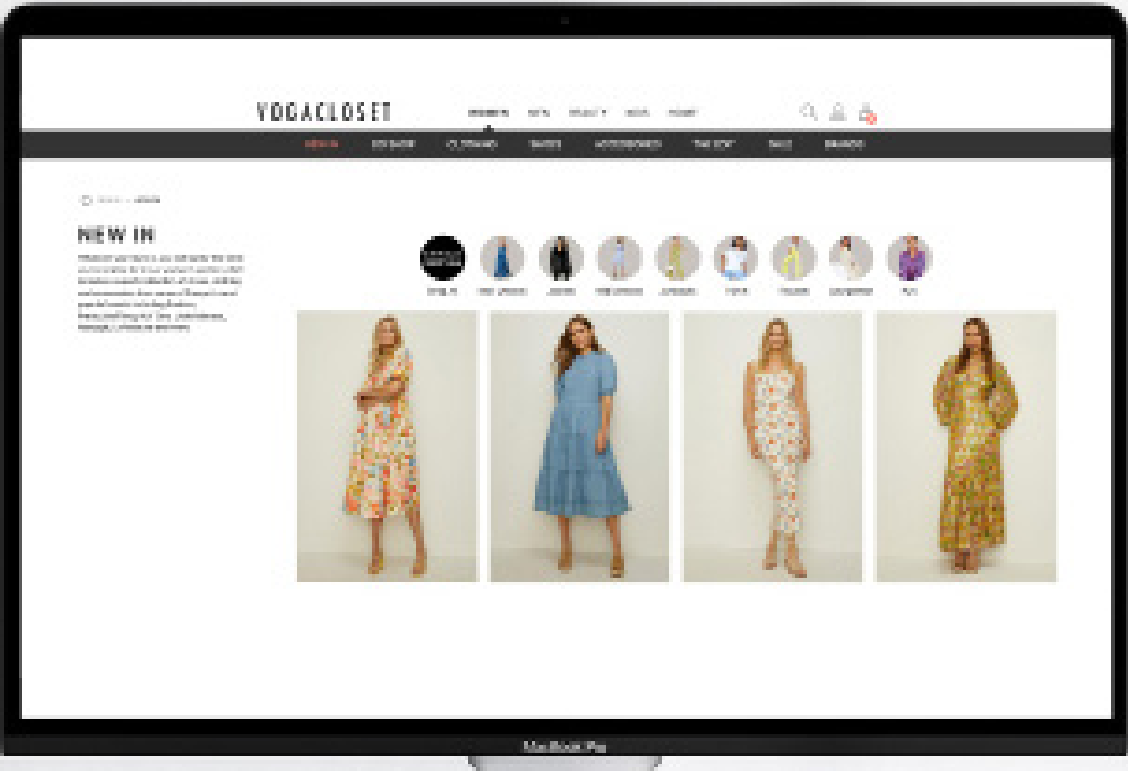
third-party development agency to assist with building KSA mono sites and Shopify Plus. This will enable quicker and more efficient international development in due course.

We have also identified a need to improve ‘last mile’ delivery and have identified a strategic third-party logistics provider who will act as an aggregator for our ‘last mile’ operations.

From a customer experience perspective, we have signed an agreement with Gulf CX for all customer touchpoints across our mono sites. Gulf CX is transforming customer experience management with a new approach to operating contact centers, coupled with a digital focus, automation of simple processes and a more advanced skillset for frontline customer experience champions. We have made significant gains around omnichannel experiences this year, both consumer-facing and from a technical capabilities’ standpoint. We expect to grow these further in 2022 across all our mono sites.

Contributing towards Vision 2030

The E-commerce division is focused on attracting and retaining Saudi talent. This is not only in line with Vision 2030, but with our goal to be a lifestyle brand. Having young Saudi personnel who understand, and are part of, a cultural shift underpins our brand development. We are also heavily engaged with Saudi business leaders who are driving their own sector goals for Vision 2030.



Challenges and Opportunities

Our appetite for site development is high, but less-than-optimal technical ability and development speed is hampering the e-commerce team. We are therefore identifying internal and external resources that will enhance our ability to make quick decisions, meet current and new customer needs and evolve our digital

presence in an efficient manner. The complexity of our numerous brands is both a challenge and an opportunity. We are constantly refreshing our online offerings to optimize product mix and search engines, while analyzing customer interactions to keep abreast of trends. In addition, we must ensure that our online brand development

leverages our omnichannel presence correctly. The ease with which our consumers can shop and transact is paramount to growth, and we continually seek user experience and interface design enhancements through technology.

Outlook

The e-commerce team has built a strong foundation that brings an ability to develop new sites at increasing speed. In future, less complex integrations and operations will allow us to shorten the soft launch period significantly.

offering, be it with digital wallets or consumer financing. We have enabled Tamara, the convenient buy now, pay later payments service, and continue to work on enabling other services across our mono site business.

Our objective for FY2023 is to launch 17 mono sites in the KSA and 4 internationally

The loyalty program is a massive opportunity in the coming year. The diversity behind this program, and the ability it offers to scale and enhance customer journeys through product pages, cart and checkout are significant. Finally, looking at payment methods, we continue to work on enhancing our

Bringing more brands to our mono site offering is paramount to our strategy for the 2023 financial year. Our objective for the year ahead is to launch 17 mono sites in the KSA and 4 internationally and grow our headcount to 45 from the current 22, specifically by targeting Saudi talent. This will allow us to

grow our presence and scale throughout subsequent years. The Company's third party logistics and 'last mile' services are also critical to the speed and accuracy of execution, both from a brand execution and a customer experience perspective.



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Governance

2



Governance

1. Financial Performance

1.1 Financial highlights for the last 5 years

Consolidated balance sheet

As at 31 March (SAR'000s)

	2022	2021	2020	2019	2018
Cash and cash equivalents	197,888	467,592	686,456	516,394	330,635
Inventories	1,700,476	1,152,442	1,655,553	1,927,502	1,774,117
Prepaid expenses and other receivables	538,253	593,425	713,780	1,110,113	1,168,944
Total current assets	2,436,616	2,213,460	3,055,789	3,554,009	3,273,696
Equity investments in companies	361,715	302,992	231,913	389,290	249,174
Real Estate Investments	1,510	1,632	3,517	62,769	64,252
Due from the exclusion of its subsidiaries	-	-	75,000	75,000	225,000
Property, equipment and investments, net	1,358,326	1,327,472	1,514,310	1,752,363	2,045,787
Tangible assets	3,275,784	3,401,916	4,058,005	-	-
Other intangible assets	1,083,033	1,111,255	1,079,536	873,752	877,090
Derivative asset	29,617	-	-	-	-
Total non-current assets	6,109,985	6,145,267	6,962,281	3,153,174	3,461,303
Total assets	8,546,601	8,358,727	10,018,070	6,707,183	6,734,999
Murabaha financing and short-term loans	2,877,892	819,584	759,723	761,699	1,275,915
Accrued rents	632,274	802,856	646,748	-	-
Trade & other payables	1,533,532	1,032,197	945,335	1,350,470	1,249,308
Bank Overdraft	50,119	-	-	-	-
Total current liabilities	5,093,817	2,654,638	2,351,806	2,112,139	2,525,223
Non Current Liabilities					
Murabaha financing and term loans	-	2,304,451	2,423,747	2,100,502	1,922,121
End of service benefits	102,989	110,468	101,619	83,665	102,925
Accrued rents	2,845,747	2,837,596	3,611,204	-	-
Total non-current liabilities	2,948,736	5,252,515	6,136,570	2,184,167	2,025,046
Equity					
Capital	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Statutory reserve	-	-	205,816	205,816	191,342
Foreign currency translation reserve	(519,516)	(510,643)	(579,002)	(613,275)	(525,469)
Fair value reserve	12,950	-	-	161,042	-
Retained earnings	(982,306)	(1,037,813)	(112,250)	623,916	482,419
Total equity	611,128	551,544	1,614,564	2,477,499	2,248,292
Non-controlling interest	(107,079)	(99,970)	(84,870)	(66,622)	(63,562)
Total liabilities and equity	8,546,601	8,358,727	10,018,070	6,707,183	6,734,999

* Certain comparative figures have been reclassified to conform to the presentation in the current period.

Consolidated income statement

Fiscal year ended 31 March (SAR'000s)

	2022	2021	2020	2019	2018
Revenue	5,915,095	4,232,513	5,341,789	5,425,803	6,116,517
Cost of revenue	(4,924,299)	(4,320,814)	(4,933,944)	(4,341,306)	(4,901,897)
Gross profit	990,796	(88,301)	407,845	1,084,497	1,214,620
Operating expenses	(707,125)	(869,965)	(757,582)	(766,035)	(912,914)
Operating profit	283,671	(958,266)	(349,737)	318,462	301,706
A share of the profits of associated companies	(15,788)	(20,213)	(49,471)	(18,003)	-
Finance charges	(250,858)	(354,956)	(451,512)	(200,938)	(180,808)
Other revenue, net	158,287	270,892	217,209	93,847	12,221
Impairment loss on goodwill	(70,534)	-	-	-	-
Loss from discontinued operations after deduction of tax	-	-	-	-	(1,054)
Profit before zakat	104,779	(1,062,543)	(633,511)	193,368	132,065
Zakat and taxes	(66,749)	(46,084)	(47,642)	(55,318)	(42,762)
Profit before Non-controlling interests	44,692	(1,090,753)	(681,153)	138,050	89,303
Non-controlling interests	(6,662)	(17,873)	24,896	6,698	14,186
Net profit	38,030	(1,108,627)	(656,257)	144,748	103,489

1.2 Comparing activity results with the previous year

Consolidated income statement

Fiscal year ended 31 March (SAR'000s)

	2022	2021	Change	Percentage of change
Revenue	5,915,095	4,232,513	1,682,582	39.75%
Cost of revenue	(4,924,299)	(4,321,030)	(603,485)	14.0%
Gross profit	990,796	(88,301)	1,079,097	1220.43%
Operating expenses	(707,125)	(869,965)	(162,840)	-18.7%
Operating profit	283,671	(958,266)	1,241,937	-
A share of the profits of associated companies	(15,788)	(20,213)	4,425	-21.89%
Finance charges	(250,858)	(354,956)	104,098	-29.32%
Other revenue, net	158,287	270,892	(112,605)	-41.56%
Impairment loss on goodwill	(70,534)	-	70,534	-
Profit before zakat	104,779	(1,062,543)	1,167,322	-
Zakat and taxes	(66,749)	(46,084)	20,665	44.84%
Profit before Non-controlling interests	44,692	(1,090,753)	1,135,445	-
Non-controlling interests	(6,662)	17,873	(24,535)	-137.27%
Net profit / loss	38,030	(1,108,627)	1,146,657	-
Earnings per share (in Saudi Riyals)				
From profit from business	1.35	(4.48)	5.91	-
Of net profit	0.21	(5.19)	5.4	-

Governance

1.3 Analysis of financial results and deviations

The Company's revenues increased by 39.75% to record SAR 5,915 million during the fiscal year 2022, compared to SAR 4,233 million during the fiscal year 2021. This increase was achieved after the impact of the Covid-19 measures that were put in place and business activities started to recover across all sectors in the fiscal year 2022.

- Retail sector revenues in the Saudi market recorded SAR 4,419 million in the fiscal year 2022, achieving a year-on-year increase of 32%, mainly driven by retail recovery which enhanced revenue growth. The Company closed the year having 1,042 stores and 63 trademarks inside KSA, with a net cloure of 78 stores since the fiscal year 2021, most of which were in the first half. In the second half of the year, the net closure returned to normal as the Company is closer to completing its program of store rationalization.
- The revenues of the Food & Beverage sector amounted to SAR 498 million during the fiscal year 2022, compared to SAR 340 million in the fiscal year 2021, which represents an annual increase of 46% compared to the previous year. This is a result of the return of social activities after large scale vaccination campaigns. The Food & Beverage sector is showing a strong recovery, as the total number of transactions increased during the fiscal year 2022 compared to the previous year by 27.7% on an annual basis, supported by the opening of new stores. This was achieved despite restrictions limiting the number of visitors and customers to 60% during the first quarter of 2022. Expansion in this sector is making positive progress due to newly opened stores and new concession agreements. This increase is in line with Alhokair's strategic plans to enhance the contribution of this sector, by increasing the number of outlets, developing the brand, and promoting digital food and beverage platforms. The recent signing of major franchise agreements with US fast food group, Subway, and Lebanese sweets retailer, Secrets, will boost Alhokair's performance in the F&B sector in fiscal year 2023 and beyond.
- The Company's revenues from international operations remained at SAR 998 million during the fiscal year 2022, compared to SAR 551 million in the fiscal year 2021, which represents an annual increase of 81% compared to the previous year thanks to the sustainable growth in revenues from the CIS countries, Egypt and Jordan and in line with Alhokair's continuing initiatives to expand its presence in selected growth markets, while attracting the leading global brands. Alhokair ended the year with 308 stores and 38 brands overseas, with net closures of 10 stores since the 2021 fiscal year.
- The online sales conducted through electronic platforms amounted to SAR 219 million during the fiscal year 2022, as the e-commerce market bounced back to normal after the rapid rise in response to the pandemic at the beginning of last year. The contribution of online revenue to total revenues (excluding the Food & Beverage sector) was 4.0% in FY 2022 compared to 5.6% in FY 2021. In line with the Company's ongoing efforts to accelerate its digital leadership and strengthen its position in the local market, Alhokair, through FAS Lab Company, launched "FAS" Finance, and has entered into a strategic partnership with ValU. The partnership primarily targets Saudi customers, providing them with a diverse range of customizable digital financing solutions across their entire shopping journey.
- Revenues on a like-for-like basis improved significantly during 2022 despite partial restrictions related to the Covid-19 pandemic in Saudi Arabia in February 2022. Revenue growth on the like-for-like account reached 37.2% in the fiscal year 2022 and the increase comes from the following:
 - Saudi retail revenue increased by 30.6% in FY 2022.
 - International retail sales increased by 74.4% in FY 2022, due to positive momentum from CIS countries, Egypt and Jordan.

- Analyzing the Company's revenue and its subsidiaries.

During the year, the Company recorded total revenues of SAR 5,915 million, including revenues of SAR 4,917 million from its activities inside the Kingdom. On the other hand, its subsidiaries outside the Kingdom achieved revenues equivalent to SAR 998 million. The following table shows the revenues from each subsidiary company in detail:

Company	Total sales (SAR million)	Percentage of sales
Fawaz Abdul Aziz Al-Hokair & Co.	1,075	18.17%
Al Wahida Equipment Ltd.	1,819	30.76%
Haifa Badi Al-Qalam & Partners International Trading	216	3.65%
Saudi Retail Limited	72	1.22%
Wahba Trading Ltd.	202	3.42%
Unique Technology Co.	251	4.24%
NESK for Commercial Projects	785	13.27%
Food & Beverage sector	498	8.42%
Companies outside the KSA	998	16.87%
Total	5,915	100.00%

2. Accounting Standards

The Company has fully completed the transformation of preparing the consolidated financial statements; whereby the international accounting standards replaced the accounting standards issued by the Saudi Organization for Certified Public Accountants to the international accounting standards.

3. Subsidiaries and their Associates

Company's name	Capital of the Company (SAR)	Location of incorporation and head office	Activity	Ownership percentage for March 2022	Ownership percentage for March 2021
Haifa Badi Al-Qalam & Partners International Co. for Trade and its subsidiaries (1) (2)	500,000	Kingdom of Saudi Arabia	Wholesale and retail trade	100%	100%
Al Wuheida Equipment Company Limited and its subsidiaries (1) (3)	1,000,000	Kingdom of Saudi Arabia	Wholesale and retail trade	100%	100%
Saudi Retail Company Limited (1)	500,000	Kingdom of Saudi Arabia	Wholesale and retail trade	100%	100%
Wahba Trading Company Limited and its subsidiaries (1-4)	500,000	Kingdom of Saudi Arabia	Wholesale and retail trade	100%	100%
Unique Technology Corporation	50,000	Kingdom of Saudi Arabia	Wholesale and retail trade	100%	100%
Retail Package Kazakhstan (5)	3,436	Kazakhstan	Wholesale and retail trade	100%	100%
Egypt Retail Group	2,055,400	Egypt	Wholesale and retail trade	98%	98%
Jordan Retail Group and its subsidiaries	1,895,314	Jordan	Wholesale and retail trade	95%	95%
Company NESK for commercial projects	1,000,000	Kingdom of Saudi Arabia	Wholesale and retail trade	100%	100%
Innovative Union Company (IUC)	100,000	Kingdom of Saudi Arabia	Wholesale and retail trade	100%	100%
Food Gate Company	100,000	Kingdom of Saudi Arabia	Wholesale and retail trade	70%	70%
Azal Restaurants Company	100,000	Kingdom of Saudi Arabia	Wholesale and retail trade	65%	65%
The First Pizza Company	100,000	Kingdom of Saudi Arabia	Wholesale and retail trade	51%	51%

- (1) Investments in Haifa Badi Al-Qalam and its international trading companies, Al-Waheed Equipment Co., Ltd., and the Saudi Retail Company Ltd., and Wahba Trading Co., Ltd. are 95% owned by the Company directly and 5% are mutually owned.
- (2) Haifa Badi Al-Qalam and its global trading partners directly and indirectly own some subsidiaries operating in Georgia, Armenia, the United States of America, Morocco, the United Arab Emirates, the United Kingdom and the Balkans, in addition to other stagnant and inactive subsidiaries in the United Arab Emirates and the British Virgin Islands.
- (3) Al Wahidah Equipment Company Limited directly and indirectly owns the subsidiary companies operating in Azerbaijan and the United Arab Emirates (the "INC" sign), in addition to other stagnant and inactive subsidiaries in the United Arab Emirates.
- (4) Wahba Trading Company Limited directly and indirectly owns some stagnant subsidiaries that are suspended in the Kingdom of Saudi Arabia and the United Arab Emirates.
- (5) The Kazakhstan Group represents 3 facilities: The Kazakhstan Retail Management Company, the Kazakhstan Fashion Trading Company, and the Kazakhstan International Fashion Company.

Governance

4. Shares and Debt Instruments Issued by Subsidiaries

There are no stocks and debt instruments issued by the subsidiary companies.

5. Dividend Policy

The general policy of paying out the Company's annual net profits after deducting all general expenses and other costs is controlled by the terms and conditions of the Articles of Association as follows:

- (A) 10% of the net profits shall be carried to the Company's statutory reserve, and the Ordinary General Assembly may resolve to withhold such appropriation when the said reserve reaches 30% of the paid-up capital.
- (B) The Ordinary General Assembly may resolve, on the recommendation of the Board of Directors, to keep aside a percentage of the net profits to form a consensual reserve to support the financial position of the Company.
- (C) The Ordinary General Assembly may resolve to form any other reserve to the extent that it achieves the Company's interest or ensures the distribution of fixed profits as much as possible to the Shareholders. The aforementioned Assembly may also deduct provisions from the net profits to establish social institutions for the Company's employees or to help the existing ones.
- (D) Thereafter, 5% of the paid-up capital of the Company may then be distributed to the Shareholders.
- (E) Subject to the provisions stipulated in Article Twenty-One of the Company's Articles of Association and the Seventy-Sixth Article of the Companies' Law, a percentage of no more than 5% of the remainder shall be allocated as remuneration to the members of the Board of Directors provided that the payment of this remuneration is proportional to the number of sessions every member attends.
- (F) The remainder may then be distributed to the Shareholders as an additional dividend.

The Board of Directors, after obtaining an annually renewed authorization from the Ordinary General Assembly, may distribute interim dividends to the Company's Shareholders on a semi-annual or quarterly basis, as per the controls of the competent authority.

5.1 Proposal to distribute the net profit for the year ended 31 March 2022

Statement	SAR
Balance of retained earnings on 31 March 2021	(112,249,813)
Add:	
Losses for the financial year ending on 31 March 2022	(1,092,382,143)
Other comprehensive income / (loss)	(10,493,000)
Transfer from statutory reserve	205,816,329
Acquisition of non-controlling interests in subsidiaries	(920,871)
Reclassification to retained earnings	(27,583,292)
Deduct:	
Statutory reserve (10%)	-
Balance of loss carryovers on 31 March 2022	(1,037,812,790)

6. A Description of Interests in the Category of Voting Shares

There are no interests in the category of voting shares.

7. Description of Interests, Rights of Option, and Subscription Rights of Members of the Board of Directors, Senior Executives, their Spouses, and Minors in Shares and Debt Instruments Issued by the Company or its Subsidiaries

There are no interests, option rights, or subscription rights belonging to any of the members of the Board of Directors, the Company's Senior Executives, their spouses, or their minor children in shares or debt instruments issued by the Company or its subsidiaries, other than what is mentioned regarding the members of the Board of Directors in section 12.5 of the report.

8. Loans Against the Company and its Subsidiaries and the Amounts Paid During the Year

The Group signed a long-term Murabaha financing agreement with the National Commercial Bank as a Murabaha investment agent and a participant in Murabaha, with a facility amount of SAR 2,400 million and USD 166,000 on 1 March 2020. Pursuant to the terms of the agreement, the Murabaha facility will be for 7 years. Murabaha financing is secured by order-issued bonds from the Company. The payment is due in semi-annual installments starting 12 months after the date of signing the agreement. The Group used the full facility as of 31 March 2022. This financing carries a commission according to the rates prevailing between banks in London (LIBOR) plus the annual profit margin agreed upon.

The details of these loans are as follows:

The creditor	Loan term	Loan principal (SAR)	Loan amounts that were withdrawn during the year (SAR)	Settlement of loans during the year (SAR)	Loan balance as of 31 March 2022 (SAR)
National Commercial Bank	84 months	2,983,058,081	-	(119,529,765)	2,865,986,750
Bank Al Etihad – Jordan	12 months	23,367,205	-	(6,387,064)	11,905,219
Riyad Bank	12 months	15,028,682	-	(3,541,520)	-
West Trade Int'l Ltd	12 months	149,998,571	-	(116,693,493)	-
Total		3,183,469,652	-	(65,425,795)	2,877,891,969

9. Description of Convertible Debenture

There is no convertible debenture issued by the Company.

10. Description of Transfer or Subscription Rights

There are no transfer or subscription rights issued by the Company.

11. Description of Recovered or Canceled Debt Instruments of the Company and its Subsidiaries

There are no redeemed or canceled debt instruments of the Company and its subsidiaries.

Governance

12. Board of Directors

12.1 Composition of the Board of Directors and classification of its members

The Board of Directors is composed of 9 members elected by the General Assembly for 3 years from 12 August 2020 to 11 August 2023.

The resignation of Mr. Mansour Abdel Wahab Qazi, for personal reasons, was approved by the Board of Directors on 5 January 2022.

The Board of Directors approved the appointment of Mr. Mohamed Rafiq Murad as a member of the Board for the remainder of the current term, provided that such appointment is submitted to the next General Assembly for approval.

Name	Nationality	Capacity	Membership status
Mr. Fawaz Abdul Aziz Alhokair	KSA	Chairman of the Board of Directors	Non-Executive
Eng. Omar Abdul Aziz Al-Mohammadi	KSA	Vice President	Non-Executive
Dr. Abdul Majeed Abdul Aziz Alhokair	KSA	Member	Non-Executive
Mr. Eid Faleh Al Shamry	KSA	Member	Independent
Mr. Khaled Walid Al-Shakhshir	KSA	Member	Independent
Mr. Abdul Majeed Abdullah Al-Basri	KSA	Member	Non-Executive
Mr. Mansour Abdel Wahab Qazi*	KSA	Member	Independent
Mr. Basem Abdullah Al-Salloum	KSA	Member	Independent
Mr. Mohamed Rafiq Murad**	Lebanon	Member	Non-Executive
Mr. Ahmed Saleh Al-Sultan	KSA	Member	Independent

* His membership ended on 5 January 2022

** His membership commenced on 5 January 2022

12.2 Experience and academic qualifications of Board Members

Name	Qualification	Areas of expertise	Current role	Previous role
Mr. Fawaz Abdul Aziz Alhokair	PhD in Economics and Accounting – Loughborough University, UK Bachelor’s degree in Economics and Accounting	Supervising the management of Fawaz Abdul Aziz Al Hokair & Partners Real Estate Company Chairman of the Board of Directors of Arabian Centers Company	Chairman of the Board of Directors – Fawaz Al Hokair Company	None
Eng. Omar Abdul Aziz Al-Mohammadi	Bachelor’s degree in Chemical Engineering and Economics – Vanderbilt University, USA	Head of Investment Banking Unit in Saudi Arabia – Barclays Member of the Advisory Board – Alchemist Trading Company Executive Board Member – Merchant Bridge Direct Investment Company Head of Middle East Unit – Dom Capital	Chief Executive Officer – FAS Company	Chief Executive Officer – BATEC Corporation Chief Executive Officer – Goldman Sachs Saudi Arabia
Dr. Abdul Majeed Abdul Aziz Alhokair	Bachelor’s degree in Medicine and Surgery – King Saud University, KSA	Apparel, retail and food industries	Member of the Board of Directors – Fawaz Al Hokair Company	Chairman of the Board of Directors – Fawaz Al Hokair Co.
Mr. Eid Faleh Al Shamry	Bachelor’s degree in Industrial Management Sciences, with Honors – King Fahd University of Petroleum and Minerals, KSA	Fellowship of the American Board of Certified Public Accountants Member of the American Association of Certified Public Accountants since 1992	Chief Executive Officer – Ithraa Finance	Deputy General Manager – Al-Seef Investment Company

Name	Qualification	Areas of expertise	Current role	Previous role
Mr. Khaled Walid Al-Shakhshir	Bachelor’s degree in Mechanical Engineering and Economics –Vanderbilt University, USA Executive program for Development of Social Responsibility Strategy Executive program for Building and Developing Strategies	Loss Prevention Engineer – Aramco Executive Director and Member of the Executive Committee – Unilever	Executive Director of Unilever Marketing and General Management	Managing Partner – Net Business Consultancy Company
Mr. Abdul Majeed Abdullah Al Basri	Master’s degree in Applied Financial Mathematics – University of Connecticut, USA Master’s degree in Economics – University of Connecticut, USA Bachelor’s degree in Finance – James Madison University, USA	Head of Treasury – Fawaz Abdul Aziz Al Hokair & Partners Group Portfolio Manager – Samba Capital Auditor – Aldar Audit Office	Chief Financial Officer – FAS Group	Head of Treasury – Almarai Company
Mr. Mansour Abdel Wahab Qazi*	Bachelor’s degree in Finance	Corporate Finance – BMG Financial Company Director of the Financial Planning and Cash Management Department – Dallah Al Baraka Company	Managing Partner – FMC and Pillars Group Company	Director of the Financial Planning and Cash Management Department – Dallah Al Baraka Company
Mr. Basem Abdullah Al-Salloum	Master’s degree in Executive Leadership Development Program – Harvard University, USA Master’s degree in Information Technology Consulting – Kent University, USA Bachelor’s degree in English Literature – Imam Mohammad Ibn Saud Islamic University, KSA	Deputy Governor for Media and Marketing Affairs – General Investment Authority Member of the Board of Directors – Saudi Export Development Authority	Managing Director and Chief Executive Officer – SURE International Technology Company	Member of the Board of Directors – Al-Faleh Sports House Company
Mr. Mohamed Rafiq Murad**	Master’s degree in Executive Business Administration – The Business School for the World (INSEAD) Bachelor’s degree in Economics/Business Administration – Lebanese American University, Lebanon	Member of the Investment and Audit Committee and the Board of Directors – Emaar Group Company Investment Committee – Middle East Project Partners Director of Business Development, Emerging Markets of YouTube – Google Company Director and Consultant of Strategy (Dubai/Riyadh) – Bose Corporation Director of Business Development, MENA and Turkey (Dubai / Jeddah) – Mars Company Regional Manager (Lagos / Nigeria) – Radioactive Engineering	Managing Director and Chief Executive Officer – Arabian Centers Company	Vice President – International Partners, San Francisco
Mr. Ahmed Saleh Al-Sultan	Master’s degree in Business Administration – Brunel University, UK Bachelor’s degree in Finance Master’s degree in Management – Qassim University, KSA	Operations Manager NESC – Commercial Projects Company	Chief Executive Officer – Thobe Al Aseel Company	Executive Vice President – NESC for Commercial Projects Company

* His membership ended on 5 January 2022

** His membership commenced on 5 January 2022

Governance

12.3 Names of companies inside or outside the Kingdom for which a member of the Board of Directors of the Company is a member of its current and/or previous Boards of Directors or one of its managers

Member name	Names of companies where a member of the Board of Directors is a current member of the Board of Directors or one of their managers	Inside the Kingdom/ Outside the Kingdom	Legal entity (listed shareholding/ unlisted/ limited liability)	Names of companies where a member of the Board of Directors is a previous member of the Board of Directors or one of their managers	Inside the Kingdom/ Outside the Kingdom	Legal entity (listed shareholding/ unlisted/ limited liability)
Mr. Fawaz Abdul Aziz Alhokair	FAS Saudi Holding Company	Inside the Kingdom	Closed joint stock company	Azizia Panda United Company	Inside the Kingdom	Closed joint stock company
	Saudi Medical Company	Inside the Kingdom	Closed joint stock company			
	Arabian Centers Company	Inside the Kingdom	Listed joint stock company			
	FAS Saudi Holding Company	Inside the Kingdom	Limited liability			
	Downtown Saudi Company	Inside the Kingdom	Limited liability			
	Muvi Cinemas Company	Inside the Kingdom	Closed joint stock company			
	Star Energy Company	Inside the Kingdom	Limited liability			
	Al Farida First Properties	Inside the Kingdom	Limited liability			
	Emaar Mixers	Inside the Kingdom	Limited liability			
Mr. Omar Abdul Aziz Al-Mohammadi	FAS Saudi Holding Company	Inside the Kingdom	Unlisted joint stock company	Patek Investment Company and Logistical Support	Inside the Kingdom	Listed joint stock company
	Citibank Group	Inside the Kingdom	Unlisted joint stock company	Al Reef Sugar Refining Company	Inside the Kingdom	Unlisted joint stock company
	Arabian Centers Company	Inside the Kingdom	Listed joint stock company	Jazan Energy and Development Company	Inside the Kingdom	Listed joint stock company
Dr. Abdul Majeed Abdul Aziz Alhokair	FAS Saudi Holding Company	Inside the Kingdom	Closed joint stock company	FAS Construction Company	Inside the Kingdom	Limited liability
	Saudi Medical Company	Inside the Kingdom	Unlisted joint stock company	Abdul Majeed Abdul Aziz Al Hokair & Sons Holding Company	Inside the Kingdom	Limited liability
Mr. Eid Faleh Al Shamry	Aldrees Petroleum Services Company	Inside the Kingdom	Listed joint stock company	Member of the Audit Committee for the French Bank	Inside the Kingdom	Listed joint stock company
	Gulf Shipping & Unloading Contracting	Inside the Kingdom	Limited liability	Alitco Company	Inside the Kingdom	Closed joint stock company
	Al Hassan Ghazi Ibrahim Shaker Company	Inside the Kingdom	Listed joint stock company	Amana Cooperative Insurance Company	Inside the Kingdom	Listed joint stock company
	Fawaz Al Hokair Company	Inside the Kingdom	Listed joint stock company	Al Saif RDB Company	Inside the Kingdom	Limited liability
	Taiba Investments	Inside the Kingdom	Limited liability	Development Company for Investment and Real Estate Development	Inside the Kingdom	Unlisted joint stock company
				Saudi Kidney Center Company	Inside the Kingdom	Limited liability
				Ithraa Medical Services Company	Inside the Kingdom	Limited liability
				Ithraa Investment and Real Estate Development Company	Inside the Kingdom	Limited liability
				Saudi Viva Company for Commercial Services	Inside the Kingdom	Limited liability
				Riyadh Technology Company	Inside the Kingdom	Limited liability
				Riyadh Modern Technology Company	Inside the Kingdom	Limited liability
				Viva Fit Investment Company	Inside the Kingdom	Limited liability
				Ithraa Company for Gymnasiums and Centers	Inside the Kingdom	Limited liability
				Ajir Investment Company	Inside the Kingdom	Limited liability

Member name	Names of companies where a member of the Board of Directors is a current member of the Board of Directors or one of their managers	Inside the Kingdom/ Outside the Kingdom	Legal entity (listed shareholding/ unlisted/ limited liability)	Names of companies where a member of the Board of Directors is a previous member of the Board of Directors or one of their managers	Inside the Kingdom/ Outside the Kingdom	Legal entity (listed shareholding/ unlisted/ limited liability)
Mr. Khaled Walid Al-Shakhshir	Net Consultancy Company	Inside the Kingdom	Closed joint stock company			
	Pure Sports Company	Inside the Kingdom	Limited liability			
	Rapid Distribution Company	Inside the Kingdom	Limited liability			
	Asala Wood	Inside the Kingdom	Limited liability			
	Packaging Technology	Inside the Kingdom	Limited liability			
	Nutrition Solutions Company	Inside the Kingdom	Limited liability			
	Mend Consulting	Inside the Kingdom	Limited liability			
	Net Consultancy Company	Inside the Kingdom	Limited liability			
Mr. Abdul Majeed Abdullah Al-Basri	None	-	-			
Mr. Mansour Abdel Wahab Qazi*	Five Members Company	Inside the Kingdom	Limited liability			
	Pillars Group Company	Inside the Kingdom	Limited liability			
Mr. Basem Abdullah Al-Salloum	Sure International Technology Company	Inside the Kingdom	Limited liability	National Communications and Information Technology Committee	Inside the Kingdom	National Committee
	Malath Cooperative Insurance Company	Inside the Kingdom	Public shareholding company			
	Mohammed Hussein Bin Yala & Sons Exchange Company	Inside the Kingdom	Joint company			
	Nabataty Al Manzeliyah Trading Company	Inside the Kingdom	Limited liability			
	Sure International Technology Company	Inside the Kingdom	Closed joint stock company			
	BAS Investments	Inside the Kingdom	Limited liability			
Mr. Mohamed Rafiq Murad**	Arabian Centers	Inside the Kingdom	Listed joint stock company			
Mr. Ahmed Saleh Al Sultan	None	-	-			

* His membership ended on 5 January 2022
** His membership commenced on 5 January 2022

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12.4 Board meetings

The elected Board of Directors held 4 meetings during the year to discuss issues related to the financial year ending on 31 March 2022. The following table shows the details of the sessions and attendees:

Name	Session				Total	Attendance rate
	29/06/2021	20/10/2021	10/11/2021	06/02/2022		
Mr. Fawaz Abdul Aziz Alhokair	Did not attend	Attended	Did not attend	Attended	2	50%
Dr. Abdul Majeed Abdul Aziz Alhokair	Attended	Attended	Attended	Attended	4	100%
Eng. Omar Abdul Aziz Al-Mohammadi	Did not attend	Attended	Did not attend	Attended	2	50%
Mr. Eid Faleh Al Shamry	Attended	Did not attend	Attended	Attended	3	75%
Mr. Ahmed Saleh Al-Sultan	Attended	Attended	Attended	Attended	4	100%
Mr. Mohamed Rafiq Murad**	Membership not yet started	Membership not yet started	Membership not yet started	Attended	1	100%
Mr. Basem Abdullah Al-Salloum	Attended	Attended	Attended	Attended	4	100%
Mr. Khaled Walid Al-Shakhshir	Attended	Attended	Attended	Attended	4	100%
Mr. Abdul Majeed Abdullah Al-Basri	Attended	Attended	Attended	Attended	4	100%
Mr. Mansour Abdel Wahab Qazi*	Attended	Attended	Attended	Membership ended	3	100%

* His membership ended on 5 January 2022

** His membership commenced on 5 January 2022

Highlights of deliberations, recommendations and resolutions made by the Board of Directors were as follows:

1. Approving the annual achievements of the financial year ending on 31 March 2021.
2. Approving the governance policy and recommending to the General Assembly to approve the updated policies and regulations as appropriate.
3. Recommending to the General Assembly to reduce and then increase the capital of the Company by issuing priority shares post completing capital reduction.
4. Approving the financial results for the first, second and third quarters of the year ending on 31 March 2022.
5. Approval of the Board of Directors report of the fiscal year ending on 31 March 2022.
6. Reviewing and discussing the performance and achievements of the Company and deliberating on the required recommendations and directives.
7. Approving the Audit Committee's decision to appoint the chartered accountant's KPMG and recommending it to the General Assembly for approval.
8. Maintaining the percentage of Saudization (job localization) in the Company as guided by the Ministry of Labor in this regard.
9. Approving transactions with related parties during the fiscal year ending on 31 March 2022. Issuing an order to present all transactions with related parties to the General Assembly.
10. Approving the resignation of the Board member Mr. Mansour Abdel Wahab Qazi and the appointment of Mr. Mohamed Rafiq Murad as a Board member. This appointment will be submitted to the General Assembly for approval.

12.5 The interests and rights of the members of the Board of Directors, their spouses and their minors

Name	Number of shares at the beginning of the year	Ownership percentage at the beginning of the year	Net change in the number of shares during the year	Percentage change during the year	Total number of shares at the end of the year	Ownership percentage at the end of the year
Mr. Fawaz Abdul Aziz Alhokair	13,000,000	6.19%	1,700,000	0.81%	14,700,000	7%
Dr. Abdul Majeed Abdul Aziz Alhokair	14,700,000	7%	-	0.00%	14,700,000	7%
Mr. Eid Faleh Al Shamry	-	0%	-	0.00%	N/A	0%
Eng. Omar Abdul Aziz Al-Mohammadi	-	0%	-	0.00%	N/A	0%
Mr. Ahmed Saleh Al-Sultan	-	0%	-	0.00%	N/A	0%
Mr. Basem Abdullah Al-Salloum	-	0%	-	0.00%	N/A	0%
Mr. Khaled Walid Al-Shakhshir	-	0%	-	0.00%	N/A	0%
Mr. Abdul Majeed Abdullah Al-Basri	-	0%	-	0.00%	N/A	0%
Mr. Mansour Abdel Wahab Qazi	-	0%	-	0.00%	N/A	0%

With the exception of the abovementioned, the Board members, their spouses or minors do not have option or subscription rights in the shares or debt instruments issued by the Company or any of its subsidiaries.

12.6 Board of Directors’ actions to inform its members of Shareholders’ proposals

The Board of Directors provides all members, especially Non-Executives, with legal documents, financial reports, activity follow-up reports, future expansion studies, and Board reports, as well as rules, procedures, policies, and internal regulations that enable them to carry out their duties and discharge their responsibilities adequately, including being aware of the Shareholders’ proposals and remarks regarding the Company and its performance.

Additionally, a mechanism has been created for the Shareholder Affairs Department to deal with proposals and observations received from the Shareholders.

12.7 Means of the Board of Directors to evaluate its performance and the performance of its members and sub-committees

The Board of Directors relied on the procedures set out in the Board’s work regulations and the work regulations of the sub-committees to evaluate the annual performance of the Board members and its sub-committees through the self-evaluation forms.

12.8 Board sub-committees

The Company's Board of Directors has 3 sub-committees: The Audit Committee, the Nomination and Remuneration Committee, and the Executive Committee, which are detailed below.

12.8.1 Audit Committee

At its meeting on 12 August 2020, the Ordinary General Assembly approved the formation of the Audit Committee for a period of 3 years, starting from the date of its first meeting. The members of the Committee are as follows:

Members	Nationality	Membership status	Membership category
Mr. Eid Faleh Al Shamry	Saudi	Chairman	Independent
Dr. Suleiman Abdullah Al-Sukran	Saudi	Member	Non-Board member
Dr. Saad Ibrahim Al-Mushawah	Saudi	Member	Non-Board member

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12.8.1.1 Experience and qualifications of the members of the Audit Committee

Name	Qualification	Areas of expertise	Current role	Previous role
Mr. Eid Faleh Al Shamry	Bachelor's degree in Industrial Management Sciences, with Honors – King Fahd University of Petroleum and Minerals	Fellowship of the American Board of Certified Public Accountants Member of the American Association of Certified Public Accountants since 1992	Chief Executive Officer – Ithraa Finance	Deputy General Manager – Al-Seef Investment Company
Dr. Suleiman Abdullah Al-Sukran	PhD Master's degree in Administrative Sciences Bachelor of Science in Industrial Management	Associate Professor of Finance, Department of Finance and Economics, College of Industrial Management, King Fahd University Secretary General – University Higher Education Fund	Associate Professor of Finance, Department of Finance and Economics, College of Industrial Management, King Fahd University	Secretary General – University Higher Education Fund
Mr. Saad Ibrahim Al-Mushawah	Bachelor of Science in Industrial Management	Financial Analysis Project Manager Chief Executive Officer	Chief Executive Officer – Gulf Union Food Company	Credit Team Leader – Industrial Development Fund

The Audit Committee, a sub-committee of the Board of Directors, supports the establishment of best practices of governance and contributes to the strengthening and independence of internal and external auditors. The Committee focuses on the notes and remarks observed by the Auditor and ensures that they are addressed appropriately. Furthermore, the Committee shall follow up on their correction in order to provide an updated evaluation of the internal control system and its effectiveness. A key objective for the Board of Directors is to obtain reasonable assurances of the integrity of work structure and the effectiveness of the application of the internal control system. The Audit Committee is responsible for monitoring the Company's business and verifying the integrity of its reports, financial statements and internal control systems. To this end, it has the right to review the Company's records and documents and to request any clarification or statement from the members of the Board of Directors or the Executive Management. The main duties of the members of the Internal Audit Committee are as follows:

At the level of financial reports:

- Reviewing the Company's interim and annual financial statements before presenting them to the Board of Directors and expressing its opinion and recommendations to ensure its integrity, fairness and transparency.
- Expressing a technical opinion, at the request of the Board of Directors, that the report of the Board of Directors and the Company's financial statements are fair, balanced and understandable and include all information that allows Shareholders and investors to evaluate the Company's financial position, performance, business model and strategy.
- Reviewing any key or unfamiliar issues contained in the financial reports.
- Meticulously investigating any issues raised by the Company's Chief Financial Officer, or whoever undertakes his duties, as well as by the Company's Compliance Officer or the Auditor.
- Verifying accounting estimates in the material issues contained in the financial reports.
- Reviewing the accounting policies applied by the Company and making recommendations to the Board of Directors in this regard.

At the internal audit level:

- Reviewing the Company's internal and financial control and risk management systems.
- Reviewing internal audit reports and following up on the implementation of corrective actions for the notes contained therein.
- Monitoring and supervising the performance and activities of the internal auditor and the Internal Audit Department of the Company to verify the availability of the necessary resources and their effectiveness in performing the work and tasks assigned to them.
- Recommending the appointment of the Director of the Internal Audit Unit or Department, or the Internal Auditor to the Board of Directors and identifying his proposed remuneration.

At the Auditor level:

- Making recommendations to the Board of Directors to nominate and dismiss auditors, determine their fees and evaluate their performance after verifying their independence and reviewing the scope of their work and the terms of their contract.
- Verifying the Auditor's independence, objectivity and fairness, as well as the effectiveness of the audit work, taking into account the relevant rules and standards.
- Reviewing the Auditor's plan and works and verifying that he did not submit technical or administrative works beyond auditing, and expressing its views in this regard.
- Answering the Auditors' inquiries.
- Reviewing the Auditor's report and notes on the financial statements and following up on actions taken in this regard.

At the level of compliance:

- Reviewing the results of the report of the regulatory authorities and verifying that the Company has taken the necessary measures in this regard.
- Verifying the Company's compliance with the relevant laws, regulations, policies and instructions.
- Reviewing the proposed contracts and transactions to be conducted by the Company with the related parties and presenting its views thereon to the Board of Directors.
- Submitting the issues it deems necessary to take action on to the Board of Directors and expressing its recommendations in this regard.

During the year, the Committee held 9 meetings. The Committee members' attendance of the meetings was as follows:

Members	Mr. Eid Faleh Al Shamry	Dr. Suleiman Abdullah Al-Sukran	Mr. Saad Ibrahim Al-Mushawah
25/04/2021	Attended	Attended	Attended
09/05/2021	Attended	Attended	Attended
28/06/2021	Attended	Attended	Attended
30/06/2021	Attended	Attended	Attended
18/08/2021	Attended	Attended	Attended
07/09/2021	Attended	Attended	Attended
07/11/2021	Attended	Attended	Attended
06/02/2021	Attended	Attended	Attended
29/03/2021	Attended	Attended	Attended

The Committee's activities during the meetings:

1. Reviewing the annual and quarterly financial statements of the Company and making recommendations to the Board of Directors for approval.
2. Soliciting a number of outsourcing offers of internal audit services to manage the internal audit process for 2 years. The contract was awarded to Crowe Company.
3. The Committee submitted 3 letters on 3 separate issues of paramount importance to the Board of Directors as follows:
 - First letter: On 29 June 2021, regarding risks related to essential issues raised by the external auditor's letter namely, the inventory, Oracle system applied in the Company, the administrative structure of the Company, enhancing internal audit management, the amounts related to the Stakeholders and sister companies.
 - Second letter: On 7 November 2021, regarding the amounts related to the Stakeholders and sister companies which are referred to by the external auditor's letter where they then accounted for SAR 422 million.
 - Third letter: On 7 November 2021, regarding the audit report written by Protiviti team on assessing and reviewing the inventory management and the main actions taken by the Company's Management to write off and calculate the inventory provisions, and the significant remarks and recommendations made in the report which were discussed with the Management.

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4. Meeting each of the Company’s external and internal auditors and ensuring that the Company’s Management has made all the data and information required to perform their duties available to them.
5. Following up with the Board of Directors and Executive Management to ensure key issues are addressed, such as:

The Re-appointment of external auditors

Applying Oracle program and strengthening accounting books controls

Appointing Crowe Company as a provider of internal audit services
6. Enhancing policies, procedures, controls and governance around:

Commercial inventory, inventory provision, stocktaking

Fixed assets including inventory and depreciation

Applying IFRS 16 – Leases to ensure its relevance to the Company and consistency with the international auditing policies
7. Reviewing and approving the annual plan of the Internal Audit Department.
8. Reviewing and approving the charter, manual and protocols of internal audit.
9. Reviewing the annual report of the internal audit and following up to ensure the notes are addressed and the recommendations are implemented.
10. Assessing the impact of Covid-19 on the Company and the actions taken by the Management in this regard.

12.8.1.2 Audit Committee recommendations

- Recommending the appointment of external auditors.
- There is no recommendation for the Audit Committee regarding the appointment of an internal auditor in the Company, as the Company has an existing Internal Audit Department.
- There is no conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors, and the Board has considered all the recommendations of the Committee regarding the appointment of the Company’s Auditor.

12.8.2 Nomination and Remuneration Committee

At its meeting on 17 August 2020, the Board of Directors approved the appointment of the members of the Nomination and Remuneration Committee as follows:

Members	Nationality	Membership status	Membership category
Mr. Khaled Walid Al-Shakhshir	Saudi	Chairman	Independent
Eng. Omar Abdul Aziz Al-Mohammadi	Saudi	Member	Non-Executive
Mr. Abdul Majeed Abdullah Al-Basri	Saudi	Member	Non-Executive
Mr. Mohamed Rafiq Murad*	Lebanese	Member	Non-Executive

* Mr. Mohamed Rafiq Murad was appointed as a member of the Committee by the Board’s resolution dated 6 June 2022

12.8.2.1 Experience and qualifications of the members of the Nomination and Remuneration Committee

Name	Qualification	Areas of expertise	Current role	Previous role
Mr. Khaled Walid Al-Shakhshir	Bachelor’s degree in Mechanical Engineering and Economics – Vanderbilt University, USA Executive program for Development of Social Responsibility Strategy Executive program for Building and Developing Strategies	Loss Prevention Engineer – Aramco Executive Director and Member of the Executive Committee – Unilever	Executive Director – Unilever Marketing and General Management	Managing Partner – Net Business Consultancy Company
Eng. Omar Abdul Aziz Al-Mohammadi	Bachelor’s degree in Chemical Engineering and Economics – Vanderbilt University, USA	Head of Investment Banking Unit in Saudi Arabia – Barclays Member of the Advisory Board – Alchemist Trading Company Executive Board Member – Merchant Bridge Direct Investment Company Head of Middle East Unit –Dom Capital	Chief Executive Officer – FAS Company	Chief Executive Officer – BATEC Corporation Chief Executive Officer – Goldman Sachs Saudi Arabia
Mr. Abdul Majeed Abdullah Al Basri	Master’s degree in Applied Financial Mathematics – University of Connecticut, USA Master’s degree in Economics – University of Connecticut, USA Bachelor’s degree in Finance – James Madison University, USA	Head of Treasury – Fawaz Abdul Aziz Al Hokair & Partners Group Head of Treasury – Fawaz Abdul Aziz Al Hokair & Partners Group Portfolio Manager – Samba Capital Auditor – Aldar Audit Office	Chief Financial Officer – FAS Group	Head of Treasury – Almarai Company
Mr. Mohamed Rafiq Murad*	Master’s degree in Executive Business Administration – The Business School for the World (INSEAD) Bachelor’s degree in Economics/Business Administration – Lebanese American University, Lebanon	Investment and Audit Committee of the Board of Directors – Emaar Group Company Investment Committee – Middle East Project Partners Director of Business Development, Emerging Markets of YouTube – Google Company Director and Consultant of Strategy (Dubai/Riyadh) – Bose Corporation Director of Business Development, MENA and Turkey (Dubai / Jeddah) – Mars Company Regional Manager (Lagos /Nigeria) – Radioactive Engineering	Managing Director and Chief Executive Officer – Arabian Centers Company	Vice President of International Partners – San Francisco

* Mr. Mohamed Rafiq Murad was appointed as a member of the Committee by the Board’s resolution dated 6 February 2022

The main task of the Nomination and Remuneration Committee is to identify qualified individuals and candidates to be members of the Board of Directors who meet the necessary requirements for membership, as well as to assist the Board of Directors in establishing a sound system and build the necessary policies and procedures in this regard.

The following highlights the ordinary activities carried out by the Committee to discharge its responsibilities. It is a rule of thumb that in addition to such activities, the Committee may assume further roles and approve other policies and procedures that address the commercial, legislative, regulatory and legal changes. Furthermore, the Committee may shoulder other responsibilities related to the Committee's role as they may be, from time to time, assigned by the Board of Directors:

1. The Committee shall be responsible for laying out policies and practices of compensation and remuneration of the Company's Staff including the members of the Board of Directors.
2. The Committee shall nominate the individuals qualified for Board membership and make recommendations to the Board on candidates in accordance with definitive policies and standards. The Committee shall further submit candidate recommendations to be appointed by the Board in the event of a vacant position (or in the case of expanding the Board).
3. Proposing definitive policies and standards that control the membership of the Board of Directors and the Executive Management.
4. Preparing a description of capabilities and qualifications for members of the Board and roles of the Executive Management.
5. Identifying the amount of time to be allocated by the members for the Board activities and functions.
6. On nomination, the Committee shall consider any factors it deems appropriate including discretion, adeptness, diversity and expertise. Additionally, the Committee ensures that the candidate has not previously been convicted of a moral turpitude which could affect the contribution they would make to the Board or the Committees. The Committee shall, at its sole discretion, review the candidates nominated by the Shareholders or the Company's Management.
7. The Committee reviews the formation of every Board sub-committee and submits its recommendation of appointment of the Committee members to the Board.
8. The Committee may recommend adding members to the Committees to fill vacant positions when required.
9. The Committee shall annually review the capabilities and expertise required for Board membership and the functions of the Executive Management.
10. The Committee shall periodically review the structures of the Board and Executive Management and make recommendations on the changes required in this regard.
11. Ensuring, on an annual basis, 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. Developing a job description for the Executive, Non-Executive and Independent members as well as Senior Executives.
13. The Committee shall assist the Board of Directors with selecting and assessing the candidates nominated for the Executive Management positions including the Chief Executive Officer, and with supervising the succession plans of Executive managers.
14. The Committee shall annually assess the overall performance of the Board of Directors and make the required arrangements for the Board to assess its own performance.
15. The Committee shall establish a definitive policy structuring the remunerations of the members of the Board, its sub-committees and the Executive Management. The policy shall be submitted to the Board for review before being approved by the General Assembly. The policy shall apply, disclose and verify the execution of performance-related standards.
16. The Committee shall be directly responsible for reviewing and approving the Company's objectives associated with the remuneration of the Chief Executive Officer, which will act as the parameters to measure the Chief Executive Officer's performance on an annual basis. In the event of long-term incentives, the Committee shall consider factors including outcomes of the Company's activities, the relative return to Shareholders, and the similar incentive amounts received by Chief Executive Officers of similar companies.
17. The Committee shall submit its recommendations on the remunerations of the members of the Board, its sub-committees and the Executive Managers, and on plans of incentives and shareholding.
18. The Committee shall review the compensation and remuneration system including incentives, end of service benefits, pension plans and benefits for employees other than Directors and Senior Executives. The system shall be aligned with the Company's human resources strategy.
19. The Committee shall conduct a periodic review of the Company's plans related to recruiting, developing, promoting and retaining employees. Such plans shall be in line with the Company's human resource strategy.
20. The Committee shall prepare and issue an annual report of the remunerations of the Board Members and Executive Managers as well as other reports as may be required by the related laws and regulations. The report shall account for the relation between the paid remuneration and the applicable award policy while stating any material deviation from the mentioned policy.
21. The Committee shall periodically review the remuneration policy and assess its effectiveness in delivering its objectives.
22. The Committee shall evaluate its own performance on an annual basis and submit the results to the Board of Directors. The evaluation shall include performance levels and the observation by each member of the Committee's activities and responsibilities.
23. The Committee periodically reviews and re-evaluates the adequacy of these regulations and submits its recommendations to the Board of Directors on amendments it deems necessary or required. The Committee shall conduct such reviews and assessments in the manner it deems appropriate.

Over the last year, the Committee held 4 meeting and discussed the following:

1. Ensuring the independence of the Independent members, and the absence of any conflict of interests if the member is a member of the Board of Directors of another company.
2. The annual assessment of the Board of Directors' performance
3. Assessing the performance of the Committee of Awards and Nomination
4. Discussing the Chief Executive Officer's remuneration

The Committee's attendance is shown in the following table:

Members	Meeting				Attendance rate
	26/05/2021	09/08/2021	05/12/2021	01/03/2022	
Mr. Khaled Walid Al-Shakhshir	Attended	Attended	Attended	Attended	100%
Eng. Omar Abdul Aziz Al-Mohammadi	Attended	Attended	Attended	Attended	100%
Mr. Abdul Majeed Abdullah Al-Basri	Attended	Attended	Attended	Attended	100%
Mr. Mohamed Rafiq Murad*	Membership not yet started	Membership not yet started	Membership not yet started	Attended	100%

* Mr. Mohamed Rafiq Murad was appointed as a member on 6 February 2022

12.8.3 Executive Committee

In the Board of Directors meeting on 17 August 2020, the Board approved Resolution No. (01/2020), which includes the appointment of the Executive Committee as follows:

On 6 February 2022, the Board of Directors resolved to reform the Executive Committee by increasing the number of members. Mr. Mohamed Rafiq Murad was appointed as Chairman of the Committee.

Members	Nationality	Membership status	Membership category
Mr. Mohamed Rafiq Murad	Lebanese	Chairman	Non-Executive
Eng. Omar Abdul Aziz Al-Mohammadi	Saudi	Member	Non-Executive
Dr. Abdul Majeed Abdul Aziz Alhokair	Saudi	Member	Non-Executive
Mr. Marwan Aziz Moukarzel	Lebanese	Member	Executive
Mr. Abdul Majeed Abdullah Al-Basri	Saudi	Member	Non-Executive

During the past year the Committee held 10 meetings and discussed the following:

1. Discussed the Company's strategy alongside the main and interim action plans.
2. Discussed the optimal capital structure for the company, its strategies and financial objectives.
3. Discussed the Company's main capital expenditures and the acquisition and disposal of assets.
4. Provided the Board of Directors with the necessary information they require to make educated decisions regarding the decrease and subsequent increase of the Company's capital.
5. Prepared periodic financial and non-financial reports on the progress made in the company's activity in light of the Company's strategic plans and objectives, and presented these reports to the Board of Directors.
6. Discussed the Company's daily operations, the conduct of its activities, and the management of its resources in an optimal manner, in accordance with the Company's objectives and strategies.
7. Discussed the internal policies related to the Company's work and its development, including defining the tasks, competencies and responsibilities assigned to the different organizational levels.
8. Discussed the policy and mechanism for delegating work to the Committee and the way to implement it.
9. Discussed the powers delegated to the Committe, the decision-making procedures and the mandate period, provided that periodic reports on the exercise of these powers are submitted to the Board of Directors.

The following table shows the attendance:

Members	Dr. Abdul Majeed Abdul Aziz Alhokair	Mr. Abdul Majeed Al-Basri	Eng. Omar Al-Mohammadi	Mr. Marwan Aziz Moukarzel	Mr. Mohamed Rafiq Murad*
18/04/2021	Attended	Attended	Attended	Attended	Membership not yet started
30/05/2021	Attended	Attended	Attended	Attended	Membership not yet started
07/06/2021	Attended	Attended	Not Attended	Attended	Membership not yet started
14/06/2021	Attended	Attended	Not Attended	Attended	Membership not yet started
28/06/2021	Attended	Attended	Attended	Attended	Membership not yet started
29/08/2021	Attended	Attended	Not Attended	Attended	Membership not yet started
26/09/2021	Attended	Attended	Not Attended	Attended	Membership not yet started
04/10/2021	Attended	Attended	Attended	Attended	Membership not yet started
02/11/2021	Attended	Attended	Not Attended	Attended	Membership not yet started
02/02/2022	Attended	Attended	Attended	Attended	Attended

* Mr. Mohamed Rafiq Murad's membership commenced on 6 February 2022

Governance

Name	Qualifications	Areas of expertise	Current role	Previous role
Eng. Omar Abdul Aziz Al-Mohammadi	Bachelor's degree in Chemical Engineering and Economics – Vanderbilt University, USA	Chief Executive Officer – Goldman Sachs Saudi Arabia	Chief Executive Officer – FAS Company	Chief Executive Officer – BATEC Corporation
		Head of Investment Banking Unit in Saudi Arabia – Barclays		
		Member of the Advisory Board – Alchemist Trading Company		
		Executive Board Member – Merchant Bridge Direct Investment Company		
		Head of Middle East Unit – Dom Capital		
Dr. Abdul Majeed Abdul Aziz Alhokair	Bachelor's degree in Medicine and Surgery – King Saud University, KSA	Apparel, retail and food industries	Member of the Board of Directors – Fawaz Al Hokair Company	Chairman of the Board of Directors – Fawaz Al Hokair Co.
Mr. Marwan Aziz Moukarzel	Master of Business Administration	15 years of experience in retail sales	Chief Executive Officer	Director General
Mr. Abdul Majeed Abdullah Al Basri	Master's degree in Applied Financial Mathematics – University of Connecticut, USA	Head of Treasury – Fawaz Abdul Aziz Al Hokair & Partners Group	Chief Financial Officer – FAS Group	Head of Treasury – Almarai Company
	Master's degree in Economics – University of Connecticut, USA	Portfolio Manager – Samba Capital Auditor – Aldar Audit Office		
	Bachelor's degree in Finance – James Madison University – USA			
Mr. Mohamed Rafiq Murad*	Master's degree in Executive Business Administration – The Business School for the World (INSEAD) Bachelor's degree in Economics/Business Administration – Lebanese American University, Lebanon	Member of the Investment and Audit Committee and the Board of Directors – Emaar Group Company	Managing Director and Chief Executive Officer – Arabian Centers Company	Vice President of International Partners – San Francisco
		Investment Committee – Middle East Project Partners		
		Director of Business Development, Emerging Markets of YouTube – Google Company		
		Director and Consultant of Strategy (Dubai/Riyadh) – Bose Corporation		
		Director of Business Development, MENA and Turkey (Dubai / Jeddah) – Mars Company		
		Regional Manager (Lagos / Nigeria) –Radioactive Engineering		

* Mr. Mohamed Rafiq Murad was appointed as a member of the Committee by the Board on 6 February 2022

12.8.4 Functions of the Executive Committee

In addition to the functions and roles of the Executive Committee stipulated in the Governance Regulations, the Committee may take any action conducive to realizing its goals and discharging its responsibilities, including the following:

1. Reviewing Company's strategic and operational plans and making comments and recommendations before being submitted the Board of Directors.
2. Reviewing feasibility studies of new investment projects and making recommendations.
3. Reviewing and initially approving the key issues that need to be decided by the Board of Directors.
4. Making decisions on issues referred to the Committee by the Board which fall outside the confines of the Company's Managing Director and the Chief Executive Officer. Such issues may include investments, human resources, compensations, IT, capital expenses, procurements and other issues within the limits of the Committee.
5. Setting the Company's investment policies and objectives including:
 - The assets eligible for investment in accordance with the applicable laws
 - Determining the types of assets
 - The long-term policies and objectives related to investments, risk tolerance levels, varied assets, investment currencies and choosing between domestic and international investment
 - Identifying arrangements for investment management and trusteeships
 - Appointing and periodically assessing managers and trustees of investment portfolios
 - Setting the mechanisms and periodic cycles of performance assessments
 - Approving investment operations of all types in line with the specific investment policy. The Committee may, within certain financial limits, delegate its approval powers to the Chief Executive Officer/Chief Financial Officer to exercise such powers jointly or separately
 - Reviewing the Company's investment policy in light of performance assessment
 - Evaluating investment outcomes to assess the feasibility of the executed investment strategies. The Committee presents a report to the Board of Directors on the investment outcomes and ensures that the investment policy and key guidelines are observed
6. Concluding short and long-term investment agreements, credit and loan agreements within the limits of its powers.
7. Following up on the implementation and development of the Company's organizational structures and making decisions that ensure speedy implementation and development.
8. Reviewing the administrative regulations with the Company's Management to make decisions that enable the Management to put such regulations into practice.
9. Communicating with senior officials in government and the private sector to overcome difficulties impacting the business of the Company and explain its strategy for the way forward.
10. Reviewing and following up the implementation of all the Company's projects, making decisions within the Committee's powers, discussing the obstacles encountered in implementing the various projects, clarifying their causes and how to address them, and recommending appropriate solutions to them.
11. Evaluating designs and technical specifications and making appropriate recommendations.
12. Making the appropriate decisions regarding the topics that the Board of Directors delegates to the Committee by way of discussion and review.
13. Taking any action that would advance the Company's business and achieve its objectives within the rules, regulations and decisions issued by the Board.
14. Carrying out purchases and acquisitions of existing or future projects within its powers.
15. Studying the proposals submitted by the Company's Management in favor of achieving the Company's objectives or advancing its administrative, financial and operational work, and making decisions that enable the Executive Management to speed up implementation or submitting such proposals to the Board as the Committee deems necessary.
16. Carrying out the tasks referred to the Board or its Chairman for review or implementation.

Governance

13. Contracts in Which There Are Interests of Board Members and Senior Executives

The Company is an affiliate of Fawaz Abdul Aziz Al Hokair & Partners Group (the “Group”), and it is engaged in contracts with the Group companies. Such contracts include lease agreements for a number of shops with the Arabian Centers Company. Accordingly, the Company obtained competitive rental values for similar market prices in proportion to the Company’s business volume in the Saudi market, in addition to its privileged locations in the finest commercial centers and malls in various parts of the Kingdom. The locations include Dhahran Mall, Khurais Plaza, Sahara Plaza Commercial Center, Al Salam Mall, Mall of Arabia, Al Nakheel Plaza Mall, Aziz Mall, Al Noor Mall and others.

In addition, there are contracts for establishing, equipping and modifying the decor of the sales shops with Fawaz Abdulaziz Al Hokair & Partners Real Estate Company. By virtue of such contracts, the Company utilized the Group’s experience in this field to ensure implementation at a level consistent with the requirements of international commercial agencies and speed of implementation. It is in the interest of the Company and in support of its activities to continue with these transactions.

During the fiscal year ending on 31 March 2022, the transactions with related parties were as follows:

- An amount of SAR 315 million, the value of rents paid to Arabian Centers Company owned by FAS Holding Company, which is owned directly and indirectly by: Fawaz bin Abdulaziz Alhokair, Salman bin Abdulaziz Alhokair and Abdul Majeed bin Abdulaziz Alhokair. At the end of the year, there were 704 new shops rented from Arabian Centers Company, as follows:

Name of the mall	City	Number of rented shops in the mall	Duration of the contract in years	Total
Al Noor Mall	Medina	34	3 years	38
		3	3.5 years	
		1	2 years	
Aziz Mall	Jeddah	35	3 years	39
		4	3.5 years	
Al Ahsa Mall	Hofuf	12	3.5 years	21
		9	3 years	
Haifa Mall	Jeddah	31	3 years	32
		1	4.5 years	
Jouri Mall	Taif	23	3 years	45
		22	3.5 years	
		1	1 year	
Jubail Mall	Jubail	15	3.5 years	26
		10	3 years	
Khurais Plaza	Riyadh	22	3 years	22
		4	8 years	
Mecca Mall	Makkah	27	3 years	34
		3	4 years	
		48	3 years	
Arab Mall	Jeddah	1	3.5 years	58
		2	1 year	
		2	5 years	
		1	6.5 years	
		2	7 years	
		2	8 years	
Dhahran Complex	Dammam	48	3 years	61
		12	3.5 years	
		1	5 years	
Al Nakheel Plaza	Qassim	20	3 years	20

Name of the mall	City	Number of rented shops in the mall	Duration of the contract in years	Total
Al Salaam Mall	Jeddah	15	3 years	40
		23	3.5 years	
		1	5 years	
		1	7 years	
Salam Mall	Riyadh	23	3 years	26
		2	3.5 years	
		1	5 years	
Salma Mall	Hail	16	3 years	16
Al Nakheel Mall	Riyadh	35	3 years	68
		31	3.5 years	
		1	1.5 years	
		1	2.5 years	
Tala Mall	Riyadh	7	3 years	20
		13	3.5 years	
Jasmine Mall	Jeddah	8	3 years	48
		40	5 years	
Al Nakheel Mall	Dammam	44	5 years	47
		1	3 years	
		2	10 years	
Al Hamra Mall	Riyadh	38	5 years	40
		2	3 years	
U Walk	Riyadh	1	10 years	3
		2	3 years	
Total		704		

- Rents paid in favor of the Egyptian Centers Company owned by Fawaz Abdulaziz Alhokair, Salman Abdulaziz Alhokair and Abdul Majeed Abdulaziz Alhokair. The total number of shops rented from the Egyptian Centers Company in its own Mall of Arabia located in the City of Cairo in the Arab Republic of Egypt is 13. The duration of the transaction is 1 year.
- An amount of SAR 1.7 million, the value of printing and advertising costs, paid to Hagen Co., Ltd., in which FAS Holding Co. is a shareholder.

It should be noted that all these transactions were carried out considering competitive and fair prices. The balances due to the related companies as on 31 March 2022 were as follows (the figures are rounded):

Company's name	Balance type	Balance as at 31 March 2022 (SAR million)	Balance as at 31 March 2021 (SAR million)
Arabian Centers Company	Debit/Credit	(131.8)	(90.2)
Food and Entertainment	Debit/Credit	(10.5)	(14.1)
Wonderful Meals Co. Ltd	Debit/Credit	(23.5)	(16,6)
Hagen Company Ltd.	Debit/Credit	(0.3)	(0.8)
FAS Saudi Holding Co.	Debit/Credit	267.6	183.7
AlFaridah Trading Agencies Ltd.	Debit/Credit	10.4	6.3
Amwal Alkhaleej Company	Debit/Credit	2.2	2.2

Governance

14. Board Members’ Remuneration

The members of the Board of Directors were entitled to a total remuneration of SAR 1,800,000 for the financial year ending on 31 March 2022, which will be presented at the next General Assembly for approval. The members of the Board also received allowances for attending the Board meetings during the year, totaling an amount of SAR 465,000, at SAR 15,000 per session attended, as stipulated in the Articles of Association of the Company approved by the Extraordinary General Assembly in its session held on 18 April 2017.

	Fixed rewards						Variable rewards							
	A specified amount	Allowance for attending Board sessions	Total allowance for attending Board sessions	In-kind benefits	Rewards for technical, administrative and advisory works	Remunerations of the Chairman, Managing Director, or Secretary, if they are members	Total	Percentage of profits	Regular rewards	Long-term motivational plans	Shares granted (value is entered)	Total	End of service gratuity	Total summation
First: Independent Members														
1. Mr. Eid Faleh Al Shamry	200,000	45,000					245,000							245,000
2. Mr. Khaled Walid Al-Shakhshir	200,000	60,000					260,000							260,000
3. Mr. Mansour Abdel Wahab Qazi	150,000	45,000					195,000							195,000
4. Mr. Basem Abdullah Al-Salloum	200,000	60,000					260,000							260,000
5. Mr. Ahmed Saleh Al-Sultan	200,000	60,000					260,000							260,000
6. Mr. Mohamed Rafiq Murad	50,000	15,000					65,000							65,000
Total	1,000,000	285,000					1,285,000							1,285,000
Second: Non-Executive Members														
1. Mr. Fawaz Abdul Aziz Alhokair	200,000	30,000					230,000							230,000
2. Dr. Abdul Majeed Abdul Aziz Alhokair	200,000	60,000					260,000							260,000
3. Eng. Omar Abdulaziz Al-Mohammadi	200,000	30,000					230,000							230,000
4. Mr. Abdul Majeed Abdullah Al-Basri	200,000	60,000					260,000							260,000
Total	800,000	180,000					980,000							980,000
Grand Total	1,800,000	465,000					2,265,000							2,265,000

15. Remuneration of Committee Members

	Fixed remuneration (except for the allowance for attending sessions)	Allowance for attending sessions	Total
Audit Committee members			
1. Dr. Suleiman Abdullah Al-Sukran	100,000	90,000	190,000
2. Mr. Eid Faleh Al Shamry	100,000	90,000	190,000
3. Mr. Saad Ibrahim Al-Mushawah	100,000	90,000	190,000
Total	300,000	270,000	570,000
Remuneration and Nomination Committee members			
1. Mr. Khaled Walid Al-Shakhshir	75,000	20,000	95,000
2. Eng. Omar Abdul Aziz Al-Mohammadi	75,000	20,000	95,000
3. Mr. Abdul Majeed Abdullah Al-Basri	75,000	20,000	95,000
4. Mr. Mohamed Rafiq Murad	-	5,000	5,000
Total	225,000	65,000	290,000
Executive Committee members			
1. Dr. Abdul Majeed Abdul Aziz Alhokair	75,000	50,000	125,000
2. Eng. Omar Abdul-Aziz Al-Mohammadi	75,000	25,000	100,000
3. Mr. Abdul Majeed Abdullah Al-Basri	75,000	50,000	125,000
4. Mr. Marwan Aziz Moukarzel	75,000	50,000	125,000
5. Mr. Mohamed Rafiq Murad	18,750	5,000	23,750
Total	300,000	180,000	498,750

16. Waiver of Rights to Salary, Compensation or Profits

The Company did not receive any waivers from any of the Shareholders, Senior Executives or members of the Company's Board of Directors regarding any of their rights, whether in profits, salaries or compensation.

17. Salaries, Remuneration and Compensation of Senior Executives

The 5 Senior Executives, including the Chief Financial Officer and the Company's Chief Executive Officer, who are not members of the Board of Directors, during the tenures of their current positions throughout the fiscal year ending on 31 March 2022, received salaries, bonuses and compensation amounting to SAR 10.7 million. The following table shows a statement of these amounts:

	Fixed rewards				Variable rewards					End of service gratuity	Total executive remuneration for the Board, if any	Total summation
	Payroll	Allowances	In-kind benefits	Total	Regular rewards	Earnings	Short-term incentive plans	Granted shares (value is entered)	Total			
Chief Executive Officer	5,062,500	1,828,125		6,890,625								6,890,625
Chief Financial Officer	1,155,648	404,352		1,560,000								1,560,000
Chief Human Resources Officer	94,968	33,981		128,948								128,948
General Manager – Operations	1,066,680	385,320		1,452,000								1,452,000
Chief of Commercial Sector	675,000	75,000		750,000								750,000
Total	8,054,796	2,726,778		10,781,573								10,781,573

Governance

17.1 Experience and qualifications of Senior Executives

Name	Qualifications	Areas of expertise	Current role	Previous role
Mr. Marwan Aziz Moukarzel	Master of Business Administration	15 years of experience in retail sales	Chief Executive Officer	Director General
Mr. Ahmed Belbeisi	CMA CFM	15 years of experience in retail sales	General Manager of Financial Affairs	General Manager of Financial Affairs
Mr. Mohammed Al-Shamry	PhD in Strategic Planning CIPS sPHRI	Human capital and institutional communications and public services	Chief Executive Officer – Operations	Executive Vice President of Human Resources and General Services
Mr. Salim Fakhori	Master of Business Administration Accounting and Auditing Diploma Executive Management Program / Business Administration	20 years of experience in apparel and finance	Chief of Commercial Sector	Chief of Fashion Sector in Azadea Holding Group
Mr. Nezar Darwish	Bachelor's degree in IT Management	More than 10 years of experience in human resources management	Chief Executive Officer – Human Capital	HR Manager – Hikma Pharmaceuticals, KSA

17.2 The relationship between the remuneration granted to members of the Board of Directors and Executive Management and the applicable remuneration policy, and statement of any material deviation from this policy

Remunerations are disbursed to members of the Board of Directors, members of the sub-committees and Senior Executives in accordance with the regulatory controls approved by the Board of Directors and as stipulated in the Company's Articles of Association approved by the General Assembly, as well as the remuneration policy based on the recommendation of the Remuneration and Nomination Committee.

18. Statutory Payments Due

Regular payments due (SAR million)				
Government Agency	Actual amounts paid in the fiscal year ending 31 March		Balances due in the fiscal year ending 31 March	
	2022	2021	2022	2021
Customs fees		190	-	-
Zakat and tax		46	-	(51.2)
General Organization for Social Insurance	72	28	-	-
Visa and passport costs	11	23	-	-
Others "Municipality fees and shop licenses"		20	-	-
Total		307	-	(51.2)

19. Zakat and Income Tax

Zakat position of the Company and its local subsidiaries

The Company submitted its Zakat returns to the General Authority for Zakat and Income Tax for all years up to 31 March 2022. The Zakat certificate was received for the fiscal year ending on 31 March 2021. The Company obtained a final assessment for the fiscal years from 31 March 2008 to 31 March 2014. The Zakat returns are still under review by the Authority for the years spanning the period from 31 March 2015 to 31 March 2019.

Tax position of foreign subsidiaries

Income tax returns for subsidiaries in the United States of America have been submitted to the relevant tax authorities for the years up to 31 March 2022.

The income tax returns for subsidiaries in Jordan, Egypt, Kazakhstan, Morocco, Georgia, Azerbaijan, Armenia and the Balkans have been filed for all years up to 31 March 2022.

At the end of the fiscal year ending on 31 March 2022, the Company made a provision of SAR 14.1 million to meet the Zakat and income tax dues until the fiscal year ending on 31 March 2021. The transactions conducted on the provision for Sharia Zakat and income tax during the fiscal year ending on 31 March 2021 are as follows:

Movement of provision for Zakat and income tax	Legal Zakat (SAR)	Income tax (SAR)	Total Zakat and income tax (SAR)
Allocated balance on 1 April 2021	4,595,452	6,206,703	10,802,155
Allocated for the fiscal year ending on 31 March 2022	17,392,802	4,590,275	21,983,077
Paid during the fiscal year ending 31 March 2022	(7,999,484)	(9,103,747)	(17,103,231)
Changes in estimates of Zakat related to prior years	24,100,628	-	24,100,628
Other liabilities	(23,934,353)		(23,934,353)
Provision balance on 31 March 2022	14,155,045	1,693,231	15,848,276

Based on the Company's Management estimates, the provision for Sharia Zakat and income tax is sufficient for the fiscal year ending on 31 March 2021.

20. Investments and Reserves Created for the Benefit of Employees

There are no investments or reserves created for the benefit of employees, except for those prescribed by the labor system in the Kingdom of Saudi Arabia.

21. Acknowledgments of the Board of Directors

- That the account records are properly prepared.
- The internal controls were prepared on sound foundations and implemented effectively.
- There is no doubt about the issuer's ability to continue its activity.
- The Company's consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants, as well as international accounting standards.
- The Company or its subsidiaries have not issued any securities such as option shares or rights that can be converted into shares (convertible debentures).
- There are no voting shares.
- There are no outstanding loans during the year.
- There are no loans for any of the members of the Board of Directors.
- The Company has not concluded any transaction related to its shares.
- There were no transactions in the Company's shares with any member of the Board of Directors, or any member of their families other than those mentioned previously.
- The Company has not received any waiver of rights from any Shareholder in the Company.
- There are no investments or other reserves created for the benefit of the Company's employees.
- Board Members and Senior Executives of the Company do not have any rights or interests in the Company, except for the previously mentioned transactions with related companies.

22. Penalties and Fines

No fine was imposed on the Company for the year ending on 31 March 2022.

Governance

23. Board of Directors Proposals

- Approval of the report of the Board of Directors for the fiscal year ending on 31 March 2021.
- Approval of the Company's financial statements as of 31 March 2021, and the Company's auditor's report for the fiscal year ending on the same date.
- Approval of the Board of Directors' recommendation to pay a remuneration to members of the Board of Directors according to the Company's Articles of Association at the rate of SAR 200,000 for each member in addition to an allowance for attending the meetings of the Board of Directors at SAR 15,000 for each session, as well as an allowance for attending the sessions of the sub-committees at the rate of SAR 10,000 for each session of the Audit Committee and SAR 5,000 for each session of the Nomination and Remuneration Committee and the Executive Committee.
- Approving the discharge of members of the Board of Directors from liability for the fiscal year ending on 31 March 2021.
- Approval of the appointment of the chartered accountant nominated by the Audit Committee to review the financial statements for the fiscal year 2021 "the financial period from 1 April 2021 to 31 March 2022", the quarterly financial statements, and determining their fees.
- Recommendation to the General Assembly to restructure the capital of the Company by reducing the capital and, afterwards, increasing the capital by issuing priority shares.

24. Auditor's Report

The external auditor's report on the Company's annual financial statements on 31 March 2022 did not include any paragraphs that requires attention.

25. Corporate Governance and Internal Control System

25.1 Corporate Governance

The Company continuously works to apply the best practices of governance that protect the rights of Shareholders and Stakeholders. The Company's Board of Directors has set its priorities, at the top of which are listing the Company's shares for trading in the financial market in the fiscal year 2006-2007 and establishing and implementing a corporate governance system that complies with the requirements of the corporate governance regulations issued for the Board of the Capital Market Authority.

The Company's successive Boards of Directors have taken numerous measures and issued several policies in accordance with the supervisory framework and the rules of transparency and disclosure contained in the Corporate Governance Regulations issued by the Authority. The measures and policies are:

Fiscal year	Corporate governance activities
2006/2007	Beginning in the fiscal year 2006/2007, several policies were approved, and a number of measures were taken to meet the requirements of the corporate governance regulations, the most important of which were the following:
	1. Issuing the general financial policies guide for all the Company's main business cycles and training all concerned employees thereon.
	2. Issuing job and professional conduct rules for the Company's employees.
	3. Reorganizing the Company's Internal Audit Department in accordance with internationally recognized professional rules.
	4. Conducting an introductory course on the internal controls for all Executives in the Company's financial affairs.
2007/2008	5. Preparing a financial regulation to delegate the powers and authorities to the Management of the Company.
	In October 2007, the Company completed the issuance of several regulations aimed at implementing the requirements of governance, as follows:
	1. The rules for forming the Audit, and Nomination and Remuneration Committees.
	2. Shareholders' Rights Policy Regulations and the General Assembly.
	3. A regulation of disclosure and transparency policy and procedures.
	4. Bylaws of the Board of Directors.
	5. Conflict of interest policy for members of the Board of Directors and Shareholders.

Fiscal year	Corporate governance activities
2011/2012	Assessment conducted by the consulting office "Deloitte – Bakr Abu al-Khair and Partners" of the application of corporate governance in the Company and reviewing the quality of performance of the Company's Internal Audit Department.
	Desiring to abide by all the articles of the corporate governance regulations issued by the Authority and to ensure the application of the best international practices of governance that guarantee the rights of Shareholders and of Stakeholders, the Company's Board of Directors assigned Deloitte – Bakr Abu Al-Khair & Partners ("the Consultant") the task of evaluating the application of governance in the Company, the effectiveness of the arrangements adopted by the Company in this context, in accordance with the regulations and instructions issued by the Authority, and the best practices adopted by the leading international bodies in the field of corporate governance, including the New York Stock Exchange and the Nasdaq Stock Exchange in the United States of America. In addition, the Consultant was tasked with reviewing the quality of performance of the Company's Internal Audit Department, and the Consultant's report concluded that:
	- The Company is highly compliant with the requirements of the corporate governance rules issued by the Authority but it needs to improve a number of aspects to be consistent with the leading international practices in corporate governance. - The performance of the Company's Internal Audit Department conforms to the general requirements of professional performance standards issued by the Institute of Internal Auditors in the United States of America, and it is considered one of the best internal audit departments in the Middle East.
2012/2013	The Chairman of the Board of the Capital Market Authority and Chief Executive Officer at the time were informed of the results of the Consultant's work in a meeting in March 2012. During the meeting, Dr. Abdul Majeed Alhokair, Managing Director of the Company, expressed his happiness with the results attained by the Company in the field of governance application. At the same time, Dr. Abdul Majeed Alhokair emphasized that the Company's Board of Directors is keen to spare no effort to move forward in developing and implementing a program for continuous improvement of the Company's governance and its control environment, and to be among the leading companies in the Kingdom in the field of corporate governance.
	During the fiscal year 2012/2013, the Company embarked on a full review of all work manuals, policies, regulations and procedures it issued in the field of governance with the aim of improving all aspects highlighted by the Consultant's report. The articles of the corporate governance regulations were considered and the application of which was mandated by the Board of the Capital Market Authority during the 2 years ending in 2012 and 2013. Consequently, the Company issued, during the fiscal year 2012/2013, the revised version of its governance guides and policies, which included the following: 1. Corporate Governance Manual 2. Board of Directors' work guide 3. Shareholders Guide 4. Conflict of Interest policy for Board Members, employees, and Shareholders 5. The Code of Conduct and Professional Conduct for Company Employees 6. Insider trading policy 7. The Company's Social Responsibility policy 8. Policies, standards and procedures for membership on the Board of Directors, which were approved by the Company's General Assembly in its session on 25 March 2013
2013/2014	In accordance with the provisions of Paragraph (C) of the Corporate Governance Regulations issued by the Authority, which stipulates setting up a "governance system for the Company – in a manner that does not conflict with the provisions of this regulation – and general supervision thereof, monitoring its effectiveness and amending it when needed," which was issued by the Authority's Board Resolution No. (3- 40-2012) and dated 30 December 2012, obligating companies whose shares are listed in the Saudi Stock Exchange (Tadawul) starting from 30 June 2013.
	The Company has developed its own governance system, including a framework. The system was approved by the Company's General Assembly in its session held on 16 July 2013, after being approved by the Company's Board of Directors. A copy of the system was delivered to the Authority on 30 June 2013. The Company's corporate governance system works as follows: 1. The organizational structure of corporate governance 2. The main principles of the corporate governance system 3. Disclosure and transparency policy 4. Board of Directors' work guide 5. Policy and procedures for membership on the Board of Directors 6. Board committees 7. Code of work ethics and conduct 8. Policy of regulating conflict of interest 9. Insider trading policy 10. Shareholders Guide 11. The Company's social contribution policy 12. Mechanisms for evaluating the effectiveness of job performance, in order to evaluate the effectiveness of the performance of each of the members of the Board of Directors and its Committees on a regular basis, as one of the basic principles on which the corporate governance system is based.

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Fiscal year	Corporate governance activities
2014/2015	<p>In the context of ensuring a full understanding of the requirements of its governance system, and ensuring the safety of its practices, the Company organized, during the fiscal year, a number of workshops for the Company's Executive Managers and members of the Board of Directors, in order to introduce the practical framework of its governance system, and its alignment with the strategic visions of the Board of Directors. Additionally, this ensures its practical application in a comprehensive and accurate manner.</p> <p>The charter of functional and professional conduct for the Company's employees was also reviewed and redistributed to the employees, in addition to reviewing the financial regulations for delegating powers and authorities and distributing them to the Company's Management to help employees discharge their duties.</p>
2015/2016	<p>Within the framework of the Company's plans to strengthen and develop mechanisms for the continuous review of its governance system, with the aim of keeping pace with all corporate governance provisions issued by the Authority and maintain its efficiency and effectiveness in light of all developments in the Company's internal and external work environment.</p> <p>The Company contracted with a strategy consultant to implement a project for the transformation and strategic rearrangement of the Company's various functions and the development of a new operating system, which includes a review of policies and procedures, structures of delegation of powers and authorities, and the development of the Company's governance system.</p>
2016/2017	<p>Completing the project of transformation and strategic rearrangement of the Company's various functions, developing the operating system, policies and procedures, delegating powers and authority structures, and developing the governance system for the Board of Directors and Executive Management.</p> <p>On 21/07/1438 AH corresponding to 18 April 2017, the Company's Articles of Association were amended to agree with the joint stock Companies System Model issued by Ministerial Resolution No. 18379 dated 01/06/1437 AH, in accordance with the requirements of Article 224 of the Companies Law, and approval of the formation of the Audit Committee, its duties and controls, and the remuneration of its members.</p>
2017/2018	<p>The project of transformation and strategic rearrangement of the Company's various functions has been completed, and its operating system has been developed and implemented. The Company has also made great strides in updating its governance policies and guide to keep pace with all the amendments and developments in both the corporate system issued by Royal Decree No. M/3 dated 28/01/1437 AH, and the revised Corporate Governance Regulations issued by the Authority's Board pursuant to Resolution No. (8-16-2017) dated 16/05/1438 AH corresponding to 13 February 2017, based on the Companies Law issued by Royal Decree No. M/3 dated 28/1/1437 AH.</p>
2018/2019	<p>During the year 2018/2019, the Company reviewed its governance guide and policies in accordance with the Saudi Companies Law, the rules for offering securities and continuing obligations, and the amended corporate governance regulation issued by the decision of the Board of the Capital Market Authority No. 3-45-2018 dated 07/08/1439 AH corresponding to 23 April 2018. The Company also identified all the paragraphs that needed to be updated in accordance with these amendments and updated them for approval and practical application.</p>
2019/2020	<p>Approval of the amendments to the corporate governance guide and policies, and the evaluation carried out by Protiviti, the consulting company, of the performance of the Internal Audit Department.</p> <p>During the fiscal year 2019/2020, the Company approved amendments to its governance guide and policies, with regard to disclosing financial information, providing the authority and announcing to Shareholders the initial and annual financial statements to comply with the Saudi Companies Law, amendments to the rules for offering securities and continuing obligations, and the corporate governance regulation issued by the Capital Market Authority to be appropriate for implementation.</p> <p>Protiviti was also contracted to review the quality of the performance of the Company's Internal Audit Department. The initial general evaluation found that "the Company's internal audit generally conforms to the standards of the Institute of Internal Auditors, with a number of opportunities for improvement in relation to compliance with some standards."</p>
2020/2021	<p>The final evaluation by the consulting office, Protiviti, of the quality of performance of the Internal Audit Department of the Company, and the application of the proposed improvements</p> <p>Desiring to abide by all the articles of the corporate governance regulations issued by the Authority and to ensure the application of the best international practices of governance that guarantee the rights of Shareholders and of Stakeholders, the Company's Board of Directors assigned Protiviti with the task of reviewing the quality of performance of the Company's Internal Audit Department, and the final report was completed. The Consultant report identified opportunities for continuous improvement in the work of the Company's Internal Audit Department, in a way that contributes to enhancing the quality of its performance in the following areas:</p> <ol style="list-style-type: none">1. Comprehensive risk assessment and internal audit planning2. Implementation of operations/stores audit3. Enhancing the scope of the corporate governance audit4. Enterprise risk assessment and risk management5. Internal audit at the Management team and competency level6. Strengthening the process of planning participation and implementation7. Internal audit reports8. The organizational independence of the Internal Audit Department <p>The Audit Committee directed the immediate implementation of all aspects of improving the quality of the performance of the Company's Internal Audit Department, and the periodic follow-up of its implementation.</p>

Fiscal year	Corporate governance activities
2021/2022 "Scheme"	<p>During the fiscal year 2021/2022, the Company aims to periodically review the Company's governance applications and practices, verify compliance with all corporate governance rules and the ongoing commitments issued by the Capital Market Authority, and follow up on the implementation of the improvements proposed by Protiviti. The objective is to enhance the quality of the Internal Audit Department's performance. The Company further seeks to enhance compliance with the professional framework of performing internal audit tasks, as issued by the International Institute of Internal Auditors. The Company continuously follows up on any future amendments to the relevant laws and regulations issued by legal authorities, especially those that may require amending the Company's governance guide and policy of compliance. Further, it follows up on the implementation of procedures that ensure agreement with the guiding rules contained in the Corporate Governance Regulation issued by the Authority.</p>
2021/2022	<p>The Company has revised and updated its governance regulations and policies in accordance with the amendments made by the supervisory authorities and in line with the best national and international practices. Exercising its authorities as per the Corporate Governance Regulation issued by the Capital Market Authority, the Board approved amendments to the following regulations and policies:</p> <ol style="list-style-type: none">1. Company's governance regulations2. Executive Committee's work regulations3. Policy and procedures for membership in the Board of Directors4. Dividend payment policy5. Stakeholder relations policy6. Code of Professional Conduct7. Insider trading policy8. Conflict of interest policy9. Disclosure policy and procedures <p>The Board of Directors made a recommendation to the General Assembly to approve the governance policy amendments in accordance with the powers vested in the Assembly as stipulated by the Corporate Governance Regulation issued by the Capital Market Authority. The amendments include:</p> <ol style="list-style-type: none">1. Audit Department work regulation2. Nomination and Award Committee work regulation3. Policy of remunerations for members of the Board, its sub-committees and Executive Management4. Policy, standards and procedures of the Board membership5. Policy of competition for Board members

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25.2 Applying the provisions of the Corporate Governance Regulations

In accordance with the requirements of Article 90 Paragraph (1) of the Board of Directors’ Report of the Corporate Governance Regulation, the Company has implemented all the Articles, except for the Articles shown in the following table:

Article	Paragraph	Obligatory/ optional	Execution position	Causes and Company procedures
Article 39: Training	2	Optional	Not applicable	Work is currently underway to put the necessary mechanisms in place for the members of the Board of Directors and the Executive Management to receive continuous training programs and courses in order to develop their skills and knowledge in areas related to the Company's activities.
Article 41: Evaluation	All paragraphs	Optional	Not applicable	The necessary mechanisms are currently being arranged to evaluate the performance of the Board, its members, Committees, and Executive Management annually. This is to develop appropriate performance measurement indicators related to the extent to which the Company's strategic objectives are achieved, the quality of risk management, and the adequacy of internal control systems, etc. The strengths and weaknesses shall be identified, and a proposal will be developed to address them in line with the Company's interest.
Article 70: Formation of a Risk Management Committee		Optional	Not applicable	An optional article and its application will be decided soon.
Article 71: Functions of the Risk Management Committee		Optional	Not applicable	An optional article and its application will be decided soon.
Article 72: Meetings of the Risk Management Committee		Optional	Not applicable	An optional article and its application will be decided soon.
Article 85: Motivating Employees	All paragraphs	Optional		An optional article and its application will be decided soon.

26. Annual Review of the Effectiveness of Control Procedures

The Audit Committee consists of 3 Independent Non-Executive members specialized in finance and accounting. One of the 3 members is an Independent Board member. The Committee assumes the following responsibilities:

- Supervising the Internal Audit Department to ensure its effective discharge of duties set forth by the accounting policies approved by the Board of Directors and other competent agencies.
- Reviewing internal auditing reports and following up on implementing the corrective measures of the notes made by the reports.
- Making recommendations to the General Assembly on the appointment, dismissal, and fees of the external auditors. The Committee verifies the external auditors’ independence and monitors their work. Further, it discusses and approves the audit plan in cooperation with the external auditor.
- Reviewing notes and remarks made by the external auditor on the Company's financial statements, along with the actions taken in this regard. Additionally, the Committee reviews the quarterly and annual financial statements to give its opinion and make recommendations thereon before being submitted to the Board of Directors for approval.
- Evaluating the effectiveness of the Company's assessment of key risks and the actions taken by the Management to monitor and mitigate such risks. The Committee shall submit its opinion in this regard.
- Presenting an annual report to the General Assembly on the detailed performance, roles and duties of the Committee as provided for by the Companies’ Law and its executive regulations. The report shall include the Committee's recommendations and opinion on the effectiveness of the internal and financial controls as well as the risk management controls of the Company.
- Presenting an annual report to the Shareholders describing the Committee's composition, responsibilities, discharge of its duties and any other information required by the competent authorities, including the approval of non-audit services.

The Company has an independent Internal Audit Department that reports directly to the Board of Directors and the Audit Committee. The Internal Audit Department carries out its work in accordance with its approved charter. It provides independent and objective services with the aim of supporting the Board of Directors, the Audit Committee and the Executive Management in carrying out their responsibilities. The Internal Audit Department does not fall under the influence of the Executive Management and has full powers for complete and unrestricted access to all documents, as required to perform its duties. In carrying out its duties, the Internal Audit Department has adopted a systematic approach to assess and improve the effectiveness of internal controls in order to achieve the Company's objectives and safeguard its assets. The scope of work of the Department includes examining the adequacy and effectiveness of the Company's internal controls to verify whether such controls have been adequately and accurately implemented to ensure the achievement of the Company’s objectives.

26.1 Auditing during the year

Throughout the fiscal year ending on 31 March 2022, the Audit Committee conducted the following:

- Reviewing the quarterly and annual financial statements of the Company and making recommendations on the statements before being submitted to the Board of Directors for approval.
- Soliciting a number of outsourcing offers of internal audit services to manage the internal audit process for 2 years. The contract was awarded to Crowe Company.
- The Committee submitted 3 letters to the Board of Directors on 3 issues of paramount importance as follows:
 - First letter: on 29 June 2021, regarding risks related to essential issues raised by the external auditor's letter. These include the inventory, the Oracle system applied in the Company, the administrative structure of the Company, the enhancement of internal audit management, and the amounts related to Stakeholders and sister companies.
 - Second letter: on 7 November 2021, regarding the amounts related to Stakeholders and sister companies which are referred to by the external auditor's letter where they then accounted for SAR 422 million.
 - Third letter: on 7 November 2021, regarding the audit report written by the Protiviti team on assessing and reviewing the inventory management and the main actions taken by the Company's Management to write off and calculate the inventory provisions, and the significant remarks and recommendations made in the report which were discussed with the Management.
- Meeting the Company's external and internal auditors and ensuring that the Company's Management has made all the data and information required to perform their duties available to them.
- Follow up with the Board of Directors and Executive Management to ensure addressing key issues such as:
 - The reappointment of external auditors
 - Applying the Oracle program and strengthening accounting books’ controls
 - Appointing Crowe Company as a provider of internal audit services
 - The Company's risk management system
- Enhancing policies, procedures, controls and governance around:
 - Commercial inventory, inventory provision, and stocktaking
 - Fixed assets, including inventory and depreciation
 - Applying IFRS 16 – Leases to ensure its relevance to the Company and consistency with the international auditing policies
- Reviewing and approving the annual plan of the Internal Audit Department.
- Reviewing and approving the charter, manual, and protocols of internal audit.
- Reviewing the annual report of the internal audit and following up on addressing the notes and implementing the recommendations of the internal audit.
- Assessing the impact of Covid-19 on the Company and the actions taken by the Management in this regard.

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26.2 Results of the annual review of the effectiveness of the Company’s internal audit procedures

The annual review of a selected sample of the internal controls during the fiscal year ending on 31 March 2022 by the Committee and the Internal Audit Department, as well as the reports of the external auditors, found that the internal controls have a fundamental weakness. This flaw was previously highlighted by the Audit Committee's report for the fiscal year ending 31 March 2021. The Board of Directors and the Executive Management should work simultaneously to develop and improve internal controls, risks, governance and activities related to a number of internal control objectives, which mainly covers inventory operations, fixed assets, financial reports, activities with related parties, information systems, and human resources.

Considering the report of the external consultant (Protiviti), the Audit Committee noticed that there are serious flaws in the control procedures and policies, especially stock provisions, etc. The final report was submitted to and discussed with the Board of Directors. The Crowe report (internal audit service providers) stated that there has been no action taken to date to correct this weakness. There has also been a major flaw in human resource management and information systems.

The external auditor’s report detected an irregularity that involves the amounts owed by related parties and sister companies, amounting to SAR 410 million at that time.

The Committee also found that the inventory management procedures applied in stores and warehouses have a defect that amounts at some stages to a material irregularity. This warrants the Company to reconsider the policies and procedures for managing the entire inventory.

Given the importance of the role of managing risks before they negatively impact the Company’s business, the Committee recommended the establishment of an Independent Risk Committee.

26.3 Management decisions

The Company’s Management has adopted policies and procedures to develop and improve control procedures and activities associated with all its business cycles. The Management has developed an action plan to implement the proposals and recommendations of internal audit to strengthen the effectiveness of its internal controls.

27. Hiring Saudi Nationals and the Social Contribution Program

The Company believes that hiring Saudi nationals is a strategic goal and a vital national program. Therefore, the Company spares no effort to achieve this goal. Despite the slow growth and sharp contraction of the global economy caused by the Covid-19 pandemic, the Company has, against all odds, managed to maintain its national employees and cadres, except for a slight reduction of less than 5% of the average national hiring rate over the past year. It has done so while fully and continuously maintaining its platinum status of job localization, reaching about 70%.

The Company has an established policy which is being applied by a program that aims to provide employment, support, and training opportunities for nationals in the Company’s Management. The Human Resource Department proposes and discusses strategies with the Company’s business units in order to design training programs for professional development and career paths for employees.

The Company’s endeavors in this regard during the current year were as follows:

Introducing programs to develop and qualify Saudi employees and candidates for leading positions, including:

Establishment of Fawaz Al Hokair Academy

The Company cooperated with the General Corporation for Technical and Vocational Training represented by the National Center for Strategic Partnerships to establish a non-profit institute. A license was obtained under the name Al Hokair Retail Academy with the No. 141221 dated 5/10/1443 AH. This is in line with the Company’s endeavors to align the Al Hokair Retail Academy with Vision 2030 in terms of the following:

1. Employing and qualifying Saudi males and females to work in the Company according to the best performance standards in various jobs.
2. Increasing women’s opportunities to assume leading positions in various departments after the necessary training and qualification for each job.
3. Training the trainees according to international standards to work in the retail sector given the Company’s cooperation with the famous brands, which contribute to the transfer knowledge and skills of workers in the same brand.

The Company supports the Saudization efforts by the Human Resources Development Fund in terms of attracting job seekers from various recruitment sources to test and interview them to ensure that each candidate is employed as appropriate to their qualifications and capabilities.

Introducing programs to develop and qualify Saudi employees and candidates for leading positions, including:

1. National Cadre Sourcing programs by participating in open recruitment days and workshops throughout the year in cooperation with the Chambers of Commerce and Industry in the regions of Riyadh, Jeddah, Dammam, Jizan, and Abha.
2. Participation in cooperative training with King Saud University, Princess Nourah bint Abdulrahman University and Al-Faisal Academy to attract students who demonstrated talent during the training.
3. Participation in the career day for university and college graduates.

Introducing the Employment Support Program:

This is one of the employment support programs provided by the Human Resources Development Fund. It was launched in April 2020 as a support initiative for the private sector. The Fund supports job seekers in the private sector by paying a part of the employee’s salary starting from 1 July 2019, including any recruitment in the private sector on later dates. The Program also covers various jobs in the private sector, full-time and remotely. It also focuses on recruitment in the under employed regions and cities and on the employment of females and the disabled. Thanks to the program, the number of employees recruited has reached 3,663 to date, as of May 2021, and it is expected to increase to 4,200.

Agreements and cooperation with a group of centers, departments, websites and volunteers in social media programs in the field of Saudi employment in a group of cities across the Kingdom, including:

1. Chambers of Commerce
2. Human Resources Fund (TAQAT)
3. Various charities
4. Websites and accounts on social networking sites
5. Human Resources Development Fund (HADAF)

Introducing the national plan for employment in the private sector – Saudization Program

In cooperation with the Ministry of Human Resources and Social Development, the initiative of the National Plan for Employment in the Private Sector was signed. The initiative has been adopted by the Ministry of Human Resources and Social Development. The Saudization Program is designed to localize jobs through employing job seekers who are new to the labor market or have been out of a job for over 3 months. The Ministry wishes to cooperate with various major entities as well as fast-growing companies to target a specific percentage and number of jobs and professions to be localized, while creating a suitable work environment to accommodate the nationals and provide job stability. In addition, the Company wishes to take part in the national employment program of the private sector (The Saudization Program) to provide suitable job opportunities for the national male and female citizens.

Community participation in many activities, including:

Developing Skills Program (Tamheer)

This is an on-the-job training program for Saudis, both males and females, who graduated from local and foreign universities accredited by the Ministry of Education. It aims to train them in the Saudization-leading companies, so that they can acquire the necessary expertise and skills to be qualified for the labor market.

Tamheer is intended for male and female graduates holding a Bachelor’s, Master’s or PhD who have been unemployed for the last 6 months.

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28. General Assembly of the Shareholders

The Company held 1 General Assembly meeting during the fiscal year ending on 31 March 2022. The following table details the date of the meeting and names of the Board members who attended:

Date of the meeting	Attendance by the members of the Board of Directors	Remarks
28/09/2021	Eng. Omar Abdul Aziz Al-Mohammadi Dr. Abdul Majeed Abdul Aziz Alhokair Mr. Abdul Majeed Abdullah Al-Basri Mr. Khaled Walid Al-Shakhshir Mr. Mansour Abdel Wahab Qazi Mr. Ahmed Saleh Al-Sultan Mr. Bassem Abdullah Al-Salloum Mr. Eid Faleh Al Shamry	

29. Shareholder Register Requests

The Company requested the Shareholders' register 10 times during the fiscal year for the period from 1 April 2021 to 31 March 2022, the details of which are as follows:

Serial number	The date of request	Reason for requests
1	12/04/2021	Corporate Actions
2	03/05/2021	Corporate Actions
3	10/05/2021	Corporate Actions
4	03/06/2021	Corporate Actions
5	08/07/2021	Corporate Actions
6	12/07/2021	Corporate Actions
7	09/08/2021	Corporate Actions
8	12/09/2021	Corporate Actions
9	12/09/2021	Corporate Actions
10	13/09/2021	Profits
11	27/09/2021	General Assembly
12	27/10/2021	Corporate Actions
13	17/11/2021	Corporate Actions
14	07/12/2021	Corporate Actions
15	13/03/2022	Corporate Actions
16	15/03/2022	Corporate Actions
17	16/03/2022	Corporate Actions



