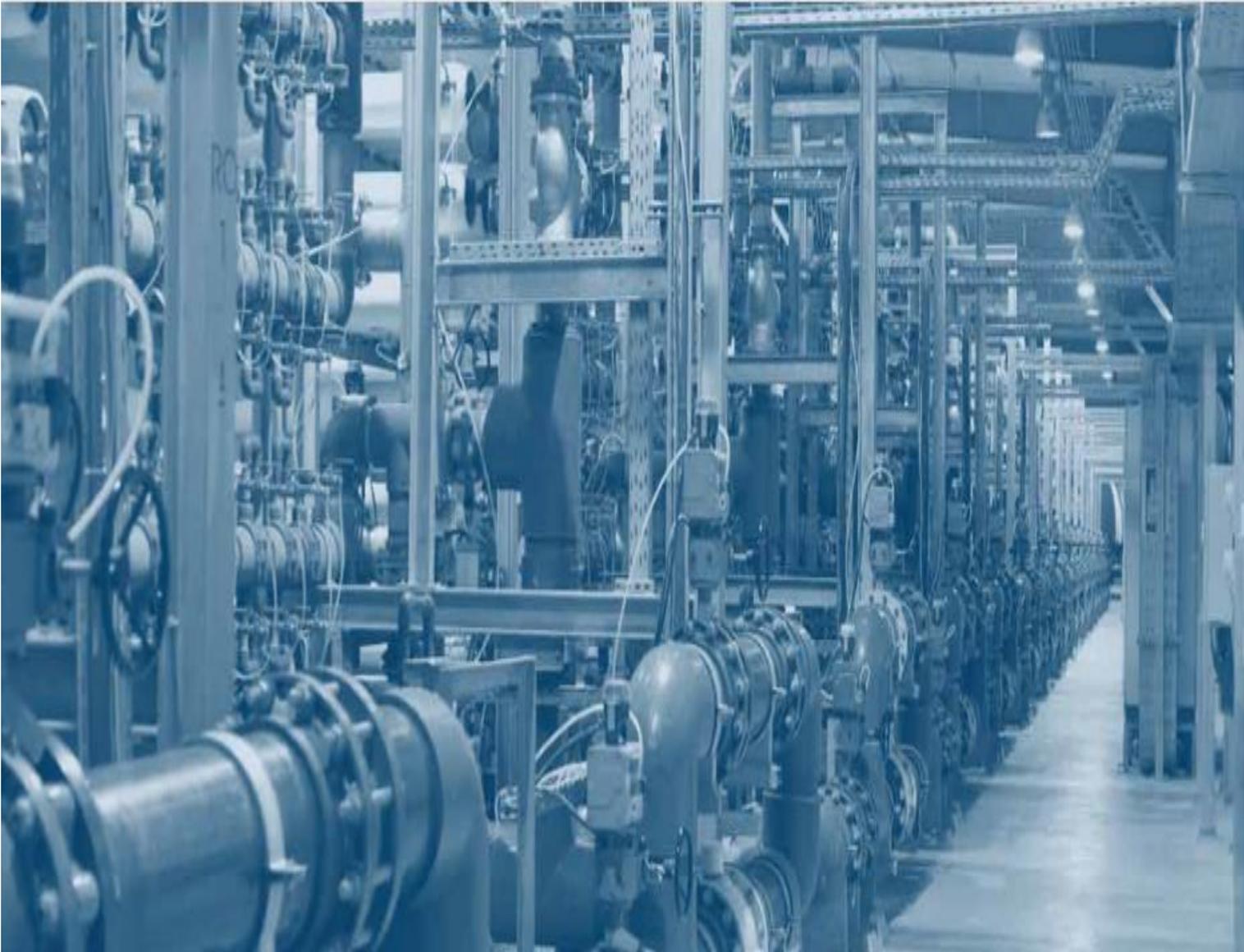


# Alkhorayef Water & Power Technologies

## Report of Board of Directors

### For the Financial Year 2020 AD



## Table of Contents

1. Company Profile: .....	7
1.1. The Main Activity .....	7
1.2. Our vision .....	9
1.3. Our Mission .....	9
1.4. Strategic Orientation.....	9
1.5. Corporate Organizational Structure and Governance .....	10
1.7 The Most Prominent Events in the Year 2020 AD .....	10
2. Business Sectors.....	12
2.1 The Company's Main Sectors.....	12
2.2 Awards and Certifications .....	13
3) Financial Statements and Business Results.....	16
3.1 Business Results for the Previous Five Years.....	16
3.2 Comparing the operating results for the current year with the previous year .....	16
3.3 Assets and Liabilities for the Previous Five Years.....	19
3.6 Main Activities Contributing to Revenue.....	20
3.6.1 Geographical analysis of revenue .....	20
3.7 Due Statutory Payments .....	21
3.8 DIVIDENDS Distribution Policy .....	22
3.9 Risks .....	24
4) Disclosure and Transparency.....	29
4.1 Application of the provisions of the Corporate Governance Regulations.....	38
4.2 Members of the Board of Directors.....	40
4.2.1 The formation of the Board of Directors and its members' ownership in the Company .....	40
4.2.3 The names of the members of the Board of Directors, their current and previous positions, qualifications and experiences: .....	49
4.2.4 The names of the members of the committees (from outside the Board and the Executive Management), their current and previous positions, qualifications and experiences: .....	51
4.2.5 Procedures taken by the Board of Directors to inform its members - especially non-executives - of shareholders' proposals and comments about the Company and its performance: .....	54

4.2.6 Attendance record for Board of Directors meetings for the year 2020 .....	54
4.2.7 Statement of the dates of the general assemblies of shareholders held during the financial year 2020 AD and the names of the members of the Board of Directors attending these meetings: .....	55
4.2.8 Remuneration and compensation allocated to members of the Board of Directors .....	56

Board of Directors



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**Mohammed bin Abdullah Alkhorayef**  
**Chairman of Board of Directors**

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**Abdulaziz bin Abdulrahman Alkhorayef**  
**Deputy Chairman of the Board**

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**Ammar Ahmed Al-Zubaidi**  
**Member of the Board of Directors**

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**Fahd bin Muhammad Alkhorayef**  
**Member of the Board of Directors**

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**Abdul Rahman bin Saud Al Owais**  
**Member of the Board of Directors**

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**Suleiman bin Mohammed Alquhidan**  
**Member of the Board of Directors**

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## **In the Name of Allah the Most Compassionate the Most Merciful**

We begin with the praise of Allah Almighty for His grace and generosity and for the blessing of security and safety that our dear country abounds in. Then, we extend my heartfelt thanks and gratitude to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz, may Allah preserve him, and his trustworthy Crown

Prince His Royal Highness Prince Mohammed bin Salman for their utmost concern, may Allah support them, along with all means of generous patronage and encouragement received by the private sector in the Kingdom of Saudi Arabia.

### **Dear Brothers and Sisters, Shareholders of "Alkhorayef "**

At the beginning of March of this year 2021 AD corresponding to Rajab 17, 1442 AH, Alkhorayef Water & Power Technologies has started its journey in the main market for stock trading in the Kingdom of Saudi Arabia, which has, thankfully, met with a great turnout from local, regional and international investors. This new start in the Saudi stock market is nothing but to enhance the experience and position of the Company in the past thirty years and to work on the sustainability and growth of the Company, which focuses its business on important and vital areas in the Kingdom. The year 2020 AD came with many new challenges and experiences entirely unknown to the current generation when the (Covid-19 pandemic) has broken out. However, the Kingdom of Saudi Arabia has been facing it with all possible readiness, immediate healthy response, precautionary measures and preventive measures, having keen sharp eye on the danger behind this outbreak. Praise be to Allah, Alkhorayef Water & Power Technologies has worked continuously to adapt to this exceptional and unprecedented situation and all necessary preventive measures have been taken, as we have succeeded in maintaining our main priorities:

It is working hard to preserve the health and safety of our employees and all citizens. It is also working diligently to take all necessary preventive measures to limit the spread of the new Corona virus, while it continues diligently to provide vital services for water and sanitation throughout the Kingdom. The events, praise be to Allah, have confirmed that the Company's business framework is able to withstand the effects of this pandemic and the precautionary restrictions that have followed. This is evidenced by the growth of our revenues for the year 2020 by 23% compared to the year 2019, and the increase in net income to 113.95 million riyals, an increase of 24% and a margin of 22%, achieving a return on invested capital of 31% and a return on equity of 38%. It is also

important to consolidate the financial position of the Company and translate profits into positive cash flows, as the cash flow from operations for the year 2020 amounted to 67 million riyals and improving working capital turnover, as the turnover of receivables decreased from 202 days in 2017 to 115 days in 2020.

We look ahead to 2021 with more optimism about a bright future for our country, God willing, and we will focus our approaches based on our expertise, resources and administrative competencies that enable us to strengthen our leading position in maintenance and operation work and expand project services for water and sanitation. This is because the Company also enjoys a network of strategic partnerships with international water companies, in addition to its experience during more than 3 decades in the water sector in the local market. This qualifies it to actively participate in the privatization opportunities with the Saudi Water Partnerships Company, in a way that gives the Company the ability to grow in light of the expected expansion of this market at in the next four years.

The Board of Directors and Executive Management, God willing, will work with great care and endeavor to achieve the desired ambition in light of Vision 2030 and the national responsibility entrusted to the private sector in the Kingdom of Saudi Arabia.

**Peace, mercy and blessings of Allah Almighty be upon you**

**Mohammed bin Abdullah Alkhorayef**

**Chairman of Board of Directors**

## **1. Company Profile:**

### **1.1. The Main Activity**

Alkhorayef Water & Power Technologies Company is a Saudi public shareholding company specialized in the field of constructing water lines extensions among and within cities, establishing and maintaining new networks, constructing and repairing major water distribution stations, constructing and repairing irrigation and irrigation canals and main water storage towers and digging and maintaining water wells. It is also specialized in constructing and repairing sewage stations and projects, sewage networks and pumps, and constructing dams. Moreover, the Company's activities, according to the commercial registries of its branches, include repair and maintenance of pipes, pipelines and water purification devices, water collection and purification, sewage disposal, operation of sewage treatment networks and facilities, drilling of tube wells, irrigation pipelines, maintenance and repair, construction project management, sale of water pumping equipment and the retail sale of water purification devices, equipment and supplies. The activities in the Commercial Register of the Company's branches also include transporting and distributing water, constructing and repairing roads, streets, sidewalks and road requirements, constructing electric power stations and transformers, constructing port berths and marine constructions, cleaning waterways, drawing underground water, and draining sites.

The Company is one of the largest subsidiaries of Alkhorayef Group, which has been in business for more than 60 years. The Company is also one of the main actors in the water sector in the Kingdom with more than 30 years of experience in operation, maintenance and works of major vital projects, including engineering, materials, constructions, tests and operation that serve local needs.

This has earned the trust of many major clients from both the government and private sectors over the years. The core activities of the Company consist of the following main business sectors:

- Water sector
- Wastewater sector
- Integrated water solutions sector

## **1.2. Our vision**

The Company seeks to lead in developing solutions for water, environment and energy that contribute to the prosperity and development of society.

## **1.3. Our Mission**

The Company seeks to develop, provide and manage water, environment and energy solutions, focusing on sustainability, innovation and excellence to exceed the expectations of its clients and partners.

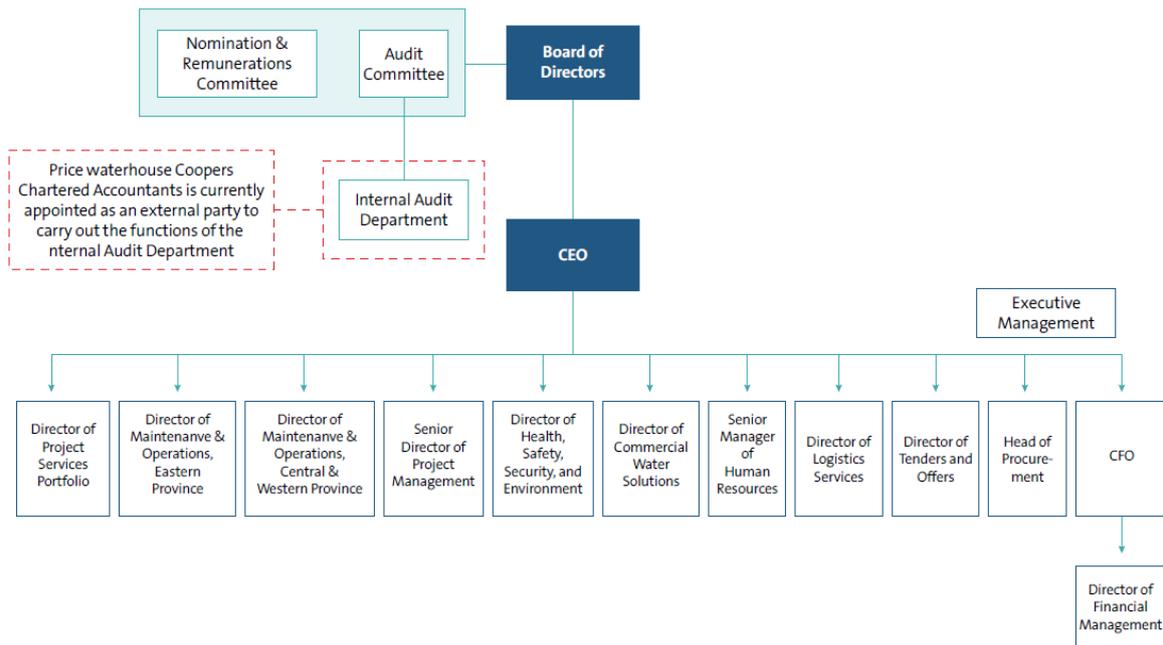
## **1.4. Strategic Orientation**

The Company seeks to achieve its strategic objectives based on its strengths and opportunities in the market that are consistent with its vision and mission, by strengthening its market leadership position in the field of operation and maintenance services, expanding in project services related to vital infrastructure and expanding its business portfolio by entering the market of Construction, Operation and Transfer of Ownership (BOT / BOOT) that is featured by continuous expansion of sewage treatment plants, sewage treatment networks, transmission lines, and long-term contracts to operate, maintain and raise the efficiency of sewage plants.

This is in addition to developing integrated and innovative solutions that enhance the quality of water services, protect resources and enhance operational efficiency while adopting digital technologies in order to maintain the Company's leading position in terms of cost and maintain its competitiveness in public tenders.

## 1.5. Corporate Organizational Structure and Governance

The shareholders of the Company entrust the Board of Directors with the responsibility for the general direction, supervision and control of the Company. The Board of Directors also entrusts the Senior Management of the Company, especially the CEO, with the responsibility of managing the general day-to-day business of the Company.



## 1.7 The Most Prominent Events in the Year 2020 AD

- The Company was transformed into a closed Saudi joint stock company along with the increase of the Company's capital from (80,000,000) Saudi riyals to (250,000,000) Saudi riyals through the issuance of new shares in exchange for capitalization of retained earnings, statutory reserves and amounts due from the concerned parties. The number of the Company's employees exceeds 4,000 employees.

- Pre-qualification and participation in construction, operation and transfer of ownership (BOT) projects shall be with the Saudi Water Partnerships Company. The Company has also entered the field of sea water desalination by awarding a project to rent mobile stations for purifying sea water to the Company by the Saudi Electricity Company for the purpose of using it in the generating plants of Shuaiba, Rabigh, and southern Jeddah in the western sector.
- The Capital Market Authority approved the request of Alkhorayef Water & Power Technologies Company to offer 7.5 million shares for public subscription, representing 30% of the Company's shares.

## **2. Business Sectors**

### **2.1 The Company's Main Sectors**

The Company's business consists of three main sectors, which are:

- Water sector
- Wastewater sector
- Integrated water solutions sector

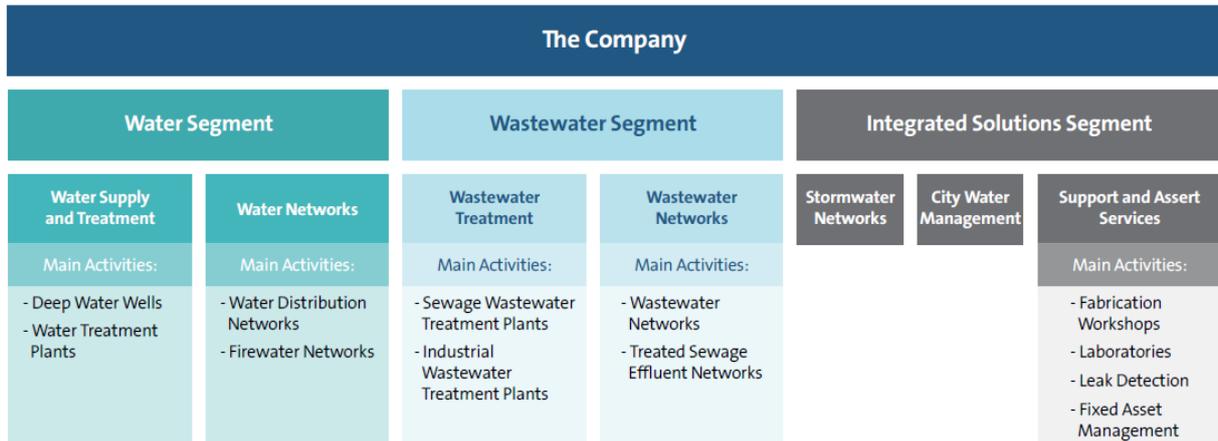
The company has extensive experience in the main business sectors listed above, and this includes:

- Civil works, such as excavation, ground leveling, groundwater abstraction solutions, buildings, reservoirs, basins, etc.
- Mechanical works, such as pumping systems, purifiers, ventilators, flow meters, valves, and others;
- Treatment method processes, including biological treatment, chlorination, reverse osmosis, chemical pumping, sludge treatment, among others;
- Automation systems, such as supervisory control and data acquisition (SCADA) systems that include an automated PLC and others;

Moreover, given the strong water-energy interconnection, the Company is heavily involved in the design, construction, operation and maintenance of integrated energy systems that are essential to providing energy for water and wastewater treatment, sludge production and transportation. Said power systems include substations, backup power, electrical panels, implementation of energy efficiency solutions and many other components. Please be aware that the company considers the Energy Systems Division as

one of the above mentioned business sectors as appropriate and does not consider it as an independent business sector

**The following diagram shows the Company's business sectors:**



## 2.2 Awards and Certifications

The Company has received awards and certificates from many agencies, including:

	Donor	Type	Type	Description of the licensed activities / purposes	Issue Date	Expiry Date
1	Ministry of Municipal and Rural Affairs - Deputy Ministry for Contractor Classification Affairs	Contractor Classification Certificate	Contractor Classification Certificate	Enabling the company to participate in government projects, according to the statutory requirements	12/24/1440 AH Corresponding to 26/08/2019	24/12/1444 AH Corresponding to 13/07/2023 AD
2	Guardian Independent Certificate Ltd - Certified Member of the International Accreditation Forum (IAF)	OHSAS 18001-2007 Certificate	OHSAS 18001-2007 Certificate	Occupational Health and Safety Administration	01/22/1440 AH Corresponding to 02/10/2018	29/07/1442 AH Corresponding to 13/03/2021 AD

	MLA)					
3	Guardian Independent Certificate Ltd - Certified Member of the International Accreditation Forum (IAF MLA)	ISO 14001-2015 Certificate from JAS-ANZ	ISO 14001-2015 Certificate from JAS-ANZ	Environmental management	22/01/1440 AH Corresponding to 02/10/2018	24/02/1443 AH Corresponding to 01/10/2021 AD
4	Guardian Independent Certificate Ltd - Certified Member of the International Accreditation Forum (IAF MLA)	ISO 9001-2015 Certificate from JAS-ANZ	ISO 9001-2015 Certificate from JAS-ANZ	Quality Management	22/01/1440 AH Corresponding to 02/10/2018	24/02/1443 AH Corresponding to 01/10/2021 AD
5	Guardian Independent Certificate Ltd - Certified Member of the International Accreditation Forum (IAF MLA)	ISO 14001-2015 Certificate from UKAS	ISO 9001-2015 Certificate from UKAS	Environmental management	11/04/1440 AH Corresponding to 18/12/2018 AD	24/05/1443 AH Corresponding to 17/12/2021 AD
6	Guardian Independent Certificate Ltd - Certified Member of the International Accreditation Forum (IAF MLA)	ISO 9001-2015 Certificate from UKAS	ISO 9001-2015 Certificate from UKAS	Quality Management	11/04/1440 AH Corresponding to 18/12/2018 AD	24/05/1443 AH Corresponding to 17/12/2021 AD
7	Saudi Water Partnerships	Prequalification with Saudi Water	Prequalification with Saudi Water	Pre-qualification to participate in	17/09/1441 AH	Not applicable (qualification is valid for

	Company	Partnership Company (SWPC)	Partnership Company (SWPC)	construction, operation and transfer projects	Corresponding to 05/10/2020	bidding and awarding each project)
8	Ministry of Municipal and Rural Affairs - Deputy Ministry for Contractor Classification Affairs	Classification Grade 1 in water and wastewater	Classification Grade 1 in water and wastewater	It is allowed to participate in projects of all sizes and types with government agencies in the water sector	24/12/1440 AH Corresponding to 26/08/2019	24/12/1444 AH Corresponding to 13/07/2023 AD
9	The National Water Company	Prequalification with the National Water Company	Prequalification with the National Water Company	Pre-qualification to participate in urban water management projects	06/12/1440 AH Corresponding to 08/08/2019	Not applicable (qualification is valid for bidding and awarding each project)

### 3) Financial Statements and Business Results

#### 3.1 Business Results for the Previous Five Years

The statement below shows a summary of the business results for the last five financial years:

Statement (in thousands of riyals)	2020 AD	2019 AD	2018 AD	2017 AD	2016 AD
Total revenue	520,833	423,228	356,265	249,636	264,842
Cost of revenue	(377,586)	(304,074)	(280,334)	(208,994)	(236,971)
Gross profit	143,247	119,154	75,931	40,641	27,870
Operating profit	116,809	94,169	57,975	23,419	20,928
Net profit	113,952	91,727	51,148	22,087	18,441

#### 3.2 Comparing the operating results for the current year with the previous year

The statement below clarifies the material differences in the operating results compared to the results of the previous year:

Statement (in thousands of riyals)	2019 AD	2020 AD	Change	Change rate
Total revenue	423,228	520,833	97,605	23%
Cost of revenue	(304,074)	(377,586)	(73,512)	24%
<b>Gross profit</b>	119,154	143,247	24,093	20%
Selling and distribution expenses	(1,446)	(1,873)	(427)	30%
General and administrative expenses	(23,539)	(24,565)	(1,026)	4%
<b>Operating profit</b>	94,169	116,809	22,640	<b>24%</b>
Financial burdens	(6,375)	(3,428)	2,947	46%

Other income	3,933	571	(3,362)	(85%)
<b>Profit before zakat</b>	91,727	113,952	22,225	<b>24%</b>
Zakat				
Net profit for the year	91,727	113,952	22,225	<b>24%</b>
Gains from the re-measurement of defined benefit obligations	326	677	351	108%
<b>Total comprehensive income for the year</b>	92,053	114,629	22	<b>25%</b>
<b>Basic and diluted earnings per share / profit for the year relating to common shareholders</b>	3.67	4.56	Change	

- A Board of Directors declaration was issued regarding the annual financial results of the Company for the year 2020 AD, which recorded an increase in net profit for the year 2020 AD by 24.2% compared to the previous year. This is mainly due to the increase and growth in revenues to 520.8 million riyals, by 23.1%, compared to the previous year, 423.2 million riyals. This is also due to the increase in revenues from the water sector by 17.8%, wastewater by 35.5%, and the integrated water solutions sector by 16.6%, mainly affected by the entry of new projects during the year.
- The Company has demonstrated during the year 2020 AD that it is able to withstand the effects of the Covid-19 pandemic and the precautionary restrictions that have followed. This is evidenced by the growth in revenues for 2020 by 23% compared to the year 2019 AD, the increase in net income by 24% compared to the year 2019 AD and

the increase in profits per share by 24.3% for the year 2020 AD, bringing the profits per share to 4.56 compared to the year 2019 AD.

### 3.3 Assets and Liabilities for the Previous Five Years

The following statement represents the assets and liabilities for the previous five years:

Statement (in thousands of riyals)	2020 AD	2019 AD	2018 AD	2017 AD	2016 AD
Total current assets	471,455	339,082	344,372	224,161	206,620
Total non-current assets	74,733	66,849	49,155	36,300	38,603
<b>Total assets</b>	<b>546,189</b>	<b>405,931</b>	<b>393,528</b>	<b>260,461</b>	<b>245,223</b>
Total current liabilities	168,419	154,485	229,231	162,271	168,779
<b>Total non-current liabilities</b>	<b>83,739</b>	<b>36,171</b>	<b>41,076</b>	<b>19,975</b>	<b>20,376</b>
<b>Total liabilities</b>	<b>252,158</b>	<b>190,656</b>	<b>270,307</b>	<b>182,246</b>	<b>189,155</b>
Total shareholder equity	294,031	215,274	123,221	78,214	56,067
Total liabilities and shareholders' equity	546,189	405,931	393,528	260,461	245,223
The ratio of shareholders' equity to assets	54%	53%	31%	30%	23%

### 3.4 Changes to Shareholders' Equity for the Previous Five Years

The following statement shows the changes in shareholders' equity over the past five years:

Year	Shareholders' equity (Thousands of Riyals)	Increase (decrease)	Change rate (%)
2020	294,031	78,757	37%
2019	215,274	92,053	75%
2018	123,221	45,007	58%
2017	78,214	22,147	40%
2016	56,067	18,441	49%

### 3.5 Loans

The Company obtained several loans to finance various projects as follows:

Name of the grantor of the loan	Principal amount of the loan	The term of the loan	The payment during the year	Total paid	The total debt of the Company by the end of 2020
National Commercial Bank (Sharia Compliant Loan)	142 million	Two years	41	41	101 million
<b>Total</b>	<b>142 million</b>		<b>41</b>	<b>41</b>	<b>101 million</b>

### 3.6 Main Activities Contributing to Revenue

The following statement represents the contribution of the main activities to the Company's revenues for the year 2020:

Sector	Sector revenues (thousands of riyals)	Rate %
Water	254,067	49%
Sewage	178,095	34%
Integrated water solutions	88,672	17%
<b>Total</b>	<b>520,834</b>	<b>100%</b>

#### 3.6.1 Geographical analysis of revenue

The company's revenues are distributed in major geographical areas within the Kingdom, and the revenues of each region during the fiscal year 2020 are as follows:

Region	Revenue (in Thousand Riyals)
AL JAWF	963
NORTHERN FRONTIER	1,128
RIYADH	174,191
AL ZULFI	2,661
QASSIM	20,250
AL MADINAH	58,537
EASTERN	84,936
TABUK	16,175
JIZAN	62,077
HA'IL	51,128
MAKKAH	48,790
<b>Total</b>	<b>520,834</b>

### 3.7 Due Statutory Payments

The statutory payments payable by the Company and its subsidiaries until the end of the financial year 2020 AD are as follows:

Statement	Dues at the end of the year (thousands)
Social insurance contributions	743
Zakat	0
Value added tax	0

The Company and its subsidiaries are subject to zakat in accordance with the regulations of the General Authority for Zakat and Income in the Kingdom of Saudi Arabia (zakat, added value, withholding tax).

Zakat is calculated and provisioned for by Abdullah Ibrahim Alkhorayef & Sons Company (“the final parent company”) on a consolidated basis, including its subsidiaries in accordance with the financial regulations in the Kingdom of Saudi Arabia. The provision is shown in the consolidated financial statements of the final parent company. The Zakat declaration is prepared on a consolidated basis at the level of the final parent company. The parent company has pledged to the Capital Market Authority that any zakat-related expenses prior to the year 2020 will be borne by the parent company, and therefore no zakat expenses have been included in these financial statements.

### **3.8 DIVIDENDS Distribution Policy**

Under Article (110) of the Companies Law, all rights related to shares are allocated for each shareholder, which includes in particular the right to receive a share of the profits to be distributed. The Board of Directors recommends the distribution of any profits prior to their approval by the shareholders in the General Assembly meeting. The Company may not announce any profits, and any decision to distribute profits depends on a number of factors, including the Company's previous and expected profits, cash flows, financing and capital requirements, market data and economic factors in general, zakat, in addition to other legal and regulatory considerations. The distribution of profits is subject to the restrictions mentioned in the Articles of Association, and the profits are distributed in Saudi riyals.

The annual net profits of the Company are distributed after deducting all general expenses and other costs as follows:

- (A) Ten percent (10%) of the net profits are set aside to form a statutory reserve, and the Ordinary General Assembly may stop this deduction when the aforementioned reserve reaches thirty percent (30%) of the Company's paid-up capital.
- (B) The Ordinary General Assembly based on the proposal of the Board of Directors may set aside five percent (5%) of the net profits to form an agreement reserve to be allocated to support the financial position of the company.
- (C) The Ordinary General Assembly may decide to create other reserves, to the extent that it serves the interest of the Company or ensures the distribution of fixed profits - as far as possible - to the shareholders. The aforesaid assembly may also deduct amounts from the net profits to

establish social institutions for the Company's employees or to assist what may exist from these institutions.

(D)After that, a certain percentage of the annual net profits shall be distributed to the shareholders according to what is decided by the Ordinary General Assembly.

#### Dividends distribution on 2020

- In the Extraordinary Annual General Meeting (EOGM) dated 14 Dhul-Qi'dah 1441H (corresponding to 5 July 2020), the Shareholders have delegated the Board of Directors to approve quarter and semi-annual interim dividends.
- On 8 Dhul-Qi'dah 1441H (corresponding to 29 June 2020), the Board of Directors declared and approved interim cash dividends for the six months period ended 30 June 2020 amounting to SR 50 million (SR 2 per share), which has been recognized in these financial statements for the year ended 31 December 2020.
- On 10 Safar 1442H (corresponding to 27 September 2020), the Company declared interim cash dividends for the nine months period ended 30 September 2020 amounting to SR 20 million (SR 0.8 per share), which has been recognized in these financial statements for the year ended 31 December 2020.

### 3.9 Risks

The potential risks that the company may face are the following:

#### **Market risk and the nature of business activity**

The potential market risks and risks related to the Company's business activity are as follows:

1. The Ministry of Environment, Water and Agriculture and the National Water Company manage more than 90% of the water and wastewater infrastructure in which the Company is currently involved, and they are the two largest clients of the Company. There is no guarantee of the stability or sustainability of the volume of sales provided to the two main clients of the Company in light of the contractual relations with these two clients, which may change at any time. The loss of any of the two main clients of the Company, or a decrease in the volume of business with either of them, would have a negative and material impact on the Company's business, financial position, results of its operations and its future prospects.
2. The policies and regulations of the relevant government agencies are changed, especially the laws of the Labor Office and the rate of localization of jobs.
3. There is an increase in the fees and prices of basic services such as energy, water, consumables, and other new fees.
4. There are external and economic factors that may affect the development and completion of projects, such as the difference in the currency exchange rate in the target markets.
5. There are economic conditions and low oil prices that may lead to a reduction in public spending.

6. Epidemics have spread internally and internationally that affect global economies and thus negatively affect the company's various activities, such as the outbreak of the new Corona pandemic (COVID-19).

### **Risks associated with increased competition in the water and wastewater sectors**

The water and wastewater sectors are characterized by a multiplicity of competitors, as the Company competes with other companies such as small local companies that serve local markets and large foreign companies that serve regional, national and international markets. An institution that has sufficient financial resources and a proven track record of required expertise in the same domain, as well as its prestigious classification and access to technical expertise, may become one of the Company's competitors in those markets. Competition in the water and wastewater sectors depends on a number of competitive factors, including price, service delivery, quality, geographical presence, innovation and customer service. Some of the Company's competitors, particularly large foreign companies, may have low labor and overhead structures, and so may be able to offer their services at lower rates than the Company. In addition, some of the Company's competitors may have financial, technical and human resources that exceed their counterpart in the Company. The Company does not guarantee that its competitors will not develop their expertise and resources in order to provide services that surpass the services provided by the Company in terms of price and quality. Likewise, it cannot be assured that the Company will be able to maintain or enhance its competitive position within the markets in which it offers its services or maintain its client base at the same current levels. If the Company is not able to meet these competitive challenges, this will negatively and substantially affect the Company's business, its financial position, the results of its operations and its future prospects.

## **Credit risk**

It is the risk resulting from the failure of one of the parties to fulfill its financial obligations when they are due, which causes financial losses to the other party, as the risks related to the financial assets that are likely to be exposed to concentration of credit risk consist mainly of cash with banks and trade receivables. The cash that the Company owns is deposited in local banks with a good credit rating, so the credit risk associated with cash deposits is limited, and the credit risk related to trade receivables is also limited because most of the Company's transactions are concentrated with clients with strong financial positions. The Company's management also monitors and follows up on the balances of trade receivables to reduce any credit risks associated with it, follow-up its collection, and take any necessary actions regarding it to preserve the rights of the Company.

## **The risks associated with contracts with others**

The Company has entered into numerous contracts and agreements with suppliers, clients, subcontractors, lessors and other parties. The term of some of these contracts and agreements will expire within a year or within the next few years, as the terms of the agreements range between one and four years, and there is no guarantee that these contracts can be renewed. In the event that it is renewed, it is not guaranteed that it will be renewed under conditions similar to those in previous contracts. The Company's failure to renew any of those contracts or its ability to renew the same under conditions unsuitable for the Company will have a negative and material impact on the Company's business, the results of its operations, its financial position and its future prospects.

## **Risks related to the Company's reputation and the quality of provided services**

Since its establishment, the Company has sought to build a good reputation associated with its brand, and the Company seeks to maintain its reputation and brand in the future by enhancing the quality of services it provides to its clients. This depends on several factors, including the implementation and completion of projects according to agreed technical and time requirements hand in hand with utilizing its previous and cumulative experiences to finalize those projects with highest possible quality. Therefore, the Company's failure to provide or maintain the quality of services provided to its clients will have a negative and fundamental impact on its brand and reputation.

Moreover, the Company's failure to provide high-quality services may expose it to negative publicity, which may harm its reputation, which leads to its failure to obtain projects in the future, or in some cases may expose it to lawsuits. The Company's reputation may be affected if it is not able to maintain the quality of services provided to its clients, which would negatively and substantially affect the Company's business, results of its operations, its financial position and its future prospects.

### **Risks associated with the increase in the prices of some raw materials, equipment and energy**

The Company may be exposed to market risks related to the rise in prices of some raw materials with special standards and specifications imposed by the owners of the projects, such as chemicals, cement and iron, which are used within the supplies or materials used in its operations, as well as some equipment, such as heavy equipment designated for paved roads and off-road. The Company is also exposed to an increase in energy prices, especially with regard to the prices of gasoline and diesel required to operate the Company's vehicles and equipment. There is no guarantee that the costs resulting from the increase in prices will be

compensated if they occur. In addition, some unit valuated contracts may not allow the Company to adjust the value of those contracts. Consequently, an increase in the costs of materials, equipment, or fuel may reduce the company's profitability or incur losses in relation to these projects, which will have a fundamental and negative impact on the Company's business, financial position, results of its operations and future prospects.

#### **4) Disclosure and Transparency**

##### **First: General Introduction**

The disclosure and transparency policy for Alkhorayef Water & Power Technologies Company has been prepared in accordance with the requirements of the Corporate Governance Regulations issued by the Saudi Capital Market Authority, and in accordance with the Companies Law, the rules for offering securities and the on-going commitments issued by the Authority as well as the Company's Articles of Association.

##### **Second: Objectives of Disclosure**

The disclosure aims to provide information to the shareholders and stakeholders of the Company and the investors without discrimination in order to enable them to exercise their rights and make sound decisions upon disclosure of information. The Company is committed to accuracy and works to provide information in a timely and clear and explicit manner and to achieve an appropriate balance between disclosure and protecting the interests of the Company. .

The Company will not neglect to disclose to the Authority and the public without delay any material developments that fall within the framework of its activity and whose knowledge is not available to the general public, and the Company guarantees that the disclosure of all material matters will be accurate and timely.

Material matters and information are those related to the conditions and activities of the Company, its level of performance, and information that is expected to directly affect events that may lead to a fundamental change in the conditions of the stock market or the Company's share price.

Disclosure to shareholders and investors shall be without discrimination, in a clear, correct and straightforward manner, in a timely and accurate manner. This is to enable shareholders and stakeholders to fully exercise their rights.

### **Third: Parties and rules for disclosure of information**

The Chairman and CEO have the Authority to disclose to the parties interested in the affairs of the Company, such as shareholders, investors, the media, and government agencies.

In general, it is not permissible for any person except for persons authorized by the Board of Directors to provide any information or answer questions related to the activities of the Company without obtaining prior permission to do so from the Chairman of the Board of Directors or the CEO.

Board members and all Company employees who are not authorized to speak on behalf of the Company shall transfer all requests received from financial institutions and shareholders to the person authorized to speak on behalf of the Company.

The Board Secretary or Compliance Manager coordinates with the Chairman and CEO to ensure the timing of disclosure of information, quarterly reports, and any events affecting the company's operations, as well as protecting company documents that the Company shall keep.

Financial reports or substantial advertisements are published on the financial market website (Tadawul) first, and then daily newspapers and websites (as the case requires) and through other means of publication to ensure their wide spread. Requests for material non-publishable information shall be rejected.

### **Fourth: Obligation to disclose information**

#### **1. Disclosure of financial information:**

The Board of Directors shall approve the initial and annual financial statements of the Company within the specified regulatory deadlines, provided that the authorized member of the Board of Directors, the CEO and the Financial Manager sign thereof, before publishing and distributing it to the shareholders and others. The initial and annual financial statements, together with the report of

the Board of Directors, shall be submitted to the Authority upon approval by the Board of Directors within the statutory deadlines.

The Company discloses its initial and annual financial statements through the electronic systems and applications specified by the Authority.

- The Company is committed to the following times to disclose financial information:

The Company shall prepare its initial financial statements and examine them in accordance with the accounting and auditing standards approved by the Saudi Organization for Certified Public Accountants, and disclose them to the public within a period not exceeding (45) days from the end of the financial period that these statements include.

The Company shall prepare its annual financial statements and review them in accordance with the accounting and auditing standards approved by the Saudi Organization for Certified Public Accountants, and disclose them to the public within a period not exceeding three months from the end of the annual financial period that these statements include. The Company shall disclose these financial statements within a period not less than (21) calendar days prior to the date on which the annual General Assembly convenes.

## **2. Disclosure in the Report of the Board of Directors:**

The Board of Directors of the Company issues its annual report - within the specified period according to the system - and sends it to the Financial Market Authority and announces thereof to the shareholders. The report of the Board of Directors shall include a full review of the Company's operations during the last financial year, and all factors affecting the Company's business. It shall also include all the requirements mentioned in Article (90) of the Corporate Governance Regulations and the relevant materials on the same subject mentioned in Article (65) of the Rules for offering securities and on-going

obligations issued by the Authority and Clause (4) of Article (76) of the Companies Law.

### **3. Disclosure in the audit committee report**

The audit committee shall consider the financial statements of the Company and the reports and notes provided by the auditor, and express its opinions about them, if any. It shall also prepare a report on its opinion regarding the adequacy of the Internal Control System in the Company and the other activities it has carried out within the scope of its competence. The Board of Directors shall deposit sufficient copies of this report in the Company's head office at least (twenty-one) days before the date of the General Assembly meeting, to provide each of the shareholders a copy thereof, and the report shall be read during the assembly.

### **4. Disclosure of specific events**

The Company shall disclose to the Authority and the public immediately and without delay any of the following developments, whether material or not, which are described in Article (63) of the Rules for offering securities and on-going obligations issued by the Authority - including, for example, but not limited to:

- Any transaction to buy, sell, mortgage or lease an asset at a price equal to or more than 10% of the net assets of the Company according to the most recent examined initial financial statements or audited annual financial statements, whichever is more recent.
- Any indebtedness outside the framework of the Company's normal activity in an amount equal to or greater than 10% of its net assets according to the last examined initial financial statements or audited annual financial statements, whichever is more recent.
- A change in the Company's CEO or any change in the composition of the members of its Board of Directors or in the audit committee.

- Any dispute, including any lawsuit, arbitration, or mediation if the amount of the dispute or claim is equal to or more than 5% of the net assets of the Company according to the last examined initial financial statements or audited annual financial statements, whichever is more recent.
- Any court ruling issued against the Board of Directors or one of its members, if the subject matter of the judgment is related to the work of the Board of Directors or one of its members.
- Entering into a revenue contract equal to or greater than 5% of the Company's total revenue according to the most recent annual audited financial statements, or the unexpected termination of that contract.
- Any transaction between the Company and a related party or any arrangement whereby each of the Company and a related party invests in any project or asset or provides financing for it if this transaction or arrangement is equal to or more than 1% of the Company's total revenue according to the latest annual audited financial statements .
- Any interruption in any of the main activities of the Company or its subsidiaries (if any) equals or exceeds 5% of the Company's total revenues according to the latest audited annual financial statements.
- Any change in the Articles of Association or the headquarters of the Company.
- Any change to the chartered accountant.
- Call for a general or special assembly and its agenda.
- Results of the general or special assembly meeting.
- Any proposed change in the Company's capital.
- Any decision to declare profits, recommend declaring them, pay shares thereof, or make other distributions to holders of listed securities.

- Any decision or recommendation requiring not to distribute profits in cases in which the Company is expected to distribute profits.

## **5. Disclosure of the members of the Board of Directors**

The Board of Directors shall organize the disclosure processes for each of its members and members of the executive management, taking into account the following:

- Establishing a special register for the disclosures of members of the Board of Directors and the Executive Management and updating it periodically, in accordance with the disclosures required under the Companies Law and the Financial Market Law and their Executive Regulations.
- Enabling the shareholders of the Company to view this register free of charge.

## **6. Disclosure of remunerations**

The Company shall disclose the remuneration policy and how the remuneration of board members and executive management in the Company is determined. The Company shall make the disclosure accurately, transparently and in detail in the report of the Board of Directors about the remuneration granted to members of the Board of Directors and the executive management, directly or indirectly, without concealment or misleading, in accordance with the instructions related to the same subject.

### **Fifth: Disclosure limits:**

Members of the Board of Directors are not permitted to disclose, other than in the General Assembly, the Company's secrets they have found. They may not exploit what they know by virtue of their membership to achieve an interest for themselves, for one of their relatives, or for others. Otherwise, they shall be dismissed and claimed to pay the remedying compensation.

#### *1. Confidential Information*

- The Company takes the necessary steps to protect confidential information and trade and industrial secrets that have current or expected value.
- Members of the Board of Directors, the CEO and senior executives have the right to access confidential information.
- The Chairman and CEO have the right to add or remove persons entitled to access confidential information.

Confidential information includes, but is not limited to, the following:

- (A) The investment opportunities that the Company has that are still under study;
- (B) Contracts under negotiation;
- (C) Industrial and production secrets related to the company's products;
- (D) Detailed secrets related to the cost of manufacturing and the Company's products;
- (E) Designs and programs;
- (F) Financial details of the operating units
- (G) Reports of the internal audit department

## *2. Internal information*

Internal information is the extraordinary and non-public information related to the Company's activities, and it also includes any information, if disclosed, that will affect the market value of the Company's shares.

Persons familiar with such internal information are not entitled to disclose it to any party or engage in transactions that depend on inside information.

## *3. Dealing with internal information*

Dealing or trading is considered to have taken place on the basis of internal information when an informed person such as a member of the Board of Directors, an executive officer, or any employee or member of a Company's

committee, or a person who obtains internal information through a family relationship, including any person having a relationship with the person who has accessed such internal information, a business relationship, or a contractual relationship, deals with the Company or trading its shares directly or indirectly based on that internal information.

Trading on the basis of internal information is considered a criminal offense and a behavior that violates Article 50 of the Capital Market Law.

In all cases, members of the Board of Directors, members of the Audit Committee, senior executives and anyone related to any of them shall refrain from dealing in any company securities during the lawful ban periods and the Company's internal regulations, especially in the conflict of interest policy.

#### **Sixth: Preparing disclosures and announcements**

The Legal Department or the Compliance Department prepares draft announcements and statutory disclosures in accordance with the requirements of the Authority and reviews all bulletins and media materials issued by the Company and what is published on newspapers, social media sites and advertisements - before they are published - to ensure that they comply with the regulations and requirements.

#### **Seventh: Entry into force and amendment**

- This policy is approved by a decision of the Board of Directors and can be modified as necessary in accordance with its provisions, and it shall be effective as of the date of approval by the Board of Directors. With regard to the items related to disclosure to the public and the Capital Market Authority and the timing, they shall be enforced as of the date of listing

and the commencement of trading the Company's shares in the Saudi Stock Exchange "Tadawul".

- The Board reviews this policy from time to time as part of reviewing the effectiveness of the Company's governance or when new instructions or regulations related to the policy are issued.
- This policy cancels and replaces all procedures, decisions, or internal regulations of the Company that contradict it. This regulation is considered complementary to all instructions and regulations in force in the Kingdom of Saudi Arabia that govern cases of disclosure and transparency, in addition to the Company's Articles of Association.
- This policy is published and circulated to the members of the Board of Directors, the Executive Management and the employees of the Company, to indicate their confirmation of having access to and understanding all the articles stipulated in the policy.

Based on the fact that the Board of Directors of Alkhorayef Water & Power Technologies Company is keen on its relationship with shareholders, partners, investors and stakeholders, and in belief in the importance of disclosure and transparency and commitment to this, the Board of Directors is pleased to furnish the most important disclosures to you, in addition to the financial results that were previously clarified according to the Corporate Governance Regulations issued by the honorable Saudi Capital Market Authority and other related regulations, which are as follows:

#### 4.1 Application of the provisions of the Corporate Governance Regulations

The Company applies all provisions of the mandatory Corporate Governance Regulation, with the exception of the "guidance articles" for the following reasons:

Article	Paragraph	Description	Reasons for NA
41	-	Establishing the necessary mechanisms to annually evaluate the performance of the Board, its members, committees and executive management by the Board of Directors - based on the proposal of the Nomination and Remuneration Committee	The Company is currently completing the procedures to achieve this.
70	-	Formation of the Risk Management Committee.	The Company's management continuously reviews the Company's policies related to risk management. It also exercises these tasks and functions through the Board of Directors and the Audit Committee.
71	1	Enacting the terms of reference and functions of the Risk Management Committee.	
72	-	Meetings of the Risk Management Committee	
83	1-4	Setting clear and written policies and procedures to regulate the relationship with stakeholders in order to protect them and preserve their rights by the Board of Directors.	There is no written policy. However, the Company's articles of association and the rules and regulations approved by the assembly and the Board of Directors guarantee protection and preservation of the rights of stakeholders.
85	2 & 3	2) Programs granting employees shares in the company or a share of the profits it realizes and retirement programs, and the establishment of an independent fund to spend on these programs. 3) Establishing social institutions for company employees.	The Company adopts, within its policies, many programs to develop and stimulate the participation and performance of the Company's employees.
87	-	The Ordinary General Assembly - based on a proposal from the Board of Directors - sets a policy to ensure a balance between its objectives and the goals that society aspires to achieve with the aim of developing	The Company is currently undertaking initiatives that support the goal of this policy, and the Board of Directors will study its position as a proposal to present it to the General Assembly.

		the social and economic conditions of society.	
88	1-4	Launching programs and identifying the necessary means to launch the Company's initiatives in the field of social work.	The Company is currently undertaking initiatives that support the goal of this policy, and the Board of Directors will study its position as a proposal to present thereof to the General Assembly.
95	Paragraph	Forming a committee on corporate governance.	The Company adheres to the Corporate Governance Regulations, develops them, monitors their implementation, verifies their effectiveness, and amends them as needed.

## 4.2 Members of the Board of Directors

### 4.2.1 The formation of the Board of Directors and its members' ownership in the Company

The Board of Directors consists of 6 members, and the following table shows the formation of the Company's Board of Directors, the status of membership, and the members' ownership in the Company at beginning and end of 2020.

Name	Position	Nationality	Membership status	Ownership rate <sup>1</sup>				Appointment Date <sup>3</sup>
				Direct		Indirect <sup>2</sup>		
				Before the offering	After the offering	Before the offering	After the offering	
Mohammed Abdullah Ibrahim Alkhorayef	Chairman of Board of Directors	Saudi	Non-executive	%2.4	%2.4	%13.89	%8.75	29/09/1441 AH (22/05/2020 AD)
Abdulaziz Abdulrahman Abdullah Alkhorayef	Deputy Chairman of the Board	Saudi	Non-executive	%0.53	%0.53	%3.04	%1.91	29/09/1441 AH (22/05/2020 AD)
Fahd Mohammed Abdulaziz Alkhorayef	Member of the Board of Directors	Saudi	Non-executive	-	-	-	-	29/09/1441 AH (22/05/2020 AD)
Ammar Ahmed Amin Al-Zubaidi	Member of the Board of Directors	Jordanian	Non-executive	-	-	-	-	29/09/1441 AH (22/05/2020 AD)
Abdul Rahman Saud Hamad Al Owais	Member of the Board of Directors	Saudi	Independent	-	-	-	-	29/09/1441 AH (22/05/2020 AD)

<sup>1</sup> Shareholding rates are approximate.

<sup>2</sup> Muhammad Abdullah Al Kharayef has 13.89% indirect ownership in the Company prior to the offering as a result of: (1) A 17.15% ownership rate in Abdullah Ibrahim Al Kharayef & Sons Company, which owns 30% of the shares of Al Kharayef Group Company, which in turn owns a rate of 81% of the Company's shares; (2) A 12.01% ownership rate in Al Kharayef Group Company, which owns 81% of the company's shares. Abdulaziz Abdulrahman Abdullah Al Kharayef also has 3.04% indirect ownership in the Company prior to the offering as a result of: (1) A 3.75% ownership rate in Abdullah Ibrahim Al Kharayef & Sons Company, which owns 30% of the shares of Al Kharayef Group Company, which in turn owns a rate of 81% of the Company's shares; (2) Ownership of 2.63% in Al Kharayef Group Company, which owns 81% of the Company's shares.

Name	Position	Nationality	Membership status	Ownership rate <sup>1</sup>				Appointment Date <sup>3</sup>
				Direct		Indirect <sup>2</sup>		
				Before the offering	After the offering	Before the offering	After the offering	
Suleiman Mohammed Abdullah Al-Qahidan	Member of the Board of Directors	Saudi	Independent	-	-	-	-	29/09/1441 AH (22/05/2020 AD)

4.2.2 Names of companies inside and outside the Kingdom of which a member of the Company's Board of Directors is a member of its current and previous boards of directors or of its managers:

<b>1</b>	<u>Mohammed Abdullah Ibrahim Alkhorayef, Chairman of the Board of Directors</u>
<b>Current Positions:</b>	<ul style="list-style-type: none"> <li>Chairman of the Board of Directors in the Company since 2020</li> </ul>
	<ul style="list-style-type: none"> <li>CEO, Alkhorayef Group Company, a multi-activity closed joint stock company, whose units include the fields of oil, lubricants, machinery systems, equipment, contracting services, printing and paper, since 2013</li> </ul>
	<ul style="list-style-type: none"> <li>Chairman of the Board of Directors, Alkhorayef Commercial Company, a limited liability company, working in the field of distributing agricultural, industrial and marine machinery and equipment, since 2010</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Board of Directors, Alkhorayef Group Company, a multi-activity closed joint stock company whose units include the fields of oil, lubricants, machinery and equipment systems, contracting services, printing and paper, since 2009</li> </ul>
	<ul style="list-style-type: none"> <li>Chairman of the Board of Directors, Alkhorayef Industries Company, a limited liability company, operating in the field of manufacturing turbine pumps, iron pipes and pivot irrigation systems, since 2005</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Board of Directors, Alkhorayef Petroleum Company, a limited liability company, working in the field of pumping systems and components, since 2015</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Board of Directors, Saudi Export Development Authority, a governmental body concerned with increasing Saudi non-oil exports, since 2019</li> </ul>

	<ul style="list-style-type: none"> <li>Member of the Board of Directors of the Arabian Centers Company, a public joint stock company, working in the field of owning, developing and operating commercial complexes, since 2017</li> </ul>
	<ul style="list-style-type: none"> <li>Deputy Chairman, Arab Agricultural Services Company (ARASCO), a closed joint stock company, engaged in the production and sale of foodstuffs, since 2019</li> </ul>
	<ul style="list-style-type: none"> <li>Chairman of the Board of Directors, Rakhaa Company for Agricultural Investment and Development (SAE), an Egyptian joint stock company, operating in the agricultural and food production field, from 2016 to</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Association for Loss Prevention and Risk Prevention "Your Safety", working in the field of raising safety awareness, developing expertise, qualifying competencies and cadres, and supporting industrial and professional programs, since 2019</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Board of Trustees, Takaful Charitable Foundation for the Affiliates of the Ministry of Education, an institution that aims to support students in need in the Kingdom's schools, since 2019</li> </ul>
	<ul style="list-style-type: none"> <li>Saudi President, the Saudi-Iraqi Business Council, Council of Saudi Chambers, the council aims to strengthen economic relations and expand business partnerships, since 2017</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Renewable Energy Committee, the Chamber of Commerce and Industry in Riyadh, the committee aims to support, empower and coordinate with all parties to achieve the strategic goals for the Kingdom to be a pioneer in renewable energy according to Vision 2030, since 2019</li> </ul>
<b>Previous professional experience:</b>	<ul style="list-style-type: none"> <li>Member of the Board of Directors of the Saudi Standards, Metrology and Quality Organization (SASO), a governmental body working in the field of achieving regional leadership and scientific reference in the fields of standardization, conformity assessment and upgrading the specifications and quality of products and services, from 2014 AD until 2019 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Board of Directors of the National Program for the Development of Industrial Clusters, a government program that aims to create a new industrial structure in the Kingdom to diversify the national economy based on a shift from reliance on natural resources represented in the oil sector to the wealth gained from that sector, from 2016 AD until 2018.</li> </ul>

	<ul style="list-style-type: none"> <li>Chairman of the Board of Directors of the Saudi Paper Manufacturing Company, a public shareholding company operating in the industrial investment sector, from 2015 AD until 2018.</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Board of Directors, Saudi Steel Pipe Company, a public shareholding company operating in the construction sector, from 2013 AD until 2015 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Board of Directors, the Saudi Paper Manufacturing Company, a public shareholding company operating in the industrial investment sector, from 2006 AD until 2014 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Industrial Committee, the Chamber of Commerce and Industry in Riyadh, from 2000 AD until 2011 AD.</li> </ul>
2	<b>Abdulaziz Abdulrahman Abdullah Alkhorayef, Deputy Chairman of the Board of Directors</b>
<b>Current Positions:</b>	<ul style="list-style-type: none"> <li>Deputy Chairman of the Board of Directors of the Company since 2020</li> </ul>
	<ul style="list-style-type: none"> <li>Vice President, Takamol Holding Company, a limited liability company operating in the field of project management, consulting, human resources and procurement, since 2017</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Board of Directors, Packaging Products Company, which is a closed joint stock company operating in the field of manufacturing plastic disposable products that serve a large sector in the dairy and food industry, since 2017</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Board of Directors, Bayan Credit Bureau, which is a closed joint stock company working in the field of providing credit information services and collecting credit data and information from commercial and industrial establishments, since 2018</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Advisory Board, Equipment Systems Sector, Alkhorayef Group Company, which is a closed joint stock company, with multiple activities and its units include the fields of oil, lubricants, machinery and equipment systems, contracting services, printing and paper, since 2015 until the date of this prospectus.</li> </ul>
<b>Previous professional experience:</b>	<ul style="list-style-type: none"> <li>Advisor to the Minister for Industrial Initiatives, Ministry of Energy, Industry and Mineral Resources, Kingdom of Saudi Arabia, government ministry working in the field of management, development and utilization of oil, gas and mineral resources, from 2016 AD until 2017 AD.</li> </ul>

	<ul style="list-style-type: none"> <li>• General Manager, General Administration of Planning, Policies and Industrial Research, Agency for Industrial Affairs, Ministry of Energy, Kingdom of Saudi Arabia, government ministry working in the field of management, development and utilization of oil, gas and mineral resources, from 2016 AD until 2017.</li> </ul>
	<ul style="list-style-type: none"> <li>• General Manager, National Center for Small and Medium Enterprises, Ministry of Commerce, a government ministry working in the field of setting and implementing commercial policies for the Kingdom, facilitating and developing commercial work internally and externally, enhancing the role of the private sector in the national economy, developing commercial relations with various countries of the world in addition to supervising the application of regulations and the issuance of licenses to establish and supervise the Chambers of Commerce and its branches from 2014 AD until 2016 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>• General Manager, Alkhorayef Industries Company, a limited liability company, working in the field of manufacturing turbine pumps, iron pipes and pivot irrigation systems, from 2009 AD until 2014 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>• Industrial Projects Development Manager, Alkhorayef Industries Company, a limited liability company, working in the field of manufacturing turbine pumps, iron pipes and pivot irrigation systems, from 2005 AD until 2007 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>• Industrial Projects Development Manager, Alkhorayef Petroleum Company, a limited liability company, working in the field of pumping systems and components, from 2005 AD until 2007 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>• Industrial Projects Development Manager, Alkhorayef Printing Solutions Company, a limited liability company, working in the field of printing and packaging solutions, from 2005 AD until 2007 AD.</li> </ul>
<b>3</b>	<b>Fahd Mohammed Abdulaziz Alkhorayef, Member of the Board of Directors</b>
<b>Current Positions:</b>	<ul style="list-style-type: none"> <li>• Member of the Board of Directors in the company since 2020 AD</li> </ul>
	<ul style="list-style-type: none"> <li>• Managing Director, Alkhorayef Printing Solutions Company, a limited liability company, working in the field of printing and packaging solutions, since 2019</li> </ul>
	<ul style="list-style-type: none"> <li>• General Manager, Saudi Automated Spare Parts Center, a limited liability company, operating in the field of spare parts and</li> </ul>

	<p>maintenance for heavy equipment and trucks, since 2012</p>
	<ul style="list-style-type: none"> <li>Member of the Advisory Board in the Equipment Systems Sector, Alkhorayef Group Company, a closed joint stock company with multiple activities, whose units include the fields of oil, lubricants, machinery and equipment systems, contracting services, printing and paper, since 2015</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Board of Directors, Abdullah Al-Brahim Alkhorayef &amp; Sons Company, a closed joint stock company, operating in the field of multiple investments, since 2012</li> </ul>
<b>Previous professional experience:</b>	<ul style="list-style-type: none"> <li>Chairman of the Tender Committee, Alkhorayef Lubricants Manufacturing Company, a limited liability company, operating in the field of lubricant oil manufacturing, from 2018 to 2020.</li> </ul>
	<ul style="list-style-type: none"> <li>In charge of the Communication and Marketing Department, Alkhorayef Group Company, a closed joint stock company, with multiple activities and its units include the fields of oil, lubricating oils, machinery and equipment systems, contracting services, printing and paper, from 2015 AD until 2019 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Communication and Marketing Committee, Alkhorayef Group Company, a multi-activity closed joint stock company, whose units include the fields of oil, lubricants, machinery and equipment systems, contracting services, printing and paper, from 2013 to 2015.</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Industrial Innovation Award Committee, the Saudi Authority for Industrial Estates and Technology Zone "Modon", which is a governmental body concerned with the development and supervision of industrial cities, from January 2012 to December 2012.</li> </ul>
	<ul style="list-style-type: none"> <li>Assistant General Manager, Saudi Spare Parts Center, a limited liability company operating in the field of spare parts and maintenance of heavy equipment and trucks, from 2011 AD until 2012 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>Manager of Material Handling Products, Alkhorayef Commercial Company, which is a limited liability company, working in the field of distributing agricultural, industrial and marine machinery and equipment, from 2006 AD until 2008 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>Manager of Projects Management, Alkhorayef Group Company, a</li> </ul>

	multi-activity closed joint stock company, whose units include the fields of oil, lubricants, machinery and equipment systems, contracting services, printing and paper, from 2005 AD until 2006 AD.
<b>4</b>	<b>Ammar Ahmed Amin Al-Zubaidi, member of the Board of Directors</b>
<b>Current Positions:</b>	<ul style="list-style-type: none"> <li>• Member of the Company's Board of Directors since 2020</li> </ul>
	<ul style="list-style-type: none"> <li>• Member of the Executive Committee, Alkhorayef Group Company, a multi-activity closed joint stock company whose units include the fields of oil, lubricants, machinery and equipment systems, contracting services, printing and paper, since 2014</li> </ul>
	<ul style="list-style-type: none"> <li>• Chief Financial Officer, Alkhorayef Group Company, a multi-activity closed joint stock company whose units include the fields of oil, lubricants, machinery and equipment systems, contracting services, printing and paper, since 2014</li> </ul>
	<ul style="list-style-type: none"> <li>• Member of the Advisory Board for the Equipment and Machinery Sector, Alkhorayef Group Company, which is a multi-activity closed joint stock company whose units include the fields of oil, lubricants, machinery and equipment systems, contracting services, printing and paper, since 2015</li> </ul>
	<ul style="list-style-type: none"> <li>• Member of the Board of Directors, Alkhorayef Petroleum Company, a limited liability company, working in the field of pumping systems and components, since 2014</li> </ul>
	<ul style="list-style-type: none"> <li>• Member of the Credit and Risk Committee, Saudi Finance Company, a closed joint stock company, working in the field of providing financing services, since 2015</li> </ul>
<b>Previous professional experience:</b>	<ul style="list-style-type: none"> <li>• General Manager for Financial Affairs, Alkhorayef Group Company, a multi-activity closed joint stock company whose units include the fields of oil, lubricants, machinery and equipment systems, contracting services, printing and paper, from 1999 AD until 2013 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>• Credit Officer, The Arab Bank in Jordan, a joint stock company working in the field of providing banking and financial services, from 1993 AD until 1999 AD.</li> </ul>
<b>5</b>	<ul style="list-style-type: none"> <li>• Abdul Rahman Saud Hamad Al Owais, member of the Board of Directors</li> </ul>

<b>Current Positions:</b>	<ul style="list-style-type: none"> <li>Member of the Company's board of directors since 2020</li> </ul>
	<ul style="list-style-type: none"> <li>Undersecretary for Corporate Services, Ministry of Finance, Kingdom of Saudi Arabia, governmental institution, since 2020 AD</li> </ul>
<b>Previous professional experience:</b>	<ul style="list-style-type: none"> <li>Vice President for Shared Services, National Water Company, a closed joint stock company, working in the field of providing water and wastewater services, from 2017 AD until 2020 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>General Manager of the Eastern Province, Almarai Company, a multi-activity public shareholding company operating in the food sector, from 2015 AD until 2017 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>General Manager of Almarai in the State of Kuwait, a multi-activity public shareholding company operating in the food sector, from 2013 AD until 2015 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>Manager of Human Resources, Almarai Company, a multi-activity public shareholding company operating in the food sector, from 2009 AD until 2013 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>Manager of Personnel Affairs for the Arab Gulf States, Almarai Company, a multi-activity public joint stock company operating in the food sector, from 2007 AD until 2009 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>Training and Employee Relations Supervisor, Almarai Company, a multi-activity public joint stock company operating in the food sector, from 2006 to 2007 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Future Managers Program, Almarai Company, a multi-activity public joint stock company operating in the food sector, from 2005 AD until 2006 AD.</li> </ul>
<b>6</b>	<b>Suleiman Mohammed Abdullah Al-Qahidan, a member of the Board of Directors</b>
<b>Current Positions:</b>	<ul style="list-style-type: none"> <li>Member of the Company's Board of Directors since 2020.</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Board of Directors, MASIC Logistics Company, a limited liability company, working in the field of logistical and industrial facilities services, since 2020</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Board of Directors, ATC Sobol Al Khebra Consulting Company, a mixed limited liability company, working in the field of consulting, zakat and tax, since 2019</li> </ul>

	<ul style="list-style-type: none"> <li>Chief Financial Officer, Mohamed Ibrahim Al-Subaiei &amp; Sons Investment Company (MASIC), a closed joint stock company operating in the field of direct investments and asset management, since 2018</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Audit Committee, Zakher Investment and Real Estate Development Company, a limited liability company operating in the real estate field since 2019</li> </ul>
	<ul style="list-style-type: none"> <li>Advisor to the Board of Directors, Easy Financial Services Company, a closed Bahraini shareholding company, working in the field of financial technology and providing innovative solutions and technologies, since 2019</li> </ul>
	<ul style="list-style-type: none"> <li>Chairman of the Audit Committee, Al-Fadhili Field Housing Company, a limited liability company, working in real estate development, since 2018.</li> </ul>
	<ul style="list-style-type: none"> <li>Partner in ATC Sobol Al Khebra Consulting Company, a mixed limited liability company, working in financial advisory, zakat and tax, since 2019</li> </ul>
	<ul style="list-style-type: none"> <li>Partner in Jada Gulf Commercial Holding Company, a limited liability company, working in the field of investment in securities and companies, since 2019</li> </ul>
	<ul style="list-style-type: none"> <li>Partner in the Arab Agricultural Services Company (ARASCO), a closed joint stock company, engaged in the production and sale of foodstuffs, since 2018</li> </ul>
<b>Previous professional experience:</b>	<ul style="list-style-type: none"> <li>Chief Financial Officer, The Arab Agricultural Services Company (ARASCO), a closed joint stock company operating in the field of production and sale of foodstuffs, from 2005 to 2017.</li> </ul>
	<ul style="list-style-type: none"> <li>Secretary of the Board of Directors, The Arab Agricultural Services Company (ARASCO), a closed joint stock company, engaged in the production and sale of foodstuffs, from 2013 AD until 2017.</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Audit Committee, Al-Saedan Real Estate Company, working in the real estate field, from 2015 AD until 2018 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Board of Directors, Bahri Bulk Transportation Company, a limited liability company, operating in the transportation field, from 2013 AD until 2017 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>Financial Supervision and Consultation Department, Saudi</li> </ul>

Industrial Development Fund, a governmental entity, from 1992 AD until 2005 AD.

**Note:** All companies mentioned in the above table are Saudi companies, except for what is mentioned otherwise next to them.

#### 4.2.3 The names of the members of the Board of Directors, their current and previous positions, qualifications and experiences:

<b>Chairman of Board of Directors</b>	<b>Mohammed Abdullah Ibrahim Alkhorayef</b>
Nationality:	Saudi
Age:	57 years old
Academic and professional qualifications:	<ul style="list-style-type: none"> <li>Bachelor's degree in Industrial Engineering, King Saud University, Riyadh, Kingdom of Saudi Arabia, 1988 AD.</li> </ul>
Date of appointment:	<ul style="list-style-type: none"> <li>(29/09/1441 AH) corresponding to 22/05/2020 AD</li> </ul>
	<ul style="list-style-type: none"> <li>Abdulaziz Abdulrahman Abdullah Alkhorayef, Deputy Chairman of the Board of Directors</li> </ul>
Nationality:	<ul style="list-style-type: none"> <li>Saudi</li> </ul>
Age:	<ul style="list-style-type: none"> <li>38 years</li> </ul>
Academic and professional qualifications:	<ul style="list-style-type: none"> <li>Master of Science in Engineering Science and Manufacturing Systems Management, Cranfield University, Bedfordshire County, United Kingdom, 2008.</li> </ul>
	<ul style="list-style-type: none"> <li>Bachelor's degree in Industrial Engineering, King Saud University, Riyadh, Kingdom of Saudi Arabia, in 2005 AD.</li> </ul>
Date of appointment:	<ul style="list-style-type: none"> <li>(29/09/1441 AH) corresponding to 22/05/2020 AD</li> </ul>
<b>Member of Board of Directors</b>	<b>Fahd Mohammed Abdulaziz Alkhorayef</b>
Nationality:	Saudi
Age:	39 years
Academic and professional qualifications:	<ul style="list-style-type: none"> <li>Master of Business Administration, Aston University, Birmingham, England, in 2010.</li> </ul>

	<ul style="list-style-type: none"> <li>Bachelor of Industrial Engineering, King Saud University, Riyadh, Kingdom of Saudi Arabia, in 2004 AD.</li> </ul>
Date of appointment:	<ul style="list-style-type: none"> <li>(29/09/1441 AH) corresponding to 22/05/2020 AD</li> </ul>
Ammar Ahmed Amin Al-Zubaidi, member of the Board of Directors	
Nationality:	Jordanian
Age:	51 years
Academic and professional qualifications:	<ul style="list-style-type: none"> <li>BA in Accounting and Business Administration, University of Jordan, Amman, Jordan, in 1993 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>BA in Accounting and Auditing, Kuwait University, Kuwait, Kuwait, 1990 AD.</li> </ul>
Date of appointment:	<ul style="list-style-type: none"> <li>(29/09/1441 AH) corresponding to 22/05/2020 AD</li> </ul>
Abdul Rahman Saud Hamad Al Owais, member of the Board of Directors	
Nationality:	<ul style="list-style-type: none"> <li>Saudi</li> </ul>
Age:	<ul style="list-style-type: none"> <li>38 years</li> </ul>
Academic and professional qualifications:	<ul style="list-style-type: none"> <li>Diploma in Human Resources, Al Yamamah College, Riyadh, Saudi Arabia, in 2005 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>BA in English Language and Literature, Imam Muhammad bin Saud University, Riyadh, Kingdom of Saudi Arabia, in 2005 AD.</li> </ul>
Date of appointment:	<ul style="list-style-type: none"> <li>(29/09/1441 AH) corresponding to 22/05/2020 AD</li> </ul>
Suleiman Mohammed Abdullah Al-Qahidan, a member of the Board of Directors	
Nationality:	Saudi
Age:	50 years
Academic and professional qualifications:	<ul style="list-style-type: none"> <li>Leadership Development Program, Harvard University, 2014.</li> </ul>
	<ul style="list-style-type: none"> <li>Master of Business Administration, King Saud University,</li> </ul>

Riyadh, Kingdom of Saudi Arabia, in 2004 AD.	
	<ul style="list-style-type: none"> <li>American Chartered Accountants Fellowship (CPA), Washington State Board, 2001.</li> </ul>
	<ul style="list-style-type: none"> <li>Saudi Certified Public Accountants Fellowship (SOCPA), Saudi Organization for Certified Public Accountants, 1996 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>Bachelor of Administrative Sciences in Accounting, King Saud University, Riyadh, Kingdom of Saudi Arabia, in 1992 AD.</li> </ul>
Date of appointment:	<ul style="list-style-type: none"> <li>(29/09/1441 AH) corresponding to 22/05/2020 AD</li> </ul>

**4.2.4 The names of the members of the committees (from outside the Board and the Executive Management), their current and previous positions, qualifications and experiences:**

Member of the Audit Committee	Mohammed Abdullah Saleh Alwabel
Nationality:	Saudi
Age:	57 years
Academic and professional qualifications:	<ul style="list-style-type: none"> <li>Bachelor of Administrative Sciences, Accounting, King Saud University, Riyadh, Kingdom of Saudi Arabia, 1988 AD.</li> </ul>
Date of appointment:	<ul style="list-style-type: none"> <li>16/10/1441 AH, 08/06/2020 AD</li> </ul>
Current Positions:	<ul style="list-style-type: none"> <li>Member of the Board of Directors, Almutlaq Group Company, a closed joint stock company operating in the field of investment management, since 2016 AD until the date of this prospectus.</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Investment Committee, Almutlaq Group Company, a closed joint stock company operating in the field of investment management, since 2016 AD until the date of this prospectus.</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Board of Directors, Almutlaq Real Estate Investment Company, a limited liability company operating in the field of real estate development, since 2015 AD until the date of this prospectus.</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the Board of Directors, National Finance House, a closed Bahraini joint stock company operating in the field of car purchase financing, since 2019 AD until the date of this prospectus.</li> </ul>
Previous professional experience:	<ul style="list-style-type: none"> <li>Independent Board Member, FALCOM Investment Funds, operating in the field of investment, from 2015 until 2018.</li> </ul>

	<ul style="list-style-type: none"> <li>Member of the Audit Committee, Nayifat Finance Company, a closed joint stock company, operating in the field of finance, from 2015 AD until 2018 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>CEO, Almutlaq Group Company, a closed joint stock company operating in the field of investment management, from 2016 AD until 2019.</li> </ul>
	<ul style="list-style-type: none"> <li>Chief Financial Officer, Almutlaq Group Company, a closed joint stock company operating in the field of investment management, from 2008G until 2016 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>Executive Manager for Financial and Administrative Affairs, Almutlaq Group Company, a closed joint stock company operating in the field of investment management, from 2002 AD until 2008 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>Partner and General Manager, Advanced Computer Company, a limited liability company operating in the field of information technology and electronic systems, from 2000 AD until 2002 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>Audit Manager, Ernst &amp; Young, a limited liability company operating in the field of financial and accounting services and advice, financial auditing, tax advice and business transactions, from 1990 to 2000 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>Accountant, Riyadh Bank, a public joint stock company operating in the field of banking and financial services and consultations and banking business, from 1988 AD until 1990 AD</li> </ul>
Members of the Remunerations and Nominations Committee	Jalajil Abdulmohsen Aljalajil
Nationality:	Saudi
Age:	41 years
Academic and professional qualifications:	<ul style="list-style-type: none"> <li>Bachelor of Business Administration, Imam Mohammed ibn Saud Islamic University, Riyadh, Kingdom of Saudi Arabia, 2013 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>Diploma in HR, Alyamamah University, Riyadh, Kingdom of Saudi Arabia, 2007 AD.</li> </ul>
Date of appointment:	<ul style="list-style-type: none"> <li>15/10/1441 AH, 07/06/2020 AD</li> </ul>
Previous professional experience:	<ul style="list-style-type: none"> <li>CHRO, Alkhorayef Group co, it's a limited liability company,</li> </ul>
	<ul style="list-style-type: none"> <li>Member of the tendering Committee, Alkhorayef Lubricants Manufacturing Company, a limited liability company, operating in the field of lubricant oil manufacturing, from 2018 to 2020</li> </ul>

	<ul style="list-style-type: none"> <li>· Director of HR, Al-Rajhi Investment Company, a limited liability company, operating in the field of commercial and real estate investment, from 2011 AD until 2016 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>· Director of HR, Tanmiyat Investment Company, a limited liability company, operating in the field of commercial, real estate and medical investment, from 2007 AD until 2011 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>· HR Supervisor, Al-Rajhi Contracting Company, a limited liability company, operating in contracting shops, from 2002 AD until 2007 AD.</li> </ul>
	<ul style="list-style-type: none"> <li>· Customer Services Officer, Arts Logistics Company, a limited liability company, working in the field of providing freight services, from 2011 AD until 2016 AD.</li> </ul>

#### 4.2.5 Procedures taken by the Board of Directors to inform its members - especially non-executives - of shareholders' proposals and comments about the Company and its performance:

The Board of Directors authorized the Company to take the necessary measures that enable shareholders to communicate their proposals and observations, through the communication channels available at the Investor Relations Department, which are as follows:

- Phone No: 0114000612
- Fax No: 0114555179
- Email: [nalshami@alkhorayef.com](mailto:nalshami@alkhorayef.com)

#### 4.2.6 Attendance record for Board of Directors meetings for the year 2020

The following statement shows the attendance record of the members of the Board of Directors for its meetings during the year 2020:

Name	Number of meetings: 3 meetings			Total
	First meeting 07/07/2020	Second meeting 18/8/2020	Third Meeting 15/12/2020	
Mohammed Abdullah Ibrahim Alkhorayef	Attended	Attended	Attended	3
Abdulaziz Abdulrahman Abdullah Alkhorayef	Attended	Attended	Attended	3
Fahd Mohammed Abdulaziz Alkhorayef	Attended	Attended	Attended	3
Ammar Ahmed Amin Al-Zubaidi	Attended	Attended	Attended	3
Abdul Rahman Saud Hamad Al Owais	Attended	Attended	Attended	3
Suleiman Mohammed Abdullah Alquhidan	Attended	Attended	Attended	3
<b>Date of the Extraordinary General Assembly meeting: 05/07/2020</b>				

**4.2.7 Statement of the dates of the general assemblies of shareholders held during the financial year 2020 AD and the names of the members of the Board of Directors attending these meetings:**

Name	Number of Assembly: One meeting
	The Extraordinary General Assembly meeting on 05/07/2020 AD
Mohammed Abdullah Ibrahim Alkhorayef	Attended
Abdulaziz Abdulrahman Abdullah Alkhorayef	Attended
Fahd Mohammed Abdulaziz Alkhorayef	Attended
Ammar Ahmed Amin Al-Zubaidi	Attended
Abdul Rahman Saud Hamad Al Owais	Attended
Suleiman Mohammed Abdullah Alquhidan	Attended

#### 4.2.8 Remuneration and compensation allocated to members of the Board of Directors

During the year 2020 AD, members of the Board of Directors were entitled to the following remuneration and allowances:

	Fixed remunerations			Variable remunerations	Gross total
	Certain amount	Allowance for attending Board sessions	Total	Periodic remunerations	
<b>First: Independent members</b>					
Abdul Rahman Saud Hamad Al Owais	200,000	9,000	209,000	0	209,000
Suleiman Mohammed Abdullah Alquhidan	200,000	9,000	209,000	0	209,000
<b>Total</b>	<b>400,000</b>	<b>18,000</b>	<b>418,000</b>		<b>418,000</b>
<b>Second: Non-executive members</b>					
Mohammed Abdullah Ibrahim Alkhorayef	0	9,000	9,000	0	9,000
Abdulaziz Abdulrahman Abdullah Alkhorayef	0	9,000	9,000	0	9,000
Fahd Mohammed Abdulaziz Alkhorayef	0	9,000	9,000	0	9,000
Ammar Ahmed Amin Al-Zubaidi	0	9,000	9,000	0	9,000
<b>Total</b>	<b>0</b>	<b>36,000</b>	<b>36,000</b>		<b>36,000</b>
<b>Gross Total</b>	<b>400,000</b>	<b>54,000</b>	<b>454,000</b>		<b>454,000</b>

- Kindly note that the periodic remuneration referred to in the above table represents the remuneration of the members of the Board of Directors for the year 2020 AD and will be disbursed in 2021 AD. As for the session attendance allowances, it is the allowance for attending the Board of Directors sessions for the year 2020 AD.
- The non-executive members of the Board have waived the annual remuneration for the year 2020.

#### 4-2-9 Remunerations of the Committees Members

	Fixed Remunerations (Except for Sessions Attendance Allowances)	Sessions Attendance Allowances	Total
Members of the Auditing Co			
Sulaiman Mohammad Abdullah Alquhidan	100,000	9,000	109,000
Mohammad Abdullah Saleh Alwabil	100,000	9,000	109,000
Ammar Ahmad Amin Alzubaidi	0	9,000	9,000
<b>Total</b>	<b>200,000</b>	<b>27,000</b>	<b>227,000</b>
Members of the Remunerations and Nominations Committee			
Mohammad Abdullah Alkhorayef	0	6,000	6,000
Abdulrahman Saud Hamad Al Owais	100,000	6,000	106,000
Jalajil Abdulmohsen Aljalajil	100,000	6,000	106,000
<b>Total</b>	<b>200,000</b>	<b>18,000</b>	<b>218,000</b>
<b>Gross Total</b>	<b>400,000</b>	<b>45,000</b>	<b>445,000</b>

Noticing that the periodical remunerations stated in the schedule above represent the remuneration of the members of the committees for the year 2020, and will be paid in 2021, while the session attendance allowances are the allowances paid to members of the board of directors for attending the sessions of the board for the year 2020.

#### 4-2-10 Policy of Remuneration of the Members of Board of Directors and Subsidiary Committees:

For paying the awards shown above, the company depends on the following:

- 1) Member of the board of directors will deserve against his membership in the board of directors an annual remuneration of not more than (SR 200,000) for each member or as determined by the ordinary general assembly of shareholders based on a proposal from the board of directors.
- 2) Member of the board of director and the board subsidiary committees is entitled to an attendance allowance amounting to (3,000) Saudi Riyal for each meeting he attends in addition to bearing by the company of the travel

and accommodation expenses upon attending by any of the members of the board of directors and its subsidiary committees of one of the meetings of the board or the committees held outside his domicile city.

- 3) Board of directors may adopt other remunerations – periodically or annually- for members of the board of directors or its subsidiary committees.
- 4) Members of the subsidiary committees are entitled to an annual remuneration not exceeding an amount of (100,000) Saudi Riyals, provided that the committee member is not an employee of the company.

Note that these remunerations awarded are not deviating from controls of the approved remunerations policy.

#### **4-3 The BOD Subsidiary Committees:**

##### **First: Remunerations and Nominations Committee**

The committee held two meetings during the year 2020, and it submitted its reports to the Board of Directors. The remunerations and nominations committee is composed of the following:

S	Name	First Meeting 12/8/2020	Second Meeting 06/09/2020	Total
1	Abdulrahman Saud H. Al owais	Attended	Attended	2
2	Mohammad Abdullah Alkhorayef	Attended	Attended	2
3	Jalajil Abdulmohsen Aljalajil	Attended	Attended	2

##### **Work Regulation of the Nominations and Remunerations Committee**

The nominations and remunerations committee (hereinafter referred to as “the committee”) was founded at Alkhorayef Water and Power Technology (“the company”) by the General Assembly of Shareholders at the company (“general assembly”) according to its authority, and in accordance with the company Articles of Association. Formation of the members of the company was approved by Board of Directors of the

company, and the commits acts according to work regulation (“this regulation”).

### **1-Purpose and Role**

1-1 Purpose of the committee is helping the board of directors (“board of directors”, and each of the members of the board is referred to as a “member of the board of directors”) is to do its regulatory responsibilities and carry out the competencies, responsibilities and authorities stated in this regulation.

1-2 The main role of the committee is: (1) leading the process of nomination and assessment of the members of the board of directors, and the highly ranked executives in the company, (2) ensuring effectiveness and soundness of the structure of board of directors and executive management and the related internal policies and procedures, (3) Helping the board of directors in reviewing and determining remunerations of the members of the board and the members of the board of director committees and senior executives at the company.

## **2 Organization and Membership**

2-1 The committee is formed of not less than three and not more than five members ( each of them is individually referred to as “the member”, and jointly referred to as “the members”, who are appointed by the board of directors for no more than three years. Membership of the member in the committee in the committee will not be longer than his membership in the board of directors “if he is a board member”, and the members may always be re-appointed for subsequent terms.

2-2 It is not allowed to appoint any of the executive members of the board as members in the committee but one member of the independent members of the board of directors will be appointed.

- 2-3 The board of directors will appoint from among number of the committee members a chairman for the committee (“the chairman”) and this chairman shall be one of the independent members of the board of directors. In case that the chairman of the board of directors is a member in the committee, he may not be appointed as a chairman of it, and the chairman chairs the committee meetings and he or a member acting on his behalf will attend all of the general assembly meetings to answer questions of the company shareholders. The term of appointment of the chairman shall correspond with his membership in the committee, and the board of directors has the right to remove the chairman at any time.
- 2-4 The committee appoints from among its number a secretary (“The secretary”) who shall attend all meetings of the committee and prepare minutes of the committee and document its decisions. The committee fixes the period of appointment of the secretary, and if he is a member in the committee his appointment term shall not be longer than his term of his membership in the committee, and he may be terminated from the committee at any time.
- 2-5 The board of directors may terminate all or some of the members at any time, and in case of termination membership of any member for any reason before end of his membership period, the board of directors may appoint an alternative member to replace him, and the new member will complete the term of his predecessor.
- 2-6 The company notified CMA of the name of every member and his position, and his independence within five work days from date of appointing or terminating him, and of any changes occur in this concern within five work days from date of the occurrence of the changes.

### **3- Meetings and Procedures**

3-1 The committee meets twice at least every year, and additional meeting may be held from time to time based on the request of the board of directors or any of the members.

3-2 The committee meet by invitation made according to a written notification sent by the secretary to every member as required, based on the chairman request five business days at least before the time fixed for the meeting except for emergency cases whereas a meeting will, subject to consent of the majority of the members, be held through a notification sent in a shorter period before meeting time. The notification shall indicate date, time and place of the meeting as well as the meeting agenda and the relevant associated documents, and the committee meets at the times and places that it deems relevant to carry out its responsibilities.

3-3 Meetings of the committee can be held by personal attendance or through call conference through use of the audiovisual means or in any other way agreed upon by the committee and allowing the members to hear each other.

3-4 Meeting of the committee may only be attended by the members and the secretary. However, others may attend those meetings if the committee so requests through an invitation by it.

3-5 For the committee meetings to be valid, they shall be attended by the majority of its members (more than 50%), and its decisions are issued and its acts are adopted by the majority of the votes of attendees (more than 50%), and in case of equal vote, the party of the chairman will have the casting vote, and it is not allowed for a member to take part in voting in an issue in which he has a direct or indirect interest.

3-6 In case of absence of the chairman, and absence or non-existence of a deputy appointed by the chairman among the members, the rest of the present members will select for chairing the meeting a member from

among their number who is qualified according to this regulation to fill such a position.

3-7 The member may delegate any of the other members to act on his behalf in any meeting of the committee provided that delegating a deputed member to act on behalf of the deputing member shall be proven in writing, and a letter in this concern shall be sent to the secretary before that specific meeting.

3-8 The committee may approve decisions through passing the proposed decisions in writing or in an electronic form to all of its members to approve and sign them (noticing that the scanned copy of the decision signed by the member is considered as a form acceptable for this purpose), and the written decisions are issued subject to consent of the majority of members, and in case of equal votes, the party of the chairman will have the casting vote.

3-9 The secretary will, as soon as possible after end of every meeting or approving a written decision, send a copy of the minute or the decision to every member in the committee, and the meeting minutes shall be signed by the secretary and all members attending the meeting.

#### **4- Duties and Responsibilities**

4-1 The committee performs its main role as stated in the section 1 hereinabove through exercising the following competencies, functions and responsibilities at least:

(a) Nominations:

- (1) Preparing policies and standards in relation to nomination and appointment of the members of the board of directors and the members of the company executive management (“nominations policy”), and proposing those policies to the board of directors and supervising their implementation.

- (2) Ensuring of submitting the necessary and suitable enquiries concerning the candidates of the board of directors and their qualification before submitting a recommendation regarding their nomination for the board of directors.
- (3) Making recommendation to the board of directors to nominate members in the board of directors and re-nominate them according to the applicable laws, regulations and rules, and the adopted policies and standards (including this regulation).
- (4) Reviewing, evaluating and submitting the recommendations to the board of directors about the capabilities, qualifications and experiences required for the membership of the board of directors and the positions of the company executive management on annual basis at least, and this includes specifying the time to be assigned for that membership, and preparing of a job description for the members of the executive and non-executive and independent members of the board of directors and the company executive management.
- (5) Verifying independency of the independent members of the board of directors on annually according to the applicable laws and regulations, and ensuring that there is no any conflict of interests if the member acting as a member of a board of directors at another company.
- (6) Periodical review of the plans of succession of the senior executives and submitting recommendations in this concern to the board of directors, taking into consideration the challenges and opportunities of the company as well as the future needs for skills and experiences.
- (7) Assessing the potential candidates for filling the positions of the executive management of the company and submitting

recommendations in relation to them to the board of directors, and this also applies to the position of the CEO.

(8) Setting up the special procedures in case that a position of one of the members of the board of directors or the senior management becomes vacant, and reviewing them periodically, and making recommendation to the board of directors in relation to selection and adoption of the candidates to fill those positions.

(b) Review and evaluation.

- 1- Reviewing the structure of the board of directors and executive management of the company, and its size and formation and their strong and weak points periodically (including the skills, knowledge and experiences), and submitting the recommendations which are suitable with the board of directors consistently with company interest.
- 2- Setting up an orientation program for the new members of the board of directors and supervising it.
- 3- Setting up an annual process for self-evaluation of the members of the board of directors and some of the senior executives at the company and submitting recommendations to the board of directors concerning them and supervising that process.

(C) Remunerations:

- 1- Preparing a policy for the remunerations of the members of the board of directors and the board subsidiary committees and the executive management of the company (“ remunerations policy) and submitting it to the board of directors in order to prepare for adopting it by the general assembly and supervising its implementation and disclosure.

- 2- Preparing an annual report about the remunerations and other payments (in cash and in kind) awarded to the members of the board of directors and the board subsidiary committees and executive management and clarifying the relation between the remunerations awarded and remuneration policy (including the statement of any material deviation from this policy) (annual report of the remunerations), in order to propose it to the board of directors to consider it.
- 3- Periodical review of the remunerations policy and evaluating how far it is suitable and effective, and submitting recommendations to the board of directors in relation to this issue.
- 4- Submitting recommendations to the board of directors regarding remunerations of the board members and board subsidiary committees and the executive management (including the nature and amount of the remuneration) according to the adopted policy of remunerations.
- 5- Reviewing the company plans related to the compensations, benefits and incentives prescribed for the members of the board of directors and the company employees, and making recommendations on them to the board of directors concerning matters related to adopting, amending and finalizing these plans.
- 6- Preparing the disclosures related to the remunerations required according to policies of the company or any laws, regulations or rules that governs the company including the disclosures related to the policy of remuneration and the remunerations annual report.

(d) Other Provisions:

- (1) Carrying out other related works according to request of the board of directors.

4-2 The company is keen, in performing its role, on taking into account the division of the responsibilities and competencies between it and the company's board of directors.

4-3 The company submits to the board a report of its works and its findings and decisions after each of its sessions.

## **5-Authorities**

5-1 The committee enjoys the authorities which are necessary for conducting its competencies and functions, particularly the following:

- (1) The right to access to the company records and documents which are required for the company for exercising its functions and responsibilities without limitation.
- (2) The right to unrestricted access to the company management and employees (including its board members and executive officers), and it shall fully cooperate with the committee, and reply as soon as possible and in a comprehensive way to any questions proposed by the committee.
- (3) The right to form sub-committees or work teams composing of one member or more for exercising the functions delegated to it by the committee according to this regulation.
- (4) The right to appoint and seek service of external advisors or other specialists and experts as it deems fit to provide advice to the committee or help it as required ( provided that the minute of the meeting of the relevant committee involves name of the person appointed and any relation it has with the company or the senior management).
- (5) The right to take any other procedures which the committee reasonably deems as necessary for exercising its competencies

and functions as required, and fulfill its responsibilities under this regulation.

## **6-Remunerations**

6-1 Every remuneration awarded to the members shall be in the form and amount as determined by the general assembly based on recommendation of the board of directors, and according to the relevant laws, regulations, decisions and instructions.

## **7- Effectiveness and Review**

7-1 This regulation will be adopted according to a decision issued by the general assembly based on a proposal by the board of directors, and will be effective from date of adopting it by the general assembly.

7-2 The committee will review provisions of this regulation periodically and submits its recommendations in relation to any amendments to them to the board of directors.

7-3 Any amendments to this regulation will be adopted in the same way through which this regulation is adopted.

## **Second: The Auditing Committee**

The auditing committee held 3 meetings in 2020, and it is composed as follows:

Name	No of Meetings: 3			Total
	First Meeting 18/07/2020	Second Meeting 11/08/2020	Third Meeting 15/11/2020	
Sulaiman Mohammad Abdullah Alquhidan	Attended	Attended	Attended	Attended
Mohammad Abdullah Saleh Alwabil	Attended	Attended	Attended	Attended
Ammar Ahmad Amin Alzubaidi	Attended	Attended	Attended	Attended

### **The Auditing Committee Work Regulations:**

The auditing committee (hereinafter referred to as the “committee”) is incorporated at Alkhorayef Water and Power Technology Company (“the company”), and its incorporation is adopted by the general assembly of the company shareholders (“the general assembly”) subject to its authorities, and according to the company’s Articles of Association, and the company works according to this work regulation (“the regulation”).

#### **1- The Purpose**

- 1-1 Purpose of the committee is to help the board of directors of the company (“board of directors”, and each of the members of the board of directors is referred to as “ a member of the board of directors”) in fulfilling his regulatory responsibilities and performing the functions, responsibilities and authorities stipulated in this regulation.
- 1-2 The main role of the committee is to help the board of directors in supervising: (1) soundness, integrity and accuracy of the company’s financial statements and reports, and its internal control system, (2) company’s compliance with the legal and regulative rules and recommendations and the professional conduct rules; (3) qualifications and independence of the external company auditor,

(4) exercising the functions of internal auditing of the company and the independent account auditors in the company.

## **2 – Formation:**

- 2-1 The committee is formed of not less than three and not more than five members ( each of them is individually referred to as “the member”, and jointly referred to as “the members”).
- 2-2 The general assembly appoints all members according to a recommendation from the board of directors for no more than three years, and the recommendation of the board of directors to the general assembly in this concern is based on the recommendation of the nominations and remunerations committee in the company, and the recommendations of the nominations and remuneration committee and the board of directors shall be consistent with the laws, regulations, rules and policies applicable (including this regulation).
- 2-3 Membership of the member in the committee will not be longer than his membership in the board of directors “if he is a board member.
- 2-4 No any of the members of the executive members of the board of directors may be appointed in the committee, and it is not allowed to appoint the chairman of the board of directors as a member in the committee.
- 2-5 A person who is working or was working during the last two years in the executive or financial management of the company or as an employee or a member of a board of directors with an external auditor of the company may not be appointed as a member in the committee.

- 2-6 All members shall be aware of the financial affairs, and one among them at least shall be specialized in the financial and accounting affairs. The person “specialized in financial and accounting affairs” is defined as the person enjoying financial and accounting experience through his academic qualifications or experience as an accountant or a financial office at a public company or other similar experiences, and these characteristics include (but are not limited) to the following:
- (1) Knowledge of the general principles of accounting and auditing.
  - (2) Knowing standards of internal auditing (including those international standards of the professional practice of internal auditing).
  - (3) Ability to evaluate procedures of internal auditing.
  - (4) Ability to prepare the financial statements and to audit, analyze and evaluate any of the above.
  - (5) Knowing the related laws and regulations.
  - (6) Knowing functions and duties of the committee.
- 2-7 One of the members of the committees at least must be one of the independent members of the board of directors.
- 2-8 The general assembly will appoint from among its number a chairman (“The chairman”) who will be one of the independent members of the board. The chairman will chair the committee meetings, and he or a person acting on his behalf will attend all meetings of the general assembly to answer questions of the company shareholders. Term of appointment of the chairman shall

correspond with term of his membership in the committee, and the committee may terminate the chairman at any time.

2-9 The committee appoints from among the number of its members or others a secretary (“the secretary”) who shall attend all meetings of the committee and prepare minutes of the committee and document its decisions. The committee fixes the period of appointment of the secretary, and if he is a member in the committee his appointment term shall not be longer than his term of his membership in the committee, and he may be terminated from the committee at any time.

2-10 The board of directors may terminate all or some of the members at any time, and in case of terminating membership of any member for any reason before end of his membership period, the board of directors may appoint an alternative member temporarily to replace him provided that that appointment is proposed to the general assembly in its first next meeting to approve it, and the new member will complete the term of his predecessor.

2-11 The company will notify CMA of the name of every member and his position, and his independence status within five work days from date of appointing or terminating him, and of any changes occur in this concern within five work days from date of the occurrence of the changes.

### **3-Meetings:**

3-1 The committee meets four (4) times at least every fiscal year, and additional meetings may be held as required based on the request of the board of directors or any of the members or the external auditor, or any of the senior executives in the company.

3-2 The committee meets by invitation made according to a written notification sent by the secretary to every member as required, based on the chairman request seven days at least before the time fixed for the meeting except for emergency cases whereas a meeting will, subject to consent of the majority of the members, be held through a notification sent in a shorter period before meeting time. The notification shall indicate date, time and place of the meeting as well as the meeting agenda and the relevant associated documents, and the committee meets at the times and places that it deems relevant to carry out its responsibilities.

3-3 For the committee meetings to be valid, they shall be attended by the majority of its members, and its decisions are issued by the majority of the votes of attendees, and in case of equal vote, the party of the chairman will have the casting vote.

3-4 In case of absence of the chairman, and absence or non-existence of a deputy appointed by the chairman among the members, the rest of the present members will select for chairing the meeting a member from among their number who is qualified according to this regulation to fill such a position.

3-5 Attending the committee meetings is only allowed for the members and the secretary. However, members of the board of directors, the executive management and auditors or others may attend those meetings if the committee requests to hear to their opinion or obtain their advice, and the committee holds special periodical meetings or executive sessions with the internal auditing manager or the external auditors whenever this necessary to exercise its responsibilities.

3-6 The committee may approve decisions through passing the proposed decisions in writing or in an electronic form to all of its members to approve and sign them (noticing that the scanned copy of the decision signed by the member is considered as a form acceptable for this purpose), and the written decisions are issued subject to consent of the majority of

members, and in case of equal votes, the party of the chairman will have the casting vote.

3-7 The secretary will, fourteen (14) days after every meeting or approving a written decision, send a copy of the minute or the decision to the board of directors and to every member in the committee, and the meeting minutes shall be signed by all members attending the meeting.

#### **4-Responsibilities:**

4-1 The committee achieves its main role as shown in the section above through exercising the following competencies, functions and responsibilities at lease:

- (1) Reviewing the important issues connected with the accounting affairs and preparing the reports, and this includes complicated or unfamiliar transactions in addition to discretionary aspects of high importance and the professional and organizational announcements and evaluating their impact on the financial statements.
- (2) Reviewing any important or unfamiliar issues involved in the company's financial statements and reports and reviewing any issues raised by the executive manager of the financial department (or a person acting on his behalf), the compliance officer or the auditor.
- (3) Reviewing the auditing results with the management and the external auditor, and this includes any difficulties encountered.
- (4) Studying the company's elementary and annual financial statements, expressing opinions about them and presenting any recommendations in this concern to the board of directors before submitting them to the board to guarantee their soundness, integrity and transparency and to see if they are complete and consistent with the information known for the members and if they reflect the relevant accounting principles and policies.

- (5) Reviewing other parts of the annual report and the related organizational files before issuing them and looking into accuracy and completeness of the information.
- (6) Reviewing all issues required to be referred to the committee in light of the generally accepted auditing standards in cooperation with the management and the external auditor.
- (7) Studying the accounting policies applicable in the company, and expressing opinion and recommendation to the board of directors regarding them.
- (8) Understanding the way of developing the primary financial information, and the nature and range of participation of the internal auditing and the external auditor?
- (9) Expressing technical opinion – according to request of the board of directors – about whether the report of the board of directors and the company financial statements are fair, balanced, understandable and includes information that enable shareholders and investors to evaluate the company's financial position and performance, and its work model and strategy.
- (10) Verifying the accounting estimations in the material issues mentioned in the financial statements and reports of the company.

#### (B) Internal Auditing

(1) Studying and reviewing the systems of internal and financial control and risks management in the company and range of their effectiveness including information technology security and controls.

(2) Understanding the scope of the internal auditing off the financial reports by the internal auditing department and obtaining the reports

which include the results and important recommendations and the management remarks and comments.

(C ) Internal Auditing:

- (1) Approving the internal auditing regulation.
- (2) Reviewing performance and activities of the internal auditing and ensuring that there are no any unnecessary restrictions on its activities and giving instructions to the board of directors regarding his appointment and termination, and his annual remuneration and salary.
- (3) Controlling and supervising performance and activities of the internal auditing management at the company to verify availability of the required resources and their effectiveness in performing the works and functions assigned to it according to the suitable professional standards.
- (4) Agreeing upon the annual auditing plan and all changes to the plan, and reviewing performance and activities of the internal auditing management compared to the plan set up for it.
- (5) Working with the internal auditing manager regarding the internal auditing budget, the resources plan, and the activities and organizational structure for the internal auditing functions.
- (6) Reviewing the company's internal auditing procedures.
- (7) Studying the internal auditing reports and following up implementation of the corrective measures for the remarks involved therein.
- (8) Holding independent meetings with the internal auditing department periodically to discuss any issues which the committee or the auditing officials deems necessary to be discussed in special sessions.

#### **(d) External Auditing**

(1) Reviewing the scope proposed for the auditing works of the external auditor and his approach and plan and expressing their viewpoints regarding them including coordinating the efforts of auditing with the internal auditing activities.

(2) Recommending to the board of directors to nominate the external auditor and to terminate him and determine his fees and review his scope of work and the conditions of contracting with him provided that the recommendation takes in consideration independence of the external auditor.

(3) Reviewing performance of the external auditor and supervising his activities and approving any activity outside scope of the auditing works assigned to him during performing his functions.

(4) Studying the report of the external auditor and his remarks and reservations on the company financial statements, and following up the procedures taking towards them.

(5) Verifying independence of the external auditor, and his objectivity, impartiality and fairness, and extent of the effectiveness of auditing works taking in account the related rules and standards and issuing recommendation to the board of directors in this concern.

(6) Ensuring that the external auditor does not present technical or administrative works which are outside the scope of auditing works and issuing recommendation to the board of directors in this concern.

(7) Holding independent meetings with the external auditor periodically to discuss any issues which the committee or the auditor deems necessary to be discussed.

(8) Answering enquiries of the external auditor.

(9) Settling any disputes taking place between the management and the external auditor in relation to preparing the financial reports.

(e ) Compliance

(1) Verifying that the company complies with the related laws, regulations, policies and instructions and observing that.

(2) Reviewing the range of effectiveness of the control system and ensuring compliance with the laws and regulations and the result of investigations conducted by the management and watching any cases of non-compliance (including taking disciplinary measures).

(3) Reviewing reports and results of the investigations of the concerned legislative and organizational entities and any remarks which the external auditor or the internal auditors show, and ensuring that the company takes the necessary actions regarding the same.

(4) Reviewing the process of reporting the professional conduct rules to the company employees and watching compliance with these rules.

(5) Reviewing the contracts and transactions proposed to be concluded by the company with the related parties and presenting its viewpoints and recommendations regarding the same to the board of directors.

(6) Ensuring setting up and exercising of the suitable mechanism and arrangements that enable the company workers to show their remarks and concerns secretly and anonymously regarding any

financial or accounting issues, or any issues related to works of auditing or any of noncompliance cases.

(7) Regularly knowing latest developments regarding compliance issues from company management and its legal advisor.

(f) Responsibilities of Reporting

(1) Regularly reporting to the board of directors on the activities of the committees and the discovered issues and expressing any recommendations to the board of directors as it deems relevant at any aspect of concern as required.

(2) Providing open ways for communication between internal auditing department, the external auditor and the board of directors.

(3) Submitting an annual report to the shareholders describing formation of the committee and its functions and its performance of those functions and any other information as required by the applicable rules including agreeing upon the services outside the scope of auditing.

(4) Reviewing any other reports issued by the company concerning the committee responsibilities.

(5) Issuing a written annual report about its opinion concerning effectiveness and efficiency of the systems of the internal and financial auditing and risks management including information technology security and its controls, in the company and its recommendations in this regard in addition to other works it performed within its competency. It also deposits sufficient number of copies of this report in the company head office to provide one copy to every shareholder interested in getting it, and it will be published in the company website and the website of Saudi Stock Exchange ( Tadawul ) upon publishing the invitation for holding the relevant annual meeting of the general assembly provided that this takes place ten days at least before the time determined for the meeting, and the report will be recited during holding the meeting.

(6) Preparing a written report to the board of directors regarding procedures of internal auditing of the company, and recommendations of the committee in this regard.

(g) Other Responsibilities:

(1) Conducting other works related to this regulation according to request of the board of directors.

(2) Starting special investigations and supervising them as required.

(3) Reviewing and analyzing efficiency and suitability of this regulation annually, and submitting recommendations to the board in this regard, and ensure of making the required disclosures as required by related laws and regulations.

(4) Ensuring annually that all responsibilities stated in this regulation have been implemented.

(5) Evaluating the committee performance and performance of each member regularly.

4-2 The committee, in performing its role, is keen in taking into consideration the dividing of the responsibilities and competencies between it and the board of directors, the executive management of the company, the internal auditing team and the external auditor. In case of conflict between recommendations of the committee and the decisions of the board of directors, and if the board refuses to take recommendation of the committee regarding appointment or termination of the external auditor or determining his remuneration, or regarding evaluation of his performance or appointment of the internal auditing manager, the report of the board of director shall include the committee recommendation and

justifications, and the reasons that led the board of directors not to adopt them.

## **5-Authorities**

5-1 The committee has the necessary authority for exercising its authorities and functions, and it has the authority to conduct investigations in any matters within scope of its authorities (or authorization for that), and particularly the following:

- (1) The right to access to the company records and documents without restriction.
- (2) The right to unrestricted access to the company management and employees (including its board members and executive officers), and it shall fully cooperate with the committee, and reply as soon as possible and in a comprehensive way to any questions proposed by the committee.
- (3) The right to form branch committees or work teams composing of one member or more for exercising the functions delegated to it by the committee according to this regulation.
- (4) The right to appoint and seek service of external advisors or other specialists and experts as it deems fit to provide advice to the committee or help it as required ( provided that the minute of the meeting of the relevant committee involves name of the person appointed and any relation it has with the company or the senior management).
- (5) The right to take any other procedures which the committee reasonably deems as necessary for exercising its competencies and functions as required, and fulfill its responsibilities under this regulation.

5-2 The committee may ask the board of directors to invite the general assembly to meet if the board of directors stops its work or the company is affected by grave damages or losses.

## **6-Remunerations**

6-1 Any remuneration granted to the members will be according to the form and the amount determined by the general assembly according to recommendation of the board of directors, and in accordance with the related laws, regulations, decisions and instructions.

## **7-Effectiveness and Review:**

7-1 This regulation will be adopted under a resolution from the general assembly based on a proposal from the board of directors, and it will be effective from date of approving it by the general assembly.

7-2 Any amendments to this regulation will be adopted in the same way used for adopting this regulation.

#### 4-4 Executive Management

The executive company authorized by the board of directors will manage the company business represented in the CEO, and it is assisted by its deputies and the presidents of the sectors and the companies affiliated to them. This department undertakes all executive responsibilities related to the company activities including the operative, financial, administrative, and technical aspects as well as the aspects related to information, and to risk management, and all activities related to the company businesses. There are also some committees formed by the executive management of the company as required, and these committees help in following up some of the exceptional works and functions and implement them.

##### 4-4-1 Statement of Five Senior Executives in the Company During 2020:

Name	Title
RAMI MOHAMMAD MOUSSILLI	CEO
NAIF BIN MOHAMMED ALSHAMI	Chief Financial Officer, and Board Secretary
RAMZI SAID ELIAS AZAR	Senior Manager, Projects Management Office
HISHAM ALSAYED AHMAD RUDHWAN	Manager, Operation & Maintenance Dept. in Central and Western Region
WALEED HUSSAINI MOHAMMAD NAJEEB	Manager, Operation & Maintenance Dept. in the Eastern Region

##### 4-4-2 Statement of Equity of the Senior Executives and Their Spouses & Minor Children in the Company Shares during Year 2020

\*No shares are owned by the spouses & minor children of the executives in the company.

##### 4-4-3 Statement of Compensations and Remunerations of Senior Executives for the Year 2020

	Fixed Remunerations (Amount in thousand SR)					Variable Remunerations	Gross Total
	Salaries	Allowances	In Kind Benefits	End Service Benefits	Total	Periodical Remuneration for Year 2019	Gross Total
Total	2,977	1,408		648	5,033	3,689	8,722

#### 4-4-4 Statement of the CVs of Senior Executives 31 December 2020

<b>RAMI MOHAMMAD MOUSSILLI - CEO</b>	
<b>Nationality:</b>	American
<b>Age:</b>	45 years
<b>Academic and Professional Qualifications</b>	* Master in Civil Engineering, Georgia Tech. University, Georgia State, US, 2000
<b>Date of Appointment</b>	* 06/04/1435H corresponding to 06 Feb. 2014
<b>Current Positions</b>	* CEO of the company since 2014
<b>Previous Professional Experience</b>	* Executive manager of the giant power generation projects sector, Bamco Arabian Contracting Company, a limited liability company working in the field of contracting from 2011 to 2014
	*CEO of the Consolidation of CW Mathews Contracting and Trasher Contracting and this is a limited liability company working in the field of heavy civil works and bridges/ roads, airports, aviation, infrastructure, critical and sensitive emergency cases, Georgia, USA from 2008 to 2011
	*CEO of the Consolidation of CW Mathews Contracting and Trasher Contracting and this is a limited liability company working in the field of heavy civil works and bridges/ roads, airports, aviation, infrastructure, critical and sensitive emergency cases, Georgia, USA from 2006 to 2008
	*Engineer at the Proposals and Projects Sector, RO Company LLC, and this is a limited liability company working in the field of heavy civil works and bridges/ roads, airports, aviation, infrastructure, critical and sensitive emergency cases, Atlanta, Georgia, USA from 2004 to 2006
	*Engineer at the Proposals and Projects Sector, RO Company LLC, and this is a limited liability company working in the field of heavy civil works and bridges/ roads, airports, aviation, infrastructure, critical and sensitive emergency cases, Atlanta, Georgia, USA from 2000 to 2004
	*Research and Teaching Assistant, Georgia Technology University, Geological Survey Authority in USA, Georgia state, USA from 1999 to 2000
<b>Naif Mohammad AlShami- Chief Finance Officer and Secretary of Board</b>	
<b>Nationality:</b>	Saudi
<b>Age:</b>	38 years
<b>Academic &amp; Professional Qualifications:</b>	Bachelor of Financial Sciences, Prince Sultan Univ. Riyadh, Saudi Arabia 2007
<b>Date of Appointment:</b>	* 01/03/1442H corresponding to (18 October 2020).
<b>Current Positions</b>	* Secretary of the company's board of directors since 2020

	*Chief Finance Officer of the company since 2020
<b>Previous Professional Qualifications</b>	* Financial manager of the joint financial services, BEA Systems SA for Development and Training, a limited liability company specialized in development and training of staff in defense and aviation from 2020 to 2020
	* Financial manager of Governance, BEA Systems SA for Development and Training, a limited liability company specialized in development and training of staff in defense and aviation from 2019 to 2020
	* Financial manager of Operations & Costs, BEA Systems SA for Development and Training, a limited liability company specialized in development and training of staff in defense and aviation from 2016 to 2019
	* Financial Controller of Projects GA SA, a limited liability company specialized in heavy and light industries and software and supporting services from 2015 to 2016
	* Financial Controller of Projects at Alstom Grid, a limited liability company specialized in energy and networks, from 2013 to 2015
	* Projects Accountant, Saudi Railways (SAR) a limited liability company specialized in founding and operating of railway lines infrastructure in the kingdom from 2012 to 2013
	* Accountant, Al Faisaliya Group, a closed joint stock company with multiple activities and its units include the fields of investment, agriculture, food, health care, electronics, electronic consumable systems and supplies from 2006 to 2007
<b>RAMZI SAID ELIAS AZAR- Senior Manager of the Projects Management Office</b>	
<b>Nationality:</b>	Lebanese
<b>Age:</b>	37 Years
<b>Academic &amp; Professional Qualifications:</b>	*Bachelor of Mechanical Engineering, Saida Alwiza University, Beirut, Lebanon, 2007
<b>Date of Appointment:</b>	* 29/10/1435H corresponding to (25 August 2014).
<b>Current Positions</b>	* Senior Manager of the Projects Management Office in the company since 2014
<b>Previous Professional Qualifications</b>	* Regional Operations Manager, Capital Gas Gambia Company, a limited liability company working in the field of energy, water, oil and gas from 2007 to 2014
<b>HISHAM ALSAYED AHMAD RUDHWAN</b>	
<b>Nationality:</b>	Egyptian
<b>Age:</b>	53 Years
<b>Academic &amp; Professional Qualifications:</b>	*Engineering Diploma in Mechanics, Alzagazig University, Alsharqia, Arab

	Republic of Egypt, 1989
Date of Appointment:	* 03/08/1435H corresponding to (01 June 2014).
Current Positions	* Manager, Operation and Maintenance Dept. in the Central and Western Region in the company since 2014
Previous Professional Qualifications	*Regional Manager, Operation and Maintenance in the company from 2014 to 2020
	* Manager, Wells and Networks Projects in the company from 2009 to 2014
	* Project Manager in the company from 1997 to 2009
	* Engineer, of Maintenance & Operation Site in the company from 1991 to 1997
	* Engineer, Site of Al Arifi Contracting Est., an individual establishment working in the field of contracting from 1990 to 1991
<b>WALEED HUSSAINI MOHAMMAD NAJEEB</b>	
Nationality:	Egyptian
Age:	48 Years
Academic & Professional Qualifications:	*Bachelor of Civil Engineering, Alzagazig University, Alsharqia, Arab Republic of Egypt, 1995
Date of Appointment:	* 03/08/1435H corresponding to (01 June 2014).
Current Positions	* Manager, Operation and Maintenance Dept. in the Eastern Region in the company since 2014
Previous Professional Qualifications	* Manager, the project of water, and sewage water operation and maintenance in Dammam city in the company from 2013 to 2016
	* Manager, water operation and maintenance program in the villages and Hajars of Hafralbatin and Algatif governorates in the company from 2007 to 2009
	* Manager of the project of operation and maintenance of drinking water projects from 2006 to 2011
	* Manager of the project of construction of home sewage connections at the company from 2012 to 2013
	* Executive Manager, International Company for Urban Development, a limited liability company working in the field of contracting from 2004 to 2006
	* Civil engineer, Al Nasr Engineering and Contracting Company, a limited liability company working in contracting sector from 1996 to 2001

#### 4-5 Disclosures

Based on company commitment to disclose all important information related to performing its commercial activities and stating its financial results in full transparency, we present below a description of those disclosures:

- The company's board of directors declare as follows:
  - The account records have been prepared correctly.
  - The internal control system has been prepared on basis of sound foundations, and implemented in effective way.
  - There is no material doubt regarding company ability to continue its activity.
- No variations from accounting standards issued by the Saudi Organization for Certified Public Accountants.
- The company has not received any notification about any interest in the class of shares entitled to vote which belong to persons (other than the members of the company board of directors and the senior executives and their relatives) who informed that company of those rights under Article No (45) of the rules of registration and enlistment with Capital Market Authority.
- The company has no any classes or any transferable debt instruments, or any contractual securities, subscription right memos or similar rights issued or granted by the company during the financial year.
- The company has no any rights of transfer or subscription according to transferable debt instruments, contractual securities, subscription right memos or similar rights issued or granted by the company.
- There is no any right of redemption, purchase or cancellation by the company or its affiliated company for any recoverable debt instruments.

- There are no any arrangements or agreement by virtue of which one of the members of the company board of directors or one of the senior executives assigns any salary or compensation.
- There are no any arrangements or agreement by virtue of which one of the company shareholders assigns any salary or compensation.
- There are no any specific or reserve investments which are set aside that are incorporated for benefit of the company employees except for the provisions of the .... Rewards, and the end service benefit as stipulated by Labor Law in the Kingdom of Saudi Arabia. The value of the end service benefit at Alkhorayef Water and Technology and Energy Company was (37,569,591) Saudi Riyals as on 31 December 2020.
- There is no any reservation by the certified accountant in relation to the financial statements.
- The board of directors has not recommended replacement of the certified accountant before end of his tenure.
- No any sanctions, penalties or reserve restrictions have been imposed upon the company by a regulatory, organizational, supervisory or judicial entity during the fiscal year 2020

#### **4-6 Results of the Annual Auditing of the Effectiveness of the Company Internal Control Measures**

The company works continuously on developing the internal auditing law and implementing it effectively. The company also has hired an internal auditor to manage the internal auditing (Waterprice Coopers Company), and this internal auditor also ensures the application of the suitable

controlling systems and determines the general concept that face the company and to deal with them in a transparent way. It also audits the company different operations according to the approved auditing, and it has access to all documents and transactions, and it submits its reports periodically to the auditing committee and the board of directors.

#### 4-7 Transactions with Related Parties

There are no any new contracts in which the company was a party and in which there is an direct or indirect interest for some of the members of the board of directors, the CEO, the financial manager or any person related to them except for the following:

The following statement shows details of these remunerations:

Company Name	Relation	Name of the Board Director member or committee member or Executive member	Member Relation	Nature of Transaction	2020	2019
Alkhorayef Group Co.	Parent Company	Mohammed Abdullah Ibrahim Alkhorayef	CEO, Board Member	Financing	350,555	158,347
		Abdulaziz Abdulrahman Abdullah Alkhorayef	Member of the Advisory Board for Information Systems	Finance income, net	345	838
		Fahad Mohammed Abdulaziz Alkhorayef	Member of the Advisory Board for Information Systems	Shared service cost	600	481
				Land rental	288	288
				Increase in share capital	34,127	-
		Ammar Ahmed Amin Al-Zubaidi	CFO, Member of the Advisory Board for the Equipment and Machinery	Payment of dividend	20,000	-
Settlement of dividend payable with Current account	50,000			-		
Son's of Abdullah Ibrahim Alkhorayef	Holding Company	Mohammed Abdullah Ibrahim Alkhorayef Fahad Mohammed Abdulaziz Alkhorayef Ammar Ahmed Amin Al-Zubaidi	Board Member Board Member CFO	Land rental	120	120
Alkhorayef Commercial Company	Owned by Parent Company	Mohammed Abdullah Ibrahim Alkhorayef	Chairman of the Board of Directors	<b>Purchases</b>		
				Spare Parts, maintenance of Pumps & equipment	679	752
				Assets (forklift and generators)	248	54

				equipment rental	53	0
				Transferred employee salary	113	68
				Supply of equipment	1,620	1,099
				Spare Parts and maintenance of pumps	736	0
				<b>Total</b>	<b>3,450</b>	<b>1,973</b>
				<b>Sales</b>		
				Alkhareef lathe (lathe work and repairs)	147	169
				Acquisition of a division	-	11,133
				<b>Total</b>	<b>147</b>	<b>11,302</b>
				<b>Purchases</b>		
				Assets printers and computers	41	79
				ink	78	123
				Spare Parts and maintenance	11	8
				Other supplies	-	23
				<b>Total</b>	<b>277</b>	<b>233</b>
				<b>Purchases</b>		
				Pumps and spare Parts	376	381
				<b>Total</b>	<b>376</b>	<b>381</b>
				<b>Sales</b>		
				Repair and rehabilitation of pumps & accessories	10	19
				<b>Total</b>	<b>10</b>	<b>19</b>
				<b>Sales</b>		
				Alkhorayef lathe (manufacturing flanges)	7	-
				<b>Total</b>	<b>7</b>	<b>0</b>
				<b>Purchases</b>		
				Spare parts and maintenance of equipment	216	-
				<b>Total</b>	<b>216</b>	<b>0</b>
				<b>Purchases</b>		
				Lubricants for machinery and automobile	98	-
				<b>Total</b>	<b>98</b>	<b>0</b>
Alkhorayef for Printing Solutions	Owned by Parent Company	Fahad Mohammed Abdulaziz Alkhorayef	Managing Director			
Alkhorayef Petrol Co.	Owned by Parent Company	Mohammed Abdullah Ibrahim Alkhorayef	Board Member			
		Ammar Ahmed Amin Al-Zubaidi	Board Member			
Alkhorayef Industries Co.	Owned by Parent Company	Mohammed Abdullah Ibrahim Alkhorayef	Chairman of the Board of Directors			
Saudi Spare Parts Center Company	Owned by Parent Company	Fahad Mohammed Abdulaziz Alkhorayef	General Manager			
Saudi Lubrication Oils Company (Castrol)	Owned by Parent Company					

- Amounts are in thousands Saudi Riyals

Payable to related parties

	2020	2019
Alkhorayef Group Company (Mother Company)	12,796	55,729
Alkhorayef Commercial Company	133	-
Saudi Lubrication Oils Company (Castrol)	19	-
Total	12,948	55,729

#### 4-8 Statement of the Company Senior Shareholders

Shareholder	Shares owned start of Y 2020	Shares Owned at End of Y2020	Ownership Ratio End of Y 2020	Shares Owned after Offer 01/03/2021	Ownership Ratio after ffer 01/03/2021
Alkhorayef Group Co.	20,250.000	20,250.000	81%	12,750,000	51.0%
Alkhorayef Nama Co.	1,250,000	1,250,000	5.00%	1,250,000	5.00%

#### 4-9 Statement of the number of applications for the shareholders register and dates and causes of applications.

No any statement of the shareholders register was applied for during the year 2020 as the company was enlisted in 2021