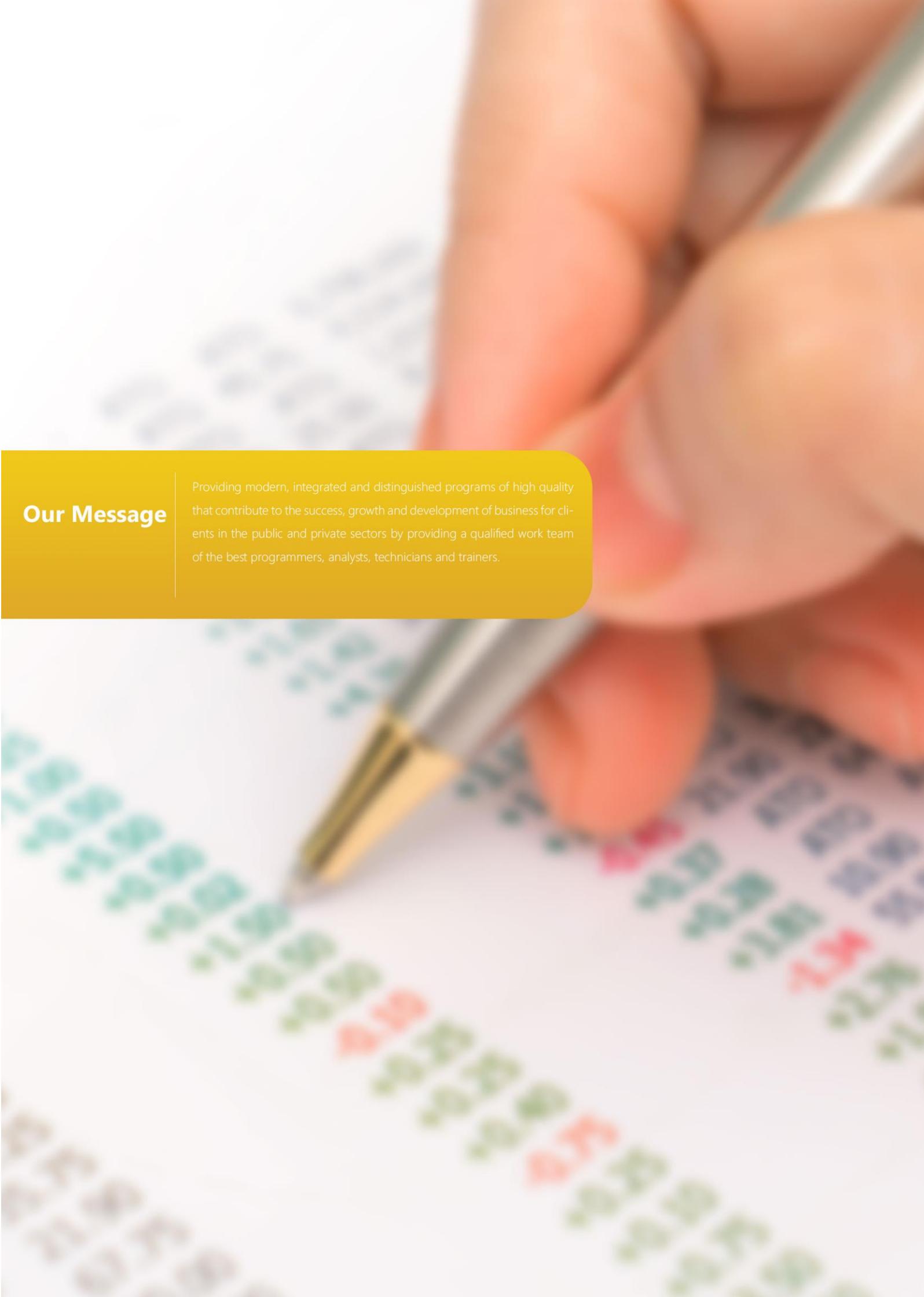




بحر العرب لأنظمة المعلومات

Arab Sea Information Systems

Board Annual Report 2020

A close-up photograph of a hand holding a silver and gold pen, poised to write on a document. The document features a grid pattern with various colored numbers (green, red, blue) and text, suggesting a financial or data-related context. The background is softly blurred, focusing attention on the hand and the pen.

Our Message

Providing modern, integrated and distinguished programs of high quality that contribute to the success, growth and development of business for clients in the public and private sectors by providing a qualified work team of the best programmers, analysts, technicians and trainers.

Our vision

We at the Arab Sea Company work with enthusiasm and effort in order to achieve the satisfaction of our customers and their ambitions. We have a selection of computer programs that are constantly developing while we continue to innovate and dedicate all our energy to provide the best software solutions to our customers based on the principles of trust, integrity, simplicity, ease, and perseverance, in addition, to encourage the spirit of in-



The Chairman's Word

Dears / Shareholders of the Arab Sea Company

First of all, we'd like to welcome you and present the annual report of the board of directors for the fiscal year 2020 AD, and it is our pleasure to share with you the results and the achievements that our company was able to achieve with the efforts of all the employees, which will be presented in detail in this report.

Also, the most prominent transformations in the Arab Sea progress and its financial position will also be reviewed during the year ending in 31/12/2020.

Perhaps the most prominent event during the year 2020 is the approval of the Saudi Stock Exchange (Tadawul) for the company's transfer from the parallel market (Nomu) to the main market (TASI), as one of the objectives of the board of directors and the Executive Management since the company's inclusion in the parallel market was to work on covering all the requirements for the transfer to the main market, which positively affected the market value of the company and strengthened the confidence of our shareholders and customers.

Plus, you all know about the difficult economic challenges that happened during the year 2020 AD due to the impact of the Corona pandemic and the precautionary measures that were followed during that period had a negative impact on many sectors and commercial activities, which negatively affected the company's performance.

We promise our valued shareholders to work hard in the upcoming period in the interest of the company and shareholders.

The company has announced the start of the procedures for establishing a digital payments company, and we hope that the establishment phase would end and that the operations phase would start during the year 2021. This company will have an impact in increasing revenues while expanding in providing new products and services to be added to the company's portfolio.

Finally, we thank the board of directors' members whose membership expired at the end of the previous session, the members joining the board in the current session, the executive management, and all the departments of the company including their employees for their sincere and honest efforts, looking forward to more success during the year 2021.

Sincerely,

Mohammed bin Saleh Al-Suhaibani



Company's main activity description

The Arab Sea Information Systems Company was registered in the Kingdom of Saudi Arabia as a Saudi closed joint-stock company under the Commercial Registration No. 1010169116 issued in Riyadh on 27/06/1422 AH (corresponding to 15/09/2001 AD)

Based on the decision of his Excellency the minister of trade and industry no. (128/M) dated 14/04/1429 H corresponding to 21/04/2009 AD, the legal status of the company was transferred from a Saudi limited liability company to a closed joint-stock company and then to a joint-stock company and was listed on 26/02/2017 AD in the Saudi stock market (Nomu), and on 12/04/2020 AD, the Saudi stock exchange (Tadawul) agreed to transfer the company to the main market.

The company's business is represented as it is in the statute:

1. Wholesale and retail trading in computers, machinery, office equipment, medical devices and equipment, maintenance and operation of computers, microfilm devices, electronic and electrical devices and their spare parts, tools, and advertising devices and their maintenance.
2. Extending and maintaining computer networks.
3. Electronic business.
4. Marketing services for others.
5. Commercial agencies.
6. Software.
7. Production, importing, and the distribution of computer programs. The company carries out its activities in compliance with the followed regulations and after obtaining the necessary licenses from the competent authorities, if any.
8. Education and training, establishing training, remote training, and electronic training centers, plus the issuance of certificates to trainees after passing the accounting, administrative and financial programs' courses.
9. Manufacturing industries, reproduction of recorded media, and reproduction of ready-made computer programs (software).
10. Information, communication, computer programming activities, designing and programming of special software, consultation service and the activities related to it, computer programming, providing consulting in the field of computer and its related activities, systems analysis, software maintenance and web design, other information technology and computer services activities, computer-related consulting expertise activities, and managing computing facilities.
11. Financial and insurance activities, payments and financial settlements systems, and digital payments services.



1. Applied corporate governance regulations' provisions

The company applies all the mandatory provisions mentioned in the Corporate Governance Regulations issued by the Capital Market Authority, with the exception of some guiding provisions as shown below:

Article/ Clause number		Article/clause wording	Reasons for not applying
39	2	The company shall give sufficient attention in training and qualifying the directors and the executive management, and developing the necessary programs for that, taking into account the following: 2) Establishing the necessary mechanisms for the directors and the executive management to obtain continuous training programs and courses for developing their skills and knowledge in the fields related to the company's activities.	This clause has not been applied as it is for guidance, and will be implemented in the future.
41	1,2,3,4,5,66	1) Based on the proposal of the Nomination Committee, the board of directors shall set the necessary mechanisms to annually evaluate the performance of the board, the directors, the committees, and the executive management, through appropriate performance indicators related to the extent to which the strategic objectives of the company, the quality of risk management, the adequacy of internal control systems, etc. shall be achieved with the interest of the company. 2) Performance appraisal procedures shall be written, clear, and disclosed to the directors and the personnel involved in the evaluation. 3) The performance evaluation shall include the skills that the board possesses and weaknesses to be identified in possible ways, such as nominating professional competencies that can develop the performance of the board, and the performance evaluation shall also include an evaluation for the working mechanisms of the board in general. 4) The individual evaluation of the directors shall consider the extent of the members' active participation and commitment to fulfill their duties and responsibilities, including attending the directors meetings and the committees allocating the necessary time for them. 5) The board of the directors shall make the necessary arrangements to obtain an evaluation from a competent third party for its performance every three years. 6) Non-executive directors shall conduct a periodic evaluation of the performance of the chairman after taking the views of the executive members without the chairman attending the discussion designated for this purpose, provided that the strengths and weaknesses are identified and the treatment is suggested is in accordance with the interest of the company.	This clause has not been applied as it is for guidance, and will be implemented in the future.
85	1, 2, 3	The company shall devise programs to develop and stimulate the participation and performance of the its employees, provided that they include - in particular - the following:	This clause has not been applied as it is for guidance, and will



		<ol style="list-style-type: none"> 1) Forming committees or holding specialized workshops to listen to the views of the company's employees and to discuss the issues and topics that are the subject of important decisions. 2) Programs granting employees shares in the company or a share of the company's profits and contracting programs, and the establishment of an independent fund for these programs. 3) Establishing social institutions for company employees. 	be implemented in the future.
87		<p>The social responsibility</p> <p>The ordinary general assembly, based on a proposal from the board of directors, shall establish a policy that ensures a balance between its objectives and the goals that the society aims to achieve with the aim of developing the social and economic conditions of the society.</p>	This clause has not been applied as it is for guidance, and will be implemented in the future.
88	1.2,3,4	<p>Social work initiatives</p> <p>The board of directors shall set the programs and shall determine the necessary means to present the company's initiatives in the field of social work, including the following:</p> <ol style="list-style-type: none"> 1) Establishing measurement indicators linking the company's performance with the previous initiatives in social work, and comparing that with other companies of similar activity. 2) Disclosure of the social responsibility objectives that the company adopts for the employees through educating them with. 3) Disclosure of plans to achieve social responsibility in the periodic reports related to the company's activities. 4) Establishing community awareness programs to introduce the company's social responsibility. 	This clause has not been applied as it is for guidance, and will be implemented in the future.
95		<p>Formation of the Corporate Governance Committee</p> <p>In the event that the board of directors establishes a committee specialized in corporate governance, it shall delegate to it the competencies established in accordance with Article 94 of these regulations. This committee shall follow up with any issues regarding governance applications and shall provide the board of directors, at least annually, with the reports and the recommendations it decides.</p>	This clause has not been applied as it is for guidance, and will be implemented in the future.



2. Names of the directors, the committee members, and the executive management

a) The directors

	Name	Current job	Previous job	Qualifications	Experiences
1	Mohammed Saleh Mohammed Al-Suhaibani	Chairman of the Arab Sea Information Systems Company	Founder and Director of the Arab Sea Information Systems Company	Diploma in Languages from the King Saud University	45 years' experience in management, information systems, finance, and investment
2	Abdulaziz Muhammad Ali Al-Khalifa	Owner and founder of Dunn Trading Company	Computer Department at the Saudi Telecom Company	Master of Computer Science, Portland University, USA	39 years' experience in the field of technology and management
3	Haitham Mohammed Saleh Al-Suhaibani	CEO of the Arab Sea Information Systems Company	Director of Administrative and Technical Affairs for the Arab Sea Information Systems Company	Higher Diploma in Information Technology, King Saud University	23 years' experience in the field of information systems and management
4	Abdullah Muhammad Nasser Al-Hawas	Journalist in Al-Riyadh newspaper	Founder and director of Talat Advertising Agency	Diploma in Commerce	32 years' experience in the field of commerce, investment, and media
5	Ahmed Suleiman Mohammed Al-Jasser	Deputy Governor, National Development Fund	Capital Market Authority	- Bachelor's degree in Industrial Management - Certificate of Executive Directors from INSEAD University, France	28 years' experience in the financial, banking, investment, and capital market fields
6	Nabil Abdullah Meryhael Al-Mubarak	CEO of Simah Rating Agency	CEO at Saudi Credit Bureau	Master of Finance and Information Systems from West Manchester University, UK Fellowship of Chartered Accountants 1998 AD	27 years' experience in the financial, technical and administrative fields
7	Turki Nasser Suleiman Al-Dahmash	Executive Director of Support Services at the National Center for Measuring the Performance of Public Agencies	General Director of Information Technology Operation, at the Ministry of Labor and Social Development	Bachelor of Computer Science, King Saud University	20 years' experience in the technical and administrative fields



b) Committee members

	Name	Current job	Previous job	Qualifications	Experiences
Nomination and Remuneration Committee					
1	Abdullah Muhammad Nasser Al-Hawas	Journalist in Al-Riyadh newspaper	Founder and director of Talat Advertising Agency	Diploma in Commerce	32 years' experience in the field of commerce, investment, and media
2	Ahmed Suleiman Mohammed Al-Jasser	Deputy Governor, National Development Fund	Capital Market Authority	- Bachelor's degree in Industrial Management - Certificate of Executive Directors from INSEAD University, France	28 years' experience in the financial, banking, investment, and capital market fields
3	Turki Nasser Suleiman Al-Dahmash	Executive Director of Support Services at the National Center for Measuring the Performance of Public Agencies	General Director of Information Technology Operation, at the Ministry of Labor and Social Development	Bachelor of Computer Science, King Saud University	20 years' experience in the technical and administrative fields
Risks Committee					
1	Nabil Abdullah Meryhael Al-Mubarak	CEO of Simah Rating Agency	CEO at Saudi Credit Bureau	Master of Finance and Information Systems from West Manchester University, UK Fellowship of Chartered Accountants 1998 AD	27 years' experience in the financial, technical and administrative fields
2	Turki Nasser Suleiman Al-Dahmash	Executive Director of Support Services at the National Center for Measuring the Performance of Public Agencies	General Director of Information Technology Operation, at the Ministry of Labor and Social Development	Bachelor of Computer Science, King Saud University	20 years' experience in the technical and administrative fields
3	Haiham Mohammed Saleh Al-Suhaibani	CEO of the Arab Sea Information Systems Company	Director of Administrative and Technical Affairs for the Arab Sea Information Systems Company	Higher Diploma in Information Technology, King Saud University	23 years' experience in the field of information systems and management
Audit Committee					
1	Ahmed Suleiman Mohammed Al-Jasser	Deputy Governor, National Development Fund	Capital Market Authority	- Bachelor's degree in Industrial Management - Certificate of Executive Directors from INSEAD University, France	28 years' experience in the financial, banking, investment, and capital market fields
2	Nasser Abdullah Saleh Al-Awfi	Retired	Director of Financial, Administrative and	MSc in Accounting, University of South Hampshire, USA	29 years' experience in the field of finance,



			Investment Affairs of the Saudi Pharmaceutical Company		administration, corporate auditing and strategic studies
3	Khaled Abdulaziz Suleiman Al Hoshan	Director of Internal Audit at National Health Laboratory	Internal auditor at Safari Holdings	MSc in Applied Finance, Newcastle University, Australia MSc in Business Administration, Newcastle University, Australia	19 years' experience in the field of corporate finance, auditing and compliance

c) Executive management

	Name	Current job	Previous job	Qualifications	Experiences
1	Haitham Mohammed Saleh Al-Suhaibani	Chief Executive Officer	Director of Administrative and Technical Affairs for the Arab Sea Information Systems Company	Higher Diploma in Information Technology	23 years' experience in the field of information systems and management
2	Ahmed Taha Al-Sayed Fayed	Chief Financial Officer	Financial manager for Al Bena Wa Al Amaar plant	Faculty of Commerce, Accounting Department	26 years' experience in the field of financial accounting
3	Adel Mousa Abdul Qader Idris	SMAC System Executive Director and Secretary of the board of directors	Director of Network Solutions Company	Bachelor of Business Administration	20 years' experience in the field of administrative systems and management



3. Names of companies inside or outside the Kingdom of which a director is a member of its current or previous board of directors or of its managers

Name	Names of companies in which a director is a member of their current or previous board of directors or of their managers	Inside/ Outside the Kingdom	Legal Status
Ahmed Suleiman Mohammed Al-Jasser	Saudi Post Corporation	Inside the kingdom	Governmental institution
	Saudi Venture Capital Company	Inside the kingdom	Joint stock company - private
	Saudi Company for Postal and Logistic Services	Inside the kingdom	Governmental institution
	Abdullah Saad Abu Moati Company for Libraries	Inside the kingdom	Joint Stock Company - Listed
Nabil Abdullah Meryhael Al-Mubarak	Social Development Bank	Inside the kingdom	Governmental
	SIMAH Rating Agency	Inside the kingdom	L.L.C.
	Lendio Corporation (Fintech)	Inside the kingdom	L.L.C.

4. Composition and classification of the board of directors

No.	Name	Nationality	Position	Member classification
1	Mohammed Saleh Mohammed Al-Suhaibani	Saudi	The Chairman	Non-executive
2	Abdulaziz Muhammad Ali Al-Khalifa	Saudi	Deputy Chairman	Non-executive
3	Haitham Mohammed Saleh Al-Suhaibani	Saudi	Director and CEO	Executive
4	Abdullah Muhammad Nasser Al-Hawas	Saudi	Director	Executive
5	Ahmed Suleiman Mohammed Al-Jasser	Saudi	Director	Executive
6	Nabil Abdullah Meryhael Al-Mubarak	Saudi	Director	Executive
7	Turki Nasser Suleiman Al-Dahmash	Saudi	Director	Executive



5. Actions taken by the board of directors to inform its members - especially the non-executives - of the shareholders' proposals and comments about the company and its performance

The board of directors did not receive any comments from the shareholders, and the board of directors is strict about the majority of the directors attending, especially the non-executives, the general meetings of the company to respond to the shareholders' inquiries and suggestions, respond to them, and document them in the minutes of the meetings.

6. A brief description of the committees' specializations, tasks, the number and dates of their meetings.

6.1 Audit Committee:

The Audit Committee was formed in accordance with the corporate governance regulations issued by the capital market authority, and in accordance with the statute of the Arab Sea Company. Its duties and responsibilities are as follows:

- Supervising the internal control department in Arab Sea Company to verify its effectiveness in carrying out the work and tasks assigned to it by the board of directors.
- Studying the internal control system in Arab Sea Company and establishing a written report on its opinion and recommendations regarding it.
- Studying the internal audit reports and following up on the implementation of the corrective measures for the observations contained therein.
- Recommending hiring, firing, and determining the fees of chartered accountants - after ensuring their independence - to the board of directors.
- Following up on the works of the chartered accountants and approving any work outside the scope of auditing they are assigned to while performing the audit works.
- Studying the audit plan with the chartered accountant and giving the committee's notes on it.
- Studying the chartered accountant's notes on the financial statements and following up on them.
- Studying the primary and annual financial statements before submitting them to the board of directors and giving feedback and recommendations about them.
- Studying the accounting policies followed and giving feedback and recommendations to the board of directors in their regard.
- It has four meetings a year

No.	Name:	Nationality	Position
1	Ahmed Suleiman Mohammed Al-Jasser	Committee chairman	
2	Nasser Abdullah Al-Awfi	Member	
3	Khaled Abdulaziz Suleiman Al Hoshan	Member	His membership began on 17/09/2020
4	Muhammad Misfer Hassan al-Maliki	Member	His membership expired on 16/09/2020

* The previous session ended on 16/09/2020 AD and the current session started on 17/09/2020 AD



History of Audit Committee meetings

No.	Name	Position	Date of the meeting						Total attendance	Notes
			04/03/2020	05/05/2020	24/08/2020	08/11/2020	11/11/2020	15/12/2020		
1	Ahmed Suleiman Mohammed Al-Jasser	Chairman	✓	✓	✓	✓	✓	✓	6	
2	Nasser Abdullah Al-Awfi	Member	✓	✓	✓	✓	✓	✓	6	
3	Khaled Abdulaziz Al Hoshan	Member				✓	✓	✓	3	His membership began on 17/09/2020
4	Muhammad Misfer Hassan al-Maliki	Member	x	x	x				0	His membership expired on 16/09/2020

* The previous session ended on 16/09/2020 AD and the current session started on 17/09/2020 AD

6.2 Nomination and Remuneration Committee

The nominations and remuneration committee was formed in accordance with the corporate governance regulations issued by the capital market authority and the statute of the Arab Sea Company.

The Governance, Nominations and Remuneration Committee assists the board of directors in nominating members and studying their qualifications to join the board of directors and is also responsible for developing a policy, rewards programs, and salaries for the directors, the CEO of the Arabian Sea, and the senior management employees. The committee also supervises the evaluation of the performance level of both the board of directors and the executive management of Arab Sea Company and it has 2 meetings annually.

No.	Name:	Nationality	Position
1	Abdullah Muhammad Nasser Al-Hawas	Committee chairman	
2	Ahmed Suleiman Mohammed Al-Jasser	Member	
3	Turki Nasser Suleiman Al-Dahmash	Member	His membership began on 17/09/2020
4	Abdul Rahman Ibrahim Abdulaziz Al-Samari	Member	His membership expired on 16/09/2020

* The previous session ended on 16/09/2020 AD and the current session started on 17/09/2020



History of Nomination and Remuneration Committee meetings

No.	Name	Position	Date of the meeting		Notes
			11/03/2020	12/07/2020	
1	Abdullah Muhammad Al-Hawas	Chairman	✓	✓	
2	Ahmed Suleiman Mohammed Al-Jasser	Member	✓	✓	
3	Turki Nasser Suleiman Al-Dahmash	Member		✓	Membership began on 17/09/2020
4	Abdul Rahman Ibrahim Abdulaziz Al-Samari	Member	✓		Membership expired on 16/09/2020

* The previous session ended on 16/09/2020 AD and the current session started on 17/09/2020 AD

6.3 Risks committee:

The Risk committee was established at the beginning of the new cycle of the board of directors on 09/17/2020 AD, consisting of three members. Its duties and responsibilities are summarized as follows:

- Developing comprehensive risk management strategies and policies that commensurate with the nature and size of the company's activities while verifying their execution, observing, and updating them based on the internal and external variables of the company.
- Identifying and maintaining an acceptable level of risks that the company may be exposed to while verifying that the company does not overpass it.
- Verifying the feasibility of the company's continuity and successfully continuing its activity, along with identifying the risks that threaten its continuation during the next (12) months.
- Supervising the company's risk management system and evaluating the effectiveness of the systems and mechanisms for identifying, measuring, and following up the risks that the company may be exposed to, in order to determine its deficiencies.
- Periodically reassessing the company's ability to withstand its exposure to the risks.
- Preparing detailed reports on exposure to risks and the proposed steps for managing these risks and submitting them to the board of directors.
- Submitting recommendations to the board of directors on issues related to risk management.
- Guaranteeing the availability of adequate resources and systems to manage risks.
- Verifying the independence of the risk management personnel from the activities that may result in exposing the company to risks.
- Identify the emerging risks and suggesting corrective steps to reduce and control them.
- Devising an emergency plan.
- Coordinating with senior management to ensure the effectiveness and efficiency of the company's risk management system.



No.	Name	Position
1	Nabil Abdullah Meryhael Al-Mubarak	committee chairman
2	Haitham Mohammed Saleh Al-Suhaibani	Member
3	Turki Nasser Suleiman Al-Dahmash	Member

Date of the Risk committee's meetings

No.	Name	Position	Date of the meeting
			29/09/2020
1	Nabil Abdullah Meryhael Al-Mubarak	committee chairman	✓
2	Haitham Mohammed Saleh Al-Suhaibani	committee member	✓
3	Turki Nasser Suleiman Al-Dahmash	committee member	✓

7. Remuneration policies

- **Remuneration of board members**

- 1) The remuneration of the directors in the Group of the Arab Sea Companies for Information Systems (Arab Sea Information Systems Company or the company) consists of a certain amount, or an attendance allowance for sessions, or an expenses allowance or benefits in kind, or a percentage of the profits. It is permissible to combine two or more of these benefits without exceeding what was stipulated in the Companies Statute and its bylaws in accordance with the schedule included in this policy, any amendments to this schedule, and gets approved in accordance with the statute.
- 2) This remuneration might be of varying amount and in light of a policy issued by the remuneration and nominations committee and approved by the general meeting. The annual report of the board of directors to the general Assembly of shareholders shall include a comprehensive statement of all remunerations, expenses allowances, and other benefits obtained by the directors during the fiscal year. It shall also include a statement of what the directors received as workers or administrators or in exchange for technical or administrative works or consultations (if any), and it shall also include a statement of the number of general meetings and the number of sessions attended by each member from the date of the last general meeting.



- 3) In the event that the remuneration of the directors is a percentage of the profits, the provisions of Clause (2) of Article (76) of the Companies Law and Article (45) of the Articles of Association of the company shall be observed, provided that the sum of the amount of remuneration, financial, and in-kind benefits that a director receives does not exceed, by any means, an amount of (500,000) five hundred thousand SAR annually.
- 4) Considering that the remuneration of the independent directors shall not be a percentage of the profits achieved by the company, nor shall it be based directly or indirectly on the profitability of the company.

- **Remuneration of committee members**

1. The board of directors shall determine and approve the membership remuneration of the committees, formed from it, with the exception of the audit committee, alongside attendance allowances and other benefits based on the recommendation of the remuneration and nominations committee.
2. The remuneration for membership of committees formed from the board of directors shall consist of annual remuneration (lump sum), meeting attendance allowances, and other benefits as shown in this policy according to the schedule included therein.
3. As for the membership remuneration for the audit committee, it shall be approved by the general assembly of shareholders based on the recommendation of the board of directors, according to the statute.
4. On forming the membership of the committees formed from the board of directors, the number of committees that a board member can occupy shall be taken into consideration, so that the total remuneration that a member receives for his membership in the board and committees does not exceed the upper limit stipulated in the Companies Law.

- **Executive management remuneration**

The remuneration and nomination committee audits the salary scale set for all the employees, senior executives, the incentive program, and plans on an ongoing basis, and approves them based on the recommendation of the executive management. The remuneration of the executive management includes the following:

- Basic salary (to be paid at the end of each calendar month on a monthly basis);
- Allowances that include, but are not limited to, housing allowance, transportation allowance, children's education allowance, and telephone allowance;
- Medical insurance benefits for him and his family,
- An annual reward related to the performance indicators according to the annual evaluation performed in this regard
- Short-term incentive plans related to exceptional performance, and long-term incentive plans such as stock options programs (when applicable);



- Other benefits include, but are not limited to, annual leave, annual air tickets, and airport executive services. Indemnity according to the work system and the human resources policy approved by the company.
- The plans, programs, and general guidelines for the remuneration of senior executives are approved by the remuneration and nomination committee.
- The CEO executes the remuneration policy for employees and senior executives in light of the general plans, programs, and guidelines approved by the committee.

- **Additional parameters for bonuses and the method of disbursement:**
 1. Directors shall not vote on the board members remuneration clause at the general meeting.
 2. The company shall disclose the remuneration of directors, committees, and senior executives in the annual report of the board of directors in accordance with the terms and policies issued under the Companies Law, the Capital Market Authority's regulations, and their executive regulations.
 3. A member shall be eligible for remuneration as of the date he joined the board or committee and according to the period of his membership.
 4. The procedures for disbursing remuneration for the directors and committees' members shall be prepared by the board secretary, provided that the order for their disbursement is approved by the CEO.
 5. The allowance for attending general meetings, committee remuneration, and attendance allowance for committee meetings shall be disbursed in installments at the end of each calendar quarter. As for the annual remuneration for the board, it shall be paid in full after its approval at the annual general meeting.

- **Statement of remuneration details for the directors and committees formed from the board members:**
 1. Remuneration of directors for attending general meetings is (5000) SAR.
 2. Remuneration of directors for attending committee meetings (3000) SAR.
 3. Remuneration for the Secretary of the board of directors for attending general meetings (1500) SAR.
 4. Remuneration of the committee secretary for attending committee meetings (1000) SAR.
 5. All attendance awards shall be disbursed immediately after meetings.
 6. Calculating an amount of (1500) SAR, including housing and transportation, for each day in the event of external assignment.



7. Calculating an amount of (1000) SAR, including housing and transportation, for each day in the event of an internal assignment.
8. A businessmen category ticket is issued to any member in the event of an internal or external assignment.
9. A remuneration of (1,000) SAR is paid for every director who participates in an external mission for the company.
10. Annual remuneration for the audit committee members in the amount of (60,000) SAR.



8. Remuneration of directors and executive management

	Fixed remuneration						Variable remuneration						Total	Indemnity	Grand total	Expenses allowance
	Certain amount	Allowance for attending general meetings	Total allowance for attending committee sessions	Benefits in kind	A statement of what members of the council have received as workers or administrators, or what they have received in return for technical or administrative work	remuneration for the Chairman of the board, the Managing Director or the Secretary, if he is a member	Percentage of Profits	Periodic remuneration	Short-term incentive plans	Long-term incentive plans	Shares awarded (value is entered)					
First: Independent Members																
Ahmed Suleiman Mohammed Al-Jasser	-	20000	27000	-	-	-	47000	-	60000	-	-	-	60000	-	107000	-
Abdullah Muhammad Nasser Al-Hawas	-	20000	9000	-	-	-	29000	-	-	-	-	-	-	-	29000	-
Nabil Abdullah Meryhael Al-Mubarak	-	10000	3000	-	-	-	13000	-	-	-	-	-	-	-	13000	-
Turki Nasser Suleiman Al-Dahmash	-	1000	6000	-	-	-	16000	-	-	-	-	-	-	-	16000	-
Total	-	60000	45000	-	-	-	105000	-	-	-	-	-	-	-	165000	-
Second: Non-executive members																
Mohammed Saleh Mohammed Al-Suhaibani	-	20000	-	-	-	-	20000	-	-	-	-	-	-	-	20000	-
Abdulaziz Muhammad Ali Al-Khalifa	-	20000	-	-	-	-	20000	-	-	-	-	-	-	-	20000	-
Total	-	40000	-	-	-	-	40000	-	-	-	-	-	-	-	40000	-
Third: executive Members																
Haitham Mohammed Saleh Al-Suhaibani	-	20000	3000	-	360455	-	383455	-	60000	-	-	-	60000	-	443455	19506
Total	-	20000	3000	-	360455	-	383455	-	60000	-	-	-	60000	-	443455	19506



a. Executives remuneration

Executives	Fixed remuneration				Variable remuneration						Indemnity	Total executive remuneration for the board, if any	Grand total
	Wages	Allowances	Benefits in kind	Total	Periodic remuneration	Profits	Short-term incentive plans	Long-term incentive plans	Shares awarded (value is entered)	Total			
Chief executive Officer	360455	42506	-	402961	60000	-	-	-	-	462961	-	-	-
Chief Financial Officer	270240	-	-	-	94348	-	-	-	-	364588	-	-	-
SMAC executive Director	211093	16000	-	-	62640	-	-	-	-	289733	-	-	-
Director of Programming Department	270440	-	-	-	-	-	-	-	-	270440	-	-	-
Director of Administration	166972	-	-	-	-	-	-	-	-	166972	-	-	-

b. remuneration of committee members

	Fixed remuneration (except for the attending meetings allowances)	Allowance for attending meetings	Total
Members of the audit committee			
Ahmed Suleiman Mohammed Al-Jasser	60000	18000	78000
Nasser Abdullah Al-Awfi	60000	18000	78000
Khaled Abdulaziz Suleiman Al Hoshan	15000	9000	24000
Total	135000	45000	180000
Members of the nomination and remuneration committee			
Abdullah Muhammad Nasser Al-Hawas	-	9000	9000
Ahmed Suleiman Mohammed Al-Jasser	-	9000	9000
Turki Nasser Suleiman Al-Dahmash	-	3000	3000
Total	-	21000	21000
Members of the risk committee			
Haitham Mohammed Saleh Al-Suhaibani	-	3000	3000
Nabil Abdullah Meryhael Al-Mubarak	-	3000	3000
Turki Nasser Suleiman Al-Dahmash	-	3000	3000
Total	-	9000	9000

9. Any penalty, parts, precautionary measures, or precautionary restrictions imposed on the company

There are no penalties, measures, or reserve values imposed on the company.



10. Results of the annual review of the effectiveness of the company's internal control procedures, in addition to the audit committee's opinion on the adequacy of the company's internal control system.

The Arab Sea Company is working continuously to develop and effectively execute the internal control system, as the internal audit department in the company makes sure that the appropriate control systems are applied and provides independent and objective consultations in order to achieve added value, improve operations and achieve the company's higher objectives.

The board of directors confirms, through its annual audit of the effectiveness of the internal control procedures in the company, that there are no key results of a significant or radical impact that require disclosure regarding the integrity of the financial and accounting systems and internal control.

Opinion of the audit committee

The internal control procedures applied by the company during the fiscal year 2020 AD are highly effective and efficient, and in light of the work carried out by the committee, it does not have any significant observations in the internal control procedures that require alerting or disclosure.

11. The recommendation of the audit committee regarding the need to appoint an internal auditor in the company in the event of not appointing one.

There is a recommendation from the audit committee on 15/12/2020 AD to appoint the Al Sabti office to perform the internal audit work alongside the company's internal auditor. The office was chosen based on the technical and financial proposal submitted by more than one party and the board of directors approved the recommendation submitted by the committee at its meeting on 29/12/2020 AD.

12. Recommendations of the audit committee that has a conflict with the decisions of the board of directors

There are no conflicts between the recommendations of the audit committee and the decisions of the board of directors

13. Details of the company's social contributions, if any.

There are no social contributions to the company during the year 2020



14. Statement of the dates of the general meetings of the shareholders held during the last fiscal year and the names of the directors attending

No.	Name	Position	Ordinary general meeting 16/06/2020	Extraordinary general meeting 19/08/2020	Notes
1	Mohammed Saleh Mohammed Al-Suhaibani	The Chairman	✓	✓	
2	Abdulaziz Muhammad Ali Al-Khalifa	Deputy Chairman	✓	✓	
3	Haitham Mohammed Saleh Al-Suhaibani	Chief executive Officer	✓	✓	
4	Abdullah Muhammad Nasser Al-Hawas	Member	✓	x	
5	Ahmed Suleiman Mohammed Al-Jasser	Member	✓	✓	
6	Hisham Mohammed Saleh Al-Suhaibani	Member	✓	✓	His membership expired on 16/09/2020
7	Abdulrahman Ibrahim Al- Samari	Member	✓	✓	His membership expired on 16/09/2020
8	Abdul-Moneim Abd al- Rahman Yuldash Bukhari	Member	✓	✓	His membership expired on 16/09/2020

15. Description of the main types of the company's activities and their impact on the company's volume of business and their contribution to the results.

	Activity revenues	Percentage
Systems	30161744	96.9%
Devices	957752	3.1%
Total	31119496	100%



16. Description of the important plans and decisions of the company for the year 2020 AD and the future business expectations.

- The approval of the Saudi Stock Exchange (Tadawul) on 12/04/2020 AD for the company's transfer from the parallel market (Nomu) to the main market (TASI).
- The approval of the board of directors on the recommendation of the nomination and remuneration committee on the proposed formation of the members of the audit committee for the new cycle of the board of directors, which began on 17/09/2020 for a period of three years.
- Beginning of the new cycle of the board of directors, which began on 17/09/2020 AD and for a period of three years, when the directors in the general meeting of the company that was on 19/08/2020 AD, voted for the following names of directors to represent the board in this cycle:

1	Mr. Muhammad Saleh Muhammad Al-Suhaibani	5	Mr. Ahmed Suleiman Muhammad Al-Jasser
2	Eng. Abdulaziz Muhammad Ali Al-Khalifa	6	Mr. Nabil Abdullah Meryheel Al-Mubarak
3	Mr. Haitham Muhammad Saleh Al-Suhaibani	7	Mr. Turki Nasser Suleiman Al-Dahmash
4	Mr. Abdullah Muhammad Nasser Al-Hawas	8	Mr. Abdullah Ali Nasser Al-Faraji

- Appointing Mr. Muhammad Saleh Al-Suhaibani as the Chairman of the board of directors for the new cycle.
- Appointing Eng. Abdul Aziz Muhammad Al-Khalifa as Vice-Chairman of the board of directors for the new cycle.
- Appointing Mr. Abdullah Muhammad Al-Hawas, Mr. Ahmed Suleiman Al-Jasser and Mr. Turki Nasser Al-Dahmash as members of the nominations and remuneration committee for the new cycle.
- Approval of the creation of a risk committee for the company and the appointment of Mr. Haitham Muhammad Al-Suhaibani, Mr. Nabil Abdullah Al-Mubarak and Mr. Turki Nasser Al-Dahmash as members of the committee, and assigning the work of the executive and strategic committee to them.
- Agreeing to start establishing a company specializing in digital payments and working on issuing the necessary licenses.
- Approval of establishing a training center (SMAC academy) and start issuing the necessary licenses.
- The appointment of Mr. Haitham Muhammad Al-Suhaibani and Mr. Abdullah Muhammad Al-Hawas as representatives of the board at the Capital Market Authority, the Capital Market Company (Tadawul), and the securities depository center, starting from the beginning of the session on 17/09/2020 for a period of three years.
- Approval of raising the annual remuneration for members of the audit committee to become 80 thousand SAR, and submitting the recommendation to the general meeting for approval.
- Approval of accepting the resignation of Mr. Abdullah Ali Nasser Al-Faraji from the membership of the board of directors, which he submitted on 27/09/2020 AD, due to his practical circumstances.



- Approval of the audit committee's recommendation to appoint a zakat consultant to carry out zakat matters pertaining to the company.
- Approval of the audit committee's recommendation to contract with the Al Sabti office to carry out the internal audit of the company alongside the company's internal auditor.

17. The risks faced by the company and the policy of managing and controlling these risks.

Risks are managed in Arab Sea Company by the Risk committee and senior management in accordance with policies approved by the board of directors. Necessary measures are taken to reduce, avoid, and contain these risks as much as possible to avoid any damages caused if they occur. There are many risks associated with the activities of Arab Sea Company, including:

a. Economic risks:

Risks to the economy in general, whether inside or outside the Kingdom which have an impact on spending by individuals and institutions, and would have an impact on suppliers and manufacturers.

b. Strategic risks:

Not being fully aware of economic variables, wrong strategic decisions, or wrong implementation of strategies. Arab Sea seeks to fully be aware of the economic variables by studying the market and the economic situation, and using distinguished expertise to avoid any strategic risks.

c. Operational risks:

All the faults and deficiencies facing operational processes, and the ability to work in a competitive environment, including:

d. Currency risk:

It is the risk of change in the value of financial instruments due to the change in currency exchange rates, as most of the Arab Sea transactions are in Saudi riyals, US dollars, and euros, the subsidiary companies are exposed to currency conversion risks as well.

e. Credit risk:

It is the inability of a party of a financial instrument to fulfill its obligations, which leads to the other party incurring a financial loss. To avoid credit risk, cash is deposited in banks with a high credit rating, and receivables are restricted after deducting the provision for doubtful debts.



f. Liquidity risk:

It is the risk of difficulty in securing the necessary liquidity to meet its liabilities. Liquidity risk is managed by periodically ensuring that sufficient liquidity is available to meet any future liabilities.

g. Human resources risks:

The ability to attract and maintain qualified and distinguished human cadres. The company is continuously recruiting and training national cadres, and developing a motivational reward to support the continuity and efficiency of employees.

h. Legal risks

Risks related to legislative and legal changes in the Kingdom or the countries in which the Arabian Sea Company conducts its activities, whether from taxes, labor laws and others.

Risk management proceedings

- **Risk identification:**

The first step is to determine the risks that the company is exposed to in its field of work. There are many risks, including legal risks, environmental risks, market risks, regulatory risks, and others. It is important to identify the largest possible number of these risk factors in a manual or automatic risk register. The stakeholders of the company from the board of directors, the Risk committee, and the executive Management are involved in the risk developments.

- **Risk analysis:**

Once the risks have been identified, they shall be analyzed. The scope of the risk shall be identified, and the relationship between the risks and various factors within the company shall be understood. To determine the severity of a risk, it is necessary to know how many business functions the risk affect. There are risks that can stop the entire business if they are achieved, while there are risks that will have no effect.

- **Risk assessment:**

Risks are classified, assessed and prioritized according to their severity.



- **Risk treatment:**

After the risks are identified and evaluated, they are dealt with in the following ways:

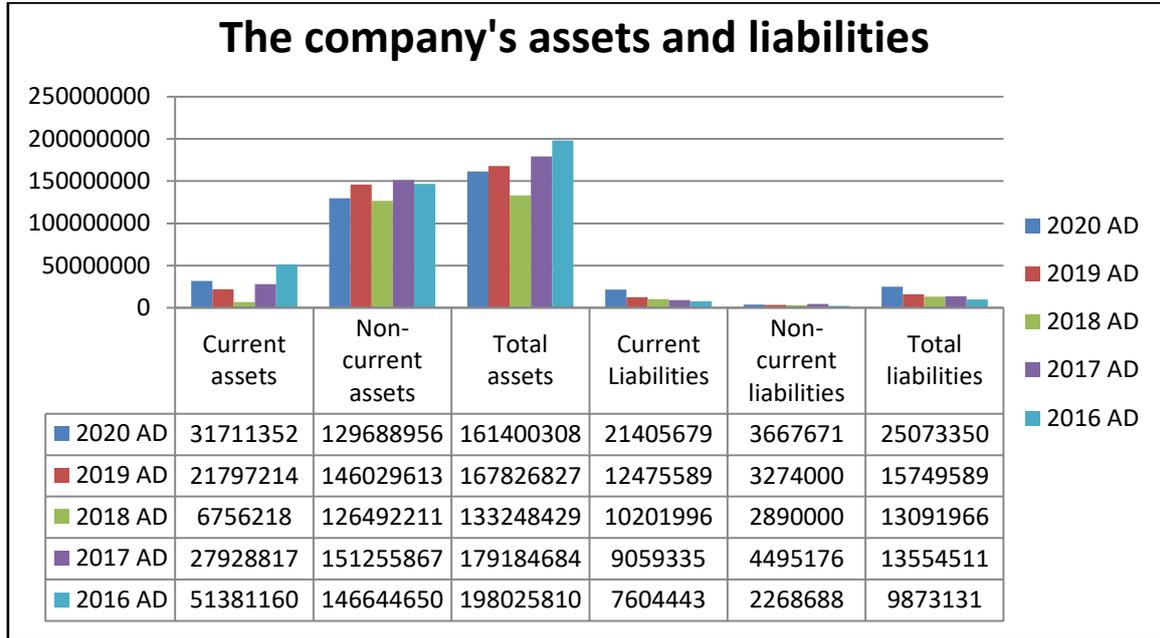
1. **Avoidance:** It means stopping the activities that lead to the occurrence of a particular risk. An example of this is to discontinue a product, or an activity that has significant actual risks.
2. **Transport:** In this case, work is done to transfer the impact of the risk to another party, for example, insurance or transferring the task to a third party to finish the task, and this method is resorted to if the impact in the event of the occurrence is very high, but the probability is much lower.
3. **Reduction:** In this case, it is intended to work on managing the risk by setting up control procedures to ensure lowering both the possibility of occurrence and the outcome of the risk should it occur.
4. **Acceptance:** That is, accepting the risk as it is without putting any procedure in place, and that is in the event of the risk occurring with a very low impact and a low probability of occurrence.

- **Monitoring and auditing risks**

Not all risks can be eliminated. Some risks are always present. Market risks and environmental risks are just two examples of risks that always need to be monitored. The executive management closely monitors all risk factors.

18. The company's assets, liabilities, and business results for the last five financial years

Statement	2020 AD	2019 AD	2018 AD	2017 AD	2016 AD
Current assets	31711352	21797214	6756218	27928817	51381160
Non-current assets	129688956	146029613	126492211	151255867	146644650
Total assets	161400308	167826827	133248429	179184684	198025810
Current Liabilities	21405679	12475589	10201996	9059335	7604443
Non-current liabilities	3667671	3274000	2890000	4495176	2268688
Total liabilities	25073350	15749589	13091966	13554511	9873131



19. Comparing business results in a schedule

Statement	2020 AD	2019 AD	2018 AD	2017 AD	2016 AD
Revenues	24122503	38687418	40882233	49975182	51780076
Revenue costs	18663441	16277646	19053479	30241858	32112567
Gross profit	5459062	22409772	21828754	19733324	19667509
Net profit	(15878515)	24149109	(23410607)	(22522506)	5360910

20. Geographical analysis of the company's total revenue

	Riyadh	Khobar	Jeddah	Khamis	Al-Qassim	Tabuk	Dubai	Total
Total revenue	17771179	1967642	1681399	1133318	837277	413199	318489	24122503



21. The key differences in the operating results compared to the results of the previous year or any expectations announced by the company

Statement	2019 AD	2020 AD	Changes (+) or (-)	Percentage of change
Sales / revenue	38687418	24122503	14564915 (-)	37.64% (-)
Cost of sales / revenue	16277646	18663441	23857795 (-)	14.65% (+)
Gross profit	22409772	5459062	16950710 (-)	75.63% (-)
Operational Revenue - Other	18330000	-	-	-
Operational expenses - Other	16578052	18871434	-	-
Operating profit (loss)	24161720	(13412372)	-	-

22. Clarification of any difference from the accounting standards approved by the Saudi Organization for Certified Public Accountants

There is no difference from the accounting standards approved by the Saudi Organization for Certified Public Accountants

23. Description of the company's policy for distributing dividends

The net annual profits of the company are distributed after deducting all general expenses and other costs, including the zakat imposed, as follows:

(10%) of the net profits shall be set aside to form a statutory reserve, and the ordinary general meeting may stop this deduction when the mentioned reserve reaches half of the capital.

It is permissible by a decision of the ordinary general meeting of the shareholders based on the proposal of the board of directors, to set aside (10%) of the net profits to form a reserve upon agreement to be allocated for the company's interest. This reserve shall cease when the mentioned reserve reaches half of the capital.

The remainder shall be distributed to the shareholders as an additional share of the profits or carried forward to the coming years, as approved by the general meeting.

The company's board of directors recommended a dividend of 5% of the capital, equivalent to 0.52 riyals per share, which means a total profit of 5 million riyals.



23.1 Percentage of dividends

There are no dividends in 2020.

24. Description of any interest in the voting-eligible shares category belonging to individuals who are not of the company's directors, senior executives, and their relatives during the last fiscal year inform the company of these rights In accordance with Article forty-five of the registration and listing rules

There is no interest in the voting-eligible shares category belonging to individuals who are not of the company's directors, senior executives, and their relatives during the last fiscal year

25. Description of any interest, contractual securities, and subscription rights of the company's directors, senior executives, and their relatives in shares or debt instruments during the year 2020.

	The name of whoever has the interest, contract securities, or subscription rights	Beginning of the year		End of the year		Net change	Percentage of change
		Number of Shares	Debt instruments	Number of Shares	Debt instruments		
1	Mohammed Saleh Mohammed Al-Suhaibani	3377396	-	2250000	-	1127396	33.38%
2	Abdulaziz Muhammad Ali Al-Khalifa	169600	-	123070	-	46530	27.43%
3	Haitham Mohammed Saleh Al-Suhaibani	315238	-	280607	-	34631	10.98%
3	Abdul-Moneim Abd al-Rahman Yuldash Bukhari	8000	-	0	-	8000	100%
4	Abdullah Muhammad Nasser Al-Hawas	77190	-	10897	-	66293	85.88%
5	Hisham Mohammed Saleh Al-Suhaibani	13000	-	0	-	13000	100%
6	Ahmed Suleiman Mohammed Al-Jasser	8000	-	0	-	8000	100%
7	BG. Ltd. Company	1801000	-	1504000	-	297000	16.49%

26. Information regarding any loans on the company

There are no loans on the company



27. Description of the classes and numbers of any convertible debt instruments and any contractual securities, subscription right notes, or similar rights issued or granted by the company during the fiscal year

There are no convertible debt instruments and no contractual securities, subscription right notes, or similar rights issued or granted by the company during the fiscal year

28. Description of any transfer or subscription rights under convertible debt instruments, contractual securities, subscription right notes, or similar rights issued or granted by the company.

There are no transfer or subscription rights under convertible debt instruments, contractual securities, subscription right notes, or similar rights issued or granted by the company.

29. Description of any refund, purchase, or cancellation by the Company of any refundable debt instruments

There is no refund, purchase, or cancellation by the Company of any refundable debt instruments



30. Number of general meetings for the year 2020 AD

No.	Name	Position	Date of the meeting				Total attendance	Notes
			16/03/2020	28/07/2020	17/09/2020	29/12/2020		
1	Mohammed Saleh Mohammed Al-Suhaibani	The Chairman	✓	✓	✓	✓	4	
2	Abdulaziz Muhammad Ali Al-Khalifa	Deputy Chairman	✓	✓	✓	✓	4	
3	Haitham Mohammed Saleh Al-Suhaibani	Member and CEO	✓	✓	✓	✓	4	
4	Abdullah Muhammad Nasser Al-Hawas	Member	✓	✓	✓	✓	4	
5	Ahmed Suleiman Mohammed Al-Jasser	Member	✓	✓	✓	✓	4	
6	Nabil Abdullah Meryhael Al-Mubarak	Member			✓	✓	2	Membership started on 17/09/2020
7	Turki Nasser Suleiman Al-Dahmash	Member			✓	✓	2	Membership started on 17/09/2020
8	Abdullah Ali Nasser Al-Farajji	Member			×	resigned	0	Membership started on 17/09/2020 Submitted his resignation on 27/09/2020
	Hisham Mohammed Saleh Al-Suhaibani	Member	✓	✓			2	Membership expired on 16/09/2021
	Abdul Rahman Ibrahim Abdulaziz Al-Samari	Member	✓	✓			2	Membership expired on 16/09/2021
	Abdul-Moneim Abd al-Rahman Yuldash Bukhari	Member	✓	✓			2	Membership expired on 16/09/2021



31. The number of company requests for shareholders' registry, dates, and reasons for those requests.

Number of shareholder registry requests	Request date	Request reasons
1	02/02/2020	Company's proceedings
2	16/03/2020	Company's proceedings
3	31/03/2020	Company's proceedings
4	06/06/2020	Company's proceedings
5	16/06/2020	General Assembly meeting procedures
6	09/08/2020	Company's proceedings
7	19/08/2020	General Assembly meeting procedures
8	02/09/2020	Company's proceedings
9	02/11/2020	Company's proceedings
10	17/12/2020	Company's proceedings

32. Description of any transaction between the company and a related party

There is no transaction between the company and a related party

33. Information related to any business or contracts in which the company is a party or in which a director or a senior executive has an interest

There are no any businesses or contracts in which the company is a party or in which a director or a senior executive has an interest

34. Statement of any arrangements or agreements under which a director or a senior executive waived any remuneration

There are no arrangements or agreements under which a director or a senior executive waived any remuneration

35. Statement of any arrangements or agreements under which a shareholder of the company waived any rights to dividends

There are no arrangements or agreements under which a shareholder of the company waived any rights to dividends



36. Statement of the value of the regular payments paid and due for the payment of any zakat, taxes, fees, or any other dues that were not paid until the end of the annual financial period

Statement	2020 AD		Brief description	Reasons
	Paid	Due until the end of the annual financial period and has not been paid		
Zakat	290128	3562700		
Tax	3046781.92	1084809.62		
Public institutions for social insurance	666639.61	387534.49		
Costs of visas and passports	227345	-		
Labor office fees	658644	-		

37. Statement of the value of any investments or reserves established in the interest of the company's employees

There are no investments or reserves established in the interest of the company's employees

38. Declarations

The company declares that:

- 1) The account records have been properly prepared.
- 2) The internal control system was prepared on a sound basis and was effectively executed.
- 3) There is no doubt about the ability of the company to continue its activity.

39. If the auditor's report includes reservations on the annual financial statements.

The auditor's report did not include any reservations or comments on the annual financial statements for the year 2020.



40. Recommendation of the board of directors to change the auditor before the end of the period for which he was appointed.

There is no recommendation from the board of directors to change the auditor before the end of the period for which he was appointed.

41. Disclosure of details of treasury shares held by the company.

There are no treasury shares held by the company.

42. Communication method for our shareholders

The company has established the follow-up department for the shareholders affairs and to respond to their inquiries. It is possible to communicate with the department of shareholders affairs through:

- Phone number 920000559 ext. (111)
- Or email IR@arabsea.com

At the end

The board of directors would like to thank the honorable shareholders for their valuable support and trust, and to the employees of the company for their distinguished and fruitful efforts. The Company also will continue to achieve its goals and future plans, through which we seek to meet the expectations of the company's shareholders.

Sincerely,

**The Board directors
On their behalf/ the Chairman**

بحر العرب لأنظمة المعلومات

Arab Sea Information Systems



Our Branches

Riyadh

Eastern Ring Road between
Exits 13-14
Telephone: 0114964444
Fax: 0114930821

Khobar

Khobar Corniche next to Jarir
Bookstore
Telephone: 0138890799

Al-Qassim

Telephone: 0163858412

The United Arab Emirates

Arab Sea Information
Systems Company - Dubai
Telephone: 600555008

Jeddah

Al Madinah Street
Telephone: 0126918444
Fax: 0126911421

Khamis Mushait

Al-Khamis Abha
Road
Telephone: 0132277325

Tabuk

Telephone:
920000559

Our Global Agents

The Arabic Republic of Egypt

Egyptian Businessmen
Association
Telephone: 01092666555
Telephone: 01007565651

Sudan

Khartoum
Telephone:
00249111566666

Sultanate of Oman

Advanced IT Company - Muscat
Telephone: 0096891313133

Libya

Tobakts for Accounting and Legal
Review - Misurata
Telephone: 00218515232897
Fares Company for Networks and
Information Technology - Tripoli
Telephone: 00218912105739
Telephone: 00218214834636