



*In the name of Allah,  
The most Merciful, the Ever Merciful*

**Annual Report 2020**  
**Report of Board of Directors of Saudi Company for Hardware (SACO)**  
**For the fiscal year ended 31/12/2020**

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## Chairman's Message

**In the name of Allah the Most Merciful, the Ever Merciful**

**Dear SACO's Shareholders,**

I am very glad to meet you again during the annual report of the Board of Directors for 2020 financial year.

It was such a lean year in every sense of the word as the region and the world has undergone Virus Corona Cataclysm (Covid 19) The rational government has taken a lot of rigid procedures and precautions such as curfew and shutting down all malls to confront this epidemic .

In addition, imposing a lot of precautions plus governmental initiatives in order to mitigate the virus' consequences.

We have been through difficult times, but thanks God, the SACO teamwork (Management and Staff) have persevered to tirelessly do their best to overcome an obstacles caused by Corona pandemic , and relentless efforts have paid off.

In spite of these overwhelming circumstances, SACO 's profits have risen during 2020 with 39% compared to 2019, and four branches were opened in several cities in KSA.

The board of directors are seeking to maintain the company's position and its development and promoting its firm basics in retail market for achieving the shareholder's ambitions.

The Board of Directors (Chairman and members ) are horned to extend deep gratitude and gratefulness to his Highness , Custodian of the two Holy Mosques and his Highness, Crown Prince and to the rational government for the unique care given to support all sections of this homeland.

The Board of Directors assess the company's employee's dedication wishing them success and best of Luck in the tasks assignment.

The Board of Directors (Chairman and members ) are horned to extend deep gratitude and gratefulness to his Highness, Custodian of the two Holy Mosques and his Highness, Crown Prince and to the rational government for the unique care given to support all sections of this homeland.

I hope this year, and every year, brings you happiness.

**Chairman**

**Abdel Rahman Amin Jawa**

## Chief Executive Officer's Message

**In the name of Allah, the Most Merciful, the Ever Merciful**

**Dear Shareholders,**

We are pleased to put in your hands the annual report of SACO for the year 2020, A year filled with challenges that have swept the world and the region caused by the effects of the Corona pandemic, and in spite of these, thank goodness, the company was able to reach the goals that satisfy its shareholders and customers.

SACO will start year 36 with three and half decades of achievements and good solutions to provide the best services and products for our customers with unique and special shopping journey. All that could be only by virtue of Allah and achieved with SACOs Staff efforts and colleagues who left during last years.

During 2020, we strived to avoid and cross all challenges, changes and negative effects struck the Region and whole world due to COVID 19.

As we are one family and derive the power from our unique people, we joined forces and worked day and night with alternative strategies and plans to achieve more safety, stability and productivity which have led to maintaining our services quality and not affect our customers.

For example, we opened 4 new stores in various cities during 2020, so that we can reach our customers anytime everywhere. Also, we developed SACO Web Site and mobile application to be easier and more updated when shopping online. Furthermore, we updated the Sales POS System and changed our merchandising plan within the store by a specialized team.

Also, in 2020, we launched the development program (Expert Salesman) and the CEO's Reward for best idea or initiative.

As we look forward to more achievements within 2021, we hope for a new year full of more optimism and efforts, and with a unique work environment and one teamwork; so that we can progress and achieve company goals .

I appreciate all your efforts and roles and hope all to collaborate and achieve the intended Goals through hard work, Service, Quality and reduction of unnecessary expenses, and thus increase company profits which will benefit all.

Personally, I feel proud that I am part of SACO Successful team, aiming at achieve the strategic goals by a creative and ambitious team.

Finally, In my name, on behalf of Board of Directors and SACO's Staff , are horned to extend deep gratitude and gratefulness to his Highness , Custodian of the two Holy Mosques King Salman Bin Abdul Aziz and his Highness, Crown Prince Mohammed Bin Salman Bin Abdul Aziz , and Special thanks and gratitude to Capital Market Authority & Ministry of Commerce.

**Best Regards,**  
**Chief Executive Officer**  
**Haytham Al-Hamidi**

## Board Members as of 31/12/2020

Name	Position	Classification
Mr. Abdel Rahman Amin Jawa	Chairman	Independent
Mr. Ahmed Mohammed Al Sari	Vice-Chairman	Independent
Mr. Sameer Al-Hamidi	Managing Director	Executive
Mr. Haytham Al-Hamidi	CEO	Executive
Mr. Khalid Al-Hamidi	Member	Non-executive
Mr. Sameer Omar Baeisa	Member	Independent
Mr. Talal Mohammed Bakhsh	Member	Non-executive
Mr. Bandar Khalid AL Turki	Member	Non-executive
Mr. Fahad Malaeka*	Member	Independent
Mr. Hany Ahmed Alshuwaier**	Member	Non-executive

\*Mr. Fahad Malaeka has been elected by General Assembly of Shareholders on 20-05/2020 for the Board Term started on 20/07/2020.

\*\* Membership of Mr. Hany Ahmed Youssef Alshuwaier ended on 20/07/2020

### An Overview of the Company's History and Capital:

Saudi Company for Hardware-SACO is a Saudi Joint Stock company, established pursuant to HE Minister of Commerce and Industry Resolution No. (178/Q) dated on 26/5/1432H, corresponding to 30/4/2011, under commercial registration No. 1010056595, dated on 26/2/1405H, corresponding to 19/11/1984. Originally, SACO was incorporated as a limited liability company, registered in Riyadh city with a capital of (10,000,000) Ten million Saudi Riyals. In 1990 the capital was raised to (16,000,000) Sixteen million Saudi Riyals. On 26/5/1432H corresponding to 30/4/2011, the company was transferred to a closed Joint Stock Company. On 27/7/1432H corresponding to 26/5/2014, the company capital was raised from (16,000,000) Sixteen million Saudi Riyals to (240,000,000) Two Hundred and Forty million Saudi Riyals, through the capitalization of retained earnings. The Capital Market Authority approved on 25/3/2015 to list 30% of the company's shares for public subscription and as a result the company was listed on The Saudi Stock Market (Tadawul) on 12/5/2015.

On 17/12/2018 , the General Assembly of Shareholders was approved to increase company's capital according to recommendation of BOD to be ( 360,000,000 ) three hundred and sixty Million Saudi Riyals by granting bonus shares to shareholders. With percentage increase of ( 50% ) to become the number of shares ( 36 Million ).

Capital increasing to enhance the share capital being compatible with the size of the company's total assets, and the increasing has been done by granting One bonus share for every Two owned shares with implemented through capitalization of (SAR 57,701,439) from the statutory reserve and (SAR 62,298,561) from the retained earnings.

As 31/12/2020 ,the company capital amounts to (360,000,000) three Hundred and sixty million Saudi Riyals, divided into (36,000,000) thirty six million Saudi Riyals ordinary shares and paid in full at a nominal value per share equal to (10) Ten Saudi Riyals.

## The Company Activity:

SACO is one of the largest companies that offer household improvement products in the Kingdom. As of 31/12/2020, the company owns 34 Stores in 18 cities, including 5 large SACO World stores and the area of the stores range between 2.000 up to more than 24.500 sq. meters. These stores offer 45.000 different products in each store.

The company aims to become the first destination in the retail sector in the Kingdom of Saudi Arabia by providing all customers' needs and namely hardware, tools, products and household improvement solutions, in competitive prices and suitable shopping environment for the customers. The Company also aims to:

- Understand customer's needs, and to provide products and appropriate household solutions.
- Provide an appropriate shopping environment for customers through the provision of wide range of products under one roof and at competitive prices.
- Enhance customers trust by providing them with appropriate services.
- SACO aims to become a regional leader in the field of household improvement products through expanding its presence in the Gulf States and other Arab States.

## Subsidiaries

Medscan Terminal Company: a Saudi Limited Liability Company specializing in transporting goods, logistics, and warehousing, located in Eastern Area, and has been acquired in 23/11/2016.

During the 2018 the Company completed the acquisition of full shares of Medscan , to become the ownership percentage 100% after it was 99% on 22/07/2018.

Name of Subsidiary	Establishment and Activity Location	Capital	Activity Type	Percentage of Property
Medscan Terminal Company Ltd.	Kingdom of Saudi Arabia	5,500,000	Transporting Goods, Logistics, and Warehousing	100%

## Facts about SACO:

The company was established in 1985 and became a leading company in retail trade of hardware and tools and the one of the largest specialized shopping center in household improvement solutions in the Kingdom of Saudi Arabia.

**Stores:** 34 stores with an area ranging from 2000 to 24500 sqm, as of 31/12/2020

**Market Coverage:** Located in 18 main cities in the Kingdom of Saudi Arabia, as of 31/12/2020

**Products Range:** More than 45,000 products under one roof.

**Warehouses:** warehouse in the strategic and vital area in Central region.

**Maintenance Centers:** Three maintenance centers in Central, Eastern, and Western regions.

**Operation System:** Advanced SAP system for resources planning.

## Vision:

The Company aims to become the “first destination” in the retail sector in the KSA, by securing all of its customers’ needs for hardware tools, products and home improvement solutions at competitive prices and in a convenient shopping environment.

## Mission:

- Understanding customer’s needs and provide them with products and home solutions appropriate to them.
- Provide a suitable shopping environment for customers by offering a wide variety of products in one location at competitive prices.
- Enhance customer confidence by providing appropriate services.
- To become the regional leader in the field of home improvement products.

## Departments

### • Departments



الخدوات  
Hardware



حلول لتقوم  
بها بنفسك  
DIY Tools



ادوات  
كهربائية  
Electrical &  
Power Supplies



ادوات والأجهزة  
الرياضية  
Sports  
Equipment



العاب الأطفال  
Toys



الدهانات  
وأدواتها  
Paint  
& Sundries



مواد البناء  
Building  
Materials



ادوات السباكة  
Plumbing  
Supplies



أدوات وعدد  
السيارات  
Automotive



لوازم التخزين  
والتنظيم  
Storage &  
Organization



ادوات منزلية  
Housewares



أجهزة منزلية  
كهربائية  
Electrical  
Appliances



مفروشات  
داخلية  
Indoor  
Furniture



لوازم ومعدات  
الحدائق  
Lawn  
& Garden



مفروشات  
خارجية  
Outdoor  
Living



الإضاءة  
Lightings



المفارش ولوازم  
الحمام  
Bed & Bath

### • الأقسام

## Household Solutions:

SACO offers a variety of household solutions:

• Solutions	• الحلول
<p>الغسيل والكوي Washing &amp; Ironing</p> 	<p>الدهان Paint</p> 
<p>عدة السيارات Car Travel</p> 	<p>الأرضيات والجدران Floor &amp; Wall</p> 
<p>التخزين Storage</p> 	<p>مستلزمات الحمام Bathroom Accessories</p> 
<p>الغبار Dust</p> 	<p>الكهرباء Power</p> 
<p>الماء Water</p> 	<p>حافظ على جمال حديقتك Keep Your Garden Beautiful</p> 
<p>النقل Moving</p> 	<p>حامل اجهزة كهربائية Electrical Device Holder</p> 



## 2020 Achievements

### Opening of new Stores and replacement of previous stores:

During 2020, SACO opened four Stores, in, Riyadh, Jeddah , Dammam , Khamis Mushait , according to what was published on Tadawul website.

	Store Name	City	Area	Opening Date
1	SACO (Dareen mall)	Dammam	5,435 sqm	02/01/2020
2	SACO Aziziah *	Riyadh	6,089 sqm	02/02/2020
3	SACO (Town Square)	Jeddah	5,517 sqm	22/09/2020
4	SACO Khamis Mushait. Replacement *	Khamis Mushait	5,629 sqm	15/12/2020

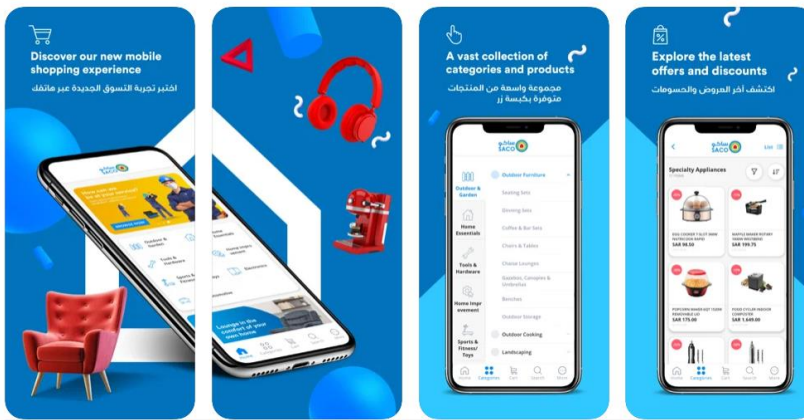
\*SACO Al Qasr in south of Riyadh City , located in Al Qasr Mall, has been permanently closed, as it was replaced by the SACO Aziziah , which was opened on 02-02-2020 to serve this area.

\*\* the company has been closed previous store in Khamis Mushait which was managed by a franchising and replaced by new company's store which was opened on 15-12-2020.

Therefore, the number of SACO stores by 31/12/2020 became 34 stores with total area of 207,965 sqm.

### Launching of new online sales platforms

During 2020 , the company was launched new online sales platforms through its new website ([www.saco.sa](http://www.saco.sa)) , as well as the new application (ساکو SACO) , each of them provides with a new and special online shopping journey for SACO's Customers , and with the goal of increasing the market share of digital sales, based on unique and privacy of company's products and company's solutions .





## Improvement of Logistics Systems and modernize the point of sales :

During 2020, the company completed the development of technical systems for logistics and warehouse systems in line with the requirements of digital selling and the technical connection between stores and warehouses.

Modern points of sale have been installed in all stores, alignment with the new payment methods.

## The Company's Strategy, Plans, Important Decisions, and Future Prospects:

The company continued to implement its strategic plan, which aims to support the company's status, diversity, and expansion in KSA and markets of Gulf Cooperation Council Countries.

Based on SACO's leading position, the strategy will reconfirm and reinforce the economic position of the company.

The strategy pillars are:

1. Continue the focus on growing our chain by adding in 2019 and 2020 additional 40 000 M2 that translate into additional 7 stores and a total of 40 stores by year end 2020 and a total retail area of 228,070 Sqm.
2. Adding new categories to continue our customer satisfaction and expectation on our variety.
3. Additional services for our customers.
4. Greater focus on Ecommerce and additional sales channels to reinforce our position in the market.

- By the end of 2020 the numbers of stores increased to 34 , so the total area were (207,965 sqm ) and this is achievement of 91% of the targeted areas in company's strategy which outstanding of (227,070 sqm ), in addition to the continuation of opening the technology departments in most of stores.

During 2020 the focus was to avoid and overcome the challenges, changes, and negative impacts, which the region and world through it due to (Covid -19) pandemic, by Efficiency, cost cutting and

continue of preparation for the opening of new stores to maintain a distinctive position in an environment that the cost and competition are increasing .

This strategy is being funded from the operating cash flow, as well as taking advantage of other Sharia-compliant finance resources, and the company confirms that there is no structural changes during 2020 , or stop of business , except of closure of stores which happened under compliances with instructions of rational government to face the Corona pandemic, which was announced on Tadawul website timely.

## Human Resources

### **Saudization and Development:**

The total employees of the company in 12/31/2020 AD, are 1991 employees, including 813 Saudi employees, as the company was able to achieve a Saudization rate of 39.81% of the total workforce.

Diversity in employment is important to enhance the outstanding performance of the company and maintain the principles and values of sustainability. SACO is widely known for being a pioneer in Saudization initiatives and empower women in proper work, as the company received honors and several certificates of gratitude from the Ministry of Human Resources, the Chamber of Commerce, and the Human Resources Development Fund (Haddaf) for its initiatives in the field of Saudization. The company sought for, through the human resource department, to encounter the challenges related to work of women and find practical solutions for them, and submitted a set of comprehensive programs and training plans to ensure that the employee possesses the required skills and knowledge and to achieve her continuity at work.

The company creates a (questionnaire) for employees in the stores, which is an open and written dialogue, through which ideas, perspectives, goals and aspirations are exchanged, in order to reach a greater and deeper common understanding between employees and management, which helped in improving communication and strengthening relations, to evaluate Their experiences and listening to their opinions, and collecting their suggestions on improving the work environment to become more suitable.

**Employee incentive programs:**

- The company has updated an annual rewards program for employees and a special bonus program for sales employees according to performance and increasing the percentage of sales.
- The company is currently studying long-term incentive programs and it's a strategic goal to attract and keep talented employees in the company.

**Training and Development:**

In the field of training and development, SACO continues its program for Saudi future managers, and preparing the second row of employees to lead sales in SACO stores, as SACO is proud that all its 34 stores are headed by Saudi managers.

In 2020, SACO launched two training programs: The Elite Training Program, which includes a clear career ladder, and the Expert Seller Development Program. From these two programs, SACO aims to raise the level of employees and focus on developing their performance to reach the customer satisfaction.

## Financial Performance:

### Key Business Sectors

**Transportation & Logistics Sector**

**Retail & Operating Sector**

Description	Direct Revenue		Direct Costs		Net Income		Net Income Margin	
	2020	2019	2020	2019	2020	2019	2020	2019
Retail Sector	1,464.7	1,447.6	(1,164.0)	(1,174.7)	86.7	62.1	20.5%	18.9%
Transportation Sector	53.7	21.2	(44.2)	(12.4)	6.0	5.0	17.6%	41.3%
Elimination	(36.6)	(11.1)	22.9	11.1	(7.2)	(5.5)	0.0%	0.0%
Total	1,481.8	1,457.8	(1,185.3)	(1,176.1)	85.5	61.6	20.0%	19.3%

All Amounts are in Millions

- ❖ Inter-company transactions are eliminated.
- ❖ SACO acquired Medscan Terminal Company on November 23, 2016.

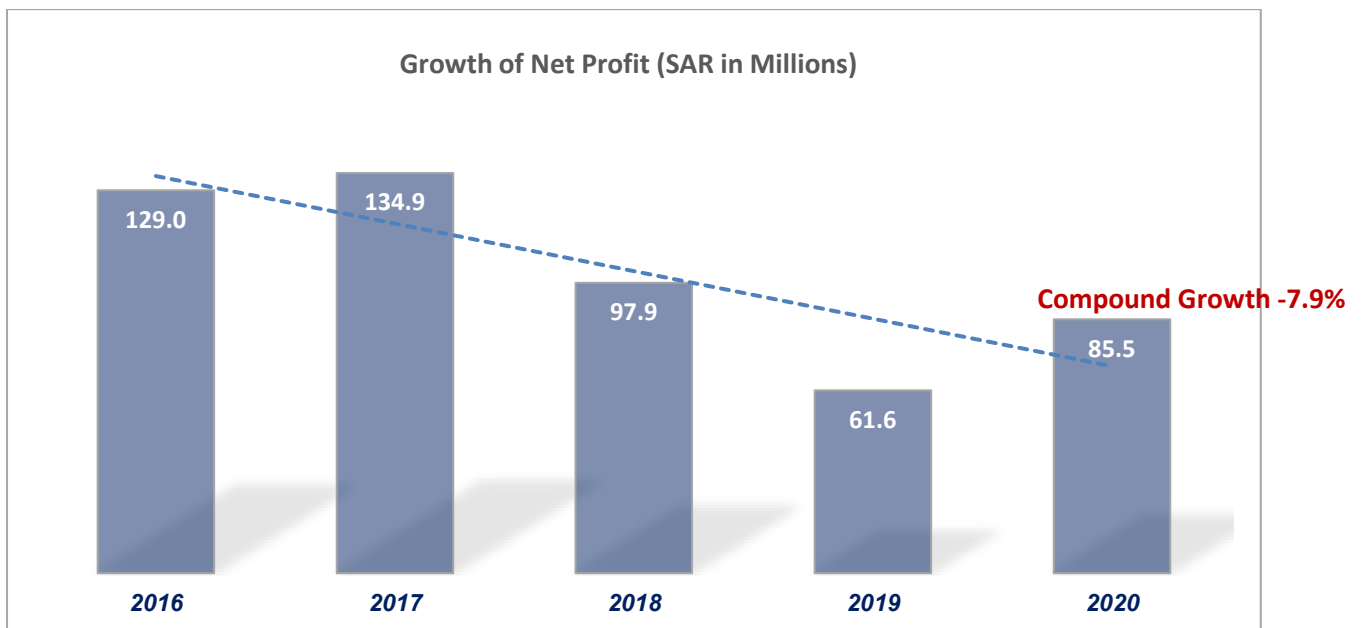
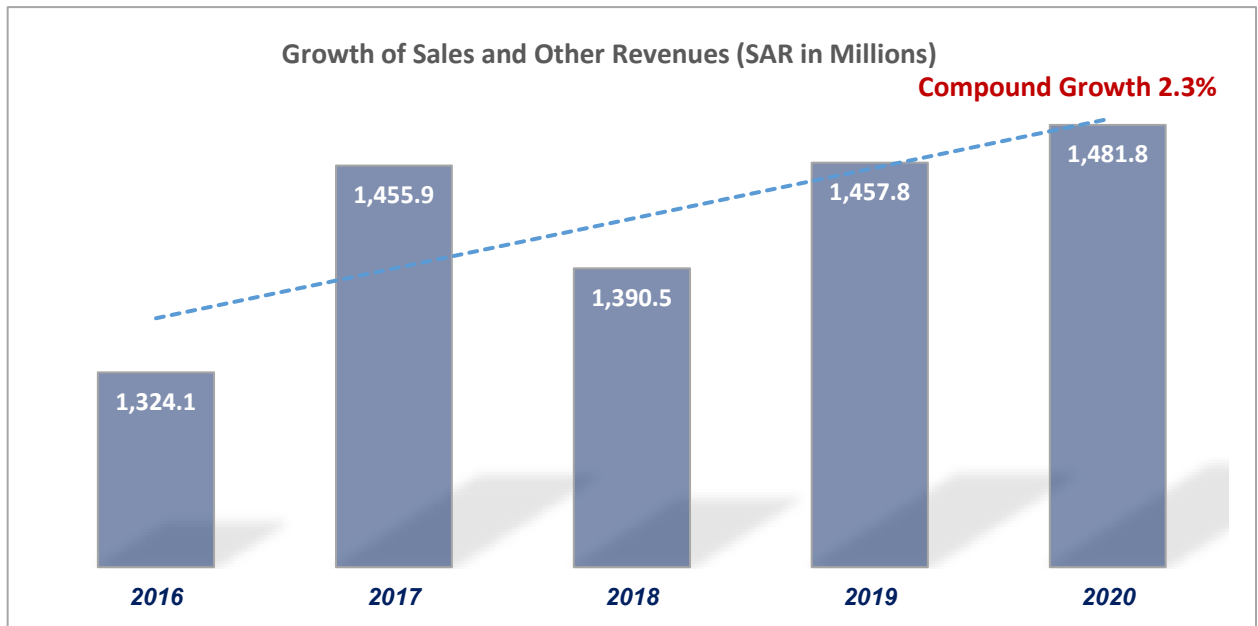
## Summary of Operations Results

<i>Results of Operations and Net Profit (SAR in Millions)</i>					
<i>Description</i>	<i>2020</i>	<i>Sales %</i>	<i>2019</i>	<i>Sales %</i>	<i>% Change</i>
Sales	1,481.8		1,457.8		2%
Cost of sales and Occupancy	(1,185.3)	80%	(1,176.1)	81%	1%
<b>Gross Profit</b>	<b>296.4</b>	<b>-20%</b>	<b>281.7</b>	<b>-19%</b>	<b>5%</b>
Operating Expenses	(156.7)	11%	(174.6)	12%	-10%
<b>Operating Profits</b>	<b>139.7</b>	<b>-9%</b>	<b>107.1</b>	<b>-7%</b>	<b>31%</b>
Net Profit before Zakat	102.0	-7%	73.1	-5%	39%
<b>Net Profit</b>	<b>85.5</b>	<b>-6%</b>	<b>61.6</b>	<b>-4%</b>	<b>39%</b>

- ❖ Sales increased in 2020 by 2% compared with 2019.
- ❖ Medscan sales in 2020 were totaled SAR 53.68M of which SAR36.6 was eliminated due to intercompany transactions with SACO, and the net profit for the same period was SAR 6.01M. Medscan is a specialized company in transportation, storage, and logistics activities and SACO aimed to diversify its sources of income and reduce expenses by utilizing Medscan's expertise instead of dealing directly with local vendors.

<i>Statement</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>
<i>Income Statement (SAR in millions)</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>
Revenues	1,481.8	1,457.8	1,390.5	1,455.9	1,324.1
Cost of Sales and Occupancy	(1,185.3)	(1,176.1)	(1,140.6)	(1,171.3)	(1,063.5)
<b>Gross Profit</b>	<b>296.4</b>	<b>281.7</b>	<b>249.9</b>	<b>284.7</b>	<b>260.6</b>
General and Administrative Expenses	(198.6)	(212.9)	(143.9)	(142.2)	(124.1)
<b>Other Revenues</b>	<b>4.1</b>	<b>4.3</b>	<b>3.4</b>	<b>2.8</b>	<b>2.7</b>
Zakat	(16.4)	(11.5)	(11.5)	(10.4)	(10.2)
<b>Net Profit</b>	<b>85.5</b>	<b>61.6</b>	<b>97.9</b>	<b>134.9</b>	<b>129.0</b>

- ❖ The decrease in net profit for the year 2018 compared to the year 2017 was mainly due to the decrease in sales as well as the decrease in gross margin.
- ❖ The decrease in net profit for the year 2019 compared to the year 2018 was mainly due to the impact of adoption IFRS 16.

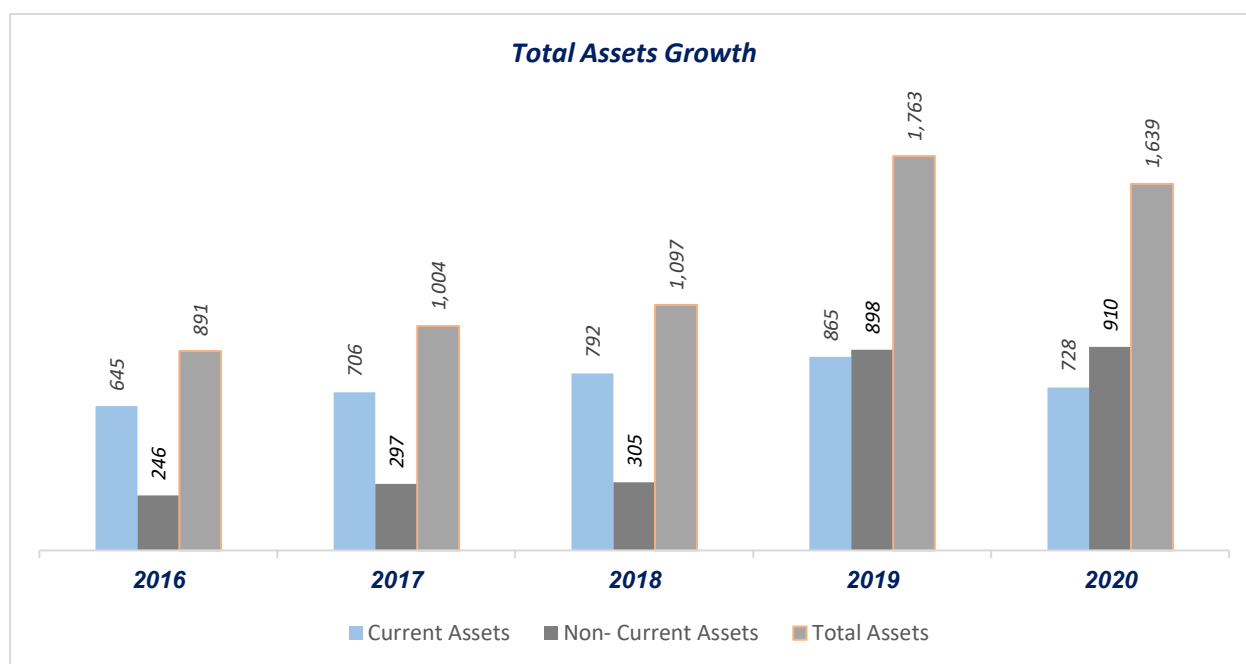


- ❖ The company maintained a compound growth in sales for the last five years at rate of 2.3% while the rate of the compound growth of net profit was reduced to -7.9% for the same period.

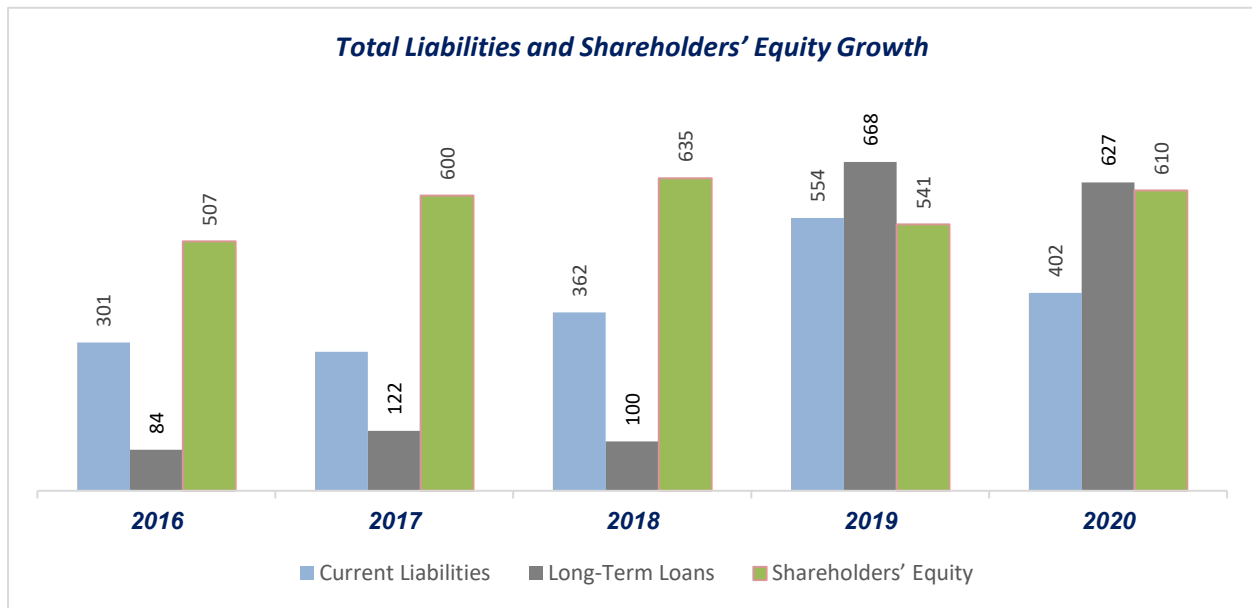
## Growth of Current and Fixed Assets (SAR in millions)

Statement	2020	2019	2018	2017	2016
Financial Position (SAR in millions)	SAR	SAR	SAR	SAR	SAR
Current Assets	728	865	792	706	645
Non- Current Assets	910	898	305	297	246
<b>Total Assets</b>	<b>1,639</b>	<b>1,763</b>	<b>1,097</b>	<b>1,004</b>	<b>891</b>
Current Liabilities	402	554	362	282	301
Long-Term Loans	627	668	100	122	84
Shareholders' Equity	610	541	635	600	507
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,639</b>	<b>1,763</b>	<b>1,097</b>	<b>1,004</b>	<b>891</b>

- ❖ The growth of the Company's assets has been continued over the past five years moving from SAR 891M in 2016 to SAR 1,639M in 2020.
- ❖ " Right-of-Use Assets " reported in the financial statement, as a result of adoption IFRS16, was SAR 566M in 2020.



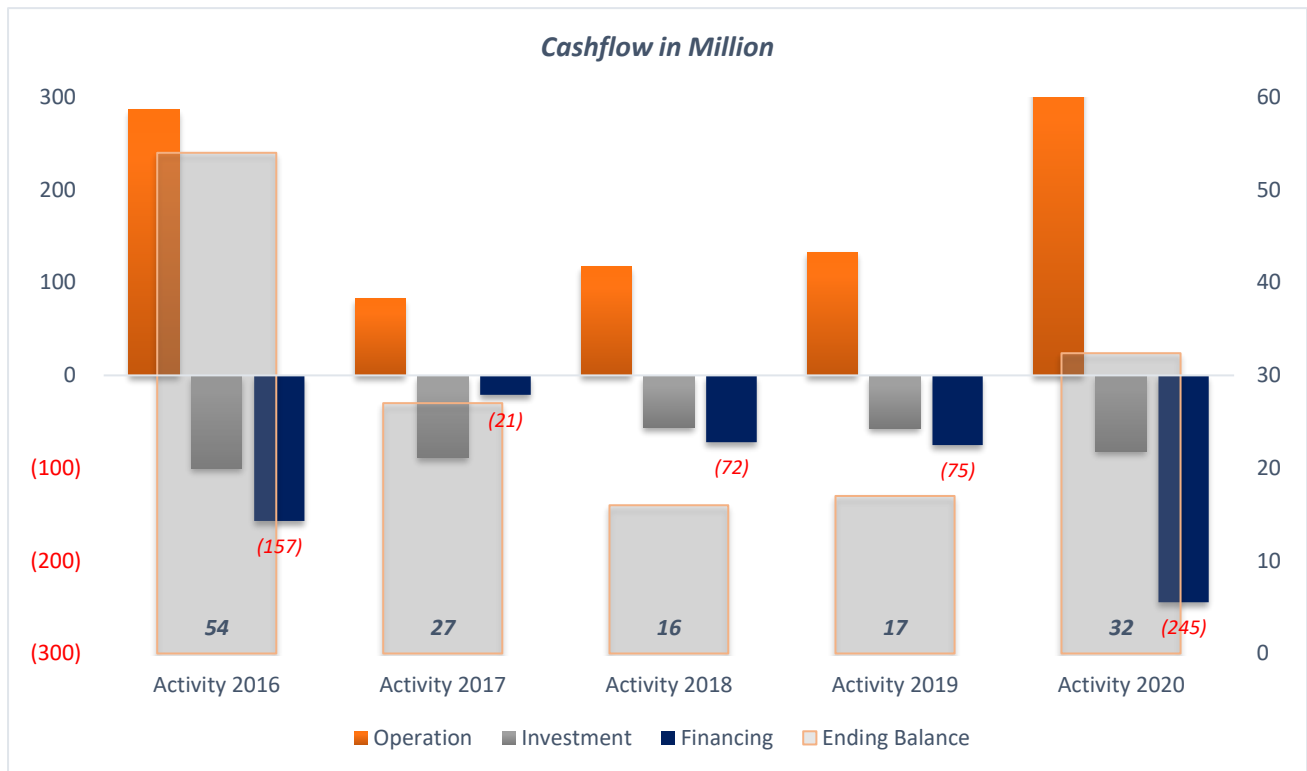




- ❖ The growth of the Company's equity has been continued over the past five years moving from SAR 507M in 2016 to SAR 610M in 2020.
- ❖ " Lease Liabilities " reported in the financial statement, as a result of adoption IFRS16, was SAR 647M in 2020.

### Cash Generated from the Company's Activities - SAR in Million

Cashflows Statement	Opening Balance	Financing	Investment	Operation	Ending Balance
2016 Activity	24	(157)	(100)	287	54
2017 Activity	54	(21)	(89)	83	27
2018 Activity	27	(72)	(56)	117	16
2019 Activity	16	(75)	(57)	133	17
2020 Activity	17	(245)	(82)	342	32



- ❖ The growth in cash flows from the company's operations increased from SAR 287M in 2016 to SAR 342M in 2020, which supported the company to settle all bank loans as well as paying dividends to the company's shareholders, reflecting the efficiency in managing its working capital.

## Geographical Analysis of the Company's Activity

- ❖ Up to 31/12/20, the company has no any activity outside the Kingdom of Saudi Arabia.
- ❖ The following table shows sales and net profit of the company's activity and its subsidiaries in the Kingdom of Saudi Arabia (SAR in Millions).

### Geographical Analysis of SACO's Total Revenues

Geographical area	2020		2019	
	Sales	NP	Sales	NP
Kingdom of Saudi Arabia	1,464.7	86.7	1,447.6	62.1
Other areas	0	0	0	0

### Geographical Analysis of Total Revenues of the subsidiary (Medscan)

Geographical area	2020		2019	
	Sales	NP	Sales	NP
Kingdom of Saudi Arabia	53.7	6.0	21.2	5.0
Other areas	0	0	0	0

Clarification for any significant difference in operational results comparing to the last year				
Statement	2020	2019	(-) (+) Change	% Change
Sales/Revenues	1,481.8	1,457.8	24.0	1.6%
Costs of Sales/Revenues	(1,185.3)	(1,176.1)	(9.2)	0.8%
<b>Gross Profit</b>	<b>296.4</b>	<b>281.7</b>	<b>14.8</b>	<b>5.2%</b>
Operating Income – other	(156.7)	(174.6)	17.9	-10.3%
<b>Operating Expenses – other</b>	<b>139.7</b>	<b>107.1</b>	<b>32.7</b>	<b>30.5%</b>
Net Profit Before Zakat	<b>102.0</b>	<b>73.1</b>	<b>28.9</b>	<b>39.5%</b>
<b>Net Profit</b>	<b>85.5</b>	<b>61.6</b>	<b>23.9</b>	<b>38.8%</b>

## Borrowing

The following table shows the outstanding loan balances as of 12/31/2020 (in millions).

Bank's	Statement	Begning Balance	Paid	Additional	Ending Balance
SABB	Payment Quarterly Basis	6.9	6.9	0	0
ANB	Earned Payment	42.4	42.4	0	0

The purpose of these loans was to finance the expansion plans of the company and to complete the construction of the central warehouse in the city of Dammam, noting that the company used the facilities granted by the local banks, namely the Saudi British Bank and the Arab Bank for this

purpose, and the outstanding balance of these loans at the end of 2019 was (SAR 49.3M), and the loans were fully repaid during 2020.

In addition, the company acknowledges that there are no loans or debt instruments on its subsidiaries until 12/31/2020.

## Zakat and Tax payments

The following is a statement of the amounts due to the Public Institution for Social Security Social as of 12/31/2020 and Zakat charges during 2020:

Statement	2020	2019
General Authority for Zakat and Tax	16,425,607	11,465,580
The Public Institution For Social Security	860,168	824,160

## **Risk Management:**

The company's results might be affected by potential risks which can be classified into two categories: risks related to the company's operation and risks related to market and the sector, as follows:

### **A) Risks related to the company's operation:**

1. Epidemics and what results from it on restrictions and closures and business interruptions.
2. Unsuccessful expansion strategy.
3. More modern products being provided by competitors.
4. Competition from online shopping.
5. Failure of products to comply with specifications and regulations.
6. Poor inventory management.
7. Termination of or failure to renew leases contracts or the lack of suitable properties for lease.
8. Construction works that may occur in the current stores area, which may affect the appearance of the current stores and its accessibility.
9. Obstacles arising from franchise agreements and noncompliance with the provisions thereof.
10. Reliance on supply and support system and informatics solutions and risks of breakdown.
11. Operational risks and unexpected downtime of operations.
12. Inadequacy of insurance coverage.
13. Non-availability of additional financing in the future.
14. Expiration or non-renewal of the Company's licenses.
15. Increase in operational expenses.
16. Reliance on trademarks and intellectual property rights laws.
17. Accidents and injuries resulting from the Company's operations.
18. Risks associated with non-compliance with laws and regulations.

### **B) Market and sector-related risks:**

1. The competitive environment.
2. Political and economic risks.
3. Risks relating to import and export regulations and future changes thereto, as well as risks related to exchanges in currency exchange rates.

The Company's policy in managing and controlling these risks is that there is a clear internal structure and plans to deal with these risks according to their nature, by the Board of Directors, its committees, executive management and the committees emanating from it, and to ensure continuity of the company's operations at different levels.

The Company believes that an effective risk management framework requires fixed and consistent procedures to assess, monitor and report on risk issues across all company departments. It is essential to ensure that this process is in line with the Company's direction and objectives, particularly strategic planning and annual business planning.

The Company reviewed and approved the Risk Management Framework Regulations. This framework aims to define a formal risk management methodology with the following characteristics:

1. Responding to the requirements of the executive management regarding the provision of risk information and the development of corporate governance systems.
2. The ability to monitor, control, manage and prioritize complex risks on an ongoing basis.
3. The key risk management process should be carried out effectively to serve the stakeholders involved.

## Dividend Distribution Policy:

The Board of Directors shall recommend declaring and payment of any profits before getting the approval by the shareholders at the meeting of the General Assembly. The company distributes interim dividends to its shareholders in order to enhance the value of their investments. Any recommendation to distribute profits to shareholders is based on a number of factors, including: the profits made by the company previously, projected profits, cash flows, capital requirements, market data, and economic factors in general and Zakat, as well as legal, regulatory and other considerations and factors.

The distribution of dividends is subject to certain limitations contained in the Company's By-Laws and the New Companies Act. After deducting all general expenses and other costs, the Company's annual net profits, if any, shall be allocated (in Saudi Riyals) as follows:

1. Ten percent (10%) of net profit shall be set aside to form a statutory reserves. The General Assembly may decide to discontinue such reserve when the said reserve amounts to (30%) of the paid-up share capital.
2. The Ordinary General Assembly may, upon request of the Board of Directors, set aside a (20%) of the net profits to form a Contractual reserve to be allocated towards one or more specific purposes.
3. The Ordinary General Assembly may set aside any additional reserves, to the extent that serves the interest of the company or ensures the distribution of fixed profits as much as possible to the shareholders. The Said Assembly may also deduct amounts from the net profits for establishment of social institutions for the company's employees or to assist the existing institutions.
4. The balance shall be distributed as a first payment in the amount of five percent (5%) of paid-up capital to the Shareholders.
5. Subject to the provisions stipulated in Article (Board Members' Compensation) of the Articles of Association of the Company, and Article 76 of the Companies Law, after the above, a percentage of (10%) of the balance shall be allocated to remunerate the Board of Directors, provided that the remuneration is commensurate with the number of meetings Attended by the member.
6. The balance shall be distributed among Shareholders as an additional share of the dividends.

On 30/04/2020, the General Assembly of Shareholders approved to authorize the Board of Directors to distribute Interim dividends to shareholders for the year of 2020, specifying the date of eligibility and distribution, taking into consideration the regulations and guidelines of companies law.

On 30/04/2020 , the General Assembly of Shareholders has been approved of resolution of the board of directors of what was distributed from the company's profits for the first half of 2019 amounting to SAR 36 Million and dividend by share SAR 1 with represents 10% of the Face value.

And approved of BOD recommendation to not distribute profits for the second half of 2019.

On 23/07/2020, the Board of Directors of Saudi Company for Hardware (SACO) recommended to distribute cash dividend to its shareholders for the first half of 2020 as follows:

Total distributed amount	SAR 18,000,000
Value paid per share	(SAR 0.5)
% of distribution of nominal value per share	5%

Eligibility date	The eligibility of dividends shall be for the shareholders whose owns shares on 16-08-2020, and registered with the Securities Depository Center Company (Depository Center) at the end of the second trading day following the date of maturity.
Distribution Date	30/08/2020

Furthermore, on 11/03/2021, the Board of Directors of Saudi Company for Hardware (SACO) recommended to distribute a cash dividend to its shareholders for the second half of 2020 as follows:

Total distributed amount	SAR 27,000,000
Value paid per share	(SAR 0.75)
% of distribution of nominal value per share	7.5 %
Eligibility date	The eligibility of dividends shall be for the shareholders whose owns shares on 28-03-2021, and registered with the Securities Depository Center Company (Depository Center) at the end of the second trading day following the date of maturity.
Distribution Date	11/04/2021

The above-mentioned profits for the first half of 2020 have been distributed as published and dividend of second half 2020 are being distributed.

The above distributions will be presented to the General Assembly for approval. Moreover, approval to delegate BOD to distribute Interim dividends to shareholders during 2021, specifying the date of eligibility and distribution, will be presented to the General Assembly for approval, taking into account the related regulations and guidelines.

There is no arrangement or agreement whereby any of the Company's shareholders waives any rights in profits.

## The Company's Management:

### A. Membership of the Board of Directors:

The Board of Directors of the company consists of (9) members, whereas the General Assembly held on 20/05/2020 elected the members of the Board of Directors for the term started on 20/07/2020 for three years.

Therefore, SACO' Board Members during 2020 are as in the below table, including New Members, the composition of the Board of Directors, the classification of its members, and date of membership:

Name	Position	Classification	Date of Membership
Mr. Abdel Rahman Amin Jawa	Chairman	Independent	Re-elected by the General Assembly of Shareholders on 20/05/2020 for the term started on 20/07/2020.
Mr. Khalid Mohammed Al-Hamidi	Member	Non-executive	Re-elected by the General Assembly of Shareholders on 20/05/2020 for the term started on 20/07/2020.
Mr. Sameer Mohammed Al-Hamidi	Managing Director	Executive	Re-elected by the General Assembly of Shareholders on 20/05/2020 for the term started on 20/07/2020.
Mr. Haytham Mohammed Al-Hamidi	CEO / Member	Executive	Re-elected by the General Assembly of Shareholders on 20/05/2020 for the term started on 20/07/2020.
Mr. Talal Mohammed Bakhsh	Member	Non-executive	Re-elected by the General Assembly of Shareholders on 20/05/2020 for the term started on 20/07/2020.
Mr. Bandar Khalid AL Turki	Member	Non-executive	Re-elected by the General Assembly of Shareholders on 20/05/2020 for the term started on 20/07/2020.
Mr. Ahmed Mohammed Al Sari	Vice-Chairman	Independent	Re-elected by the General Assembly of Shareholders on 20/05/2020 for the term started on 20/07/2020.
Hany Ahmed Youssef Alshuwaier	Member	Non-executive	Membership ended on 20/07/2020.
Mr. Sameer Omar Baeisa	Member	Independent	he was nominated by the Nominations and Remuneration Committee and appointed by the BOD on 26/05/2019, and to be presented then to the General Assembly of shareholders. He was elected by the general assembly of shareholders on 20-05-2020 for the term that started on 20-07-2020
Mr. Fahad Malaeka	Member	Independent	Mr. Fahad Malaeka has been elected by General Assembly of Shareholders on 20-05/2020 for the Board Term started on 20/07/2020.



## Names of Board Members, Committees Members, Executive Management, and clarification of their current and previous positions, qualifications, and experiences.

Sr.	Name	Position	Current Jobs	Previous Jobs	Qualifications	Experiences
1	Mr. Abdel Rahman Amin Jawa	<b>Chairman</b>	Board Member of Riyadh Bank	<p>Business Development Consultant - Riyadh Bank</p> <p>Chairman - Saudi Travellers Cheques Company.</p> <p>Chairman of Banque Bemo Saudi Fransi.</p> <p>Vice Chairman - Saudi Fransi Capital</p> <p>Board Member - Allianz Saudi Fransi</p> <p>Board Member - Cam Saudi Fransi Company.</p> <p>Board Member - Fransi Tadawul Company.</p> <p>Board Member - Sofinco Company.</p> <p>Board Member - Saudi Insurance Company.</p>	<p>Advanced Management Program - Business Administration - Harvard University - USA (Training Program)</p> <p>Bachelor in International Business - Ohio University - USA</p>	Experience in strategic management, financial investments, banking, retail, insurance and tourism.

				<p>Board Member - Al-Amthal Owning Company</p> <p>Board Member - Saudi Fransi Bank</p> <p>Deputy Managing Director - Saudi Fransi Bank</p> <p>Regional Director for the Central Region - Banque Saudi Fransi.</p> <p>Deputy Director of the Main Branch in Riyadh - Banque Saudi Fransi.</p> <p>General Manager - Hisham Trading Corporation.</p> <p>Assistant Manager - The Saudi Investment Bank.</p> <p>Assistant Manager - First National City Bank – Riyadh</p>		
2	Mr. Khalid Mohammed Al-Hamidi	Board Member – Non-Executive	CEO / ALHAMIDI Contracting Est.Co	<p>Project Manager / Site Engineer - Al Hamidi Contracting Establishment Company</p> <p>Site Engineer - HP Zachary United States</p>	Bachelor's Degree in Engineering, in 1979 from Southern Methodist University, Dallas, USA	Experience in management, human resources and project management

3	Mr. Sameer Mohammed Al-Hamidi	Managing Director – Executive	Board member at Al Hamidi Contracting Establishment Co.  Board member at ACE International Ltd.  Board member at Deutsche Securities Saudi Arabia	General Manager / SACO  CEO / SACO*  Board Member of Allianz Saudi Fransi Cooperative Insurance Company.  Board member at Astra Industrial Group	Bachelor's Degree in Economics and Business Administration in 1980 from Southern Methodist University, Dallas, USA	Experience in executive and strategic management in retail, industry and insurance.
4	Mr. Haytham Mohammed Al-Hamidi	CEO / Board Member - Executive	Chairman of Rana Investment Company  Board Member at Thob AL Aseel Company  Board member at Al Hamidi Contracting Establishment Co.	Global Investment Officer – Riyadh Bank  Head of securities portfolio - Saudi Arabian Monetary Authority  Board member at National Petrochemical Company "Petrochem"  COO – SACO	Bachelor's Degree in Economics in 1987 from Southern Methodist University, Dallas, USA  Master's degree in Business Administration in 1989 from the University of Dallas, USA	Experience in sales and marketing management and investment sectors, financial services and petrochemical sector
5	Mr. Talal Mohammed Bakhsh	Board Member – Audit * Committee Member	Chairman of Ritaj Investment Co. Ltd.  Chairman of Distinguished Pioneers Financial Advisory	Special Accounts Manager – National Commercial Bank (NCB)	Master in Financial Management in 1992 from George Washington University, Washington, USA	Experience in banking, administrative and accounting
6	Mr. Bandar Khalid AL Turki	Board Member-member of Nomination & Remuneration Committee	CEO of Bandar al Turki Trading Co.  Board Member at Jeddah Urban Development Company  Board Member at Jeddah Economic City Co.	Marketing Consultant - Saudi Arabian Marketing and Agencies Company Ltd. (SAMACO)  Director General of the Central	Bachelor's Degree in Business Administration in 1994 from King Saud University, Riyadh, Saudi Arabia	Experience in executive management, retail, marketing, investment and real estate sectors

			Board Member at Al Nahla Trading and Contracting Company	Region - Saudi Arabian Marketing and Agencies Company Ltd. (SAMACO)  Chairman of Al-Turki Medical Group AMG - LLC	MBA in Marketing in 1998 from George Washington University - Washington - USA	
7	Mr. Ahmed Mohammed Al Sari	SACO Vice Chairman  Chairman of Audit Committee*  Chairman of Nomination & Remuneration Committee	Chairman of Malaz Capital Company.  Chairman of Malaz Company for technology and communication  Chairman of Tareem Enterprises for Investment	Systems and IT management officer at King Fahd University of Petroleum and Minerals  Director of Al-Khaleej Computers and Electronic Systems	Bachelor's Degree in Chemical Engineering in 1970 from the University of Texas-Austin-USA	Experience in information systems and corporate governance, establishment and management of investment funds and risk management
8	Mr. Sameer Omar Baeisa	Board Member / Member of Audit Committee	Board Member at Bank Albilad	Consultant for development of banking businesses - Riyadh Bank  General Manager of Branch Network in KSA - Banque Saudi Fransi.  Regional Director – Western Area – NCB bank	Master of Business Administration California State University, USA 1987  Bachelor of Business Administration. King Abdulaziz University, Kingdom of Saudi Arabia 1982	Experience in banking Field & strategic transformation and business development
9	Hany Ahmed Youssef Alshuwaier	Board Member	Executive Consultant at Retaaj Al Moutamiza Investment Company Ltd.	Managing Director at NCB Capital Business Development Manager at Saudi British Bank SABB	Bachelor of Accounting in 1984 from Cairo University - Egypt	Experience in executive management in the field of business and banking investments

10	Fahed Seraj Malaeka	Board Member/ Member of Audit Committee	Founder and CEO Distinguished Pioneers Financial Advisory  Founder and CEO Distinguished Developers for Real Estate.	Head of Investments at Dallah Albaraka Holding Company.  Head of Capital Markets at Swicorp	Bachelors in Computer Engineering from King Saud University (1996); MBA from Oxford University (2006).	Experience in investment banking, private equity and real estate development
11	Lutfi Gasim Shahada	Chairman of Audit Committee  Member of Nominations and Remuneration Committee	Financial advisor and consultant for family wealth  Audit Committee Member at Alkhorayef Group  Audit Committee Member at Al Khaleej Training and Education Co.	Audit Committee Member at Malaz Capital Company  Senior Partner at Ernst & Young and Director of the Family Business Center  Partner at Arthur Andersen Consulting Services  Director of Audit and Taxation at PwS	Bachelor degree in Business Administration and Accounting from the American University of Beirut in 1973  Accounting studies in accounting from the University of Houston in 1979, USA	Experience in financial consulting, auditing, accounting and governance

\*On 23/07/2020 the board of directors decided to appointing the chairman of the board and vice chairman & managing director & CEO and board secretary in addition to choose Mr. Ahmed al Sari & Mr. Bandar Al Turki and Mr. Lutfi Shahada in Nomination & Remuneration Committee and choose Mr. Lutfi Shahada as a chairman of Audit committee & Mr. Sameer Baeisa and Mr. Fahad Malaeka as members according to the resolution of general assembly of shareholders on 20/05/2020 .

### Companies inside or outside KSA in which Board Members have membership in its current or previous BODs, or being of its Directors:

Name	Membership in Saudi Arabian Companies BODs and its legal nature	Previous Memberships	Memberships outside KSA	Qualifications
Abdel Rahman Amin Jawa	Board Member of Riyadh Bank – Joint Stock Company.  Chairman at SACO – Joint Stock Company	Board Member - Banque Saudi Fransi (BSF)  Board Member – SFI	-	Advanced Management Program - Business Administration - Harvard University - USA (Training Program)

		<p>Board Member - Allianz Saudi Fransi Cooperative Insurance Company</p> <p>Board Member – Al-Amthal Financing</p> <p>Board Member – CSF</p> <p>Board Member - Fransi Tadawul Co.</p>		<p>Bachelor in International Business - Ohio University - USA</p>
Sameer Mohammed Al-Hamidi	<p>Managing Director of SACO - Joint Stock Company</p> <p>Board Member of Deutsche Securities Saudi Arabia - closed joint stock</p> <p>Board Member of Al Hamidi Contracting Establishment Company LLC</p> <p>Board Member of Mohammed Abdulaziz Al Hamidi Sons Holding Company LLC</p>	<p>Board Member of Astra Industrial Group (AIG)</p> <p>Board Member of Allianz Saudi Fransi Cooperative Insurance Company – public joint stock</p>	Board Member of ACE International Limited LLC	<p>Bachelor's Degree in Economics and Business Administration in 1980 from Southern Methodist University, Dallas, Texas, USA</p>
Haytham Mohammed Al-Hamidi	<p>Board Member of SACO – joint stock Company</p> <p>Board Member at Thob AL Aseel Company Joint Stock Company</p> <p>Board Member of Rana Investment Company</p> <p>Board Member of Al Hamidi Contracting Establishment Company LLC</p> <p>Board Member of Mohammed Abdulaziz Al Hamidi Sons Holding Company LLC</p>	Board Member of the National Petrochemical Company (Petrochem) - joint stock	-	<p>Bachelor's Degree in Economics in 1987 from Southern Methodist University, Dallas, USA</p> <p>Master's degree in Business Administration in 1989 from the University of Dallas, USA</p>

Bandar Khalid AL Turki	<p>Board Member of (SACO) – joint stock Company</p> <p>Board Member of Jeddah Urban Development Company</p> <p>Board Member of Jeddah Economic City Co.</p> <p>Board Member of Al Nahla Trading and Contracting Company – LLC</p> <p>Chairman of Al-Turki Medical Group AMG – LLC</p>	<p>Board Member of Saudi Arabian Motor Federation - Governmental institution</p>	-	<p>Bachelor's Degree in Business Administration in 1994 from King Saud University, Riyadh, Saudi Arabia</p> <p>MBA in Marketing in 1998 from George Washington University - Washington – USA</p>
Ahmed Mohammed Al Sari	<p>Board Member of (SACO) – joint stock company</p> <p>Board Member of Al Falak Electronic Equipment &amp; Supplies Company – LLC</p> <p>Board Member of Alenaya Company for Medical Sciences and Services – LLC</p> <p>Chairman of Malaz Capital</p>	<p>Board Member of Banque Saudi Fransi (BSF) – Public Joint Stock.</p> <p>Board Member of Alkhaleej Training and Education Co joint stock company</p>	-	<p>Bachelor's Degree in Chemical Engineering in 1970 from the University of Texas-Austin-USA</p>
Sameer Omar Baeisa	<p>Board Member of (SACO) – joint stock company</p> <p>Board Member at Bank Albilad – joint stock company</p>	-	-	<p>Master of Business Administration California State University, USA 1987</p> <p>Bachelor of Business Administration. King Abdulaziz University, Kingdom of Saudi Arabia 1982</p>
Hany Ahmed Youssef Alshuwaier	<p>Board Member of (SACO) – joint stock company</p>	<p>Managing Director of NCB Capital</p>	-	<p>Bachelor of Accounting in 1984 from Cairo University – Egypt</p>
Talal Mohammed Bakhsh	<p>Board Member of (SACO) – joint stock company</p> <p>Board Member of Abrar International Holding Co. - LLC</p>	-	-	<p>Master in Financial Management in 1992 from George Washington University, Washington, USA</p>

	Chairman of Retaaj Al Moutamiza Investment Company Ltd.			
Khalid Mohammed Al-Hamidi	Board Member of (SACO) – joint stock company  Board Member of Al Yamamah Press Establishment	-	-	Bachelor's Degree in Engineering, in 1979 from Southern Methodist University, Dallas, USA
Fahed Seraj Malaeka	Board Member of (SACO) – joint stock company  Board Member of TasHeel Holding Company Closed joint stock .  Board Member of Riyadh Capital Closed joint stock	Board Member at Dallah Healthcare Joint Stock Company.	Board Member at Dallah Eastbridge Private Equity LLC in South Korea.  Board Member at Al-Tawfeeq Investments LLC in Lebanon	Bachelors in Computer Engineering from King Saud University (1996);  MBA from Oxford University (2006).

## B. Board of Director's Meetings:

The Board of Directors held six (6) meetings during 2020. The attendance of the members was as follows:

Name	Date of Meetings During 2020						Total
	24/03/2020	07/05/2020	23/07/2020	29/10/2020	13/12/2020	21/12/2020	
Abdel Rahman Amin Jawa	√	√	√	√	√	√	6/6
Khalid Mohammed Al-Hamidi	√	√	√	√	√	√	6/6
Sameer Mohammed Al-Hamidi	√	√	√	√	√	√	6/6
Haytham Mohammed Al-Hamidi	√	√	√	√	√	√	6/6
Bandar Khalid AL Turki	√	√	√	√	√	√	6/6
Ahmed Mohammed Al Sari	√	√	√	√	√	√	6/6
Sameer Omar Baeisa	√	√	√	√	√	√	6/6



<b>Talal Mohammed Bakhsh</b>	√	√	√	√	√	√	6/6
<b>Hany Ahmed Youssef Alshuwaier *</b>	√	√	-	-	-	-	2/2
<b>Fahad Malaeka **</b>	-	-	√	√	√	√	4/4

\* Membership of Mr. Hany Ahmed Youssef Alshuwaier ended on 20/07/2020.

\* Mr. Fahad Malaeka has been elected by General Assembly of Shareholders on 20-05/2020 for the Board Term started on 20/07/2020.

## Fees and Remuneration paid to the Board Members, Senior Executives, and Committees Members during 2020:

During 2020 the Board Members received annual remuneration amounting to (SR 1,800,000), for the fiscal year ended on 31/12/2019, in addition to allowances of attending the meetings of the Audit Committee and the Nominations and Remuneration Committee during 2020.

## Board Members Remunerations

Members		Fixed Remunerations						Variable Remunerations						End of Service Award	Grand Total	Expenditure Allowance	
		Fixed Amount	Attendance Allowance for Board Meetings	Total Attendance Allowance for Committees Meetings	Benefits in kind	Statement of Payments to Board Members as Workers or administrators or against Technical, administrative or consulting work	Remuneration of Chairman, Managing Director, Secretary if he/she is a Member	Total	% of dividend	Periodic Remunerations	Short - term incentive plans	Long - term incentive plans	Shares awarded (Value)				Total
First: Independent Members																	
1	Abdel Rahman Amin Jawa	200,000	0	0	0	0	0	200,000	0	0	0	0	0	0	0	200,000	0
2	Ahmed Mohammed Al Sari	200,000	0	21,000	0	0	0	221,000	0	0	0	0	0	0	0	221,000	0
3	Abdul Mohsen Ibrahim Al Touq*	100,000	0	0	0	0	0	100,000	0	0	0	0	0	0	0	100,000	0
4	Sameer Omar Baeisa	100,000						100,000								100,000	
Total		600,000	0	21,000	0	0	0	621,000	0	0	0	0	0	0	0	621,000	0
Second: Non-Executive Members																	
1	Talal Mohammed Bakhsh	200,000	0	9,000	0	0	0	209,000	0	0	0	0	0	0	0	209,000	0
2	Bandar Khalid AL Turki	200,000	0	9,000	0	0	0	209,000	0	0	0	0	0	0	0	209,000	0
3	Hany Ahmed Youssef Alshuwaier	200,000	0	0	0	0	0	200,000	0	0	0	0	0	0	0	200,000	0
Total		600,000	0	18,000	0	0	0	618,000	0	0	0	0	0	0	0	618,000	0
Third: Executive Members																	
1	Khalid Mohammed Al-Hamidi	200,000	0		0	0	0	200,000	0	0	0	0	0	0	0	200,000	0
2	Sameer Mohammed Al-Hamidi	200,000	0		0	0	0	200,000	0	0	0	0	0	0	0	200,000	0
3	Haytham Mohammed Al-Hamidi	200,000	0		0	0	0	200,000	0	0	0	0	0	0	0	200,000	0
Total		600,000	0		0	0	0	600,000	0	0	0	0	0	0	0	600,000	0

\*Mr. Abdul Mohsen Al Touq received this amount in 2020 for his membership in BOD for part of year 2019.

\*\*Mr. Sameer Baeisa received this amount in 2020 for his membership of BOD for the part of year 2019.

## Senior Executives Remunerations

Senior Executive s	Fixed Remunerations				Variable Remunerations						End of Service Award	Total Executives Remunerations against Board (if any)	Grand Total
	Salaries	Allowances	Benefits in kind	Total	Dividen d	Short - term incentiv e plans	Long - term incentiv e plans	Shares awarde d (Value)	Shares awarde d (Value)	Tot al			
CEO / Managing Director *	726,300	280,000	115,761	1,122,061	-	-	-	-	-	-	75,000	200,000	1,397,061
COO/ CEO *	726,300	272,500	64,942	1,063,742	-	-	-	-	-	-	75,000	200,000	1,338,742
Previous CFO **	471,645	183,197	-	654,842	-	-	-	-	-	-	44,738	-	699,580
Current CFO	366,150	-	-	366,150	-	-	-	-	-	-	18,594	-	384,744
CPO***	500,250	112,500	-	612,750	-	-	-	-	-	-	25,211	-	637,961
Stores Director	498,924	116,414	-	615,338	-	-	-	-	-	-	50,474	-	665,812
<b>Total</b>	<b>3,289,569</b>	<b>964,611</b>	<b>180,703</b>	<b>4,434,883</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>289,017</b>	<b>400,000</b>	<b>5,123,900</b>

\*The previous CEO has been retired only as CEO since 01/07/2020 and the new CEO started his position timely.

\*\* The last working day of previous CFO was on 15/07/2020 and the new CFO started on 01/07/2020

\*\*\*CPO has been appointed on 01/03/2020.

## Committees Members Remunerations

	Fixed Remunerations (except Meetings Attendance Allowance)	Meetings Attendance Allowance	Total
<b>Audit Committee Members</b>			
1. Ahmed Mohammed Al Sari	-	9,000	9,000
2. Talal Mohammed Bakhsh	-	9,000	9,000
3. Lutfi Gasim Shahada	85,000	18,000	103,000
4.Fahad Malaeka	-	9,000	9,000
5. Sameer Omar Baeisa	-	9,000	9,000
<b>Total</b>	<b>85,000</b>	<b>54,000</b>	<b>139,000</b>
<b>Nomination and Remunerations Committee Members</b>			
1. Ahmed Mohammed Al Sari	-	12,000	12,000
2. Lutfi Gasim Shahada	65,000	12,000	77,000
3. Bandar Al Turki	-	9,000	9,000
<b>Total</b>	<b>65,000</b>	<b>33,000</b>	<b>98,000</b>

There are no amounts or financial/in kind benefits, against any administrative, technical or administrative work or positions, paid to Board Members other than the above mentioned Schedule.

BOD recommended, upon recommendation of the Nominations and Remuneration Committee, to pay off the remuneration of Board Members for 2020 for total amount of SAR 1,800,000.

In this regard, SACO confirms that:

1. There is no arrangement or agreement whereby a Board Member or a Senior Executive waives any salary or compensation.
2. There is no arrangement or agreement whereby a SACO Shareholder waives any rights related to profits.
3. There are no other investments or reserves created for the Company's employees.

## C. Equity Ownership Ratio and the Change in it during the fiscal year 2020:

### 1. Equity ownership ratios, debt instruments, and changes during the fiscal year 2020 for the members of the Board of Directors and Senior executives:

The below table shows the shareholding and ownership of the Board of Directors, Senior Executive, their spouses, and their dependent children in the company shares, changes in ownership, and debt instruments during 2020:

No.	Name	Position	Nationality	Classification	No. of shares at the beginning of 2020	No. of shares at the end of 2020	% of change	Ownership of spouses and dependent children	% of change	Debt Instruments	Date of membership
1	Abdel Rahman Amin Jawa	Chairman	Saudi	Independent	1.000 *	1.000*	0%	-	-	-	20/07/2020
2	Khalid Mohammed Al-Hamidi	Member	Saudi	Non-Executive	1,836,000	1,836,000	0%	-	-	-	20/07/2020
3	Sameer Mohammed Al-Hamidi	Managing Director	Saudi	Executive	2,023,827	2,023,827	0%	-	-	-	20/07/2020
4	Haytham Mohammed Al-Hamidi	CEO - Member	Saudi	Executive	126,000	126,000	0%	-	-	-	20/07/2020
5	Talal Mohammed Bakhsh	Member	Saudi	Non-Executive	1.000*	1.000*	0%	-	-	-	20/07/2020
6	Bandar Khalid AL Turki	Member	Saudi	Non-Executive	1.000*	1.000*	0%	-	-	-	20/07/2020
7	Ahmad Mohammed AL Sari	Member	Saudi	Independent	1.000*	1.000*	0%	-	-	-	20/07/2020
8	Fahad Seraj Malaeka	Member	Saudi	Independent	0	0	0%	-	-	-	20/07/2020
9	Hany Ahmed Youssef Alshuwaier*	Member	Saudi	Non-Executive	1500	-	0%	-	-	-	20/07/2017
10	Sameer Omar Baeisa	Member	Saudi	Independent	0	0	0%	-	-	-	20/07/2020

\* The allocation of qualifying shares is to ensure the intended Board Member responsibility (guarantee shares) .

\*\* The Membership of Mr. Hany Ahmed Youssef Alshuwaier ended on 20/07/2020.

## Change in Equity Ownership for the Major shareholders during fiscal year 2020:

The below table shows the equity ownership ratio and changes during fiscal year 2020, for the major shareholders who own 5% of the company's capital.

Shareholders who own 5% or more of the company's capital	At the beginning of 2020		At the end of 2020		% change
	Number of shares	%	Number of shares	%	
Al-Hamidi Contracting Co.	4,517,518	%12.55	4,517,518	%12.55	0 %
Abrar International Holding Co.	6,426,000	%17.85	6,426,000	%17.85	0 %
Abdel Rahman Hassan Sharbatly	6,426,000	%17.85	6,426,000	%17.85	0 %
Sameer Mohammed Al-Hamidi	2,023,827	%5.62	2,023,827	%5.62	0 %
Khalid Mohammed Al-Hamidi	1,836,000	%5.10	1,836,000	%5.10	0 %

- Except as stated, there are no interests, securities, contractual or subscription rights attributable to Board of Directors' members or senior executives or their relatives in the shares or debt instruments of the Company or its subsidiaries, or any change of these rights during 2020.
- There are no shares or debt instruments issued for the subsidiaries.
- There is no interest in the category of voting shares belonging to persons (other than Board Members and senior executives and their relatives) who have notified the Company of these rights under Article 45 of the Rules of Registration and Listing or any change in those rights during the fiscal year 2020.
- There are no convertible debt instruments, contractual securities, rights warrants, or similar rights issued or granted by the Company during the fiscal year 2020. There is no compensation received by SACO in exchange for that.
- There are no rights to transfer or subscribe under convertible debt instruments, contractual securities, rights warrants, or similar rights issued or granted by the Company during 2020.
- There is no redemption, purchase or cancellation by the Company or its subsidiary of any redeemable debt instruments made during 2020.
- There are no treasury shares held by the company during 2020

## Dates of General Assembly of Shareholders meetings held during 2020 and the names of Board Members attended these meetings.

Sr.	Name	Attendance Record	
		First meeting on 30/04/2020 - Ordinary General Assembly	Second Meeting on 20/05/2020 – Ordinary General Assembly
1	Abdel Rahman Amin Jawa Chairman	√	√
2	Khalid Mohammed Al-Hamidi	√	√
3	Sameer Mohammed Al-Hamidi	√	√
4	Haytham Mohammed Al-Hamidi	√	√
5	Talal Mohammed Bakhsh	√	√
6	Bandar Khalid AL Turki	√	√
7	Ahmed Mohammed Al Sari Chairman of Audit Committee Chairman of Nomination & Remuneration Committee	√	√
8	Hany Ahmed Youssef Alshuwaier	√	√
9	Sameer Omar Baeisa	√	√

## Number of Company requests for Shareholders and dates of these requests.

Number of Company requests for Shareholders	Request Date	Request Reason
3	30/04/2020	Company procedures
	28/07/2020	Company procedures
	06/08/2020	Dividend Distribution

## Board of Directors Committees:

### 1. Audit Committee:

Following is a brief description of the duties and responsibilities of the audit committee

The audit committee is responsible for monitoring the company's business and verifying the integrity of the reports, financial statements and internal control systems through:

- Reviewing the company's interim and annual financial statements and discussing them with the external auditor before presenting them to the Board and providing its opinion and recommendations thereon
- Reviewing the accounting policies and the financial reporting standards adopted by the company and ensuring that they are updated in accordance with the International Financial Reporting Standards as endorsed in the Kingdom.
- Meeting with the external auditor periodically before issuing their reports to discuss the financial standards, internal control procedures, and general transactions and balances.
- Reviewing the external auditor's reports and its comments on the financial statements and following up the procedures taken in connection therewith.
- Providing recommendations to the Board to nominate external auditors and determine their remunerations in accordance with specific criteria that includes financial and technical analysis after verifying their independence and that there are no restrictions on their work.
- Monitoring and overseeing the performance and activities of the internal audit department of the company to ensure their effectiveness in performing the assigned activities and duties.
- Review the internal audit reports and following up the implementation of the corrective measures in respect of the remarks made in such reports.
- Review and follow-up any outstanding significant legal issues.
- Evaluating the internal control systems by analyzing the internal audit reports, the management report of the external auditor, and the report of observations on the company's IT systems, and reviewing the results of their work to verify the integrity of the control systems, and following up with management to ensure their commitment to implement the corrective actions.

In addition to the above, the audit committee carried out the following during the year 2020:

- Recommended to the Board of Directors to appoint the Head of the Internal Audit Department to establish in-house internal audit department as the company used to engaged external consulting firms to provide internal audit services. In this regard, the audit committee has followed up the recruitment process to ensure the independence of the internal auditors.

- Reviewed the results of the comprehensive risks assessment project, which was conducted by the internal audit department.
- Reviewed and approved the internal audit work plan for the next three years (2021-2023), considering the audit priorities according to the results of the risk assessment.
- Reviewed and approved the internal audit charter.
- Reviewed and approved the internal audit manual.
- Reviewed the Company's plan to develop the IT systems.

The below members of the Audit Committee were appointed by the General Assembly on 04/05/2017, noting that their membership was ended on 19/07/2020:

	Name	Position
1	Ahmad AL Sari	Chairman, Independent Member from the Board
2	Talal Bakhsh	Non-Executive Member from the Board
3	Loutfi Echhade	Independent Member from outside the Board

On 20/05/2020, a new audit committee from expertise in financial, administration and internal controls was formed by a resolution of the General Assembly.

Below are the members of the current audit committee, who started their work on 20/07/2020:

	Name	Position
1	Loutfi Echhade	Chairman, Independent Member from outside the Board
2	Sameer Baeisa	Independent Member from the Board
3	Fahad Malaeka	Independent Member from the Board

During 2020 the Audit Committee held six meetings (three meetings held by the current audit committee in addition to the three meetings that were held by the previous audit committee). The table below shows the record of attendance:

Name		Meeting date						Total
		15/1/2020	11/3/2020	7/5/2020	23/07/2020	29/10/2020	7/12/2020	
1	Ahmad AL Sari	✓	✓	✓				3/6
2	Talal Bakhsh	✓		✓				3/6
3	Loutfi Echhade	✓	✓	✓	✓	✓	✓	6/6
4	Sameer Baeisa				✓	✓	✓	3/6
5	Fahad Malaikah				✓	✓	✓	3/6

In light of the works performed by the Audit Committee in 2020, the Audit Committee believes that the company's internal control systems are working effectively and sufficiently to prevent and detect significant errors as there has been no material deficiencies or breaches of internal control systems during 2020 that require disclosure.

There was no contradiction between the recommendations of the Audit Committee and the Board's decisions or rejection of its recommendations. Further, the Audit Committee did not propose to dismiss the external auditor in 2020

## 2. Nomination & Remuneration Committee:

The Nominations and Remuneration Committee undertakes the following responsibilities:

- A. Developing clear policies regarding the indemnities and remunerations of the Directors, Board committees' members and senior executives, in accordance with the Company's By-laws by following the standards related to performance, and submitting it to the Board for consideration in preparation for their adoption by the General Assembly, taking into account that these policies follow the criteria related to performance, disclosure and verification of their implementation.
- B. Clarify the relationship between the remunerations awarded and the applicable remunerations policy and indicate any material deviation from this policy.
- C. Periodic review of the remuneration policy, evaluation of its effectiveness in achieving its objectives; and recommending to the Board of Directors the remuneration of Board Members, its committees and senior executives in accordance with the approved policy.
- D. Annual review of the required skills requirements for Board membership and preparation of a description of the capabilities and qualifications required for membership of the Board of Directors, including determination of the time required to be assigned by the member to the work of the Board of Directors.
- E. Reviewing the structure of the Board and making recommendations regarding the possible changes to the Board.
- F. Determining the points of strength and weakness in the Board of Directors and recommending remedies that are compatible with the Company's interest.
- G. Ensuring, on an annual basis the independence of the independent members and the presence or absence of any conflict of interests in case a Board member also acts as a member of the Board of Directors of another company.
- H. Propose clear policies and criteria for membership in the Board of Directors and Executive Management.
- I. Recommending to the Board of Directors the nomination and re-nomination of members in accordance with the approved policies and standards, taking into account not to re-nominate any person who has already been convicted of immoral crime.
- J. Develop a description for the abilities and qualifications required for Board membership as well as Executive management positions.
- K. Develop a functional description of executive members, non-executive members, independent members and senior executives and determine the time a member should devote to the work of the Board of Directors.
- L. Determining special procedures to be taken in the event of the vacancy of the position of a Board Member or Senior Executives.
- M. Ensure the preparation of an annual report detailing the remuneration and compensation paid to directors and senior executives for inclusion in the company's annual report.

## Remuneration Policies and Identification Mechanism

The Committee shall take into account Terms of Reference, duties, and responsibilities of members, in addition to the results achieved, as well as the activity of the company. Accordingly, the recommendation to pay remuneration to Board Members is based on performance, knowing that the proposal of the remuneration of independent members should not, directly or indirectly, be based on profitability of the company. On 24/12/2017, the General Assembly of shareholders approved the policy of remuneration of the Board of Directors and its committees and executive management. Any remuneration paid to the Board of Directors or its committees or executive management was based on the remuneration policy and there was no deviation from it.

The Board of Directors, on 23/07/2020, re-appointed and structured the Nominations and Remuneration Committee as follows:

	Name	Position
1	Ahmad Mohammed AL Sari	Chairman
2	Bandar Khalid Al Turki	Member
3	Loutfi Echhade	Member from outside the Board

During 2020, the Committee held four (4) meetings. The table below shows the names of members and the attendance record:

	Name	Meeting Date				Total attendance
		11/03/2020	22/04/2020	09/06/2020	03/09/2020	
1	Ahmad Mohammed AL Sari	√	√	√	√	4/4
2	Loutfi Echhade	√	√	√	√	4/4
3	Bandar Khalid Al Turki	√	√	X	√	3/4

## Transactions with Related Parties:

During 2020, the company dealt with the heirs of Abdullah Taha Bakhsh, owners of Abrar International Holdings Company (a major shareholder), represented by the board members Mr. Talal Bakhsh, and Mr. Hany Alshuwaier.

The contracts and transactions mentioned in the table below items (1 & 2) were presented and licensed for a next year and were approved in the general assembly that was held on 30/04/2020. Additionally, the company signed a land investment contract in Jeddah on 02-03-2022 partially owned by Mr. Samoal Taha Bakhsh, one of the owners of Abrar International Holding Company (a related party), and it is worth noting that the transactions between the company and the related parties will be presented to be approved annually at the next general assemblies. With the exception of what is mentioned in the table below, during 2020, there were no businesses or contracts in which the company



was a party or in which there was an interest for a board member, senior executives, or any related party.

**The below table shows the details of conventions made between the Company and the related parties during 2020.**

No.	First Party	Second Party	Subject	Services and products offered under conventions	Date of Conventions	Duration	Value * (SAR)												
1	One of the heirs of Abdullah Taha Bakhsh	SACO	Rent Agreement	SACO company rents a store from the first party in Jeddah (Andalus Street)	03/03/1430 AH (corresponding to 28/02/2009 AD)	5 Years, and renewed on 27/02/2020 AD until 26/02/2025 <table><tr><th>Duration</th><th>Value (SAR)</th></tr><tr><td>27/02/2020 to 26/02/2021</td><td>2,000,000</td></tr><tr><td>27/02/2021 to 26/02/2022</td><td>2,000,000</td></tr><tr><td>27/02/2022 to 26 /02/2023</td><td>2,000,000</td></tr><tr><td>27/02/2023 to 26/02/2024</td><td>2,000,000</td></tr><tr><td>27/02/2024 to 26/02/2025</td><td>2,000,000</td></tr></table>	Duration	Value (SAR)	27/02/2020 to 26/02/2021	2,000,000	27/02/2021 to 26/02/2022	2,000,000	27/02/2022 to 26 /02/2023	2,000,000	27/02/2023 to 26/02/2024	2,000,000	27/02/2024 to 26/02/2025	2,000,000	1,333,333 Saudi riyals during 2020*
Duration	Value (SAR)																		
27/02/2020 to 26/02/2021	2,000,000																		
27/02/2021 to 26/02/2022	2,000,000																		
27/02/2022 to 26 /02/2023	2,000,000																		
27/02/2023 to 26/02/2024	2,000,000																		
27/02/2024 to 26/02/2025	2,000,000																		
2	One of the heirs of Abdullah Taha Bakhsh	SACO	Rent Agreement	SACO company rents a store from the first party in Jeddah (Althalia)	9/04/2017 AD	From 09/04/2017 to 31/12/2020 Details: <table><tr><th>year</th><th>Annual rental value (SAR)</th></tr><tr><td>From 2018 until 2022</td><td>1,985,000</td></tr><tr><td>From 2023 to 2027</td><td>2,084,250</td></tr><tr><td>From 2028 to 2030</td><td>2,188,463</td></tr></table>	year	Annual rental value (SAR)	From 2018 until 2022	1,985,000	From 2023 to 2027	2,084,250	From 2028 to 2030	2,188,463	1,585,000 Saudi riyals during 2020*				
year	Annual rental value (SAR)																		
From 2018 until 2022	1,985,000																		
From 2023 to 2027	2,084,250																		
From 2028 to 2030	2,188,463																		
3	One of the heirs of Abdullah Taha Bakhsh	SACO	Land investment agreement - lease	SACO company rents a land from the first party in Jeddah (Althalia)	2-3-2020 AD Details of the contract from 01-04-2020 AD to 01/04-2041 AD	The duration of the contract is from 01-04-2020 to 01-04-2041. <table><tr><th>year</th><th>Annual rental value for two years</th></tr><tr><td>From 01-04-2020 to 01-04-2021</td><td>2,250,000</td></tr><tr><td>From 01-04-2021 to 01-04-2022</td><td>2,250,000</td></tr></table>	year	Annual rental value for two years	From 01-04-2020 to 01-04-2021	2,250,000	From 01-04-2021 to 01-04-2022	2,250,000	1,653,750 Saudi riyals during 2020*						
year	Annual rental value for two years																		
From 01-04-2020 to 01-04-2021	2,250,000																		
From 01-04-2021 to 01-04-2022	2,250,000																		

\* The amounts shown in the value paid during the year 2020 are less than the contract value due to a special discount caused for Corona pandemics.

## Obligation to Corporate Governance Regulations:

Based on the guiding regulations listed in the Corporate Governance Regulations issued by the Capital Market Authority on 13/02/2017, the Company approved the governance regulations as in the below table:

No.	Regulations	Approved by the Board	Approved by the General Assembly	Approval Date
1	Policy of Trade with Related Parties	✓		26/12/2017
2	Shareholders' Directory	✓		26/12/2017
3	Risk Management structure	✓		26/12/2017
4	Disclosure and Transparency Policy	✓		26/12/2017
5	Board of Directors directory	✓		26/12/2017
6	Executive Committee Regulation	✓		26/12/2017
7	Code of Ethics	✓		26/12/2017
8	General Framework for Corporate Governance	✓		26/12/2017
9	General Framework of Internal Control System	✓		26/12/2017
10	Compliance Policies and Procedures Manual	✓		26/12/2017
11	Stakeholder management policy	✓		26/12/2017
12	The company's internal, administrative and financial policies and regulations, including investment and financing mechanisms	✓		26/12/2017
13	Dividend Distribution Policy	✓		26/12/2017
14	Conflict of Interest Policy	✓		26/12/2017
15	Audit Committee Regulation		✓	24/12/2017
16	Nomination and Remuneration Committee Regulation		✓	24/12/2017
17	Standards and Policies for the membership of the Board of Directors		✓	24/12/2017
18	Remuneration Policy for Board and its Committees and Executive Management		✓	24/12/2017

- The Company complied with all Articles of Corporate Governance Regulations issued by the Capital Market Authority on 13/02/2017, except the guidance Article number 70 related to formation of the Risk Committee, because Audit Committee took responsibility for this rule as stipulates in its

regulation that the Audit Committee shall carry out the duties and functions of the Risk Committee until an independent committee is appointed in this respect.

Also, the guidance Article 95 of the Corporate Governance Regulations relating to the formation of the Governance Committee has not been complied with, as the Audit Committee is taking tasks of monitoring the application of the Rules and updating them in accordance with the statutory requirements. On 26/12/2017, the Board of Directors approved the general corporate governance framework.

Regarding the actions of Board of Directors taken to inform members, and in particular non-executive directors about the shareholders' proposals and their remarks about the company and its performance, in the case of these proposals, the management will include them in the presentations presented to the Board during its meetings, as well as during the members' attendance to the meetings of the General Assemblies of the shareholders, and reviewing shareholders' suggestions and comments; the company has also assigned an e-mail mentioned at company's website on Tadawul ([investors@saco-ksa.com](mailto:investors@saco-ksa.com)) to receive questions and suggestions from shareholders.

As for the means adopted by the Board of Directors in evaluating its performance and performance of its members, the Nominations and Remuneration Committee took into consideration competence, the duties and responsibilities they carry, in addition to the results achieved and the company's activities. Therefore, the proposal for the remuneration of independent directors should not be directly or indirectly based on the profitability of the company.

## **The Board of Directors Declarations:**

### **The Board of Directors declares that:**

- The accounting records are properly prepared in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants and with no differences.
- The internal control system is well established and executed effectively.
- There is no any doubt on the company's ability to continue its activity.
- The auditor has no reservations on the annual financial statements.
- No recommendation made by the Board of Directors to change the auditor during year 2020 throughout the period of his assignment.
- There are no investments or reserves established for the benefit of the company's employees.
- There is no penalty or a fine or restrictions imposed on the company by the Capital Market Authority or any other supervisory, regulatory or judicial authority.
- There is no undisclosed conflict of interests.
- The Company did not receive a request from the Auditor to call the General Assembly to be held during 2020.
- The Company has not received from shareholders holding 5% of the capital or more any request to call the General Assembly to be held during 2020.
- There are no material events affecting the integrity of the Company's financial position beyond the end of 2020 that require disclosure, except as available and announced.
- The Company has not provided loans or credit facilities to any member of the Board of Directors.

**Finally, the Board of Directors would like to extend their gratitude to the Government of the Custodian of the Two Holy Mosques, for the continuous support of the retail sector. We would like also to thank the shareholders for their constant support.**

**Allah grants success  
The Board of Directors**

**Audited financial statements as of 31/12/2020**