



شركة الصناعات الكهربائية
ELECTRICAL INDUSTRIES CO.

Board of Directors Report for 2023

Board of Directors Annual Report Electrical Industries Company For the Company activities during 2023





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VISION

“To be recognized by our stakeholders as one of the leading and accomplished electrical distribution & Power products manufacturer in the MENA and Europe.”

MISSION

- Pursue growth and business development opportunities in the Power Sector to maximize our market share and return on investment while committing to Corporate Social Responsibility.
- Provide high quality power solutions with market competitive prices while implementing safe, healthy and environmentally friendly measures.
- Attract nationals and develop our human capital by providing them with training and sustainable growth opportunities.

The Board of Directors:

The Chairman of the Board:

Mr. Yousef Ali ALQuraishi

Vice Chairman of the Board:

Eng. Mahmoud Mohamad ALToukhi

The Members:

Mr. Faisal Saleh ALQuraishi

Mr. Fahad Saad ALTuwaijri

Mr. Bader Ibrahim ALSwaillem

Mr. Jameel Abdullah ALMolhem

Mr. Sattam Abdulaziz ALZamil

The Managing Director

Eng. Tariq Mohamad ALTahini



Chairman's Message

Dear shareholders of Electrical Industries Company,

The Board of directors of EIC is pleased to present to its shareholders' the Annual Report for the financial year ended in 31st of Dec.2023.The Report was prepared as per the requirements of Corporate Governance regulations issued by CMA, Companies Law, and the bylaws of the Company.

The report presents information about the Company activities, its performance, future efforts exerted to develop the shareholders' rights and to support the manufacturing of electrical equipment in Kingdom of Saudi Arabia according to the final accounts and financial position for the fiscal year ended on 31 Dec 2023.

The board wishes to confirm its keenness to follow up and implement the company's strategic plans, monitor the market situation, and enhance the company's competitiveness to preserve the shareholders rights and to ensure the sustainability of the Company's operation.

I sincerely thank you for your trust in the board of directors, as well as my fellow board members for their efforts.

I also thank the executive management for their sincere efforts, looking forward to more achievement and success in 2024.

Yousef Ali ALQuraishi
Chairman of the Board



Managing Director's speech

I would like to thank the Board of directors, stakeholders, executive management, and employees of the Company for their efforts, which have contributed to the company's performance. Also, I would like to extend my thanking to the shareholders for their confidence in the executive management.

During 2023, the market has improved due to increase in the local demand in most sectors due to infrastructure projects, which had a positive impact on national companies, in addition to the Government support for the national factories and local content which is one of the pillars of 2030 vision.

The company has achieved outstanding results which is considered the best in the history of the Company. The revenue amounted to SR (1.559) billion compared to SR (1.066) Billion in 2022 with an increase of 46%, the net profit amounted to SR (201) million compared to SR (94.2) million in year 2022 with an increase of 113%.

The company will continue its efforts and plans to open new markets, increase exports, and increase customer base. The company is also working to optimize its resources and facilities, to improve operating efficiency and rationalize costs to make its products more competitive.

In conclusion, I reiterate my thanks to everyone for their contribution, and we look forward to further success in 2024.

Tariq Mohamad Al-Tahini
Managing Director &CEO



1- Establishment and Activities

A-Establishment:

Electrical Industries Company was established as a Saudi joint stock company registered in the Kingdom of Saudi Arabia by the Ministerial Decree No. 198/Q dated 25/7/1428H corresponding to 7/8/2007G under the Commercial Register No. 2050056359 dated 22/8/1428H corresponding to 4/9/2007G issued in Dammam.

The current share capital of the Company is SR (562,500,000) consisting of (1,125,000,000) ordinary shares, with a nominal value of SR (0.5) per each.

B-Activities

The Company conducts its activities in the field of manufacturing, assembly and repair of Electrical Distribution Transformers and Compact Substations, small and medium power Transformers, low voltage Panels, Cable Trays and Switchgears, in addition to providing technical support and service associated with these activities.

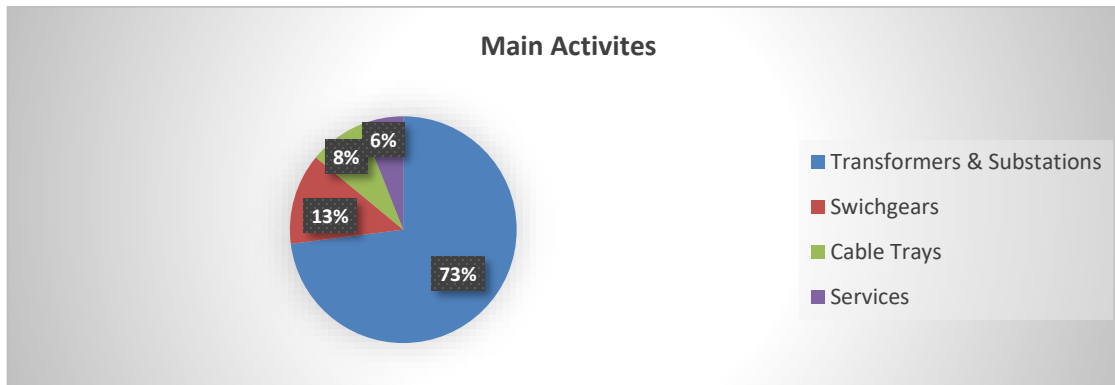
The Company's main activities is divided into four major operational processes:

- 1- Transformers & Substations: The Subsidiaries of the Company manufacture , deliver small and Medium Power Transformers, Distribution and special type Transformers , Compact and Unit Substation and Low voltage Distribution Panels
- 2- Low and medium voltage switchgears, low voltage distribution panels/boards, motor control centers, switch racks, panel boards, cable bus and bus ducts, relays and protection panels.
- 3- Cable Trays
- 4- Services and maintenance, the company provides after sales services for low and medium voltage switchgear products. The division provides maintenance, repair, inspection, upgrade, study of products, electrical and mechanical systems and related works. It also provides test services for electrical equipment on site.

The following table shows the impact of the main activities and its contribution to the results (in thousands SR)

Activities	Sales	Percentage%
Transformers &Substations	1,131,091	73%
Switchgears	208,592	13%
Cable Trays	130,699	8%
Service	88,969	6%
Total	1,559,351	100%

The following graphic shows the main activities and their contribution to the results.





2- Description of the Company' major plans and future expectations.

The main events during 2023:

S	The event	2023
1	Announcement of the Annual financial results for the period ending on 31 Dec 2022.	28/03/2023
2	Announcement of the Board's recommendation to increase capital by granting bonus shares.	29/03/2023
3	Announcement to invite shareholders to attend the General Assembly meeting.	12/04/2023
4	Announcement of the Interim financial results for the period ending on 31 March 2023.	10/05/2023
5	Announcement of the results of the Ordinary General Assembly meeting.	11/05/2023
6	Announcement of the board's recommendation to split the nominal value of the Company's share.	22/05/2023
7	Announcement to invite the shareholders to attend the Extraordinary General Assembly which includes capital increase.	30/05/2023
8	Announcement on signing off supply contract with the Ministry of Electricity & Water and renewable energy in Kuwait.	21/06/2023
9	Announcement of the result of the Extraordinary General Assembly meeting which included approving capital Increase.	22/26/2023
10	Announcement of sign off supply contract with Aramco.	06/07/2023
11	Announcement of the Interim financial results for the period ending on 30 June 2023	08/08/2022
12	Announcement of the board's resolution to distribute Interim Cash dividends for the first half of year 2023.	29/08/2022
13	Announcement to invite the shareholders to attend the Extraordinary General Assembly.	30/08/2023
14	Announcement of the result of the Extraordinary General Assembly meeting.	01/10/2023
15	Announcement of the Interim financial results for the period ending on 30 Sept. 2023	29/10/2023

The main achievements during 2023:

- The company managed to achieve the highest sales amounting to SAR 1.599 billion, which is an unprecedented achievement in the Company's history.
- By the end of 2023, the company was able to secure confirmed orders(backlog) that exceed 3 billion SAR, which strengthen and enhance the Company's position.
- The company has designed and delivered the highest capacity of Medium Voltage Transformers, which is a major step towards enhancing our manufacturing capabilities.
- The Company started providing service to High Voltage Substations of the National Grid SA, which represents a new expansion in service scope and enhance the diversification of our business.
- The Company has achieved the highest export sales of special type transformers during the year, which enhances our presence in foreign markets and highlights our competition.
- One the Company's subsidiaries – Saudi Power Transformers – has received quality award for local manufacturers for the year 2023 from Aramco.
- Manufacturing, testing and delivering High Voltage Transformers 230 KV locally for Aramco offshore platforms for the first time in the KSA.
- Performing more than five million working hours without any injuries.

The strategy and future plans:

- Striving for innovation in products and services provided to customers.
- Achieving growth in sales by adding new products and entering new markets.
- Entering into strategic partnerships with international companies specialized in the energy sector to provide technical support for the company's products.
- Entering new markets and sectors by investing in products complementary to the company's products inside and outside the Kingdom.
- Enhancing and strengthening the relationship with the customers.
- Increase operational efficiency and rationalize cost to make the company's products more competitive.
- Exploring new investment opportunities for expansion and growth through acquisitions or entering into partnerships with existing Companies.
- The company will continue to introduce automation to some manufacturing processes to increase production efficiency and reduce labor cost.



3- Risk Factors

The company encounters operational, market and financial risks. Therefore, the company's management identifies risks, classifies them, measures their impact, and sets appropriate controls and procedures to mitigate their effects as much as possible.

1) Competition

The company operates in a sector characterized by severe competition in the local and regional markets, and this competition has increased after the decline in demand for most products, especially distribution Transformers and Substations. This change in the competitive environment, if not accompanied by growth in local demand or entering new markets, will lead to more decrease in sales and profit margins. To meet this risk, the company maintains its customers base, working with new customers in local and regional markets and continues its plans to rationalize the cost and expenses to enhance its competitiveness.

2) Operational risks

Some production lines may be shut down because of emergency actions or due to low demand. The company has developed several certified suppliers to supply the required parts that compensates for the interruption of production lines. The company also has additional production lines that can compensate the production of suspended lines, thereby reducing the potential risk.

3) Risk of price fluctuations of Raw Material

Raw materials represent a large percentage of the cost components of the company's products; therefore, the company may be exposed to fluctuations in the prices of major raw materials because of global economic pressures. To reduce these risks, the Company strives to minimize its effects by closely monitoring the volatility of raw material prices in local and international markets.

4) Compliance risk

The Company is committed to comply with the rules and regulations issued by the relevant authorities. As these regulations are constantly subject to amendment, non-compliance with the updated regulations exposes the company to the risk of imposing penalties or none renewal of licenses. In response to these risks, the company is constantly keeping pace with the changes and amendments issued by the relevant authorities to be aware of the requirements. The company also contacts the regulatory bodies for any clarification.

5) Risk related to Cyber Security

The company's devices and systems may be exposed to (cyber) attacks, which may result in the disruption of the company's business operations and the violation of the privacy of important information and data and its loss. To mitigate the effects of such risk, the company has taken several measures to spread awareness of Cyber Security to its employees, installing protection programs for the company's devices and systems, and taking regular backup copies of all business data of the Company which are kept in secure location.



6) Zakat Risk

During FY 2020, the Group received additional zakat assessments from Zakat, Tax and Customs Authority (ZATCA) for the years 2015 to 2018 amounting to SR 7.7 million.

The Group filed appeals against such assessments. During FY 2023, ZATCA Settlement Committee has offered to settle the dispute with the Group by paying an amount of SR 2.7 million. The Group accepted the offer and paid amount of SR 2.7 million and accordingly the claim was closed.

During FY 2021, the Group has received additional Zakat assessments for the years 2019 & 2020 amounting to SAR 7.4 million. The Group filed appeals against such assessments. During FY 2022, ZATCA has cancelled the amended assessments and notified the Group that it will send new revised assessments. The Group did not accept the new revised assessments and filed appeals against GSTC's appeal committee for Tax Violations and Disputes, which did not issue its resolution yet. The Group has reviewed the new assessment raised by ZATCA and provided for the necessary provision. The Group believes its contentions are in accordance with the applicable ZATCA regulations, and no further material liabilities will arise upon finalization of such assessments.

Financial Risk Factors:

The Group's activities expose it to a variety of financial risks including the effects of changes in market risk, currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the management under policies approved by the board of directors.

A) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk, currency risk and price risk.

- **Fair value and cash flow interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group borrows at interest rates on commercial terms.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The fixed rate borrowings carried at amortized cost are not subject to interest rate risk, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. Hence, the Group's exposure to fair value of fixed interest rate risk is not material.

- **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to movements in foreign exchange rates. The Company's transactions are primarily in Saudi Riyals, United States Dollars (USD), United Arab Emirates Dirhams (AED) and Euros (EUR). Since Saudi Riyal is pegged to United States Dollars and United Arab Emirates, management of the Group believes that the currency risk for the financial instruments is not significant. The fluctuation in exchange rates against Euro is monitored on a continuous basis.



- **Price risk**

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the Consolidated Statement of Financial Position as at fair value through other comprehensive income (FVOCI). The Group holds certain strategic investments and does not foresee any significant risks arising out of its portfolio of holding. Certain investments are held in listed equity securities whereas others are non-listed equity investments.

B) Credit risk

Credit risk represents the financial loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by the Group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. Credit risk relating to trade receivables and expected credit loss assessment are covered below.

C) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Group has access to credit facilities.

Capital risk management.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the consolidated statement of financial position, less cash and cash equivalents.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including level three fair values.



4- Summary of Company's Assets, Liabilities, and Result of business:

The following table shows the assets and liabilities for the last five fiscal years (in thousands SR)

Assets & Liabilities	2023	2022	2021	2020	2019
Current assets	1,588,376	1,369,764	925,149	788,064	705,600
Non - current assets	307,548	304,005	322,884	305,996	310,985
Total assets	1,895,923	1,673,769	1,248,033	1,094,060	1,016,584
Current liabilities	1,026,051	929,518	535,929	414,003	353,962
Non - current Liabilities	125,074	113,490	124,301	114,541	110,633
Total Liabilities	1,151,125	1,043,008	660,230	528,545	464,595
Equity	744,798	630,761	587,803	565,516	551,989

The following chart shows the Company's assets and Liabilities for the last five years:



The following chart shows Equity for the last five years:





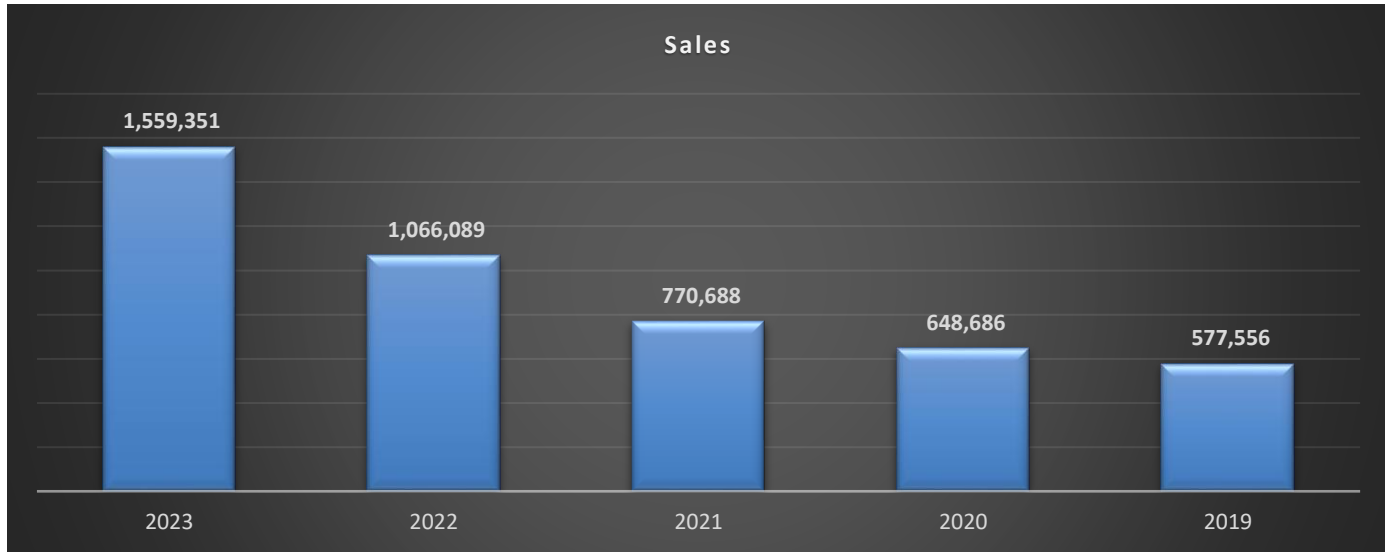
Board of Directors Report for 2023

- Comparing the Results of Business:

The following table shows the results for the last five years (the amounts in thousands, SR)

Profit & Loss	2023	2022	2021	2020	2019
Sales	1,559,351	1,066,089	770,688	648,686	577,556
Cost of sales	(1,158,056)	(828,467)	(621,138)	(539,585)	(526,849)
Gross profit	401,295	237,622	149,550	109,100	50,706
Net profit	201,034	94,170	48,845	23,923	(44,182)

The following chart shows the revenue for the last five years:



The following chart shows the Gross and Net profit for the last five years:





5- Geographical Analysis of Sales:

The following table shows the geographical analysis of the company's revenue during 2022 (in thousands SR)

Region	Sales
Saudi Arabia	1,314,127
GCC Countries	165,376
Asia	2,778
Europe	77,070
The total	1,559,351

6- Clarifications of any substantial differences in operating results compared with the preceding year (in thousands, SR)

Statement	2023	2022	Differences (+) , or (-)	Percentage
Sales	1,559,351	1,066,089	493,262	46%
Cost of Sales	(1,158,056)	(828,467)	(329,589)	40%
Gross Profit	401,295	237,622	(163,673)	69%
Other Operating Income	22	1,090	(1,068)	(98%)
Other Operating Expenses	(136,795)	(107,103)	(29,692)	28%
Operating Profit	264,522	131,609	132,913	%100

7- Clarifications for any inconsistency with the standards approved by the Saudi Organization for Certified Public Accountants

The consolidated annual financial statements of the Company for the year 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by SOCPA.



8- List of the Company's Subsidiaries

S	Name of the Subsidiary	Location	Main activities	Ownership %	Capital
1	Saudi Transformers Co.	First Industrial City Dammam - KSA	Manufacture of Distribution Transformers, Compact Substations, and LV Panels	100	SR 102,750,000
2	Wahah Electric Supply Co of Saudi Arabia (WESCOSA)	First Industrial City Dammam - KSA	Manufacture of Distribution Transformers, Substations, Switchgears, Cable Trays, and service.	100	SR 64,000,000
3	Saudi Power Transformers Co.	2 ND Industrial City Dammam - KSA	Manufacture of Medium Power Transformers	100	SR 30,200,000
4	Gulf Electrical Equipment Co.	Dubai - UAE	Trading in Power Generation, Transmission and Distribution Equipment	100	DHS 100,000
5	Pauwels Transformers Co.	Michelin - Belgium	Manufacture of Electrical Transformers, Engineering and Technical consultancy	100	Euro 5,000,000

- 1) Saudi Transformers Co. is a limited liability with a paid up capital of SAR 102,750,000. STC is fully owned by EIC. STC manufactures distribution transformers, compact substations and low voltage distribution panels/boards.
- 2) Wahah Electric Supply Co. of Saudi Arabia is a limited liability, with paid-up capital of SR 64,000,000. WESCOSA is fully owned by EIC. WESCOSA manufactures Transformers and Substations, low and medium voltage switchgears, and provides services and technical support.
- 3) Saudi Power Transformers Co. , is a limited liability, with paid capital of SAR 30,200,000. SPTC is owned fully by EIC. SPTC manufactures medium capacity power transformers.
- 4) Gulf Electrical Equipment Co. is a limited liability, with paid capital of DHS 100,000. GEEC is fully owned by EIC. GEEC activities is trading in power generation, transmission and distribution equipment.
- 5) Pauwels Transformers Co. is a public limited Liability, with paid capital (Euro 5,00,000). Pauwels is fully owned by EIC. Pauwels' activities is manufacture of electrical Transformers, Engineering, and technical consultancy.

Electrical Industries Co. owns a stake in Gulf Laboratory Co. for Testing Electrical Equipment, a closed joint stock Co. with current capital of SR (862) million, and its headquarters is located at the third industrial city - Dammam.

Company Name	Ownership %	Value of Shares
Gulf Lab for Testing Electrical Equipment.	2.5%	SR 21,550,000

9- Details of shares and debt instruments.

The following table shows the capital of the Co. and the number of shares. The company did not issue any debt instruments during 2023.

No	Details	Value in SAR / Number of shares
1	Paid up capital	SR 562,500,000
2	Number of issued shares	1,125,000,000 shares
4	Nominal value of Share	SR 0.5

10- Description of dividends Distribution policy

Distributing dividends is subject to the provisions of Articles (38 &39) of the Company's bylaws, whereas the profits is distributed as follows:

1-The General Assembly shall determine the percentage of the net profits to be distributed to the shareholders after deducting the reserves, if any.

2- The shareholder shall be entitled to his share of dividends pursuant to the General Assembly resolution adopted in this regard. The resolution shall specify the eligibility date and distribution date. The eligibility for dividends shall be to the shareholders registered in the shareholders' registry at the end of the eligibility date, and the board shall implement the general assembly's resolution regarding the distribution of dividends to the shareholders according to the relevant regulations in this regard.

3-The Company may distribute interim dividends to its shareholders, on a semi-annual, or quarterly basis as per a delegation from the General Assembly to the board of directors to be renewed annually and pursuant to the provisions of the companies Law and its implementing regulations.

The board of directors has decided in its meeting held on 29 August 2023 to distribute interim cash dividends to shareholders for the first half of 2023. Also, the board of directors has decided in its meeting held on 11th March 2023 to distribute dividends to the shareholders for the second half of 2023.

The below shows the details of dividends distributed during 2023:

S	Period	Share profit	Percentage	Total Dividends (SR)	Eligibility Date	Distribution Date
1	First half of year 2023	1.5	%15	84,375,500	7/9/2023	21/9/2023
2	Second half of year 2023	0.075	15%	84,375,500	31/3/2024	24/4/2024
Total distributed dividends			30%	168,750,000		

15- A description of any interest in a class of voting shares held by persons other than (company's directors, senior executives, and their relatives) who have notified the Company with their holding pursuant to Article 67 of Listing Rules of securities and continuous obligations, together with any change to such interests during the last fiscal year.

The company did not receive any notice of any interests, or a change in the interests of persons other than board members and senior executives in the class of voting shares during 2023.



16- Ownership of 5% and more and the percentage of change during the year

Name	No of shares at the beginning of the year	%	No of shares at the end of the year	%	Net Change	Percentage Change
AJDA Industrial Services Co.	12,600,00	28	315,000,000	28		-
Sons of Saad Abdullah ALTuwaijri Holding Co.	10,265,850	22,81	256,646,240	22,81		-

During 2023, the capital of the Company was increased by granting bonus shares, so the current capital became SR (562,500,000) million. Also, the Company shares were divided. Thus, the nominal value of after split became (50) Hallas and the number of shares after split became (1,125,000,000) share.

13-A description of any interest, contractual securities or rights issue of the Board Members and Senior Executives and their relatives on shares or debt instrument of the Company or its affiliates, and any change on these interests or rights during the last fiscal year.

A- Board of Directors

Name	No. of Shares at the beginning of the year	No. of shares at the end of the year	Net Change	Percentage change
Mr. Yousef Ali ALQuraishi	-	-	-	
Mr. Mahmoud M. ALToukhi	1,614,949	40,373,720		
Mr. Faisal Saleh ALQuraishi	-	-		
Mr. Fahad Saad A ALTuwaijri	1,000	25,000	-	-
Mr. Bader Ibrahim ALSwailem	-	-		
Mr Jameel Abdullah ALMolhem	-	-	-	-
Mr. Sattam Abdulaziz ALZamil	-	-	-	-
Eng. Tariq Mohamad ALTahini	9,328	233,200		

B- Senior Executives

Name	No. of Shares at the beginning of the year	No. of shares at the end of the year	Net Change	Percentage change
Mr. Medhat Adham Ghaleb	11,530	-	-	-
Eng. Hossam Abdulhaleem ALSheikh	-	829	829	100%
Eng. Mohammed Yousef AbuSaada	-	-	-	-
Eng. Koen Van Peteghem	-	-	-	
Eng. Maher Abdulhai ALNajar	-	-	-	-
Mr. Abdulaziz Azzam ALDhafiari	-	-	-	-



14-Information on any Loans

The following table shows the details of loans and payment status as of 31 Dec 2022

Bank Name	Nature of the Loan	Balance in 31/12/2022	New Loan	Amount paid during the year	Balance as of 31/12/2023
ABC Bank	Short Term	63,219	144,000	181,875	25,344
Fransi Bank	Short Term	74,356	195,330	208,370	61,316
Saudi National Bank	Short Term	126,402	265,703	257,007	135,097
ALRajhi Bank	Short Term	62,379	71,195	92,448	41,127
Riyadh Bank	Short Term	18,121	7,402	20,435	5,088
Gulf Internation Bank	Short Term	31,448	66,501	56,372	41,577
AL Jazeera Bank	Short Term	23,579	30,333	35,260	18,652
ALAWWAL Bank	Short Term	3,420	43,000	3,398	43,021
AL Arabi Bank	Short Term	12,094	133,323	134,122	11,295
ALINMA Bank	Short Term	-	9,491	-	9,491
SIDF	Long Term	16,650	-	16,650	-
Total		431,668	966,279	1,005,937	392,010

15- A description of a class and number of any convertible debt instruments or contractual securities or preemptive rights or similar rights issued or granted by the Company during the last fiscal year, as well as stating any compensation obtained by the Company in this regard.

There is no class and number of any convertible debt instruments or contractual securities, or preemptive rights or similar rights issued or granted by the Company during the last fiscal year.

16- A description of conversion or subscription rights under any convertible debt's instruments, or contractual based securities, warrants or similar rights issued or granted by the Company.

There are no conversion or subscription rights under any convertible debt instruments, or contractual based securities, warrants or similar rights issued or granted by the Company.

17- A description of any redemption, purchase, or cancellation by the Company to any redeemable debt instruments and the value of such outstanding securities, distinguishing between those listed securities purchased by the company and those purchased by its affiliates.

There is no redemption, purchase, or cancellation by the Company to any redeemable debt instruments and the value of such outstanding securities, distinguishing between those listed securities purchased by the company and those purchased by its affiliates.



18- The formation of the Board of Directors and classification of its members

The Board of Directors is composed of (8) members, elected by the General Assembly in its meeting held on 7th of Sept2021 for three years.

The following table shows names of the board and the classification of membership:

Name	Membership Type	Position	Expiry of the term
Mr. Yousef Ali ALQuraishi	Non-Executive	Chairman	10 th Sept.2024
Eng. Mahmoud M. ALToukhi	Non-Executive	Vice Chairman	10 th Sept.2024
Mr. Faisal Saleh ALQuraishi	Non-Executive	Member	10 th Sept.2024
Mr. Fahad Saad ALTuwaijri	Non-Executive	Member	10 th Sept.2024
Mr. Bader Ibrahim ALSwailem	Independent	Member	10 th Sept.2024
Mr. Jameel Abdullah ALMolhem	Independent	Member	10 th Sept.2024
Mr. Sattam Abdulaziz ALZamil	Independent	Member	10 th Sept.2024
Eng. Tariq Mohamad A. ALTahini	Executive	Member	10 th Sept.2024

19- Names, Qualifications and experience of the Board, Committee Members and Executive Management

A- Board and Committee Members:

Name	Current positions	Previous positions and experience's	Qualifications
Mr. Yousef Ali ALQuraishi Chairman of the board	Managing director Ali Zaid ALQuraishi & Brothers Co.	Vice Chairman of the board Ali Zaid ALQuraishi & Brothers Co. Managing director ALQuraishi marketing Co.	High school Management Leadership Program – ENSEAD - France
Eng. Mahmoud M. ALToukhi Vice Chairman of the board Member of Remuneration & Nomination Committee	Chairman of the Board ALToukhi Trading Group	Assistant Project Manager of KV 132 transfer station in Riyadh, for Al Toukhi Company for Industry, Trading and Contracting	Bachelor's degree in electrical engineering, Northrop University - California, USA Master's degree of Business Administration, San Diego University- California, USA
Mr. Faisal Saleh ALQuraihsi Board Member Member of Remuneration & Nomination Committee	Chairman of the board Ali Zaid ALQuraishi & Brothers' Co	Managing director Ali Zaid ALQuraishi & Brothers Co.	Bachelor of Science in Marketing, King Fahad University - Dhahran Master of Business Admin Pepperdine University- USA



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Name	Current Positions	Previous Positions and Experiences	Qualifications
Mr. Fahad S. ALTuwaijri Board Member	Chairman of the Board Sons of Saad Abdullah ALTuwaijri Holding Co.	General Manager of National Concrete Products Est.	Bachelor of military science, King Khalid Military College – Riyadh
Mr. Bader I. ALSwailem Board Member Chairman of Audit Committee	Board Member / Chairman and Member of Audit Committees for a number of Listed, LLC and Government Companies.	CEO - YANAL Finance Co. CEO, Electronic Sector – ALFaisaliah Financial Controller - ALFaisaliah Finance Manager – Saudi Chemicals Co. Accountant & Internal Auditor - SABIC	Bachelor of Accounting King Saud University - Riyadh Certified Public Accountant (CPA), SOCPA. Certified Public Accountant (CPA), American Institute of Certified Public Accountants
Mr. Jameel A. ALMohem Board Member Chairman of Nomination & Remuneration Committee	Managing Director Takween Advanced Industries Co.	Executive President – Shaker Group Executive President for Operation Saudi Telecommunication Co (STC). Senior Investment Manager- SABB	Bachelor of Science in Marketing, King Fahad University – Dhahran
Mr. Sattam A. AL Zamil Board Member Audit Committee Member	Vice President – Finance AL Zamil Group	Financial Analyst Al Zamil Group	Bachelor of accounting King Fahad University, Dhahran
Eng. Tariq M. ALTahini Board Member	CEO & MD	CEO – Electrical Industries Co. More than 25 years' experience In leading positions at SEC.	Bachelor of Science in Mechanical Engineering, King Fahad University Dhahran
Mr. Abdulaziz S. ALShabeebi Audit Committee Member (Outside the board)	Founder of Maham Office for Zakat & Tax	Audit partner at Ernst & Young. Board member – AL Itfaq Steel Co. Audit Committee member at Masder Co. Audit Committee Member – ALFA Capital Audit Committee – Dammam Airports Audit Committee Member Saudi Global Ports Co.	Bachelor of accounting King Faisal University, Damm Certified Public Accountant (CPA), American Institute of Certified Public Accountants Certified Public Accountant (CPA), SOCPA.



B- Executive Management

Name	Current Positions	Previous Positions and Experiences	Qualifications
Mr. Medhat Adham Ghalib	Executive Vice President Finance & IT	Senior Vice President for Finance & Shared Services - EIC. Finance & Admin Manager - STC Finance Manager - STC Chief Accountant - STC. Accountant - STC Programmer at Al Nasr Clothing & Textiles Co. (Egypt).	Bachelor of accounting, Alexandria University - Egypt
Eng. Hossam A. AL Sheikh	CEO – Saudi Power TR Co	Executive Vice President Operation & Engineering – EIC Vice President Operation & Eng- EIC Plant Manager – STC Design Manager – STC	Bachelor, Electrical Engineering King Fahad University – Dhahran Master of Business Admin King Fahad University, Dhahran
Eng. Mohamad Y. Abusaada	Executive Vice President For Sales and Marketing	Sales & Market Manager- WESCOSA Sales Supervisor -WESCOSA Senior Sales Engineer - WESCOSA Sales Engineer - WESCOSA.	Bachelor, Electrical Engineering ISRA University - Jordan Master, Electrical Engineering King Fahad University - Dhahran
Eng Koen Van Peteghem	CEO – Pauwels TR Co.	General Manager – CG Holding – EPC General Manger – Transmission Sector - Pauwels International, Jakarta – Indonesia Plant Manager Power TR Factory, Pauwels - Belgium General Manager, Pauwels, Canada	MBA, Electrotechnical Eng. Ghent University – Belgium Executive MBA Ghent University - Belgium
Eng. Maher A. AL Najjar	Executive Vice President Operation & Engineering.	Vice president Operation- EIC Operation Manger - EIC. Production Manager - STC. Production Supervisor - STC.	Bachelor, Electrical Engineering, Isra University, Jordan.
Mr. Abdulaziz A. AL Dhafeeri	Vice President for HR & Administration	HR & Administration Manager ALRajhi, Industrial Sector. HR & Administration Manager - EIC. Recruitment & Employee Relation Supervisor, MARAFIQ.	Bachelor, Information Tech. Arab open University, Riyadh MBA, HR, Open University Malaysia, Bahrain. Diploma in HR, Open University Malaysia, Bahrain.



20- Names of Companies inside and outside the Kingdom in which a Board member is a member of their current or previous Board member or manager.

Member Name	Current Membership	Inside / Outside	Previous Membership	Inside/ Outside
Mr. Yousef Ali ALQuraishi	Ali Zaid ALQuraishi & Brothers Co. (Joint stock).	Inside	Saudi Power TR Co. (LLC)	Inside
	LIVA Insurance Group (Listed)- Oman	Outside	United Motors Co. (LLC)	Inside
	Saudi Transformers Co. (LLC)	Inside		
	Waha Electric Supply Co. (WESCOA), (LLC).	Inside		
	TICO Middle East Electrical& Machinery Co (LLC).	Inside		
	Assayel Arabia for Real Estate Co. (LLC).	Inside		
	Kalaam Telecom Co. (LLC)- Bahrain	Outside		
	Safar Holdings Co. (LLC).	Outside		
	Himmah Capital (LLC) - Dubai	Outside		
	Tilad Investment Co. (LLC) - Dubai	Outside		
	Automotive Distribution & Market Co. (LLC)	Inside		
	Star links for Services Co. (LLC).	Inside		
	Saudi Vision Bank (Joint Stock).	Inside		
Eng. Mahmoud M. ALToukhi	ALToukhi Trading Group (LLC).	Inside	Amana Cooperative	Inside
	Saudi Transformers Co. (LLC).	Inside	Insurance Co. (listed)	
	ALToukhi Co. for Industry, Trading & Contracting (Joint Stock Co).	Inside	Saudi Power TR Co. (LLC).	Inside
	Advanced Electrical Industry Co (LLC).	Inside	(WESCOSA (Ltd).	Inside
	International Industrial Tools (INDICO) LLC.	Inside	ALToukhi Ozdil Co. (LLC).	Outside
Mr. Fahad Saad ALTuwaijri	Sons of Saad Abdullah ALTuwaijri Holdings Co. (Joint Stock).	Inside	National Concrete Est (LLC)	Inside
	Saudi Transformers Co. (LLC).	Inside		
	Wahah Electric Supply Co – WESCOSA (LLC).	Inside		



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Member Name	Current Membership	Inside KSA/ Outside	Previous Membership	Inside KSA /Outside
Mr. Faisal Saleh ALQuraishi	Ali Zaid ALQuraishi & Brothers Co (Joint Stock) Tawkelat Financing Co. (Joint stock) United Motors Co. (LLC). Wahah Electric Supply Co, WESCOA (LLC). Automotive Distribution & Market Co. (LLC). Canon Saudi Arabia (LLC).	Inside Inside Inside Inside Inside Inside	Saudi Air Navigation Services Co. (LLC). Saudi Power TR Co. (LLC). Saudi Transformers Co. (LLC) TECO Middle East (LLC). Eastern province chamber (GOV Authority).	Inside Inside Inside Inside Inside
Mr. Bader Ibrahim. ALSwaillem	MEFIC REIT (Listed Fund). LIVA For Insurance (Listed). Najran Municipality Investment Co. (Gov Co).	Inside Inside Inside	YANAL Finance Co. (Joint Stock) Houloul Co. - Semi GOVT. Amana Insurance Co. (Listed) Arabian Co. for Internet & Communication (Awal Net) LLC ALFaisaliah Group (LLC). Saudi Chemicals Co. (LLC)	Inside Inside Inside Inside Inside Inside
Mr. Jameel Abdullah ALMolhem	Takween Advanced Industries Co. (Listed) Wala Cooperative Insurance Co. (Listed) Saudi Post (GOV Authority). Saudi TELCOM Co.- STC (Listed). ALEssa for Industries (Joint Stock) Yanal Finance Co. (Joint Stock).	Inside Inside Inside Inside Inside Inside	SALECO – STC Channels Call Center Co. (LLC). Shaker Group (Listed) EMS, Dubai (LLC) New Vision Co, Jordan. VIVA, STC - Bahrain (LLC). VIVA, STC - Kuwait (LLC). AVEA – Turkey (LLC). Integral Co. – Dubai (LLC).	Inside Inside Inside Outside Outside Outside Outside Outside Outside
Mr. Sattam Abdulaziz AL Zamil	AL Zamil Industrial Investment Co (Listed) Saudi German Co for Nonwoven products (LLC) Advanced Flexible Packing Co. (LLC). Zamil Offshore Service Co. (Joint Stock) United Carton Industries Co (Joint Stock).	Inside Inside Inside Inside Inside	Methanol Chemicals Co.(listed).	Inside
Eng. Tariq Mohamad AL Tahini	Saudi Power Transformers Co. (LLC). Pauwels Transformers Co. (LLC).	Inside Outside	-	-



21- The Board meetings and the attendance record.

The Following table shows the number of meetings held during 2023, their dates and the attendance record:

Name	1 st Meeting 28 March	2 nd Meeting 21 May	3 rd Meeting 29 August	4 th Meeting 1 st Nov	5 th Meeting 26 Dec.	Total
Mr. Yousef Ali ALQuraishi	✓	✓	✓	✓	✓	5
Eng. Mahmoud M. ALToukhi	✓	✓	✓	✓	✓	5
Mr. Faisal Saleh ALQuraishi	✓	✓	✓	✓	✓	5
Mr. Fahad Saad ALTuwaijri	✓	✓	✓	✓	x	4
Mr. Bader Ibrahim ALSwailem	✓	✓	✓	✓	✓	5
Eng. Tariq Mohamad ALTahini	✓	✓	✓	✓	✓	5
Mr. Jameel Abdullah ALMohem	✓	✓	✓	✓	✓	5
Mr. Sattam Abdulaziz ALZamil	✓	✓	✓	✓	✓	5

22- General Assembly Meetings and the Board attendance

During 2023, the General Assembly meeting was held three times, and the attendance of the board is as follows:

Name	Title	OGM 10 th May	Extra- GAM 21 ST June	Extra- GAM 28 th Sept.	Total
Mr. Yousef A. ALQuraishi	Chairman of the Board	✓	✓	✓	3
Eng. Mahmoud M. ALToukhi	Vice Chairman	✓	✓	✓	3
Mr. Faisal S. ALQuraishi	Board Member	✓	✓	✓	3
Mr. Fahad S. ALTuwaijri	Board Member	✓	✓	✓	3
Mr. Bader I. ALSwailem	Board Member	✓	✓	✓	3
Mr. Jameel A. ALMohem	Board Member	✓	✓	x	2
Mr. Sattam A. ALZamil	Board Member	✓	✓	✓	3
Eng. Tariq M. ALTahini	Board Member	✓	✓	✓	3



23- Shareholders Register

During the fiscal year ended on 31 Dec 2023, the Company has requested the shareholders register (6) times.

The following table shows dates of the request and the reason:

Serial	Date of the request	Reason of the request
1	13/3/2023	Company's procedures
2	14/3/2023	Company's procedures
3	10/5/2023	General Assembly meeting
4	21/6/2023	Extra- Ordinary General Assembly Meeting
5	25/9/2023	Dividends Distribution
6	28/9/2023	Extra- Ordinary General Assembly Meeting

24- Description of any transaction between the Company and any related party

During 2023, the company through one its subsidiaries has signed a contract with ALToukhi Co. for Industry & Trading and Contracting to supply Transformers with total amount of SR (20,573,500). There is indirect interest in such contract for Vice Chairman of the Board Eng. Mahmoud AL Toukhi. The Company confirms that such transactions are normal trade business without granting any preferential terms.

25- Contracts and businesses to which the company is a party and in which a board member, senior executives or any person related to any of them has an interest in such contracts and businesses.

The following table shows the business and contracts in which the Company was a party and in which there is an interest for some of the board members during 2023.

Name of the related party	Member who has interest.	Nature of the business	Duration of Contract	Terms	Amount (SR)
Evolving Constellation Co. for Energy- Formerly known (ALQuraishi Co. for Electrical Services).	Mr. Yousef A. ALQuraishi Mr. Faisal S. ALQuraishi	Sale of products	One year	Without Preferential terms	1,908,922
Evolving Constellation Co. for Energy -Formerly known (ALQuraishi Co. for Electrical Services).	Mr. Yousef A. ALQuraishi Mr. Faisal S. ALQuraishi	Purchase of products	One year	Without preferential terms	172,665
ALToukhi Co. for Industry, Trading & Contracting.	Eng. Mahmoud M. ALToukhi	Sale of Products	One Year	Without preferential terms	275,000



26- The remuneration of the Board, Committees and Executive Management

The company has prepared the "Remuneration Policy for the Board of directors, Committees and Executive management" in accordance with the provisions of paragraph (1) of Article (58) of Corporate Governance issued by the CMA. The updated policy was approved by the Extra ordinary General Assembly in its meeting held on 28th of Sept.2023. It is taken into consideration that the remuneration paid to members of the Board, Committees and Senior Executives should be in accordance with the approved policy. The following are the standards of the remuneration policy for the board of directors, committees and senior executives as stated in the policy:

General Standards of Remunerations:

- The Remuneration shall be consistent with the company's strategy, objectives and with the size, nature, and level of risk faced by the company.
- Providing the remuneration with the aim of encouraging Board members and Executives Management to achieve the success of the company and its long-term development.
- Remuneration shall be determined based on job level, duties and responsibilities, qualifications, practical experience, skills, and level of performance.
- The remuneration must be appropriate to the company's activities and the required skills for its management.
- Taking into consideration the practices of other companies in respect of determination of remuneration and avoiding the disadvantages of such comparison in leading to unjustifiable increases in remuneration and compensations.
- Take into consideration the sector in which the company operates, its size and the experience of its board members.
- The remuneration shall be fair and proportionate to the member's competencies, duties and responsibilities carried out and borne by the members of the Board of Directors, committees, or top executives, in addition to the objectives set by the Board of Directors to be achieved during the fiscal year.
- Be reasonably sufficient to attract, motivate and retain highly qualified and experienced board members.
- The Remuneration should be based on recommendations from the Remuneration & Nomination Committee.
- The remuneration of different Board Members may vary depending on board member's experience, competencies, and the duties he undertakes, independence and the number of the board meetings he attends in addition to other considerations.
- The remuneration shall be suspended or reclaimed if it is determined that such remunerations were set based on inaccurate information provided by a member in the board or the executive management, to prevent abuse of power to obtain unmerited remunerations.

The policy stated that the remuneration of members of the Board and its committees should be as follows:

- 1) The remuneration of board members may consist of a fixed amount, attendance allowance, expenses fees, in-kind benefits, a certain percentage of net profit, or it may be combination of two or more of such benefits as per the following:
 - Annual remuneration of SR (200,000) for each member of the board.
 - Annual remuneration of SR (100,000) for Committee Member who is from the board.
 - Annual remuneration of SR (150,000) for Committee Member who is outside the board.
 - Attendance allowance SR (3,000) per session for each member of the board / committee member.
 - Overnight allowance and travel allowance for members who come from outside the city where the meeting is convened.



The policy also stated that the remuneration of the Executives management should be as follow:

- A) The company grants senior executives specific benefits based on salary scale and the company policy. Senior Executives remuneration and compensation includes the following:
- A basic salary paid at the end of each month.
 - Allowances including, but not limited to, housing, transportation, and education allowance.
 - Medical insurance for the employee and his family.
 - Other benefits include, but are not limited to, annual leave, annual travel tickets, and the end-of-service award according to Human Resources Policy approved by the company.
 - Annual bonus is determined by key performance indicators.

The relation between the paid remuneration and the approved remuneration policy

Based on the remuneration policy mentioned earlier in this report and in view of the remuneration paid for the board and its committees and the top executives, it shows that the remunerations are in line with the approved policy and there was no material deviation from such policy.

A- The remunerations and compensations paid to the board of directors during 2023 (in Thousand)

Members Of the board	Fixed remuneration							Variable remuneration						End of Service award	Tot al	Expenses Allowance
	Specific Amount	Attendance allowance for board meetings	Total attendance allowances for committee meetings	In- kind benefits	Remuneration for technical & Consultancy works	Remuneration of the Chairman, MD or Secretary of Board Secretary	Total	Percentage of profits	Periodic Remuneration	Short term incentive plan	Long term incentive plan	Granted shares	Total			
Independent Members																
Bader I. AL Swailem	200	15	24	-	-	-	239	-	-	-	-	-	-	-	239	-
Jameel A. AL Molhem	200	15	3	-	-	-	218	-	-	-	-	-	-	-	218	5
Sattam A. AL Zamil	200	15	24	-	-	-	239	-	-	-	-	-	-	-	239	-
Total	600	45	51	-	-	-	696	-	-	-	-	-	-	-	696	-
None - Executives Members																
Yousef A. ALQuraishi	200	15		-	-	-	215	-	-	-	-	-	-	-	215	-
Mahmoud M. ALToukhi	200	15	3	-	-	-	218	-	-	-	-	-	-	-	218	-
Faisal S. ALQuraishi	200	12	3	-	-	-	218	-	-	-	-	-	-	-	218	-
Mr. Fahad S. ALTuwaijri	200	12	-	-	-	-	212	-	-	-	-	-	-	-	212	-
Total	800	57	6				863								863	-
Executive Members																
Tariq M. ALTahini	200	15	-	-	-	-	215	-	-	-	-	-	-	-	215	-
Total	200	15	-	-	-	-	215	-	-	-	-	-	-	-	215	-



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B- Remunerations and compensations paid to the Committee members during 2023 :

Name	Fixed remunerations (Excluding session attendance allowances)	Session attendance allowance.	Total
Audit committee			
Mr. Bader Ibrahim ALSwailem	50,000	24,000	74,000
Mr. Sattam Abdulaziz ALZamil	50,000	24,000	74,000
Mr. Abdulaziz Saud ALShabeebi	50,000	24,000	74,000
Total	150,000	72,000	222,000
Remuneration & Nomination Committee			
Mr. Jameel Abdullah ALMolhem	50,000	3,000	53,000
Eng. Mahmoud Mohamad ALToukhi	50,000	3,000	53,000
Mr. Faisal Saleh ALQuraishi	50,000	3,000	53,000
Total	150,000	9,000	159,000

C- Remuneration of Senior Executives during 2023.

The following table shows the remuneration paid to Six Senior Executives, including the CEO and CFO, which was paid during 2023. (in Thousand SR)

Senior Executives	Fixed Remuneration				Variable Remuneration						End of services award	Total Remuneration For Board Executives If any	Total
Six Senior Executives	Salaries	Allowances	In-kind benefits	Total	Periodic Remuneration	Profits	Short Term Incentives Plan	Long term incentive plan	Shares granted	Total			
Total	6,241	1,978	-	8,219	3,125	-	-	-	-	11,344	-	200	11,544

27- Waiver of Remuneration

No members of the board of directors or senior executives of the company have made any waiver of any remuneration.

28- Waiver of dividends

No shareholder of the Company has waived any right to dividends.



29- Paid and Outstanding Statutory Payment during 2023

The below table shows the Statutory amounts paid/due during 2023 (in Thousand SR)

Statement	Paid during the year.	Due at the end of the year	A brief description	Reason
Zakat	16,203	22,699	What is paid/ charged over the period in accordance with the provisions of Zakat Law.	Statutory Payment
VAT	163,749	4,958	What is paid/ charged in accordance with the provisions of VAT Law.	Statutory Payment
GOSI	9,704	568	What is paid/ charged over the period in accordance with the social Insurance regulations.	Statutory Payment
Labor Office & passport	985	-	Expenses as per Labour Law.	Statutory Payment
Customs Duties	10,307	-	Customs duties on the Company's imports.	Statutory Payment

30- A statement of any investment made or any reserves set up for the benefit of the employees of the Company.

There are no investments or reserves established for the benefit of the company's employees.

31- The Board of Directors declarations.

The Board of directors acknowledges the following:

- The accounting records were properly prepared.
- The internal control system was founded and implemented effectively.
- There is no doubt on the company's ability to continue its activities.
-

32- If the External Auditors report contains reservations of the annual financial statements.

The Auditor's report shows that the consolidated financial statements are free from any material misstatements and there is no reservation.

33- The Board of Directors recommendation to replace the External Auditor before the end of its term.

The board of directors has not issued a recommendation to change the external auditor before the expiry of the term which he was appointed.

34- Audit Committee's recommendation for appointing an Internal Auditor

The company has already appointed an Internal Auditor.

35- Audit Committee's recommendations that conflict with the Board resolutions with regard to the appointment of the external auditor and determination of his fees.

There is no conflict between the recommendations of the audit committee and the resolution of the board of directors, with regard to the appointment of the external auditor and determination of his fees.



36- A brief description of the competencies and duties of the committees.

A- Audit Committee

The Audit Committee consists of three members and was appointed by the General Assembly in its meeting held on 7th Sept 2021, for three years. The Committee held (8) meetings during 2023. The following table shows names of the members, positions and attendance:

Name	Position	(1) 27 March	(2) 4 April	(3) 9 May	(4) 5 June	(5) 7 Aug	(6) 15 Aug	(7) 29 Oct.	(8) 9 Nov.	Total
Mr. Bader ALSwailem	Chairman	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Sattam ALZamil	Member	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Abdulaziz ALshabeebi	Member	✓	✓	✓	✓	✓	✓	✓	✓	8

Audit Committee Competencies and duties.

A) Financial Statements:

- 1-Analyzing the company's interim and annual financial statements before presenting the same to the board and providing its opinion and recommendation thereon to ensure their integrity, fairness, and transparency.
- 2-Providing its technical opinion, at the request of the board, regarding whether the board's report and the company's financial statements are fair, balanced, understandable, and contains the information that allows shareholders and investors to assess the company's financial position, performance, business model and strategy.
- 3-Analyzing any important or non-familiar issues contained in the financial reports.
- 4-Investigate accurately any issues raised by the Company's chief financial officer or any person assuming his duties or the Company's compliance officer or the or the external auditor.
- 5-Examine the accounting estimates in respect of significant matters that are contained in the financial reports.
- 6-Study the accounting policies followed by the Company and provide its opinion and recommendation to the board thereon.

B) Internal Audit

- 1-Studying and reviewing the Company's internal and financial control systems and risk management system.
- 2-Analizing the internal control reports and following up the implementation of the corrective measures in respect of the remarks made in such reports.
- 3-Monitoring and overseeing the performance and activities of the internal auditor and internal audit department to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties.
- 4-Recommend to the board the appointment of the Internal audit manager and suggest his remuneration.

C) External Auditor

- 1-Recommend to the board the nomination of the external auditors, dismiss them, determine their fees, and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contract.
- 2-Verifying the independence of the external auditor, its objectiveness, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards.
- 3- Reviewing the plan of the external auditor and its activities, and ensuring that it does not provide any technical, administrative or advisory work that is beyond its scope of work and provides its opinion thereon.
- 4- Responding to the inquiries of the external auditor.
- 5-Studying the external auditor's reports and his comments on the financial statements and following up the procedures taken in connection therewith.

D) Ensuring Compliance

- 1-Ensuring the company's compliance with the relevant laws, regulations, policies, and instructions.
- 2-Reviewing the findings reports of the supervisory authorities and ensuring that the company has taken the necessary action in connection therewith.
- 3-Reveiwn the contracts and the proposed Related Party Transactions and providing its recommendation to the board in connection therewith.
- 4-Reporting to the board any issues in connection with what it deems necessary to take action on and provide recommendations as to the steps that should be taken.



B- Remuneration and Nomination Committee:

The Remuneration and Nomination Committee consists of three members and was appointed by the board with the start of the board term which started on 10th Sept 2021. The Committee held (1) meeting during 2023.

The following table lists names of the members, positions and attendance:

Name	Membership	First Meeting 30/10/2023	Total
Mr. Jameel A. ALMolhem	Chairman	✓	1
Eng. Mahmoud M. ALToukhi	Member	✓	1
Mr. Faisal S. ALQuraishi	Member	✓	1

Competencies and tasks of the Committee

The Committee undertakes the tasks and competencies related to remuneration and nomination as follow:

A-With regard to Remuneration:

- 1-Preparing a clear policy for remuneration of the board members, its committees and executive management, and presenting such policy to the board, in preparation for approval by General Assembly, provided that such policy follows standards that linked to performance and disclosing and ensuring the implementation of such policy.
- 2-Clarify the relation between the paid remunerations and the adopted remuneration policy and highlight any material deviation from that policy.
- 3- Periodical review of the remuneration policy and assessing its effectiveness in achieving its objectives.
- 4-Provide recommendation to the Board in respect of the remuneration of its members, the committee members, and Senior Executives in accordance with the approved remuneration policy.

B- With regard to Nomination:

- 1- Suggesting clear policies and standards for membership of the Board and Executive Management.
- 2-Provide recommendation to the Board for the nomination or re-nomination of its members in accordance with the approved policies and standards, taking into account that nomination shall not include any person convicted of a crime against honesty.
- 3- Prepare a description of the capabilities and qualifications required for membership of the Board and Executive Management positions.
- 4- Annual review of the skills and expertise required for the Board members and Executive Management.
- 5- Reviewing the structure of the Board and the Executive management and providing recommendation regarding the changes that may be made to such structure.
- 6- Determine the amount of time that the member should allocate for activities of the Board

37- Any punishment, penalties, precautionary procedures, or preventive measures imposed on the Company.

There were no penalties, disciplinary actions, precautionary measures, or restrictions imposed on the company by the competent authorities or by any other supervisory organization or legal body.

38- The results of the Annual review of the effectiveness of the internal controls procedures of the Company.

The internal audit department carries out planned audits to verify the effectiveness of the internal control system in protecting the company's assets, assessing business risks, measuring performance efficiency and the integrity of financial reports. The Audit Committee also confirmed that the Internal Audit department had implemented the agreed audit plan, and the external auditor had completed his work professionally and independently and had accessed all the data and documents required to perform his duties.

The Audit committee has also reviewed the procedures taken by the Internal Audit Department and the management to study the observations and to correct them in coordination with the concerned departments. The internal audits referred to did not show any fundamental weakness in the company's internal control systems. The Audit Committee periodically informs the Board of Directors of the activities and functions of the Committee.

39- Communication with the shareholders.

The company gives great attention to its shareholders by informing them of the company's performance and activities during the year through the annual board report, as well as constantly informing them of any major developments that have an impact on its financial position and to the extent that it does not harm the interests of the company to enable them to exercise their rights and make sound decisions. The disclosure of information through (Tadawul) website and the company's website shall be in accordance with the approved disclosure policy.

40- The procedures taken by the board to inform its members, especially the nonexecutives, of the shareholder's suggestions and remarks on the company and its performance.

The Board of Directors is being informed of the inquiries and suggestions of the shareholders about the company and its performance, especially those received during General Assembly meetings. All questions and inquiries are answered during the meetings and recorded in the minutes of the meeting. The board of director's charter also stipulates that member of the board must attend general assembly meetings and not be absent except with a legitimate excuse, in order to listen to the comments of the shareholders and their suggestions about the company and its performance.



41- Disclosure of the details of treasury shares held by the Company and the details of the use of such shares.

During 2019 and 2020, the Company purchased treasury shares as per the Extraordinary General Assembly resolutions dated 24 April 2019 and 5th May 2020 with the purpose of allocation such shares to the employees' incentives shares program.

The following table shows the details of the treasury shares:

No of treasury shares retained by the Co.	Value	Date of retaining	Details of usage
12,500,000	SR 9,861,621	15/10/2019	The shares will be allocated to the employees' incentives shares program

42-Information related to any competing business, or any branches of activity practiced by the company and practiced or used by any member of the Board of Directors, including the names of those concerned with the competing business and the nature and conditions of these businesses.

The following table shows the information related to the competing business for board members.

Name of the competing Co.	Name of the Board members participating in the Competing business	Nature of relationship with the competing business	Nature of business	Terms of the business
Evolving Constellation Co. for Energy -Formerly known (ALQuraishi Co. for Electrical Services).	Mr. Yousif A. ALQuraishi Mr. Faisal S. ALQuraishi	Board member at the Holding Co. (Ali Zaid ALQuraishi & Brothers Co.	Trading in Switchgears, Transformers and Substations	No special terms or preference



43- Governance of the Company

The company is complying with all provisions stated in the corporate governance regulations issued by CMA , except for the following Articles:

Article Number	Description of the article	Explanation
Article (37) Paragraph 2 Training	Setting the necessary mechanisms for each of the members of the Board, members of committees and executive management to obtain training programs and courses.	Guiding Article
Article (39) Assessment of the Board	The means used by the board to assess its performance, its members and committees and the external body which conducted the assessment and its relationship with the company.	Guiding Article The board will study in the future to comply with this article.
Article (67) Formation of Risk Management Committee	The board shall by resolution form a committee to be named "risk management committee"	Guiding Article The board has formed an internal committee from the management to handle risk matters at the company and to set out the required controls and procedures that mitigate such risks. The committee submit periodical reports for its activities to the board.
Article (84) Social responsibly	The General Assembly, based on the board recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for the purposes of developing the social and economic conditions of the community	Guiding Article The Board does not see a need for that as it has adopted a policy to regulate the relationship with stakeholders, which includes the social responsibility of the company, and the policy has stated that the company's responsibility towards society is not limited to the sale of products but extends beyond that. The company is keen to provide its customers with high quality products with the highest levels of safety.
Article (85) Social Initiatives	The board shall establish programs and determines the necessary methods for proposing social initiatives by the Co.	Guiding Article
Article (92) Formation of Corporate Governance Committee	If the board form a Governance committee, it shall assign to it the competences stipulated in article 94	Guiding Article As per Article 47 of the Corporate Governance Regulations, which stipulates that the Board shall form specialized committees according to the company's needs and circumstance so that it can perform its functions effectively, therefore the Board deems that there is a need to form a specialized committee for governance, as the work of the Board and its committees are among the main components of governance, each of which contributes to the achievement of its objectives.



44-The Board recommendations to the General Assembly

- 1- Review and discuss the Board of Directors Report for the fiscal year ending on 31/12/2023.
- 2- Review and discuss the Company's consolidated financial statements for the fiscal year ending on 31/12/2023.
- 3- Voting on the Auditors Report for the fiscal year ending on 31/12/2023
- 4- Voting on the appointment of external auditors from among the candidates recommended by the Audit Committee to audit the company's annual financial statements for the second, third quarter, annual financial statements for the fiscal year 2024 and the first quarter of year 2025 along with determining their fees.
- 5- Voting on the discharge of the Board of Directors members for the fiscal year ending on 31 December 2023.
- 6- Voting on the board of directors' recommendation to transfer the balance of the statutory reserve amounting to SR (62,175,598) as shown in the Financial Statements for year ended on 31 Dec 2023 to retained earnings.
- 7- Voting on the delegation of the Board of Directors to distribute interim cash dividends on semi - annual or quarterly basis for the fiscal year 2024.
- 8- Voting on the business and contracts made between the Company and Evolving Constellation Co. for Energy - Formerly known (ALQuraishi Co. for Electrical Service), in which the Chairman of the Board, Mr. Yousef A. ALQuraishi and the board member Mr. Faisal S. ALQuraishi have an interest. The nature of these contracts is sale of products, without special terms. The total amounts during 2023 have reached SR (1,908,922).
- 9- Voting on the business and contracts made between the Company and ALToukhi Co. for Industry, Trading & Contracting, in which the Vice Chairman of the Board, Eng. Mahmoud M. ALToukhi has an interest. The nature of these contracts is for the sale of products, without special terms. The total amounts during 2023 have reached SR (275,000).
- 10- Voting on the business and contracts made between the Company and Evolving Constellation Co. for Energy - Formerly known (LQuraishi Co. for Electrical Service), in which the Chairman of the Board, Mr. Yousef A. ALQuraishi and the board member Mr. Faisal S. ALQuraishi have an interest. The nature of these contracts is the purchase of products without special terms. The total amounts during 2023 have reached SR (172,665).
- 11- Voting on the participation of the Chairman of the Board, Mr. Yousef Ali ALQuraishi in a business that competes with the business of the company.
- 12- Voting on the participation of the board member, Mr. Faisal Saleh ALQuraishi in a business that competes with the business of the company.

In conclusion, the Board of Directors extends its sincere thanks to our wise government for its continuous support to all sectors of the national economy. The Board also thanks the Capital Market Authority, Tadawul and all relevant authorities for their cooperation in serving the business sector.

The Board also appreciates the efforts of all the employees of the company and urges them to keep up the good work, and the Board also extends his thanks to the company's customers inside and outside the Kingdom for their confidence in the company and its products and their constant support.