



# 2022 ANNUAL REPORT

# ٢٠٢٢ التقرير السنوي

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## **The Chairman's Message**

### **Your Excellencies the shareholders of Saudi Marketing Co. (Farm Superstores)**

Respected Sirs,

I am pleased to present you the annual board report of Saudi Marketing Co. (Farm Superstores) for the year 2022 which includes the annual consolidated financial statements & the Company's financial performance. Among the efforts to maintain the Company's position by adopting a balanced policy in order to achieve the Company's strategic direction which contributed in strengthening the Company's capabilities to overcome the challenges, obstacles and benefit from the available opportunities and enhance the confidence of shareholders.

The year 2022 witnessed many challenges that the company faced in light of the economic conditions that the Kingdom and the whole world went through, which made it imperative for the company's management to fulfill its mission in preserving its strategic position by taking measures for improvement and maintaining the Company's competitive advantage

The report also includes the company's programs in the field of social contributions and human resources activities by supporting the national elements by increasing their numbers and training them as one of the most important social initiatives because of this to maximize the impact on community service to keep pace with the Kingdom's vision 2030 and achievement of sustainable growth based on the vision and mission of the company.

In conclusion, I extend my sincere thanks and appreciations to the members of the Board of Directors, Executive Management and all employees of the Company for their sincere trust and efforts in developing the company and enhancing performance for the general interest of the Company and its esteemed shareholders.

And God bless all,

**Chairman**

**Engineer/Hazem Fayez Al-Aswad**

# VISION AND MISSION

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## VISION

The company is looking forward to having a leading position in the modern retail trade field by giving its customers the pleasure of shopping, and to always be the first choice deservedly.

## MISSION

The company always seeks to fulfill all its obligations towards its customers by providing high quality products that suit their needs. It also seeks to ensure its responsibility through its initiatives to provide the largest possible number of services to the customer, satisfy their special needs and gain their trust.





# COMPANY STRATEGY

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The company's management draws its strategy from the Board of Director's directives, which is based on the highest standards, and aims to achieve the company's objectives, bearing in mind the implications of the KSA's Vision 2030. The features of the strategic plan focus on controlling operating costs and achieves the best results from the available funding. In addition, the company aspires to maintain the annual rate of revenue growth and increase it with a good rate in its primary investment in the retail and entertainment sectors, and it seeks to maintain the growth of its investments and geographical expansion to cover the targeted places within the Saudi Arabia.

Moreover, the company's management aims to increase the operating profit margin for its business by focusing on a general reduction in costs, increasing operating efficiency and focusing on achieving the required Saudization percentage and localizing jobs according to the Nitaqat program issued by the Ministry of Labor. The company emphasizes providing the best possible services by national cadres, based on our social responsibility towards society.

## Company activity

Saudi Marketing Company (Farm Superstores), according to its articles of association, is as follows:

- Wholesale and retail trade in foodstuffs, household utensils, accessories, decorations, toys, clothes, fabrics, furnishings, household furniture, electrical equipment, commercial agencies, import and trade in office and stationery tools, electrical and mechanical tools and their spare parts and equipment, all kinds of detergents, fertilizers, ornamental plants, flowers, their accessories, building materials, decoration and their accessories.
- General contracting for buildings (repair, construction, demolition, restoration).
- Electrical and mechanical contracting.
- Contracting and maintenance of water and sanitation works.
- Managing, operating and owning bakeries.
- Management and operation of restaurants.
- Managing, operating and owning rest houses.
- Providing cooked and uncooked subsistence services.
- Maintenance work contracting and operation of wired, electronic and electrical communication networks and telephone networks.
- Wholesale and retail trade in food crops (vegetables - fruits – legumes).
- Commercial agencies.
- Establishing, operating and managing commercial and residential complexes.
- Entertainment services (constructing, maintaining and operating cities and recreational centers).
- Providing marketing services for others.
- Selling, buying and utilizing land and real estate for the benefit of the company.
- Agriculture and fishing.
- Mines and petroleum and its branches.
- Manufacturing industries and their branches according to industrial licenses.
- Electricity, gas, water and its branches.
- Construction and building.
- Transportation, storage and refrigeration.
- Financial, business and other services.
- Social, group and personal services.
- Trade.
- Information technology.
- Security and safety.
- Animal food and feed stores.
- Agents selling cosmetics.
- Wholesale and retail trade and repair of motor vehicles and motorcycles.

### **The company practices three main activities:**

1. **Farm Superstores:** A chain of retail foodstuff stores that owns and operates the company's chain of eighty-three branches of these stores located in the eastern, western, southern, northern and central regions of the Kingdom of Saudi Arabia and includes a wide variety of products including fresh products, other consumer and household items, in addition to the items imported from various parts of the world that satisfy various customer requirements, in addition to a number of eleven small shopping centers (mini-markets) located within residential complexes to serve the residents of these complexes.
2. **Adventure World & Jumpoline:** Amusement parks for children's games located within the commercial complexes. The company owns and operates seventeen branches that have been located geographically across the Kingdom's regions.
3. **Wholesale Sales:** The Company also works in the field of wholesaling non-consumables and most of it consists of two accredited agencies, which are the German Emza Company (EMSA) and the German Kaiser Company (KAISER). Three outlets are currently located in the central region - Riyadh, and the western region – Jeddah, the Eastern Province - Dammam, where the inception was with the opening of the Dammam branch in 1980, and then the other two branches were subsequently opened.

# PERFORMANCE AND ACTIVITIES OF THE COMPANY

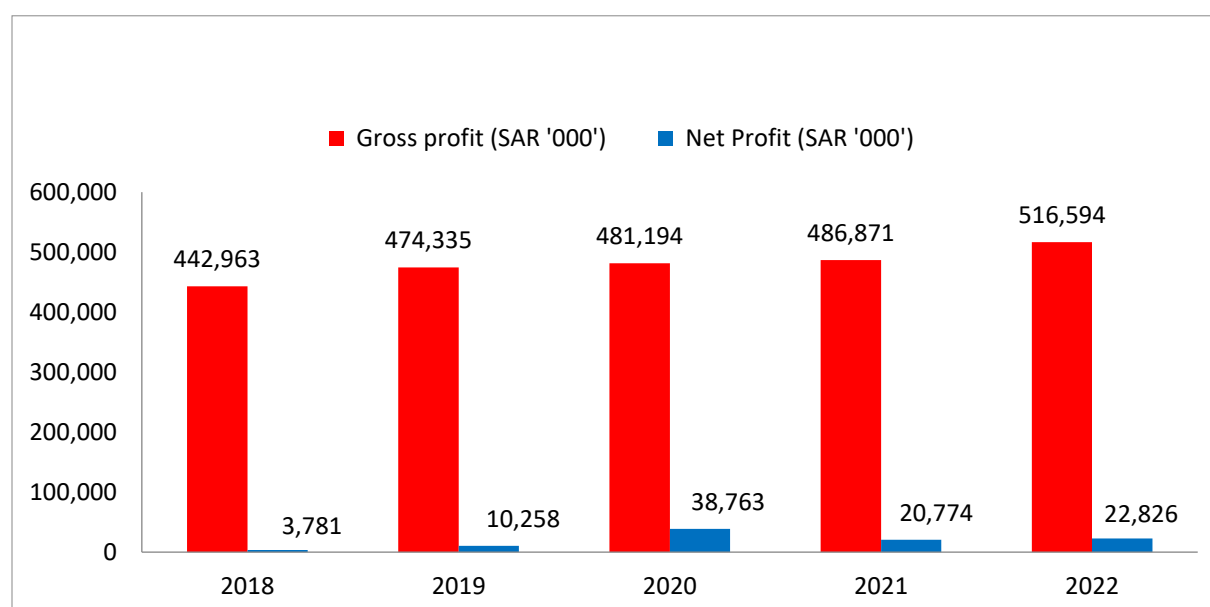
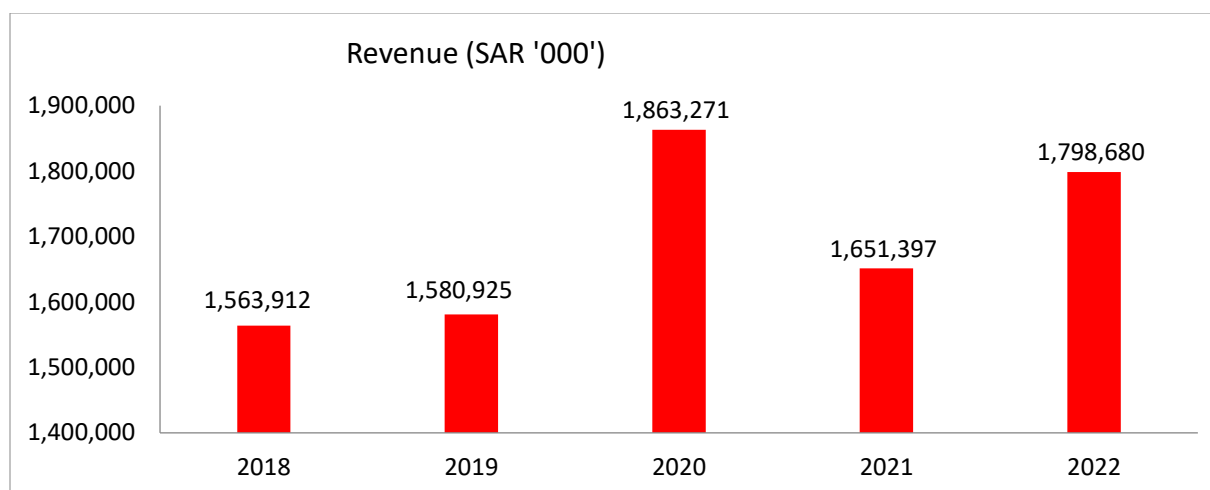
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## First: Performance and activities of the company during the fiscal year 2022

### 1. Company's business results for the period from 2018 until 2022

Statement	2018	2019	2020	2021	2022
The numbers are in thousands of Saudi riyals					
Revenues	1,563,912	1,580,925	1,863,271	1,651,397	1,798,680
Cost of revenue	-1,120,949	-1,106,590	-1,382,077	-1,164,526	-1,282,086
Gross profit	442,963	474,335	481,194	486,871	516,594
Administrative, general and marketing expenses	-435,743	-408,834	-406,260	-432,836	-447,894
Rental income				11,740	11,293
Profit from operations	7,220	65,501	74,934	65,775	79,993
Financial expenses	-22,149	-67,370	-54,871	-50,782	-60,384
Other revenues	25,020	14,912	20,976	7,164	6,652
Net income before Zakat	10,091	13,043	41,039	22,157	26,261
Zakat	-6,312	-2,733	-2,320	-1,440	-3,516
Income before calculating the non-controlling shares	3,779	10,310	38,719	20,717	22,745
Net profit	3,781	10,258	38,763	20,774	22,826



**2. Major differences in the operating results compared to the results of the previous year (figures are in thousands of riyals):**

Statement	2022	2021	Changes (+) or (-)	Percentage change
Revenues	1,798,680	1,651,397	147,283	8.92%
Cost of revenue	1,282,086	1,164,526	117,560	10.10%
Gross profit	516,594	486,871	29,723	6.10%
Other operating revenues	6,652	7,164	512-	-7.15%
Other operating expenses	447,894	432,836	15,058	3.48%
Operating profit	79,993	65,775	14,218	21.62%

### 3. A detailed summary of the performance of the company's activities for the year 2022

The table below shows the company's major activities and their impact on the company's business volume for the year 2022 (numbers are in thousands of riyals)

Statement	Retail activity	Wholesale activity	Adventure World Activity	Springs Company (Cinnzeo)	Total
Net profit	22,402	-8,045	9,276	-807	22,826
The percentage	98.14%	-35.24%	40.64%	-3.54%	100%

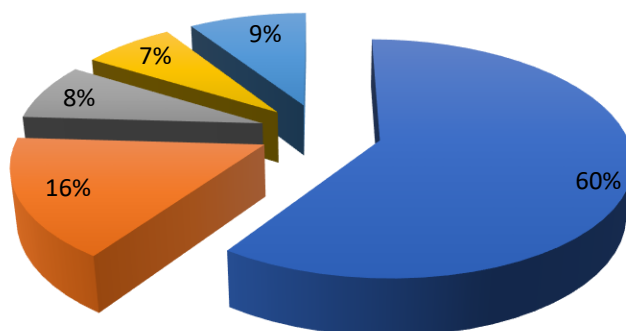
### 4. Geographical distribution of the revenues of the company and its subsidiary (numbers are in thousands of riyals)

- Saudi Marketing Company's revenues include sales (branches of Farm Superstores, Adventure World, and wholesale sales), as shown in the table below:

Region	2022 Revenues	Percentage of total revenues
Eastern Region	1,063,600	60%
Western Region	291,691	16%
Southern Region	140,513	8%
Northern Region	126,128	7%
Central Region	163,176	9%
Total	1,785,108	100%

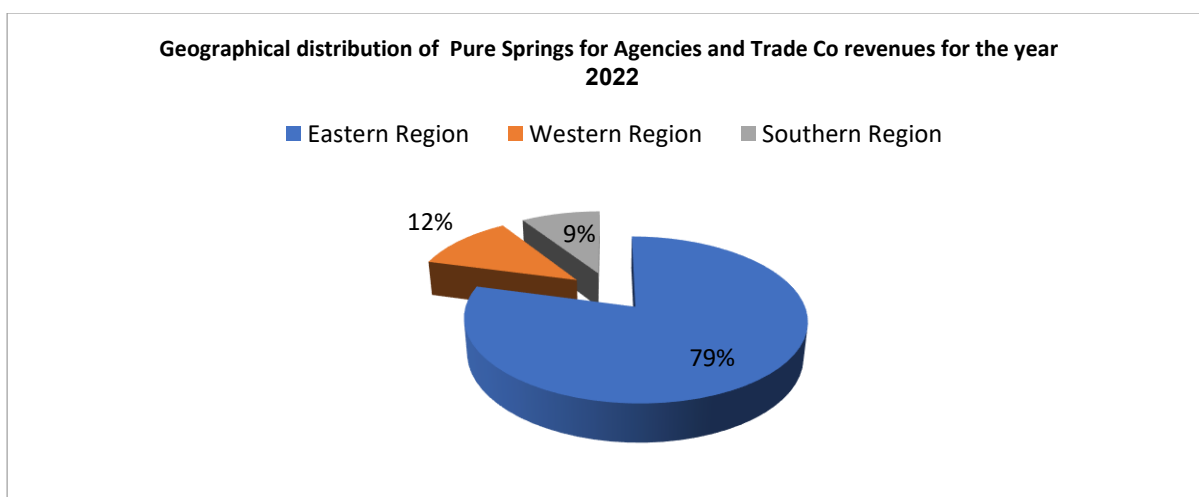
Geographical distribution of Saudi Marketing Company's revenues for the year 2022

■ Eastern Region ■ Western Region ■ Southern Region ■ Northern Region ■ Central Region



- Revenues of Pure Springs for Agencies and Trade Co. Ltd.

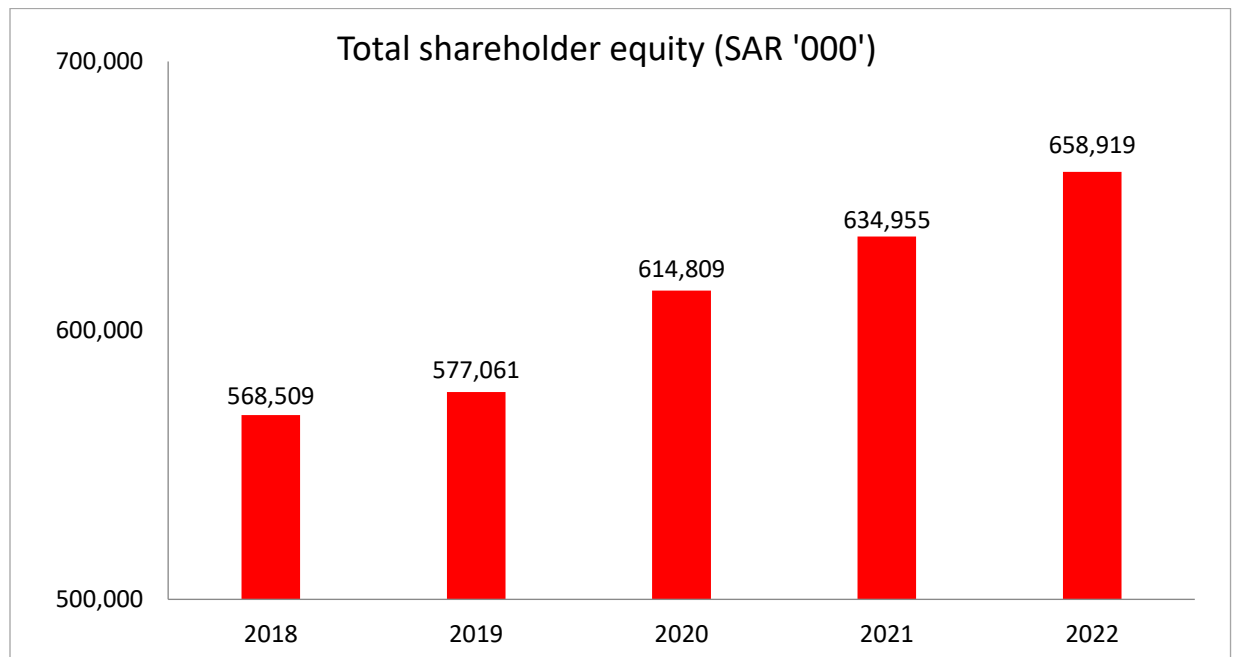
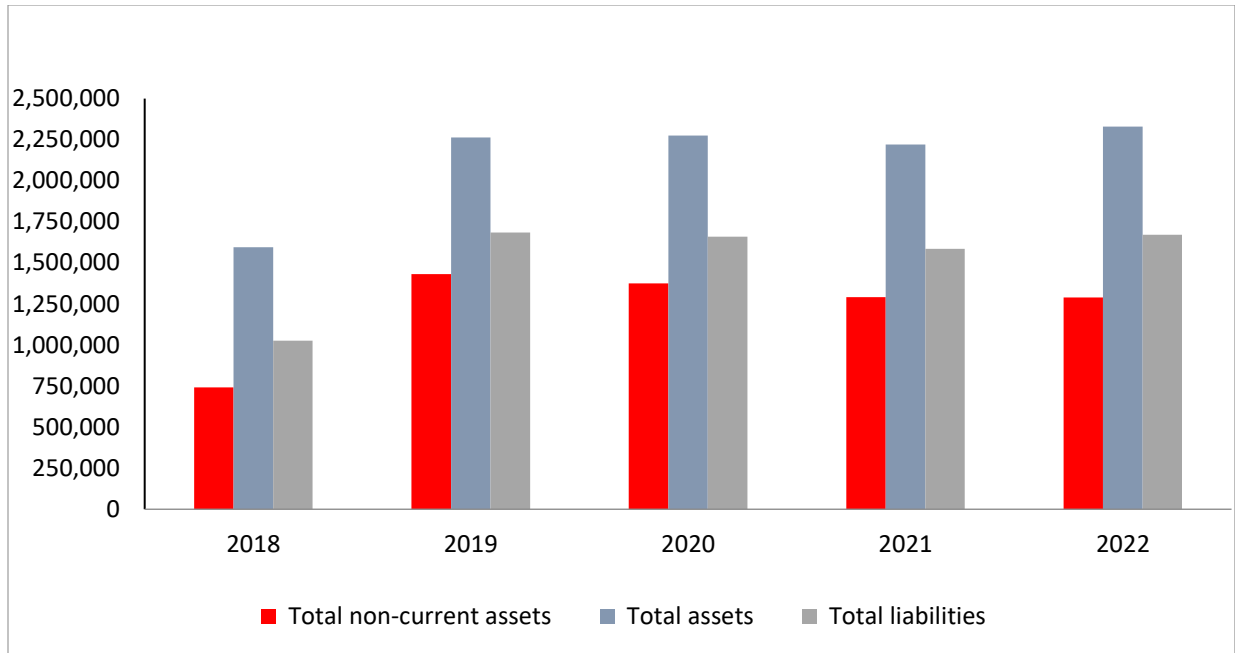
Region	2022 Revenue	Percentage of total revenues
Eastern Region	10,745	79%
Western Region	1,585	12%
Southern Region	1,242	9%
Total	13,572	100%



The Eastern Region represents the largest part of the revenues of Springs Company, at a rate of 79%. The rest of the revenues are distributed in the Western, Southern regions of the Kingdom, as the stores occupied by the Springs Company are mostly located in the Eastern Region.

## 5. Summary of the company's financial position for the period from 2018 until 2022.

Statement	2018	2019	2020	2021	2022
	In thousands of Saudi riyals				
<b>Assets</b>					
<b>Total non-current assets</b>	740,890	1,431,658	1,374,071	1,291,806	1,289,457
<b>Total current assets</b>	854,331	831,017	899,955	929,136	1,039,926
<b>Total assets</b>	1,595,221	2,262,675	2,274,026	2,220,942	2,329,383
<b>Liabilities</b>					
<b>Total non-current liabilities</b>	172,176	801,413	731,837	731,548	752,509
<b>Total current liabilities</b>	854,302	883,915	927,138	854,254	917,851
<b>Total liabilities</b>	1,026,478	1,685,328	1,658,975	1,585,802	1,670,360
<b>Shareholders' equity</b>					
<b>Capital</b>	450,000	450,000	450,000	450,000	450,000
<b>Statutory reserve</b>	91,859	92,884	96,761	98,838	101,121
<b>Retained earnings</b>	26,650	34,177	68,048	86,117	107,798
<b>Total shareholder equity</b>	568,509	577,061	614,809	634,955	658,919
<b>Total liabilities and equity before non-controlling equity</b>	1,594,987	2,262,389	2,273,784	2,220,757	2,329,279
<b>Non-controlling equity</b>	234	286	242	185	104
<b>Total liabilities and shareholders' equity and non-controlling equity</b>	1,595,221	2,262,675	2,274,026	2,220,942	2,329,383



## **6. Application of international financial reporting standards**

The financial statements of the company for the fiscal year ending on 31 December 2022 were prepared in accordance with the International Financial Reporting Standards, in line with the requirements of Saudi Organization for Auditors and Accountants.

## **7. Results of the annual audit**

Saudi Marketing Company (Farm Superstores) discloses that there are no shortcomings in the internal control systems, that it is effective to prevent and discover errors, and that there has been no material breach or breach of the internal control systems during the year 2022.

## **8. Company's investments**

- A local stock portfolio in companies listed on Saudi Stock Market, with a value of 6,091,506 riyals as of 31/12/2022.
- A stock portfolio on the Bahrain Stock Exchange managed by SICO, with a value of 560,057 riyals as of 31/12/2022.

**9. Statement of the loans owed by the company and the total indebtedness of the company and its subsidiary for the year 2022 (Numbers are in Thousands)**

Statement	Saudi Fransi Bank	Al Rajhi Bank	Alinma Bank	Gulf International Bank	Saudi National Bank	Sabb Bank	Al Jazeera Bank	Bank Albilad	Saudi Investment Bank	First Abu Dhabi Bank	Total
Balance of short-term loans on 31/12/2021	9,000	139,000	186,000	-	25,000	35,000	-	20,000	-	6,000	420,000
Limit of short-term facilities	20,000	150,000	200,000	-	50,000	40,000	75,000	-	50,000	75,000	660,000
Term of the short-term loan	Up to 120 days	Up to 180 days	Up to 180 days	-	Up to 90 days	Up to 90 days	Up to 180 days	-	Up to 180 days	Up to 120 days	
The amount used from the short-term loans during the year 2022	63,000	333,020	361,000	-	152,000	131,000	4,230	-	17,949	79,641	1,141,840
Repayments of short-term loans during the year 2022	59,000	348,000	381,000	-	165,000	130,000	-	20,000	-	54,223	1,157,223
Balance of short-term loans on 31/12/2022	13,000	124,020	166,000	-	12,000	36,000	4,230	-	17,949	31,418	404,617
Balance of medium-term loans on 31/12/2021	85,000	-	-	15,000	-	-	-	-	-	-	100,000
Amounts of the principal medium-term loans until 31/12/2022	135,000	-	-	95,000	-	-	-	-	-	-	230,000
Repayment period of the medium-term loan	4 years	-	-	3 years	-	-	-	-	-	-	
The amount used from medium-term loans during the year 2022	50,000	-	-	-	-	-	-	-	-	-	50,000
Repayments of medium-term loans during the year 2022	21,971	-	-	15,000	-	-	-	-	-	-	36,971
Balance of medium-term loans on 31/12/2022	113,029	-	-	-	-	-	-	-	-	-	113,029
Total indebtedness of the company on 31/12/2022	126,029	124,020	166,000	-	12,000	36,000	4,230	-	17,949	31,418	517,646
Total indebtedness of the company and its subsidiary on 31/12/2022	126,029	124,020	166,000	-	12,000	36,000	4,230	-	17,949	31,418	517,646
Expiration of Facilities validity	31/03/2023	30/04/2023	31/08/2023	Expired	31/03/2023	31/08/2023	12/1/2024	Expired	31/01/2024	31/5/2023	
Guarantees	promissory note	promissory note	promissory note	-	promissory note	promissory note	promissory note	-	promissory note	promissory note	

## 10. Affiliated companies

- **Pure Spring Agencies & Trading Co. Ltd. - with limited liability**

Pure Spring Company was established in (1424H) (2003) as a limited liability company, and it was registered in the commercial register in Dammam under the number (2050045816) on (04/04/1425H) corresponding to (23/05/2004), and its main activity is in shops serving drinks (coffee shop), and Pure Spring Company is the owner of the exclusive franchise for the products of CINNAROLL BAKERIES LIMITED, which owns the trademark "Cinnzeo" (A bakery and Coffee) and The company has (16) branches distributed over the Kingdom's regions In addition to a number of (1) branches affiliated with agents inside the Kingdom, and a number of number (6) branches of agents outside the Kingdom, Pure Springs Company owns a new trademark registered under the name (Soul Boul) and it has one branch.

The current capital of Pure Spring Company is one million (1,000,000) riyals divided into one thousand (1,000) shares of equal value the value of each share is one thousand (1,000) riyals distributed to the two founding partners as follows:

S.NO	PARTNER	NUMBER OF SHARES	Ownership percentage
1	Saudi Marketing Company (Farm Superstores)	900	90%
2	Hazem Fayez Khaled Al-Aswad	100	10%
	Total	1,000	100%

## 11. A summary of the strengths and competitive advantages of the company

### Marketing competency

The company's management implements high-quality marketing policies with clear planning that depends on specific and arranged elements through marketing and promotional campaigns and permanent planning in order to meet the needs of customers. The company also seeks to keep pace with changes in the market to improve the efficiency of marketing work. The services provided can be summarized as follows:

### Social contributions of the company

The company is keen on social participation by presenting several initiatives which are as follows:

- The exclusive partnership with the Unified Zakat Al-Fitr project for the year 1443 with the Al-Ber Society in the Eastern Province, as the first project the with this size, momentum and importance launched by the society with a private entity at the level of the eastern region, excluding Al-Ahsa Governorate.
- The exclusive partnership with the Zakat Al-Fitr project for the year 1443 with Al-Ber Society in Al-Ahsa, as the first project with this size, momentum and importance launched by the society with a private entity at the level of Al-Ahsa Governorate.
- Program (Donate the rest) in cooperation with the Kanaf Charitable Society in Dammam.
- Program (Leave the rest for them) in cooperation with the Charitable Society for the Care and Rehabilitation of the Handicapped in Al-Ahsa Governorate.
- Program (Leave the rest for them) in cooperation with the Charitable Society for the Care and Rehabilitation of the Disabled in the Eastern Province - Efa'a.
- Program (Donate the rest) in cooperation with the Charitable Society for Holy Quran Memorization in Jubail Governorate.
- Program (Donate the rest) in cooperation with the National Charitable Foundation for Home Health Care in Jeddah Governorate.
- A program (Donate the rest) in cooperation with the Cooperative Office for Call, Guidance and Community Awareness in Arar.
- A program (Donate the rest) in cooperation with the Health Charitable Society for Patient Care in Riyadh - Enaya.
- Program (Donate the rest) in cooperation with Al Ber Society in the Eastern Province.
- Program (Donate the rest) in cooperation with Al Ber Charitable Society in Al-Kharj Governorate.
- Program (Donate the rest) in cooperation with the Charitable Society for Holy Quran Memorization in Yanbu Industrial City.

- Program (Donate the rest) in cooperation with the Charitable Society for Holy Quran Memorization in Duba Governorate.
- Program (Donate the rest) in cooperation with the Parents Society for Orphans Care in Aseer Region.
- Program (Donate the rest) in cooperation with the Al-Qatif Charitable Society for Social Services.
- Program (Donate the rest) in cooperation with the National Committee for the Care of Prisoners, Released Prisoners and their Families in Al-Baha Region.
- Program (Donate the rest) in cooperation with the Charity Association for the Care of Orphans in Najran - Rufaqa.
- Implementing a partnership with the National Committee for the Care of Prisoners, Released Prisoners and their Families in the Eastern Province under the title (Farm Charitable Basket).
- Exclusive partnership in the compensation project for the year 1443 with the Al-Birr Association in Al-Hassa.
- Supporting the food baskets project for the year 1443 with the Al-Birr Association in Al-Hassa.
- Exclusive partnership in the compensation project for the year 1443 with the Al-Birr Association in the Eastern Province.
- Taking care of the monthly salary of an employee of the Al-Baraka Charitable Society for Social Services in Dammam.

# CUSTOMER LOYALTY

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As part of the digital transformation in the Kingdom and to develop the services provided by the company to its valued customers, the (Imtiaz) is a rewards and discounts program through which the customer collects points for his purchases and exchanges those points for the goods of private brands registered in the name of the (Farm) and all goods of household appliances, In addition, the Imtiaz program in its new version with three categories, red, gold, and platinum, and each category has many advantages. Now, with FarmGo App, customers can view Imtiaz quickly and conveniently checking their points and redeeming them directly from the app.

During 2022, the company had been able to increase its customer base by 80% compared to the previous year, as the number of subscribers to the Imtiaz program reached 640,000. The development of this program also resulted in the further strengthening of the relationship with customers to ensure continuity in dealing with them and their access to many added benefits that the Farm distinguished from their industry competitors, one of these advantages is that the customer can know his points and purchases automatically through the application.





# CUSTOMER LOYALTY PARTNERSHIPS

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The Loyal customers of many organizations, such as banks and telecoms like STC and Mobily, can benefit from the points exchange offered in Farm branches, driving an increase in sales and consumer activity.

Additionally, throughout the year there were several special programs conducted with Mobily where customers were able to double their points when redeeming them.

# THE MANAGEMENT TEAM EFFICIENCY

The company relies on a team that is aware and understands its strategy in running the company's business in harmony and effectiveness to achieve success and growing profits. Therefore, the company relies on executives who have long experience working in the company who can take the appropriate decision at the right time within the company's business plan, which enabled the company to provide its services with the highest quality standards and opening branches in all regions of Saudi Arabia; it helped to increase its market share. In addition, the management team is also developing through training and administrative courses to increase their efficiency in line with the labor market. Also, bringing together new talent with diverse perspectives to create the next generation teams, providing them with novel experiences and content.





## EMPLOYING TECHNOLOGIES & KEEPING PACE WITH THEIR DEVELOPMENT

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Due to quick advancements in several fields, businesses face incessantly growing and ever-accelerating challenges, which is why the Company is making an effort to enhance performance and control operations through leveraging IT systems in order to keep up with present-day technological advancements in sale systems, inventory control and management, as well as the production of multiple reports. The company employs Oracle for further betterment of control over supplier and sales accounts, inventory management; plus facilitating time lyac-countpreparation.

# THE COMMERCIAL NAME OF THE COMPANY AND KNOWLEDGE AWARENESS OF THE CONSUMER AUDIENCE

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The company is characterized by its trade name (Farm) that has gained the loyalty of a broad consumer audience over 44 years, which enabled it to maintain a good share of the retail market in the Kingdom of Saudi Arabia, especially in the Eastern, Southern, Western, Northern and Central regions.

The Company has also undergone a rebranding that brought a contemporary appearance with a positive influence on the Brand.



# DIGITAL MARKETING

During 2022, the company focused on supporting Digital Marketing more through marketing and promotional campaigns through the Google search engine and social media channels, such as YouTube, Instagram, Twitter, Facebook and Snapchat TikTok. Several campaigns had been launched that achieved different goals:

Brand Publishing Promotion of special offers for the branches (reopening, anniversary, opening a new branch) that have reached nearly 130 million views.

Followers on social medial accounts numbers have reached as follows:

Instagram (493,000)

Twitter (180,000)

Facebook (260,459)

Snapchat (30,000)

# CUSTOMERS SERVICE

Customer service has a prominent and significant role to bring success and distinction to the company. Based on our belief in this role, we are working to achieve success and strive to increase the loyalty of our existing customers by listening to them and taking their complaints and suggestions, in order to consolidate the relationship between the brand and the customer and attract potential customers. We are also keen to hire employees with highly efficiency, who are fluent in Arabic and English to serve all customers. Moreover, customer service is provided around the clock during working hours through the universal access number and social media accounts.





# MARKETING ACTIVITIES

Marketing activities are all the work carried out by the company to reach its marketing objectives, Among the activities that we carried out during the 2022 are:

- 1- National Day campaign, including exclusive offers and branch events. National Day Celebration Campaign.
- 2- Farm superstore mega sales campaign, which includes road advertisements, advertisements inside cinemas, Google, and social networking programs, during which four Fox wagons and 200 purchase cards were won under the supervision of the Chamber of Commerce.
- 3- Imtiaz campaign, to increase the download of the application to collect and redeem points through the application.
- 4- Farm Superstores 44th Anniversary campaign.
- 5- Farm go application campaign to increase downloads through social media and influencers.
- 6- New Farm Brand Launching campaign
- 7- End Year Festival campaign
- 8- Ramadan campaign
- 9- Back to School campaign
- 10- FIFA World Cup campaign

# E-COMMERCE

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The company launched its application, Farm GO, to deliver orders to their homes. The application started in Dammam, Khobar, Dhahran, then Jubail and Jeddah, and during the year 2023, it will expand to other regions.

The application meets all the customer's needs, from fresh products, consumer products, and even household items, with ease of browsing and comprehensiveness of products. So it ensures ease of shopping and browsing for the customer and also lets customers earn the Intiaz points and lets clients check the points easily.



## 12. Human resources

The company's management focuses on the continuous development of human resources management as it is the source of every success. Therefore, the Company is working hard to develop human resources and enhance its organizational capabilities by attracting effective managerial competencies in order to achieve the company's strategic objectives, starting from planning, selection, training and incentives in order to achieve the highest levels of efficiency in performance and achieve harmony in work to raise the level of productivity. Therefore, the company is attracting young people of both sexes, from the standpoint of supporting the people of the country and the Company is keen to prepare plans and strategies aimed at upgrading their skills and practical capabilities in order to establish the company's values and production standards, and in order to achieve these goals, the company applies several policies, including:

- **Training and development policy**

The Department of Training and Development works to develop and improve the performance of employees taking into account that training and raising efficiency and skill is the right of all employees so we applied the methodology of remote training as one of the sustainable training strategies which helped to speed the transformation of this type of training social spacing policies associated with the Corona pandemic, in addition to the positive tangible results that have had a positive impact on the return on training, namely training coverage in all regions of the Kingdom, which explains the marked increase in the number of this year's trainees compared to the previous year.

Through the table below, we find the number of training programs offered during 2022 and their details as follows:

Programs	Remotely	Presence	Total courses	Number of trainees	Number of hours
Administrative programs	4	3	7	88	22
Technical programs	49	2	51	959	2592
English Language	4	1	5	92	61
Total	57	6	63	1139	2675

- **Saudization policy**

The management of the company is keen to work according to the directives of the wise leadership - may God support it - and in a way that simulates the vision of the Kingdom 2030 and clarifies the objectives of the Ministry of Labor and Social Affairs to work on localizing jobs by accommodating the Saudi cadres in our branches spread across the Kingdom where they are trained and equipped with high qualification in line with the requirements of the market. For this reason, the company's management participated in most of the recruitment events through a trained and qualified team in order to diversify the sources of recruitment and cooperate with all government, civil and charitable agencies.

The company's management also develops employment policies and studies the indicators and statistics of the local labor market permanently and is working to create a professional work environment by developing and training its employees for the future.

The company's management also reviews wages continuously, so the company remain distinguished by its attractive environment for employees by providing the professional and training incentives. We may face some challenges that may direct and guide us to seek continuously to develop the work environment to be an attractive environment for Saudi youth. These efforts were crowned with many awards, and as a result, the company's entities were evaluated according to the Nitaqat program issued by the Ministry of Labor, as shown in the table below:

Sector	Zone	Percentage
Ground transportation and storage	High green	33.60%
Construction, building and cleaning contracting	Medium green	16.05%
Wholesale and retail trade	Medium green	42.16%
Recreation and tourism	High green	47.66%

### 13. The most important achievements of the company during the year 2022

- Opening 2 branches of farm markets in each of the cities of Khobar and Yanbu
- Opening 4 branches of the entertainment department branch (Jambolin) in Jeddah, Al-Khafji, Hail and Al-Ahsa.
- Continuing to localize many jobs and tasks, which led to achieving a percentage of Saudization that puts the company in the green band.
- The company renewed and modernized a number of existing branches in order to provide the best services to customers.

### 14. Future aspirations of the company

#### • Geographical expansion

Through the implementation of its future plans, the company focuses on the importance of geographical expansion in order to strengthen its presence near the growing base of its customers and reach them and provide the best services with the highest comprehensive quality standards that meet the desires of its customers, and the continuous expansion of the company's network of branches is an embodiment of its commitment to reach its customers wherever they were, as the company will continue its focus on opening new branches and working to renovate existing branches by adding the necessary improvements to maintain the quality of service provided to its customers.

Please find below a table showing the company's expansion plan over the next three years:

Year	Farm supermarkets branches	Branches Adventure World & Jambolin
2023	3	3
2024	4	3
2025	4	3

**15. Statutory payments paid and due for payment of any Zakat, taxes, fees or any other dues that were not paid until the end of 2022**

Statement	2022		Brief description	Statement of reasons
	Paid	Due until the end of the annual financial period and has not been paid		
<b>Zakat</b>	1,358,273	3,434,335	Zakat on income	Mandatory
<b>Tax</b>	54,146,588	13,759,610	Tax	Mandatory
<b>General Organization for Social Insurance</b>	19,409,479	1,719,886	Subscriptions	Mandatory
<b>Costs of visas and passports</b>	1,980,322	-	Fees	Mandatory
<b>Labor office fees</b>	22,911,896	-	Fees	Mandatory

# THE BOARD OF DIRECTORS OF THE COMPANY & ITS COMMITTIES

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## Second: Board of directors of the company and its committees during the year 2022

### 1. Board members and classification of its members:

The current board of directors of the company consists of seven (7) members, and the current board of directors exercises its powers according to the articles of association of the company, and the composition of the current board of directors is in accordance with the instructions contained in articles sixteen and seventeenth of the Corporate Governance Regulations issued by the Capital Market Authority.

The following is a list of the classification of the current board of directors of the company:

S.NO	Member name	Position	Classification of membership
1	Hazem Fayez Khaled Al-Aswad	Chairman of Board of Directors	Non-Executive
2	Maher Hazem Fayeze Al-Aswad	CEO and Managing Director	Executive
3	Tariq Hazem Fayeze Al-Aswad	Member of the Board of Directors	Executive
4	Mohammed Hazem Fayeze Al-Aswad	Member of the Board of Directors	Executive
5	Ayham Mohammed Abdullah Al-Youssef	Member of the Board of Directors	Independent
6	Abdul Qadir Khalil Abdul Qadir Al-Nimri	Member of the Board of Directors	Independent
7	Talal Hazem Rajeh Al Ghalib	Member of the Board of Directors	Independent

## 2. Current and previous positions, qualifications and experiences for each of the board members, committee members and senior executives:

### a) Board of Directors

S. NO	Name	Current jobs	Previous jobs	Qualifications	Experiences
1	<b>Hazem Fayeز Khaled Al-Aswad</b>	- Chairman of the Board of Directors of Saudi Marketing Company. - CEO of Al Aswad Trading and Contracting Company. -Chairman of the Board of Directors of Saudi Marketing and Trade Company JSC. (Holding company). -Chairman of the Board of Directors of Saudi Marketing and Trade Company JSC.	- Civil engineer at the Saudi Research and Development Company. -Director of Interredic Aswad Contracting Company	Bachelor of Civil Engineering - Cairo University in 1968	50 years of experience in the field of contracting, trade, business and administration
2	<b>Maher Hazem Fayeز Al-Aswad</b>	CEO and Managing Director of Saudi Marketing Company	A metallurgical engineer in the Minerals Engineering Unit in the Aramco Consulting Services Department General Manager of Saudi Marketing Company	Bachelor of Science in Materials and Mineral Engineering from the University of Colorado - USA in 1994	More than 25 years of experience in project management, engineering and business administration
3	<b>Tariq Hazem Fayeز Al-Aswad</b>	Chief Operating Officer And an executive board member of Saudi Marketing Company	Head of Procurement for Saudi Marketing Company	Bachelor of Business Administration with a specialization in Marketing from the University of Colorado - USA in 1998	25 years of experience in the retail sector
4	<b>Mohammad Hazem Fayeز Al-Aswad</b>	Head of Shared Services And an executive board member of Saudi Marketing Company	Accounts Manager for Saudi Marketing Company	Bachelor of Business Administration majoring in Financial Management from the Lebanese American University in Lebanon in 2007. Master of Business Administration from City University, London, 2008.	15 years of experience in retail and business

5	<b>Abdul Qadir Khalil Al-Nammiri</b>	Retired	Deputy General Manager and Director of the Eastern Region at the Arab Bank. -General Manager of Operations and Services at the Arab Group Company, one of the Zainal Group companies. -President of the Durrat Al-Khobar Entertainment and Tourism Company -Advisor to His Excellency Sheikh Faisal Al-Shuhail, Chairman of the Board of Directors of Al-Shuhail Commercial Group.	Bachelor of Civil Engineering at the University of Petroleum and Minerals. Master of Business Administration from America	In the field of administration and economics
6	<b>Ayham Mohammed Abdullah Al-Youssef</b>	Part-time financial advisor	General Supervisor of the Real Estate Development Fund CEO of Al-Bilad Capital CEO of Vision Capital Company, UAE	BA in Industrial Management from King Fahd University of Petroleum and Minerals in 1993 Master of Business Administration	In the field of financial advisory for more than 30 years
7	<b>Talal Hazem Al Ghalib</b>	General Manager of Nabta Financial Advisors	-Jules Bear Bank - Investments Investment -Bank of Paribas - placement of financial investments -SABB Bank - Investing in Financial Investments -Gulf Finance House - Utilizing financial investments	Bachelor's degree in Finance and Investment, University of America An executive course in real estate development from Harvard University	In the field of recruiting and managing financial investments

**b) Members of the Audit Committee**

S.NO	Name	Current jobs	previous jobs	Qualifications	Experiences
1	<b>Abdul Qadir Khalil Abdul Qadir Al-Nammiri</b>	Retired	Deputy General Manager and Director of the Eastern Region at the Arab Bank. - General Manager of Operations and Services at the Arab Group Company, one of the Zainal Group companies. - President of the Durrat Al-Khobar Entertainment and Tourism Company - Advisor to His Excellency Sheikh Faisal Al-Shuhail, Chairman of the Board of Directors of Al-Shuhail Commercial Group. Adviser to His Highness Prince Jalawi bin Abdulaziz bin Musaed, Governor of Najran Region	Bachelor of Civil Engineering at the University of Petroleum and Minerals. Master of Business Administration from America	In the field of administration and economics
2	<b>Abdullah Khalaf Al-Binali</b>	Head of Risk Management, National Bank of Kuwait, Saudi Arabia	-Team Leader, Corporate Finance Department, National Bank of Kuwait, Saudi Arabia Work for Riyadh Bank, Al Jazira Bank and the Saudi Investment Bank in the field of corporate finance - Acting Director of Credit Risk Management at the National Bank of Kuwait in Saudi Arabia	Bachelor of Mechanical Engineering, King Fahd University of Petroleum and Minerals in 1999 Postgraduate Diploma in Financial Services, Boston University, 2007 AD Master of Management Studies and Financial Economics, Boston University, 2010	Working for banks in the field of corporate finance
3	<b>Luay Khalil Abu Al-Shammat</b>	Working for Banque Saudi Fransi, Saudi Hollandi Bank, National Commercial Bank and National Bank of Kuwait in the field of corporate finance	Senior Manager, Corporate Client Relations, Arab National Bank	BA in Business Administration, University of San Francisco, 2002 MA in economics - from the University of San Francisco in 2007	Working for banks in the field of corporate finance

**c) Members of the Remuneration and Nomination Committee**

S.NO	Name	Current Jobs	Previous Jobs	Qualifications	Experiences
1	<b>Ayham Mohammed Abdullah Al-Youssef</b>	Part-time Financial advisor	General Supervisor of the Real Estate Development Fund	BA in Industrial Management from King Fahd University of Petroleum and Minerals in 1993 Master of Business Administration	In the field of financial advisory for more than 30 years
2	<b>Tariq Mahmoud Salim Al-Deeb</b>	Director of Corporate Finance Group Department, Bank Al Jazira	Accounts Manager of Saudi Hollandi Bank. Accounts Manager for - Banque Saudi Fransi Assistant General Manager of Bank Al-Jazira	Bachelor of Business Administration Master of Business Administration	In the field of commercial accounts
3	<b>Loay Fahad Hamid Dakhil</b>	-Regional Director of Investment Consulting Riyadh Capital -Member of the Investment Committee of Chubb Arabia for Cooperative Insurance	-Business Development Manager HSBC Arabia Ltd. -Senior Director of Wealth at the National Bank	Bachelor of Industry Management and Marketing	Bank investments

**d) Senior executives**

S.N O	Name	Current Jobs	Previous Jobs	Qualifications	Experiences
1	<b>Maher Hazem Fayez Al-Aswad</b>	CEO and Managing Director of Saudi Marketing Company	A metallurgical engineer in the Minerals Engineering Unit in the Aramco Consulting Services Department	Bachelor of Science in Materials and Mineral Engineering from the University of Colorado - USA in 1994	More than 25 years in project management, Engineering and Business Administration
2	<b>Tariq Hazem Fayez Al-Aswad</b>	Chief Operating Officer And an executive board member of Saudi Marketing Company	Head of Procurement for Saudi Marketing Company	Bachelor of Business Administration with a specialization in Marketing from the University of Colorado - USA in 1998	25 years of experience in the retail sector
3	<b>Muhammad Hazem Fayez Al-Aswad</b>	Head of Shared Services and member of the Executive Board of Directors of Saudi Marketing Company	Accounts Manager for Saudi Marketing Company	Bachelor of Business Administration majoring in Financial Management from the Lebanese American University in .Lebanon in 2007 Master of Business - Administration from City University - London in 2008	15 years of experience in retail and business
4	<b>Salman Ejaz Ur-Rahman</b>	Finance Manager of Saudi Marketing Company	Auditor in Deloitte & Touche Bakr Abu Al-Khair & Co.  Financial coordinator for Saudi Marketing Company	BA in Economics from the University of Pakistan in 2004  Member of the Pakistan Association of Certified Public Accountants from 2011	18 years of experience in accounting and auditing

### 3. Board meetings held during the year 2022

The company's board of directors aim to implement and apply all plans and strategies drawn by the board, and to abide by the rules and regulations stipulated in the articles of association and the corporate governance regulation for the company. In implementation of this, the company's board of directors held four meetings in 2022, in which they discussed the results of the company's business and future plans. Information and financial statements, and the following table shows you the attendance of Board members:

Member name	Attendance Record			
	First meeting 11/04/2022	Second meeting 22/05/2022	Third meeting 09/11/2022	Fourth meeting 28/12/2022
Hazem Fayeز Khaled Al-Aswad	√	√	√	√
Maher Hazem Fayeز Al-Aswad	√	√	√	√
Tariq Hazem Fayeز Al-Aswad	√	√	√	√
Mohammed Hazem Fayeز Al-Aswad	√	√	√	√
Ayham Mohammed Al-Youssef	√	√	√	√
Abdul Qadir Khalil Al-Nimri	√	√	√	√
Talal Hazem Rajeh Al Ghalib	√	√	√	×
Date of the last general assembly meeting of the company: 06/06/2022				

√ Present

× Absent

### 4. Dates of the general assembly of shareholders held during the year 2022

Name	Attendance Record
	First assembly meeting on 06/06/2022
Hazem Fayeز Khaled Al-Aswad	√
Maher Hazem Fayeز Al-Aswad	√
Tariq Hazem Fayeز Al-Aswad	√
Mohammed Hazem Fayeز Al-Aswad	√
Ayham Mohammed Al-Youssef	√
Abdul Qadir Khalil Al-Nimri	√
Talal Hazem Rajeh Al Ghalib	√

√ Present

**5. Names of companies inside or outside the Kingdom of which a member of the company's board of directors is a member of its current and previous boards of directors or of its managers are shown as follows:**

Member's name	Names of companies in which a member of the board of directors is a member of their current boards of directors or of their managers	Inside the Kingdom/ Outside the Kingdom	Legal Entity (Listed Shareholding / Unlisted Shareholding / Limited / Liability)	Names of companies in which a member of the board of directors was a member of their previous boards of directors or of their managers	Inside the Kingdom / Outside the Kingdom	Legal Entity (Listed Shareholding / Unlisted Shareholding / Limited Liability)
<b>Hazim Fayez Al Aswad</b>	Al-Aswad Trading and Contracting Company Saudi - Marketing and Trade Company JSC. (holding company Saudi - Marketing and Trade Company JSC	-Inside the kingdom -Outside the kingdom -Outside the kingdom	- Limited liability -Non listed JSC - Non listed JSC	-Trade Union Cooperative Insurance Company Bemo Saudi Fransi Bank	-Inside the kingdom -Outside the kingdom	- Listed JSC - Listed JSC
<b>Maher Hazem Al Aswad</b>	-Saudi ITT Company	-Inside the kingdom	-Limited liability	-	-	-
<b>Tariq Hazem Al Aswad</b>	-	-	-	-	-	-
<b>Mohammed Hazem Al Aswad</b>	-Pure Springs for Agencies and Trade Co. Ltd	-Inside the kingdom	-Limited liability	-	-	-
<b>Abdul Qadir Khalil Al Nimri</b>	-	-	-	-	-	-
<b>Talal Hazem Al Ghalib</b>	-Twenty-One North - Nabta Consulting Company	- Outside the kingdom - Outside the kingdom	-Closed JSC - Closed JSC	-	-	-
<b>Ayham Mohammed Abdullah Al Youssef</b>	-Gulf Union Cooperative Insurance Company Saudi Home Finance Company	- Inside the kingdom  - Inside the kingdom	- Listed JSC - Listed JSC	-Core Contracting Company  - Vision Capital Company	-Outside the kingdom  - Outside the kingdom	-Limited liability -Limited liability

**6. Remuneration policy of the company and the remuneration paid to members of the board of directors, senior executives and committees of the board of directors during the year 2022:**

The company has prepared a remuneration policy for the members of the Board of Directors of Saudi Marketing Company (Farm Superstores), its committees and the executive management , and it was approved by the company's general assembly on the date of 11/12/2017 and take into account the bonuses granted to members of the Board of Directors and senior executives that they conform to the approved policy, and the company confirms that there is no fundamental deviation from this policy.

**The following is a mechanism for remuneration policy for members of the Board of Directors of Saudi Marketing Company (Farm Superstores), its committees, and the executive management, in accordance with what is stated in the policy:**

**A. Remunerations Objectives:**

One of the primary goals of the company is to attract qualified competencies in order to work in the board and the committees emerging from it and the executive management. The company focuses on preserving qualified individuals who believe in the values and goals of the company and the company is keen so that those individuals who work in the board, committees and executive management receive the best wages in maintaining internal justice and continuing to pay remunerations for their performance to maintain a competitive policy in line with the work sector in other companies.

**B. Remunerations Mechanism:**

- The remuneration is in line with the company's strategy and goals.
- The remuneration is granted with the aim of urging members of the Board of Directors and the executive management to work in the success and development of the company.
- The consistency of the remuneration with the nature and size of the risks in the company.
- Attracting, maintaining and motivating qualified administrative competencies.
- The remuneration is determined based on the level of the position, the tasks and responsibilities assigned to the occupant, the academic qualifications, experiences, skills, and level of performance

**C. Remuneration for members of the Board of Directors:**

According to the text of Article (21) of the company's articles of association, the board of directors 'remuneration consists of bonuses, attendance allowances, and financial or in-kind benefits that do not exceed the amount of (500,000) five hundred thousand riyals for each member within the limits stipulated in the Companies Law and its regulations.

**D. Remunerations of the members of the committees emerging from the board:**

- An annual remuneration of (50,000) fifty thousand riyals for one member.
- Allowance for attending committee meetings is (5,000) five thousand riyals for each member for one meeting.

**E. Executive Management Remuneration:**

- Basic salary paid monthly.
- Allowances that include, but are not limited to, a housing allowance - a car allowance - a telephone allowance - an education allowance for children.
- Insurance benefits, for example, but not limited to - medical and family insurance - life insurance that includes (work injuries, partial and total disability and death at work).
- Benefits including annual leave - annual travel tickets - private driver - end of service gratuity.

- Annual remuneration linked to performance indicators according to the evaluation made in this regard.
- The plans, programs and general guidelines for the remuneration of senior executives are approved by the Remuneration and Nominations Committee.
- The CEO implements the remuneration policy for employees and senior executives in light of the general plans, programs and guidelines approved by the Remuneration and Nominations Committee.

**F. Remunerations and compensations paid to members of the Board of Directors during the year 2022 (numbers are in Saudi riyals)**

	Fixed remunerations							Variable remunerations					End of Service benefit	Grand total	Expenses allowance	
	A certain amount	Allowance for attending council sessions	Total session attendance allowance Committees	Benefits in kind	An indication of what the council members have paid As workers or administrators Or what they received in return for work	Remuneration for Chairman of the Board or	Total	percentage of profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Awarded Shares (value is entered)				Total
First: the independent members																
1- Ayham Muhammad Al-Youssef *	-	20,000	10,000	-	-	-	30,000	-	200,000	-	-	-	200,000	-	230,000	-
2- Abdul Qadir Khalil Al-Nimri *	-	20,000	20,000	-	-	-	40,000	-	200,000	-	-	-	200,000		240,000	-
3- Talal Rajeh Al Ghalib	-	15,000	-	-	-	-	15,000	-	150,000	-	-	-	150,000	-	165,000	-
Total	-	55,000	30,000	-	-	-	85,000	-	550,000	-	-	-	550,000	-	635,000	-
Second: Non-executive members																
1- Hazem Fayez Al-Aswad	-	20,000	-	-	-	-	20,000	-	150,000	-	-	-	150,000	-	170,000	-
Total	-	20,000	-	-	-	-	20,000	-	150,000	-	-	-	150,000	-	170,000	-
Third: Executive members																
1- Maher Hazem Al-Aswad	-	20,000	-	-	917,500	-	937,500	-	150,000	-	-	-	150,000	-	1,087,500	-
2- Tariq Hazem Al-Aswad	-	20,000	-	-	893,500	-	913,500	-	150,000	-	-	-	150,000	-	1,063,500	-
3-Mohammed Hazem Al-Aswad	-	20,000	-	-	737,500	-	757,500	-	150,000	-	-	-	150,000	-	907,500	-
Total	-	60,000	-	-	2,548,500	-	2,608,500	-	450,000	-	-	-	450,000	-	3,058,500	-

\* Mr. Ayham Muhammad Al-Youssef received a periodic remuneration of 200,000 riyals, of which 50 thousand riyals, for his membership in the Remuneration and Nominations Committee.

\*Mr. Abdul Qadir Khalil Al-Nimri received a periodical remuneration of 200,000 riyals, of which 50 thousand riyals, for his membership in the Audit Committee.

**G. Remunerations and compensation paid to senior executives during the year 2022 (numbers are in Saudi riyals)**

	Fixed remunerations				Variable remunerations						End of service award	Total remuneration of board executives, if any	Grand Total
	Salaries	Allowances	In kind benefits	Total	Periodic remunerations	Percentage of profits	Short-term incentive	Long-term incentive	Granted Shares (value is entered)	Total			
<b>1- Maher Hazem Al-Aswad</b>	617,500	300,000	-	917,500	350,000	-	-	-	-	350,000	-	150,000	1,417,500
<b>2-Tariq Hazem Al-Aswad</b>	593,500	300,000	-	893,500	350,000	-	-	-	-	350,000	-	150,000	1,393,500
<b>3-Mohammed Hazem Al-Aswad</b>	497,500	240,000	-	737,500	300,000	-	-	-	-	300,000	-	150,000	1,187,500
<b>4- Salman Ejaz Ur-Rahman</b>	202,500	75,250	-	277,750	30,000	-	-	-	-	30,000	-	-	307,750
<b>Total</b>	1,911,000	915,250	-	2,826,250	1,030,000	-	-	-	-	1,030,000	-	450,000	4,306,250

\*Senior Executives of the company are represented by three members of the board of (Executives) directors, including the CEO (Maher Hazem Al-Aswad), in addition to the current finance manager (Salman Ejaz Ur-Rahman), so that the number of senior executives of the company now become four executives.

**H. Remunerations paid to committee members during the year 2022 (numbers are in Saudi riyals)**

	Fixed remunerations (except allowance for attending sessions)	Allowance for attending sessions	Total
<b>Members of the Audit Committee</b>			
<b>1 - Abdul Qadir Khalil Al-Nimri</b>	50,000	20,000	70,000
<b>2- Abdullah Khalaf Al-Binali</b>	50,000	20,000	70,000
<b>3- Loay Khalil Abu Al-Shamat</b>	50,000	20,000	70,000
<b>Total</b>	150,000	60,000	210,000
<b>Members of the Remuneration and Nomination Committee</b>			
<b>1-Ayham Muhammad Abdullah Al-Youssef</b>	50,000	10,000	60,000
<b>2- Tariq Mahmoud Al-Deeb</b>	50,000	10,000	60,000
<b>3- Loay Fahad Dakhil</b>	50,000	10,000	60,000
<b>Total</b>	150,000	30,000	180,000

**In light of the foregoing, the management of Saudi Marketing Company (Farm Superstores) confirms the following:**

- There are no arrangements or agreements whereby any of the members of the board of directors or the senior executives waived any salary or compensation.
- There are no arrangements or agreements whereby any of the shareholders of Saudi Marketing Company waived any rights to profits.
- There are no investments or other reserves created for the benefit of the employees of Saudi Marketing Company.

## 7. Committees of the Board of Directors:

### Audit Committee

The audit committee is responsible for monitoring the Company's activities and ensuring the integrity and effectiveness of the reports, financial statements and internal control systems. The duties of the audit committee particularly include the following:

- analyzing the Company's interim and annual financial statements before presenting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness and transparency;
- 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 contain information that allows shareholders and investors to assess the Company's financial position, performance, business model, and strategy;
- analyzing any important or non-familiar issues contained in the financial reports.
- accurately investigating any issues raised by the Company's chief financial officer or any person assuming his/her duties or the Company's compliance officer or external auditor;
- examining the accounting estimates in respect of significant matters that are contained in the financial reports;
- examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon.
- examining and reviewing the Company's internal and financial control systems and risk management system;
- analyzing the internal audit reports and following up the implementation of the corrective measures in respect of the remarks made in such reports;
- monitoring and overseeing the performance and activities of the internal auditor and internal audit department of the company, if any, to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties. If the Company has no internal auditor; the committee shall provide a recommendation to the Board on whether there is a need to appoint an internal auditor.
- providing a recommendation to the Board on appointing the manager of the internal audit department, or the internal auditor and suggest his/her remunerations.
- Recommending to the Board to nominate external auditors, dismiss them, determine their remunerations, and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts;
- Verifying the independence of the external auditor, its objectivity, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards;
- reviewing the plan of the Company's external auditor and its activities, and ensuring that it does not provide any technical or administrative works that are beyond its scope of work, and provides its opinion thereon;
- responding to queries of the Company's external auditor;
- reviewing the external auditor's reports and its comments on the financial statements, and following up the procedures taken in connection therewith.
- reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith;

- ensuring the Company's compliance with the relevant laws, regulations, policies and instructions;
- reviewing the contracts and proposed Related Party transactions, and providing its recommendations to the Board in connection therewith;
- reporting to the Board any issues in connection with what it deems necessary to take action on, and providing recommendations as to the steps that should be taken.

The Audit committee was formed in accordance with the requirements of the corporate governance regulation issued by the Capital Market Authority and the Corporate Governance Regulations for Saudi Marketing Company, and the committee held four meetings during the year 2022, as follows:

Member name	Attendance of Meeting				Position
	First meeting 29/03/2022	Second meeting 22/05/2022	Third meeting 23/08/2022	Fourth meeting 08/11/2022	
Abdul Qadir Khalil Al-Nammiri	√	√	√	√	Committee Chairman
Abdullah Khalaf Al-Binali	√	√	√	√	Member
Loay Khalil Abu Al-Shamat	√	√	√	√	Member

√ Present

## Remuneration and Nominations Committee

The responsibilities and duties of the Remuneration and Nomination Committee include:

- preparing a clear policy for the remunerations of the Board members and its committees and the Executive Management, and presenting such policy to the Board in preparation for approval by the General Assembly, provided that such policy follows standards that linked to performance, and disclosing and ensuring the implementation of such policy;
- clarifying the relation between the paid remunerations and the adopted remuneration policy, and highlighting any material deviation from that policy.
- periodically reviewing the remuneration policy and assessing its effectiveness in achieving its objectives;
- providing recommendations to the Board in respect of the remunerations of its members, the committee's members and Senior Executives, in accordance with the approved policy.
- suggesting clear policies and standards for membership of the Board and the Executive Management;
- providing recommendations to the Board for the nomination or re-nomination of its members in accordance with approved policies and standards, taking into account that nomination does not include any person convicted of a crime involving moral turpitude or dishonesty;
- preparing a description of the capabilities and qualifications required for membership of the Board and Executive Management positions;
- determining the amount of time that the member shall allocate to the activities of the Board;

- annually reviewing the skills and expertise required of the Board members and the Executive Management;
- reviewing the structure of the Board and the Executive Management and providing recommendations regarding changes that may be made to such structure;
- annually ensuring the independence of Independent Directors and the absence of any conflicts of interest if a Board member also acts as a member of the Board of directors of another company;
- providing job descriptions for the Executive, Non-Executive and Independent Directors and the Senior Executive Management;
- setting procedures to be followed if the position of a member of the Board or a Senior Executive becomes vacant; and
- determining the strengths and weaknesses of the Board and recommending remedy solutions that serve the Company's interests.

The Remuneration and Nominations Committee was formed in accordance with the requirements of the Corporate Governance Regulations issued by the Capital Market Authority and the Corporate Governance Regulations for Saudi Marketing Company, and the committee held two meetings during the year 2022 as follows:

Member Name	First meeting 18-04-2022	Second meeting 27-06-2022	Position
Ayham Muhammad Al-Youssef	√	√	Committee Chairman
Tariq Mahmoud Al-Deeb	√	√	Member
Loay Fahad Dakhil	√	√	Member

√ Present

**8. Actions taken by the Board of Directors to inform its members, especially non-executives, of shareholders' proposals and comments about the company and its performance:**

The company's board of directors, through the meetings of the general assembly of shareholders, opens the door for discussion for the shareholders to make their comments and suggestions about the company. Their questions and inquiries are answered during the assembly. These questions and answers are included in the minutes of the meeting of each General Meeting and are presented to the members of the board of directors to inform them of these questions, and also, these minutes are provided on the company's website, and in the event that any inquiries are received via the company's e-mail or phone, they are referred to and discussed during the meetings of the Board of Directors.

# CAPITAL AND SHARE HOLDERS' EQUITY

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### Third: Capital and shareholders' equity

#### 1. The company's capital

The capital of Saudi Marketing Company (Farm Superstores) is 450 million Saudi riyals, and the number of the company's shares is 45 million shares, with a nominal value of 10 riyals per share.

#### 2. The last three changes in the capital

Saudi Marketing Company (Farm Superstores) was established as a limited liability company and it was registered in the Commercial Registry in Dammam with the number (2050006430) and the date 02/01/1399H (corresponding to 02/12/1978).

**The following is a presentation of the last three changes that occurred in the company's capital and equity:**

On 12/11/1432H corresponding to 08/08/2011, the partners in the company decided to increase its capital to 250,000,000 Saudi riyals, and the increase was met by transferring an amount of 50,000,000 Saudi riyals from the account of payments made by the partners, and the shares were distributed as follows:

Owner	Number of cash shares	Share value ((SAR	(Total (SAR	Ownership percentage
Hazim Fayeze Al Aswad	22,500,000	10	225,000,000	90%
Sahar Abdul Karim Al Madani	2,500,000	10	25,000,000	10%
Total	25,000,000		250,000,000	100%

Under the approval of the Extraordinary General Assembly held on 22/12/1435H corresponding to 16/10/2014 to increase the company's capital by granting free shares, the company raised the capital from 250 million riyals to 350 million riyals, with an increase of 40% Consequently, the number of the company's shares increased from (25,000,000) shares to (35,000,000) shares, with an increase of (10,000,000) shares.

- According to the approval of the Extraordinary General Assembly held on 19/07/1437H corresponding to 26/04/2016 to increase the company's capital by granting free shares, the company raised the capital from 350 million riyals to 450 million riyals, with an increase of 28.57% Consequently, the number of the company's shares increased from (35,000,000) shares to (45,000,000) shares, with an increase of (10,000,000) shares.

#### 3. Change in ownership shares of major shareholders during the year 2022

The following table shows the names, number of shares and the percentage of ownership of the major shareholders of the company who own 5% or more, and their change during the year 2022.

Name of the shareholder	Number of shares at the beginning of 2022	Ownership percentage at the beginning of 2022	Number of shares at the end of 2022	Ownership percentage at the end of 2022
Hazem Fayeze Khaled Al-Aswad	23,952,716	53.22%	23,952,716	53.22%

#### 4. Shares and debt instruments and their change of board members and their relatives in the company and the subsidiary during the year 2022

S. N	Member name	Number of shares owned by Saudi Marketing Company and that it in has an interest in them							Debt instruments at the beginning of the year and at the end of the year
		Membership classification	Number of shares at the beginning of 2022	Number of shares at the end of 2022	Percentage change	Relatives' shares at the beginning of 2022	Relatives' shares at the end of 2022	Percentage of change in the relatives' ownership	
1	Hazem Fayez Al Aswad	Non-Executive	23,952,716	23,952,716	-	5,858,110	5,858,110	-	Not available
2	Maher Hazem Al-Aswad	Executive	1,310,000	1,310,000	-	28,500,826	28,500,826	-	Not available
3	Tariq Hazem Al-Aswad	Executive	1,319,058	1,319,058	-	28,491,768	28,491,768	-	Not available
4	Mohammed Hazem Al-Aswad	Executive	1,334,552	1,334,552	-	28,476,274	28,476,274	-	Not available
5	Abdul Qadir Khalil Al-Nimri	Independent	48	48	-	-	-	-	Not available
6	Talal Hazem Al Ghalib	Independent	100	100	-	-	-	-	Not available
7	Ayham Mohammed Abdullah Al-Youssef	Independent	1,000	1,000	-	-	-	-	Not available

- The Chairman of the Board of Directors/Hazem Fayez Al-Aswad has an interest in the shares of the company from the side of his children (Executive Board Members), his wife and his daughters.
- Each of the executive board members has an interest in the shares of the company on the one hand of their father, Chairman of the Board of Directors/Hazem Fayez Al-Aswad, and their mother and daughters.
- The Chairman of the Board of Directors/Hazem Fayez Al-Aswad has ownership in the share of the subsidiary of the company (Pure Springs Company for Agencies and Trading Ltd.) and has already been referred to in this report in the section on subsidiaries.
- Each of the members of the executive board of directors referred to in the above table has an interest in a share in the company affiliated to the company (Pure Springs Company for Agencies and Trading Ltd.) on the part of their father, Chairman of the Board of Directors/Hazem Fayez Al-Aswad, and has already been referred to in this report in the section on the subsidiary companies.

#### 5. Shares and debt instruments and their change of senior executives and their relatives in the company and the subsidiary during the year 2022

- There is no ownership of shares or debt instruments in the company and the subsidiary company of the company belonging to the senior executives and their relatives, other than the executive board members of the company who were previously referred to in the above table.
- The finance manager of the company and his relatives do not own any shares in the company or the subsidiary company of the company, and he does not have any interest in the shares or debt instruments of the company and the subsidiary company.

- Each of the company's senior executives (Maher Hazem Al-Aswad, Tariq Hazem Al-Aswad, Mohammed Hazem Al-Aswad) has an interest in the shares of the company on the side of their father, Chairman of the Board of Directors/Hazem Fayez Al-Aswad, and their mother and sisters.
- Each of the company's senior executives (Maher Hazem Al-Aswad, Tariq Hazem Al-Aswad, Mohammed Hazem Al-Aswad) has an interest in the share of the subsidiary company on the side of their father, Chairman of the Board of Directors/Hazem Fayez Al-Aswad, and has already been referred to in this report in the section on subsidiary companies.

## 6. Shareholders' equity

### Equitable treatment of shareholders

The Board of Directors is keen to treat all shareholders equitably, including minority shareholders and foreign investors, and all shareholders who hold the same class of shares are treated equally. Moreover, the Board of Directors and senior executives are required to disclose whether they have direct or indirect material interests in any transaction or a matter with a direct impact on the company.

The company is also keen on equitable treatment of shareholders to cast their votes during the general assembly meetings, and it also ensures that there are no difficult or costly procedures for shareholders.

The company will take all necessary steps to prevent internal trading and abusive dealings to achieve personal gains, and the abusive deal occurs when people have a close relationship with the company, including controlling shareholders, and the exploitation of this relationship to harm the company and investors, while internal trading includes practices that exploit the systems of the Capital Market Authority illegally and this of course is prohibited by the company.

### Rights related to shares

The company pays special attention to the rights of its shareholders and their rights related to their shares and inform them of all important developments that are taking place, in particular:

- Obtaining his share of the net profits to be distributed in cash or by issuing shares.
- Obtaining his share of the company's assets upon liquidation.
- Attending public or private shareholders' assemblies, participating in their deliberations and voting on their decisions.
- Disposing of his shares in accordance with the provisions of the Companies Law, the Financial Market Law and their implementing regulations.
- Inquiring and requesting access to the company's books and documents, including data and information on the company's activity and its operational and investment strategy in a way that does not harm the interests of the company and does not conflict with the companies' system, the financial market system and its implementing regulations.
- Monitor the company's performance and the work of the Board of Directors.

- Accountability of the members of the Board of Directors, filing a liability lawsuit against them, and challenging the invalidity of the decisions of the public and private shareholders' societies in accordance with the conditions and restrictions contained in the Companies Law and the Company's Articles of Association.
- Registration of his shares in the register of shareholders in the company.
- Request to see a copy of the articles of association and articles of association.
- Nominating and electing members of the Board of Directors.

### **Shareholder obtaining of information**

- The Board of Directors is obligated to provide complete, clear, correct and not misleading information to enable the shareholder to fully exercise his rights. This information is provided in a timely manner and is regularly updated.
- The means of providing information to the shareholder must be clear and detailed, and include a statement of the company's information that can be obtained and provided to all shareholders of the same category.
- The most effective means must be followed in communicating with shareholders and not being discriminated against in providing information.

### **Communication with shareholders**

- The Board of Directors ensures the achievement of communication between the company and the shareholders, based on a common understanding of the company's strategic objectives and interests.
- The chairman and chief executive officer shall inform the board of directors of shareholders' views and discuss with them.
- It is not permissible for any of the shareholders to interfere in the work of the board of directors or the business of the executive management of the company unless he is a member of its boards of directors or of its executive management, or his intervention was through the ordinary general assembly and according to its competencies or within the limits and conditions authorized by the board of directors.

## **7. The number of the company's requests for the shareholders' register, the dates and reasons for those requests:**

<b>Number of company requests for shareholder register</b>	<b>Date of Request</b>	<b>Reasons for the request</b>
1	13/03/2022	Preparing the Board of Directors' report for the year 2021
2	24/04/2022	Corporate procedures
3	05/06/2022	The Extraordinary General Assembly held on 06/06/2022

# POLICY OF DIVIDEND DISTRIBUTION

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## **Fourth: the policy of dividend distribution**

Shares give their holders the right to obtain the dividend declared by the company, after the end of the process of offering the shares for public subscription, and in the years that follow.

The ordinary general assembly of the shareholders of the company is the decision maker to disburse cash dividends to shareholders based on the recommendation of the board of directors, which takes into account, when issuing this recommendation, the various factors prevailing at the time, including company profits, the financial situation, and the restrictions that the dividend distribution process is subject to under the financing agreements, and the debt, the results of the company's activities, the company's current and future cash needs, expansion plans and the requirements of investments of the company and its subsidiaries, and it should be noted that the distribution of dividend is subject to certain conditions mentioned in the articles of association of the company.

The issue of dividend distribution to the company's shareholders or increasing the capital will be discussed during the periodic meetings of the members of the company's board of directors, according to the company's financial needs and its expansion plans.

### **Dividend distribution mechanism**

The annual net dividend of the company is distributed after deducting all general expenses and other costs as follows:

- 1) A (10%) of the net profits shall be set aside to form the statutory reserve of the company, and the Ordinary General Assembly may decide to discontinue this reserve when the mentioned reserve reaches (30%) of the paid capital.
- 2) The Ordinary General Assembly, based on the proposal of the Board of Directors, may set aside 10% of the net profits to form a consensual reserve to be allocated for the benefit of the company.
- 3) The Ordinary General Assembly may decide to create other reserves to the extent that serves the interest of the company or ensures that fixed profits are distributed as much as possible to the shareholders, and the aforementioned association may also deduct from the net profits amounts for the establishment of social institutions for the company's employees or to assist what may exist from these institutions.
- 4) The company's board of directors takes the appropriate decision regarding the distribution of dividend to shareholders.

### **Percentages and total dividends distributed during the year 2022**

The Extraordinary General Assembly, held on 06/06/2022, approved the Board of Directors' recommendation on 30/03/2022 not to distribute dividends to the shareholders of the company for the financial year ending 31/12/2021 To support and strengthen the financial position of the Company, and its expansion during the current year, in addition to the upgrades and renovations for the existing branches, and accordingly no dividends were distributed during the year 2022.

# TRANSACTIONS WITH RELATED PARTIES

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## Fifth: Dealings with related parties during the year 2022

### • Al-Aswad Trading and Contracting Company

The company, as a lessee party, has entered into several lease contracts with Al Aswad Trading and Contracting Company as a lessor party - a Saudi Company under Commercial Registration No. (2050005395) issued from Dammam on 21/01/1398H, in which the Chairman of the Board of Directors, Engineer / Hazem Fayez Al-Aswad, Member of the Board of Directors, Engineer / Maher Hazem Al-Aswad, Member of the Board of Directors, Mr. / Tariq Hazem Al-Aswad, and Member of the Board of Directors, Mr. / Mohammed Hazem Al-Aswad, have a direct interest and these contracts are required to be presented to the General Assembly for approval of these transactions related to the year 2022 without having the right to vote on them. The number of lease contracts is nine (9) with the following details:

S. N	Lessor	Type	location	Area m2	Transaction amount during the year	Contract Start	Contract end	Remarks
1	Al Aswad Trading & Contracting Company*	Supermarket	Dammam Farm 14	982	189,750	19/07/2012	8.8 years	Contract renewal in progress
2	Al Aswad Trading & Contracting Company*	Supermarket	Dammam Farm 17	771	253,000	01/01/2011	11.7 years	Contract renewal in progress
3	Al Aswad Trading & Contracting Company*	Supermarket	Ras Tanura Farm 18	2,241	948,750	01/01/2011	11.8 years	Contract renewal in progress
4	Al Aswad Trading & Contracting Company*	Supermarket	Safwa Farm 19	2,979	1,043,625	01/01/2011	11.9 years	Contract renewal in progress
5	Al Aswad Trading & Contracting Company*	Supermarket	Al-Jubail Farm 21	1,284	626,175	01/01/2011	14 years	An increase of 10% from 01/01/2021 to 11/01/2025, according to the contract
6	Al Aswad Trading & Contracting Company*	Supermarket	Al-Jubail Farm 31	525	333,500	01/01/2011	14.2 years	An increase of 9.8% from 09/03/2020 until 08/03/2025 according to the contract
7	Al Aswad Trading & Contracting Company*	Supermarket	Al-Jubail Farm 32	874	287,500	01/01/2011	14.2 years	An increase of 8.23% from 09/03/2020 until 08/03/2025 according to the contract
8	Al Aswad Trading & Contracting Company*	Supermarket	Dammam Farm 54	1,680	966,000	26/05/2015	21.2 years	An increase of 50 riyals over a square meter every five years from the date 26/05/2020 until the end of the contract on 20/07/2036 according to the contract
9	Al Aswad Trading & Contracting Company*	Games	Dammam Adventure World	3,213	1,391,500	01/01/2011	10 years	Contract renewal in progress

\* A discount of 2,299,110 riyals was obtained from Al-Aswad Trading and Contracting Company for the year 2022.

The company's management confirms that all contracts and dealings with related parties are carried out in a regular, legal and on a commercial basis, and do not affect in any way the business and revenues of the company.

### **Pure Spring Agencies & Trading Co. Ltd.**

The company, as a lessor party, has entered into several lease contracts with Pure Spring Agencies & Trading Co. Ltd., (a subsidiary company), in which the Chairman of the Board of Directors Mr. Hazem Fayeze Al Aswad owns 10% of the shares, as a lessee party, and these contracts are required to be presented to the General Assembly for approval of these transactions related to the year 2022 without the Chairman of the Board of Directors having the right to vote on them, and the number of these contracts is eight (8) with details as below:

S.N	Type	Location	Area M2	Transaction amount during the year	Contract Start	Contract End	Remarks
1	Shop	Naf complex, Dhahran	60	46,000	01/01/2011	2 years	Automatically renewed
2	Shop	Dhahran Complex, Khobar	26	13,800	01/01/2011	2 years	The contract ended on 26/05/2022
3	Shop	Al-Ahsa	86.5	25,156	15/02/2008	2 years	The contract ended on 27/06/2022
4	Shop	Khafji	166	132,250	13/08/2009	2 years	Automatically renewed
5	Shop	Hafar Al-Batin	75	86,250	05/07/2021	2 years	Automatically renewed
6	Shop	Khobar	8.5	34,500	17/06/2015	2 years	Automatically renewed
7	Shop	Al-Jubail	8	46,000	01/09/2016	2 years	Automatically renewed
8	Shop	Yanbu	56	46,000	01/03/2017	2 years	Automatically renewed

The company's management confirms that all contracts and dealings with related parties are carried out in a regular, legal and commercial manner, and do not affect in any way the business and revenues of the company.

The company entered into an agreement on 01/01/2017 with Pure Spring Agencies & Trading Co. Ltd. (a subsidiary company) in which the Chairman of the Board of Directors Mr. Hazem Fayeze Al Aswad owns 10% of the shares. The duration of this contract is one year from the date of its signing and it is automatically renewed. According to this contract, the Pure Spring Agencies & Trading Co. Ltd. purchases from the branches of the company, and the amount of dealing with the company during the year 2022 amounted to 650,170 Saudi riyals. This contract is to be presented to the general assembly for approval without the chairman of the board of directors having the right

to vote on it, and the company's management confirms that all contracts and dealings with related parties are carried out in a regular, legal and commercial basis, and do not affect in any way on Company business and revenue.

The company entered into an agreement on 01/01/2017 with Pure Spring Agencies & Trading Co. Ltd. (a subsidiary company) in which the Chairman of the Board of Directors Mr. Hazem Fayeze Al Aswad owns 10% of the shares. According to this contract, the Pure Spring Agencies & Trading Co. Ltd. supplies foodstuffs to the branches of the company, and the amount of dealing with the company during the year 2022 amounted to 1,467,004 Saudi riyals. This contract is to be presented to the general assembly for approval without the chairman of the board of directors having the right to vote on it, and the company's management confirms that all contracts and dealings with related parties are carried out in a regular, legal and commercial basis, and do not affect in any way on Company business and revenue.

- **Al Aswad Electro Mechanical Company, Al Aswad Trading and Contracting Company, Space Travel & Tourism Agency, Al Aswad Trading Company and Dar Al Karm Restaurants**

The current lease contracts entered into by the company with Al-Aswad Electro Mechanical Company, Al-Aswad Trading and Contracting Company, Space Travel & Tourism Agency, Al Aswad Trading Company, and Dar Al Karm Restaurants, in which the Chairman of the Board of Directors, Engineer / Hazem Fayeze Al-Aswad, Member of the Board of Directors, Engineer / Maher Hazem Al-Aswad, Member of the Board of Directors, Mr. / Tariq Hazem Al-Aswad, and Member of the Board of Directors, Mr. / Mohammed Hazem Al-Aswad, have a direct interest and these contracts are required to be presented to the General Assembly for approval of these contracts without having the right to vote on them, and the following are the details of these contracts and the amounts of transactions related to the year 2022:

S. N	Lessee	Type	Location	Area M2	Transaction amount during the year	Contract start	Contract End	Remarks
1	Al-Aswad Trading and Contracting Company	Offices	Dammam	478	282,325	01/03/2015	8 years	
2	Al-Aswad Electro Mechanical Company	Warehouse	Khalidiya	795	138,000	01/01/2005	20 years	

The company's management confirms that all contracts and dealings with related parties are carried out in a regular, legal and on commercial basis, and do not affect in any way the business and revenues of the company.

The company entered into an agreement on 27/03/2013 with Space Travel & Tourism Agency - a branch of Al Aswad Trading and Contracting Company, in which the Chairman of the Board of Directors, Engineer / Hazem Fayeze Al-Aswad, Member of the Board of Directors, Engineer /

Maher Hazem Al-Aswad, Member of the Board of Directors, Mr. / Tariq Hazem Al-Aswad, and Member of the Board of Directors, Mr. / Mohammed Hazem Al-Aswad, have a direct interest without having the right to vote. The duration of this contract is one year from the date of its signing, and it is automatically renewable unless one of the parties notifies the other one month before its expiration date. Under this contract, Space Travel & Tourism Agency provides reservation services for domestic and international travel tickets to the company's employees, and the dues are settled at the end of each calendar month. The total number of transactions resulting from this contract during the year 2022 is 1,485,785 Saudi riyals, and the approval of the general assembly will be taken on the value of these transactions at the next assembly meeting.

The company entered into an agreement on 27/03/2013 with Dar Al Karam restaurants a branch of Al Aswad Trading and Contracting Company, in which the Chairman of the Board of Directors, Engineer / Hazem Fayez Al-Aswad, Member of the Board of Directors, Engineer / Maher Hazem Al-Aswad, Member of the Board of Directors, Mr. / Tariq Hazem Al-Aswad, and Member of the Board of Directors, Mr. / Mohammed Hazem Al-Aswad, have a direct interest without having the right to vote. The duration of this contract is one year from the date of its signing and it is automatically renewable unless one of the parties informs the other party one month before its expiry date. According to this contract, the company supplies Dar Al Karam restaurants with its requirements of foodstuffs for the restaurants work, provided that the restaurant pays the Company dues within a month from the date of receiving the approved account statements, as the total number of transactions resulting from this contract during the year 2022 amounted to 185,544 Saudi riyals, and the approval of the general assembly will be obtained on the value of these transactions at the next assembly meeting.

On 01/01/2021, the company entered into a contract with Al Aswad Trading and Contracting Company, in which the Chairman of the Board of Directors, Engineer / Hazem Fayez Al-Aswad, Member of the Board of Directors, Engineer / Maher Hazem Al-Aswad, Member of the Board of Directors, Mr. / Tariq Hazem Al-Aswad, and Member of the Board of Directors, Mr. / Mohammed Hazem Al-Aswad, have a direct interest without having the right to vote. The duration of this contract is one year from the date of its signing and it is automatically renewable unless one of the two parties notifies the other one month before its expiry date. According to this contract the Company secure Saudi and non-Saudi workers to work in Al-Aswad Trading and Contracting Company as needed, as the total transactions resulting from this contract during the year 2022 amounted to 3,180,273 Saudi riyals in favor of the company, and the approval of the General Assembly on the value of these transactions will be taken at the next assembly meeting.

On 01/01/2017, the company entered into a contract to provide consultancy, maintenance and technical support service with Al Aswad Trading and Contracting Company, in which the Chairman of the Board of Directors, Engineer / Hazem Fayez Al-Aswad, Member of the Board of Directors, Engineer / Maher Hazem Al-Aswad, Member of the Board of Directors, Mr. / Tariq Hazem Al-Aswad, and Member of the Board of Directors, Mr. / Mohammed Hazem Al-Aswad,

have a direct interest without having the right to vote, for a number of nine commercial complexes in the cities of Dammam and Jubail. The period of this contract is one year from the date of its signing. It is automatically renewable. The total amount of transactions resulting from this contract during the year 2022 reached 1,242,000 Saudi riyals in favor of the company, and the approval of the General Assembly on the value of these transactions will be taken at the next assembly meeting.

On 02/02/2020, the company entered into a contract for the supply and installation of solar energy cells with Al-Aswad Trading and Contracting Company, in which the Chairman of the Board of Directors, Engineer / Hazem Fayez Al-Aswad, Member of the Board of Directors, Engineer / Maher Hazem Al-Aswad, Member of the Board of Directors, Mr. / Tariq Hazem Al-Aswad, and Member of the Board of Directors, Mr. / Mohammed Hazem Al-Aswad, have a direct interest without having the right to vote. According to this contract, Al-Aswad Trading and Contracting Company supplies and installs solar energy cells for some of the company's branches. The duration of this contract is one year from the date of its signing, and it is automatically renewable unless one of the two parties notifies the other party three months before its expiry date, and the total transactions resulting from this contract during the year 2022 amount to 2,062,854 Saudi riyals, and the approval of the General Assembly on the value of these transactions will be taken at the next assembly meeting .

On 01/01/2011, the company entered into a supply contract with Al-Aswad Trading Company, in which the Chairman of the Board of Directors, Engineer / Hazem Fayez Al-Aswad, Member of the Board of Directors, Engineer / Maher Hazem Al-Aswad, Member of the Board of Directors, Mr. / Tariq Hazem Al-Aswad, and Member of the Board of Directors, Mr. / Mohammed Hazem Al-Aswad, have a direct interest without having the right to vote. Which consists of purchases for the company from Al-Aswad Trading Company. The duration of this contract is one year from the date of its signing and it is automatically renewable, and the total number of transactions resulting from this contract during the year 2022 amounted to 2,676,180 Saudi riyals. The rents collected in favor of the company for renting spaces and gondolas to display goods with Al-Aswad Trading Company during the year 2022 amounted to 199,997 Saudi riyals, and the approval of the General Assembly on the value of these transactions will be taken at the next assembly meeting.

The members of the Board of Directors confirm the company's commitment to implementing the provisions of Articles (71) of the Companies Law, and Article (43) of the Corporate Governance Regulations regarding contracts with related parties, as follows:

- All contracts with related parties are voted in the general assembly meeting.
- Board members confirm not to compete with the company's business, and to deal with related parties based on the prevailing commercial terms.
- Contrary to what was mentioned above, there are currently no commercial dealings with any member of the board of directors, senior executives, or those who own a stake of 5% or more



# RISKS TO WHICH THE COMPANY IS EXPOSED

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## **Sixth: Risks to which the company is exposed**

The risk management derives its directives from the higher management in accordance with the approved policies. The administrative activity of the company aims to identify and measure the risks facing the company and work to reduce any impact that threatens the company and take the necessary measures to reduce these risks, which are:

### **1. Economic risks**

The company's management is keen to take note of economic variables by studying the market and the economic situation, which may negatively affect the company's business, profits and financial results. Therefore, the company works to take note of these changes.

### **2. Risks of competition**

Competition in the retail sector is strong, so the company seeks to keep pace with competitive changes in the market by making strategic decisions by the top management of the company to ensure continuity as it develops and updates existing branches and opens new branches in good locations and is more attractive to customers to maintain its competitive edge.

### **3. Legal risks**

The management of the company and its subsidiary companies is keen to study the legal environment in which or through it the company operates and the extent of its compatibility with the nature of the company's business through a legal department keen to develop the Company to keep pace with legislative and legal changes, whether labor or taxes laws, which may be subject to legal changes.

### **4. Human resources risks**

The company's management draws up development plans in order to reach the strategic objectives by training and qualifying national human cadres, attracting distinguished cadres and maintaining employees with long years of service who are highly qualified and efficient, as well as the company's management is keen to provide incentives to support the continuity and efficiency of employees.

### **5. Technology risks**

It is the risks related to the operational processes associated with the technical programs, so the company continuously develops the management information systems and supports the technical infrastructure.

### **6. Risks of distribution and supply**

Competition in the retail sector is strong, so the company and its subsidiaries are working to maintain a number of major distributors of goods and services, in addition to relying on a number of distributors to distribute some products, and the company seeks to diversify its supplier base and distributors so as not to be negatively affected by its future business.

### **7. Funding risks**

In the event of a significant increase in financing costs, especially in the event of a growth in the volume of financing, the company will be exposed to the possibility of incurring high financing costs, and this matter may negatively affect the future profitability of the company. Therefore, the company urges negotiations with several banks to obtain the best prices in order to try to mitigate the impact of these risks.

CORPRATE GOVERNANCE,  
DISCLOSURE,  
TRANSPARENCY,  
AND THE ASSURANCES  
OF THE BOARD OF  
DIRECTORS

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## **Seventh: Corporate governance, disclosure, transparency, and the assurances of the board of directors**

### **1. Corporate governance**

- The company's policy is to adopt advanced standards in corporate governance, including separation of the responsibilities and tasks of the Board of Directors, executive management, and policies that guarantee the work of the company's board of directors in the interests of the shareholders. The company also adheres to all the mandatory provisions contained in the Corporate Governance Regulations issued by the Capital Market Authority in accordance with the principle of disclosure and transparency, as governance is an integral part of the core values of the company and thus affects the way the company is managed in its relationship with the concerned parties. The company believes that the application of the highest standards in governance is fundamental to the integrity of its business, its performance, and its sustainable growth. The company is also committed to implementing the policies and procedures set by the Board of Directors concerning disclosure of the important developments, financial statements and performance reports in accordance with the legal requirements and applicable regulations, in a manner that does not contradict with the instructions received from the competent authorities.
- The company is continuously updating its corporate governance regulation based on the company's keenness to strengthen its relationship with its shareholders, as the Company is aware of the importance of governance issued by the Capital Market Authority and this governance is available on the company's website, and there is also a working team for the company consisting of the head of internal audit, legal advisor and contact person for the Capital Market Authority, they perform the task of verifying the company's compliance with the company's corporate governance rules and reviewing its updating in accordance with the statutory requirements and best practices required. The members of the company's board of directors are also informed of the developments that occur in the field of corporate governance.
- The company's board of directors has wide powers to draw the company's policies, objectives, and strategies, and to supervise its business and manage its affairs.
- Committees were formed under the Board of Directors, namely the Audit Committee and the Remuneration and Nomination Committee, and the members of each of these two committees were appointed in accordance with the requirements of the Corporate Governance Regulations issued by the Capital Market Authority and the approved regulations of the company.

## 2. What has been implemented from the provisions of the Corporate Governance Regulations, the provisions that have not been implemented, and the reasons for non-implementation

The company has implemented all the provisions mentioned in the Corporate Governance Regulations issued by the Capital Market Authority on 13/02/2017 and amended on 22/08/2022, with the exception of the provisions listed below:

Article / Clause number	The text of the Article / Clause	Reasons for not implementing
41	Evaluation	A Guidance Article
60	Formation of Remuneration Committee	The company has combined the remuneration committee with the nomination committee in one committee
63	Remuneration committee meetings	The company has combined the remuneration committee with the nomination committee in one committee
64	Formation of the Nominations Committee	The company has combined the remuneration committee with the nomination committee in one committee
67	Nomination Committee meetings	The company has combined the remuneration committee with the nomination committee in one committee
70-71-72	Formation of the risk management committee – competences of the risk management committee - meetings of the risk management committee	Guidance Articles - noting that the company's internal audit department performs many tasks related to risk management
85/Clause 2	Motivating employees / programs that give employees a name or a share of the dividends that they achieve and retirement programs, and the establishment of an independent fund to spend on these programs.	A Guidance Clause
85/Clause 3	Motivating employees / establishing social institutions for company employees	A Guidance Clause
87	The Ordinary General Assembly, based on a proposal from the Board of Directors, sets a policy that ensures a balance between its goals and the goals that society aspire to achieve in order to develop the socio-economic conditions of the community.	A Guidance Article
95	Formation of the Corporate Governance Committee	A Guidance Article There is a company team consisting of the head of internal audit, the legal advisor and the contact person for the Capital Market Authority, who are undertaking the task of verifying the company's compliance with the rules of corporate governance and reviewing its updating in accordance with the legal requirements and the best required practices. .

### 3. Disclosure and transparency

The company's board of directors is keen to disclose all substantial matters related to the company in a correct and timely manner, including the financial position, the performance of the company and the extent of its governance discipline, and the company is obligated to inform the Capital Market Authority and the public without delay of any substantial developments in the field of its activities that are not known to the public which may affect its assets, liabilities, financial position or the general course of the company or its subsidiary companies, and the company is also obligated to define and announce the date, place and agenda of the General Assembly at least twenty-one (21) days before the date set for the meeting through an announcement published on the website of the financial market Saudi Arabia (Tadawul), the company's website, and modern technical means of communication are used to inform shareholders.

### 4. The Board of Directors Declarations:

**The Board of Directors of Saudi Marketing Company (Farm Superstores) declares that:**

- There is no interest in the voting eligibility category or convertible debt instruments of the company belonging to persons (except for members of the company's board of directors and senior executives and their relatives) who informed the company of those rights and any change in those rights during the year 2022.
- There are no issued shares and debt instruments for the subsidiary company.
- There is no recommendation from the audit committee regarding the need to appoint an internal auditor of the company in the absence of one, because the company has an internal audit department.
- There are no convertible debt instruments nor any contractual securities, subscription right notes, or similar rights issued or granted by Saudi Marketing Company during the year 2022, and there is no compensation that the company obtained for that.
- Saudi Marketing Company does not have concession shares or shares that enjoy special priority in voting, whether for the shareholders or members of the board of directors, and that all the company's shares are ordinary shares of equal nominal value and equal voting rights and other rights according to the system.
- Saudi Marketing Company did not offer any cash loan of any kind to any of its board members, nor did it guarantee any loan made by any of its board members with others.
- There is no transfer or subscription rights under convertible debt instruments, contractual securities, subscription right notes, or similar rights issued or granted by Saudi Marketing Company during the year 2022.
- There is no refund, purchase or cancellation by Saudi Marketing Company or any of its subsidiaries for any redeemable debt instruments that took place during the year 2022.
- No request has been received from the auditor to invite the general assembly to convene during the year 2022.
- The auditor did not provide consulting services to the company and did not receive any fees in this regard.

- There are no processes that conflict with substantial interests other than what has been disclosed.
- No request has been received from shareholders who own 5% of the capital or more to invite the general assembly to convene during the year 2022 or to add one or more items to the agenda of the general assembly when preparing it.
- There is no measure that hinders the shareholder's use of his right to vote.
- There is no contradiction between the recommendations of the company's audit committee and the decisions of the board of directors, and there is no contradiction as well regarding the appointment of the company's auditor, his dismissal, the determination of his fees, the evaluation of his performance, or the appointment of the internal auditor.
- There is no recommendation by the Board of Directors to change the auditor during the year 2022 before the end of the period for which he was appointed.
- The Chairman of the Board of Directors did not receive any written request to hold emergency meetings from two or more members during the year 2022.
- There are no treasury shares held by the company.
- The auditor's report does not include any reservations on the annual financial statements.
- The company's financial statements for the fiscal year ending on December 31, 2022 were prepared in accordance with the International Financial Reporting Standards, in line with the requirements of the Saudi Organization for Auditors and Accountants.
- The company's account records have been properly prepared.
- The internal control system was prepared on a sound basis and was effectively implemented.
- There is no doubt about the company's ability to continue its activity.
- There is no penalty, sanction, precautionary measure or precautionary restriction imposed on the company by the Capital Market Authority or any supervisory, regulatory or judicial authority.

## **5. The results of the annual review of the effectiveness of the company's internal control procedures, and the audit committee's opinion of the adequacy of the internal control system**

The Internal Audit Department carries out periodic audits that include many activities of operational, administrative and financial operations in order to verify the efficiency and effectiveness of internal control procedures on those operations and to ascertain the extent and manner of dealing with any risks that the company or its departments may face in general, and based on the inspection and evaluation the extent of the effectiveness of the company's internal control procedures during the year 2022, the effectiveness of the internal control procedures applied to the company has been verified in an acceptable manner, and the company's management has taken the necessary corrective measures for the notes contained in the internal audit reports. Observations that are not made in the same period are followed up until the completion of their implementation.

The audit committee has studied the periodic and annual reports that are prepared by the company's internal audit department and follows up on the implementation of the recommendations contained in them periodically and continuously and the company has taken positive steps to reasonably strengthen its internal control system, and the company's internal audit department continuously checks the internal control system to ensure its efficiency and effectiveness and conducts the necessary reviews to evaluate many of the company's business, and the effectiveness of the internal control system is strengthened through the presence of the audit committee. This supports the establishment of best practices in the field of governance and the strengthening of the independence of the internal auditor.

The company's management also adopts policies and procedures to ensure the development and improvement of control procedures and activities related to many of its areas of work. The management also develops and implements action plans to implement the proposals and recommendations of the internal audit to support the effectiveness of its internal control system.

In light of what has been studied, the committee believes that there are no shortcomings in the internal control systems, that it is effective to prevent and discover errors, and that there has been no material breach or breach of the internal control systems during the year 2022.

# CONCLUSION MESSAGE

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## **Eighth: Conclusion message**

The company was able to achieve its goals for this year by focusing on implementing its strategic plans. The members of the Board of Directors of Saudi Marketing Company (Farm Superstores) would like to thank the company's shareholders, employees, government agencies, banks, suppliers and customers for their continuous support and cooperation, and work will be done to achieve the goals and plans of the company in expansion and sales growth.