



Arabian Pipes Company



Board of Directors' report to the “Twenty-ninth” Ordinary General Assembly of the shareholders of the Arabian Pipes Company on the results of its business for the year ending 31.12.2020



***In The Name of Allah
Most Gracious Most
Merciful***





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Gentlemen/ shareholders of the Arabian Pipes Company,

Peace be upon you and Allah's mercy and blessings be upon you

The Board of Directors of the Arabian Pipes Company is pleased to present to the honorable shareholders the annual report on the company's activity in accordance with the requirements of the Corporate Governance Regulations, the Registration and Listing Rules, and the Company's Articles of Association on the company's business and performance for the fiscal year ending on 31.12.2020. Accompanied by the audited financial statements and accompanying clarifications, it also reflects the performance and business of the Arabian Pipes Company - and its role in the development of the industrial sector appears in a way that effectively contributes to strengthening the Saudi industry and the national economy, especially in the gas and oil sector

The Chairman and members of the company's board of directors extend their sincere thanks and appreciation to the valued shareholders for their support and precious trust and all the company's employees for their blessed efforts and their keenness to stabilize the progress and prosperity of the company.

M/S Shareholders of the Arabian Pipes Company,

Dear Sirs,

The Board of Directors of the Arabian Pipes Company is pleased to place before you its annual report on your company's business, achievements and business results for the fiscal year ending on December 31, 2020. This report has been prepared in accordance with the requirements of the Companies Law issued by the Ministry of Commerce, the Corporate Governance Regulations and the instructions issued by the Board of the Capital Market Authority. It is associated by the audited financial statements and the accompanying explanations. It also reflects the performance and work of the Arabian Pipes Company, and shows its role in development the industrial sector, which contributes effectively to strengthening the Saudi industry and the national economy, especially in the oil and gas sector.

The chairman and members of the company's board of directors also extend their sincere thanks and appreciation to the valued shareholders for their precious support and trust and all the company's employees for their blessed efforts and their keenness on the stability, progress and prosperity of the company.



Speech of Chairman

Dear shareholders of the Arabian Pipes Company, may God protect them,,,

Dear Sirs,

I am pleased to provide you the annual report on the results of the fiscal year 2020, which witnessed many events worldwide. Perhaps the Covid-19 pandemic was a major cause of world troubles, movement between countries, internal lockout, limited working hours, health precautions, and other things that had the greatest impact on companies' business and led to the decrease in the company's sales for the year 2020 to reach SAR 369 million, compared to SAR 741 million last year and one of the reasons, was the suspension of work in some production lines, the reduction of working hours and days for the company, and the delay in schedules for supplying pipes to customers for reasons of the ban and delays in customer projects. The completion of the production and supply of pipes for the Marjan project, one of the largest projects of Saudi Aramco during the year, and the success and participation in long-term agreements to supply pipes and well lining pipes for the benefit of Saudi Aramco.

The company is always interested on training and development to train and qualify students to work in the company's factories, raise the rate of Saudization and expand the employment of women.

The Board of Directors seizes this opportunity to renew its commitment to make all efforts to perform its responsibilities and accomplish the common interest of the company and shareholders.

The Board of Directors extend their sincere thanks and appreciation to the valued shareholders for their support and their trust and all the company's employees for their blessed efforts and their keenness on the stability of the company's progress and prosperity.

We prays to God Almighty to protect our dear country and the leader of its path, the Custodian of the Two Holy Mosques and his faithful Crown Prince.

Thanks and Regards,

CHAIRMAN

YOUSSEF BIN SALEH ABA AL KHAIL



1st: Company activity

Arabian Pipes Company - a Saudi joint stock company under the Minister of Commerce Decision No. 922 dated 18.11.1411AH corresponding to 01.06.1991 AD and under the Industrial License No. (434 / R) dated 12.11.1405 AH, as well as the Industrial License No. (1109 / R) dated 11.12.1419 AH, as well as the industrial license No. (479 / R) dated 26.02.1436 AH and the amendments made to them. Registered in the commercial registry of the city of Riyadh under No. 1010085734 on 14.02.1412 AH in the Kingdom of Saudi Arabia and its headquarter is in Riyadh, as well as a subsidiary register of the company's factory in Jubail, and it is registered in the commercial registry number under No. 2055007048 dated 21.04.1426 AH. The authorized and paid-up capital of the company is Saudi riyals Four Hundred million (SAR 400,000,000), divided into (40,000,000) shares of equal value, and the nominal value of each of them is 10 riyals, and all of them are common cash shares.

The following is a description of the main types of activities of the company: -

- 1. Production and marketing of longitudinally welded and coated steel pipes for pipelines and for construction and commercial purposes.*
- 2. The establishment of metallurgical industries.*
- 3. Bending, shaping and indentation of pipes.*
- 4. Coating the pipes from outside and inside.*
- 5. Doing business of buying and selling pipes, fittings and accessories.*
- 6. Execution of pipelines extension works.*
- 7. Buying lands to build buildings on them and investing them by sale or rent for the benefit of the company.*
- 8. Maintenance, cleaning, operation and catering contracting.*
- 9. Production of metal and non-metallic pipes.*

The company has many factories and additional lines that enable it to carry out its activity, which are:

Riyadh Factory:

For the production of longitudinally welded steel pipes (ERW) sizes from 6 inches to 20 inches with an average production capacity of 160 thousand tons per year. The factory is located in the Industrial City of Riyadh and the ownership percentage is 100%.

Jubail Factory:

For the production of longitudinally welded steel pipes (SAW) sizes from 16 inches to 48 inches with an average production capacity of 300 thousand tons per year. The factory is located in the Industrial City of Jubail and the ownership percentage is 100%.



Packaging Factory:

This factory uses external coating for pipes (FBE, 3LPE, 3LPP), pipe sizes from 6 to 24 inches, with an average production capacity of 2.4 million square meters per year, and the factory is located in the Industrial City of Riyadh and the ownership percentage is 100%.

Slicing Line:

This line is used for slicing steel rolls necessary for production with high capabilities in terms of roll width up to (1600 mm) and thicknesses that can be sliced up to (12.7 mm), and this line is located in the company's factory located in the industrial city of Riyadh and the ownership percentage is 100%.

Threading line:

This line is used for threading pipes that are used in the field of drilling and lining wells (CASINGS - OCTG) according to international specifications and required by local and international oil companies, and this line is located in the company's factory located in the industrial city of Riyadh and the ownership percentage is 100%.

	Main Activity	Business size	Operating profit (loss) from main operations
1	Activity of production pipes and activity of packaging	369,289	(72,054)
	Total	369,289	72,054

2nd: Achievements, strategic plans and future expectations:

The company achieved during the past year 2020 despite the challenges that the industry faced during the period, the company was able to achieve many achievements, including: -

- 1. The completion of the production and supply of the Morjan project from the company's factory in Jubail despite the challenges that the company faced, which lie in the requests for pipes of large diameter and small thicknesses, in addition to the change that occurred in the supply schedule by Saudi Aramco contractors.*
- 2. Success in manufacturing tubes of small diameters and small thicknesses in the Jubail factory.*
- 3. UL 852 fire line supply certified.*
- 4. Increase in sales of the company in the local market, "local traders, and water sector".*
- 5. Obtaining contracts to supply OCTG wells lining tubes for Saudi Aramco.*
- 6. Operating the packaging line and rehabilitating the testing laboratory of the packaging plant to keep pace with customer requirements*
- 7. Participation in a long-term agreement in favor of Saudi Aramco for the supply of Longitudinally Welded Pipes (LSAW) from the Jubail plant, for a period of up to five years.*
- 8. Participating in a long-term agreement in favor of Saudi Aramco to supply longitudinally welded pipes (ERW) from the Riyadh plant, for a period of up to five years.*



9. Continuation of the existing long-term agreement to supply wells lining pipes for Saudi Aramco
10. Work continuously to achieve the goals of the IKTVA program to increase the use and development of national products.
11. Signing of agreements of understanding with a number of international companies to supply iron.
12. Training and development, signing agreements to train and qualify students to work in the company's factories, raise the Saudization rate, expand women's employment, and strengthen the internal control department.
13. Several policies and regulations of the board's committees were reviewed and the company's articles of association were reviewed and amended to comply with the requirements of the corporate governance system and the corporate system.
14. The loans of the Ministry of Finance and the Industrial Development Fund have been rescheduled.
15. The company started working on implementing the Enterprise Resource Planning system (ERP) and communicating with a number of companies for this purpose.

Regarding the strategic plans and future expectations during the coming period, the company works to implement the following:

1. Work to develop the Jubail plant to keep pace with the market requirements
2. Development of forming and welding machines for the Jubail factory in order to raise the efficiency of the machines.
3. Work to develop the Riyadh factory to keep pace with the future requirements of the market.
4. Developing the packaging line in Riyadh to keep pace with the market requirements.
5. Continue to work to increase export sales and expand geographically by participating in projects in North Africa, Iraq, Lebanon and Yemen, in addition to the countries of the Gulf Cooperation Council.
6. Continuing to train and qualify students and expand woman employment.
7. Developing a comprehensive ERP system in the company.
8. Updating the work policies and procedures in the company's departments.
9. Strengthening and developing internal control procedures.

3rd: The vision and important and fundamental events.

Our vision:

To be the leader in the pipe industry and services in the Middle East and North Africa and to partner with our clients in the development of their business.

Our Mission

The Arabian Pipes Company applies the highest quality systems and seeks to localize the latest technologies and solutions for the pipe industry through the development of human resources



Important and material events:

Strengthening the control environment:

Policies and Regulations:

The company has implemented a set of policies in accordance with the regulations of the Capital Market Authority and international standards. To this end, the company's bylaws, governance regulations, conflict of interest regulations, and board membership policies and standards were updated during the past year.

Automation of all company activities:

** During the application of the ERP system, which would enhance the company's internal control and raise operational efficiency, a state of uncertainty about some stock balances of a fundamental nature was revealed. Accordingly, the company appointed a consulting company agreed-upon to perform procedures to ascertain the financial differences in the inventory, which amounts to (SAR 210,169,353) Two hundred and ten million, one hundred and sixty-nine thousand three hundred and fifty-three riyals starting from the company's annual financial statements for previous fiscal years from the beginning of the company until the end of the fiscal year 2020. The company received the report from the consulting company, which found the following:*

- 1. Confirm the actual inventory quantities and the correct figures in tons mentioned in the company's factories in Riyadh and Jubail.*
- 2. Confirmed the existence of financial differences in the stock amounting to 239.6 million riyals, including the value of the re-evaluation at the fair price according to its evaluation, and set an amount of 162 million riyals that may have caused these differences during previous periods since the establishment of the factory, the most important of which are:*
 - The opening account of raw materials in the Jubail factory.*
 - Scrap stock account since the establishment of the factory in Riyadh due to the standard calculation of the amount and value of the scrap account.*
 - Incorrect entries in the inventory account for previous periods.*
- 3. After the external auditor reviewed the report issued by the consulting company, stated that the accounting restrictions reported is insufficient to address the differences. Therefore, the financial impact has been clarified in the financial statements for the year 2020.*

Based on the foregoing, the Board of Directors has taken the following decisions:

1- The Board approved the financial statements and the aforementioned reservations, in order to ensure the interest of the company, its shareholders, creditors, customers, and related companies, and its desire to lift the suspension of shares trading. Approval of the financial statements is not considered a waiver by the company, it works on addressing and lifting these reservations,



2- The Board directed to contract with Al Sunaidi Lawyers and Legal Consultants office and use the necessary advisory services to complete the review of the Consultant Company report, audited financial results of the company and to verify that there are no violations of the laws and regulations in force in order to preserve the rights of the company and shareholders and complete the necessary legal procedures.

3- The Council also affirmed the following procedures:

- Strengthening the level and support of the company's internal control to avoid such occurrence in the future.

- Reviewing and developing the company's work policies and procedures and taking all means and ways to ensure their safety and effectiveness.

- Implementation ERP project.

4- The Board also affirmed the company's commitment to fully preserving the rights of the company and its shareholders and not to waive the right of the offender.

4th^d: International standards:

The company has committed to follow international standards (IFRS) when issuing financial reports that are followed in the Kingdom of Saudi Arabia. The financial statements for the fiscal year ended on 31/12/2020 were prepared in accordance with the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia and other financial reporting standards versions issued by the Saudi Organization for Certified Public Accountants (SOCPA). The company has started applying these standards as of 01/01/2017 in compliance with the decision of the SOCPA's Board of Directors. Meanwhile, the company follows up the issuance of any new accounting standards or versions, but no standards or versions were issued during the current fiscal year that have a material impact on the financial statements.

International Criteria

The company has committed to follow up the International Standards (IFRS) when issuing financial reports, which are applied in the Kingdom of Saudi Arabia.

The financial statements for the financial year ending on December 31, 2020 have been prepared in accordance with International Financial Reporting Standards approved in the Kingdom of Saudi Arabia and other issuances issued by the Saudi Organization for Certified Public Accountants. The company started applying these standards as of 01/01/2017 in accordance with the decision of the Board of Directors of the Saudi Organization for Certified Public Accountants.

The company is following up on new standards and issuances issued by the Saudi Organization for Certified Public Accountants and during this fiscal year no standards or issuances with a material impact on the financial statements were issued.



5th: Manpower and Saudization:

The Arabian Pipes Company is keen to attract qualified and new Saudi cadres in the labor market, believing in the role of the private sector in contributing to building society.

As the company continued its policy for the training program ending with employment through the signing of a number of agreements for training ending in employment with the Jubail Technical Institute, the National Institute of Technology and the Institute of Plastic Inspection and Quality Assurance in order to train and qualify a number of Saudi cadres for a period of two years before they engage in technical work within the company.

Training: On the job:

Convinced by the company's management of the role of training and its importance in raising the efficiency of its employees, which has a positive effect in achieving the company's goals, the company has continued its policy of contracting with trainers and specialized companies to implement training programs inside and outside the company in most administrative and technical fields related to the company's work. More than 31,000 training hours were held during the fiscal year 2020 and using remote training after the pandemic of COVID-19.

Cooperative Training:

The company sought to serve cooperative training programs, as it was agreed with several different educational institutions in support of the people of the country in increasing their knowledge of their field of study in practice before they graduate to the labor market.

Work environment:

The company is keen on the continuous development of the work environment, so the company constantly uses scientific methods for measuring the extent of job satisfaction for the company's affiliates and determining the points through which the functional environment can be developed within the company in order to raise the rates of job stability and make it more attractive to job seekers.

Career progression:

The Arabian Pipes Company is keen to appreciate the qualified Saudi talents, so it has adopted a career progression program for some carefully selected jobs with the aim of preparing Saudi cadres to occupy technical and administrative leadership positions within the company.

6th Risks:

1. Risks related to the company's operations:
 - a. Reliance on one major sector:

The company relies on its sales on the oil and gas sector as a major customer, which in turn is affected by the global economy and its variables. During the last period, the company has worked to increase export sales of its products, the local market, contractors, and expand the work of threading and packaging.



b. Risks related to availability of financing and liquidity:

The company relies on banks to finance its operational and expansionary operations, which exposes it to conditions of financial market volatility and financing costs. The company's management works to provide the necessary liquidity to pay its obligations, assess the need to obtain facilities and benefit from government initiatives to support the national industry.

c. Foreign currency risk:

Currency risk results from changes and fluctuations in the value of financial instruments as a result of the change in foreign currency rates. The company signs banking facilities agreements with banks through which exchange rates are fixed to avoid these price fluctuations.

d. Risks related to changes in raw material prices:

As the pipe industry depends mainly on iron, which makes any sudden change in the price of iron directly affect the rate of profit in the projects implemented by the company, and the company is working to fix the prices of raw materials with suppliers before starting the project in order to reduce the risk of price change.

2. Risks related to declining capital spending: -

1. Economic conditions in the Middle East:

The success of the company's business may be affected by the general economic conditions in the Middle East region. Therefore, any recession or economic slowdown in the region may affect the demand for the company's products, and the company's management is working on the diversity of its customers, especially the export markets.

2. Customs and sovereign duties:

The company exports part of its products outside the Kingdom, and customs exemptions in all countries of the Gulf Cooperation Council and some Arab countries represent a good competitive advantage for the company's products, so any future change in those fees or any other sovereign fees may affect the company's share in those markets. The company studies the costs involved in these risks and determines appropriate alternatives.

These risks are monitored and monitored by the Board of Directors and the subordinate committees, by evaluating each type of these risks and preparing special studies to reduce these risks while clarifying alternative opportunities.

3- The risks of the spreading of CORONA Virus (covid-19):

Due to the continuing uncertainty about the extent and duration of (Covid-19) and its impact on the energy industry and other related industries, the Company is unable to determine the expected impact on the business and financial outlook.

Clause (2) of Article Forty Three - Rules for registration and listing



7th: The company's business results for the last five years:

The following table shows the company's sales during the past five years:

(Amounts are in thousands of riyals)



The company's business results for the last five years:

The following table shows the company's sales during the past five years:

(amounts in thousands riyals)





Income Statement

(amounts in thousands riyals)

Description	2020	2019	2018	2017	2016
Sales	369,289	741,085	698,311	559,604	364,936
Cost of sales	(441,343)	(644,612)	(748,567)	(507,209)	(309,139)
Total profits/ losses	(72,054)	96,473	(50,256)	52,395	55,797
Administrative & marketing expenses	(38,867)	(33,818)	(32,072)	(26,462)	(33,499)
Provision of slow movement and old goods	(59,246)	2,080	(663)	8,366	3,426
Amortization postponed expenses	(3,979)	--	(8,716)	--	--
Expenses of funding	(24,156)	(30,794)	(28,309)	(27,601)	(20,184)
Other revenues (expenses)	3,864	801	1,699	4,864	4,734
Profit from investment valid for sale		--	--	--	--
Provision of Zakat	(902)	(4,494)	(4,383)	(6,268)	(5,962)
Net profit (loss)	(195,340)	30,248	(122,699)	5,294	4,312
Actuarial reserve	(1,325)	(1,228)	(94)	-	-
Total comprehensive (loss/ profit)	(196,665)	29,020	(122,793)	5,294	4,312

Net profits for the last five years

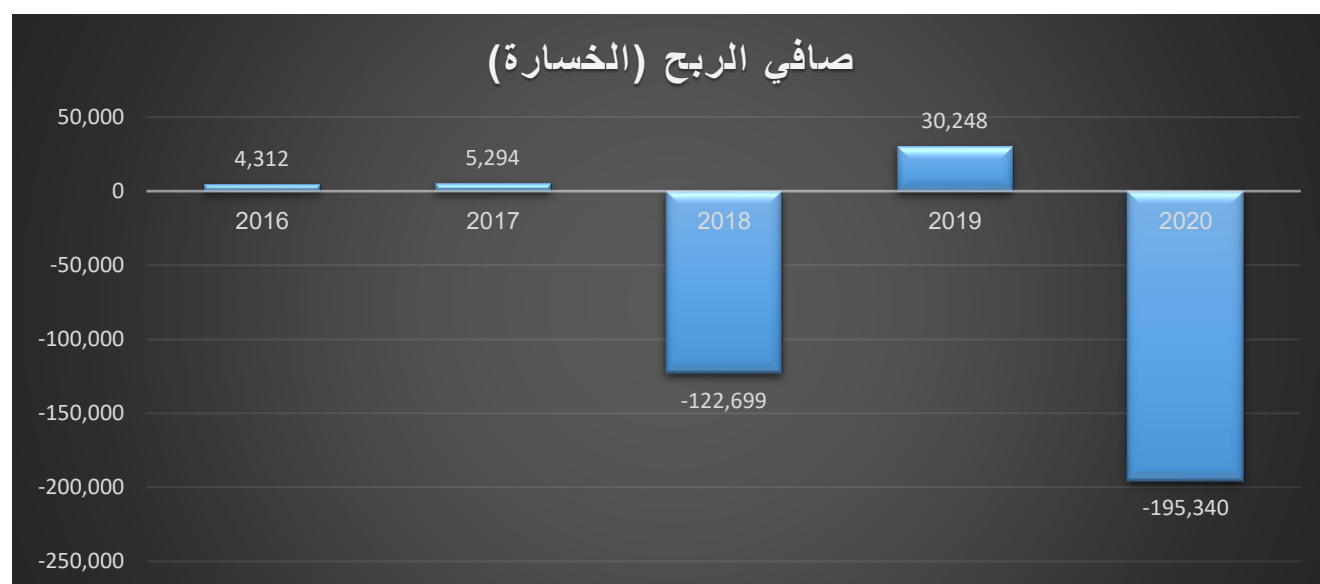
(Amounts are in thousands of riyals)





Net profits for the last five years

(Amounts are in million of riyals)



- The decrease in the company's sales for the year 2020 by an estimated rate of about 50%, by an amount of 369.2 million riyals, compared to an amount of 741.1 million riyals for the year 2019, due to the general slowdown in economic activities during the year in addition to the unprecedented wide spread of the emerging Corona Virus (Covid-19) pandemic, which led to:

A- Suspension of work in some production lines.

b- Reducing the working hours and days of the company.

c- Delayed schedules for supplying pipes to customers for reasons of ban and delays in customer projects.

- During the company's work on automating its operations through the internal resource management system (ERP system), which would enhance the company's internal control and raise operational efficiency, some financial differences were discovered in the inventory item, and accordingly work was done with the external auditor, who made a full examination of the inventory account and based on the results of the examination, the differences were addressed, which amounted to 269.4 million riyals.

It is worth noting that the company does not invest in any securities, speculation in company shares, or any bank deposits.

Item (6) of forty third article – rules of registration

Item (25) of forty third article- governance



Statement of financial position:

(Amounts are in thousands of riyals)

Description	2020	2019	2018	2017	2016
Current assets	565,301	614,594	629,306	894,707	669,556
Fixed assets and projects under construction	376,794	396,253	373,394	392,861	400,086
Investments	--	--	--	--	--
Deferred expenses	--	--	--	--	--
Total Assets	942,095	1,010,847	1,002,700	1,287,568	1,069,642
Current liabilities	699,414	568,109	617,065	630,308	386,101
Medium and long term loans	18,252	25,110	--	24,000	55,000
Employees' end of service provision	18,088	14,622	11,649	11,548	12,126
Total liabilities	735,754	607,841	628,714	665,856	453,227
Capital	400,000	400,000	400,000	400,000	400,000
Statutory reserve	120,000	120,000	159,427	159,427	158,897
General reserve	--	--	31,438	31,438	31,438
Retained earnings	(311,012)	(115,672)	(216,785)	30,847	26,080
Actuarial reserve	(2,647)	(1,322)	(94)	--	--
Total shareholder equity	206,341	403,006	373,986	621,712	616,415
Total liabilities and shareholders' equity	942,095	1,010,847	1,002,700	1,287,568	1,069,642

The company's financial statements for the year 2020 have been prepared in accordance with international auditing and accounting standards recognized in the Kingdom of Saudi Arabia, and there are no differences from the international accounting standards issued by the Saudi Organization for Certified Public Accountants, and there are no reservations by the auditor on the budget.

Clause (6) of Article 43 - Registration and Listing Rules

Clause (25) of Article 43 - Governance

Based on the results of the year 2020, the Board of Directors took a decision to recommend to the extraordinary general assembly to reduce the company's capital by 75% to reach 100 million riyals, and after the completion of the capital reduction process, work to increase the company's capital by offering rights shares of 300 million riyals, then the capital after the increase is 400 million riyals. The recommendation to reduce and increase the company's capital is subject to the approval of the relevant regulatory authorities and the extraordinary general assembly.

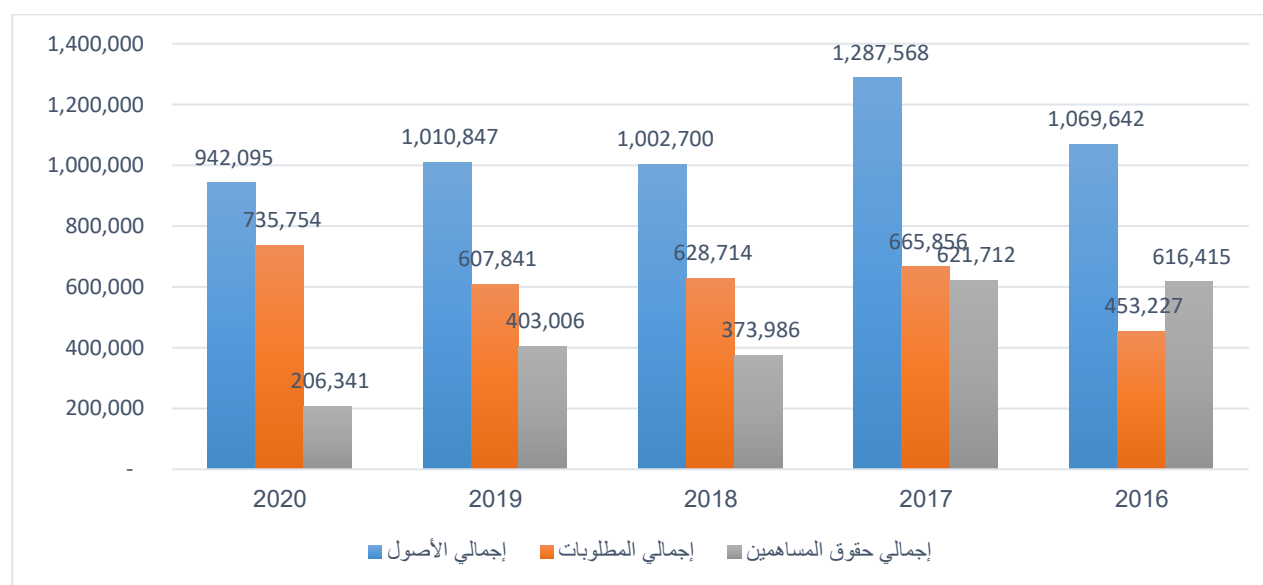


Arabian Pipes Company
Board of Directors' report 2020



A comparative five-year graph of each of the company's assets and liabilities:

Equity, debt, and conflict of interest activities:



Clause (3) (5) (6) (25) of Article 43 - Registration, Listing and Governance Rules



Through our geographical analysis of the company's revenues, it is clear that:

<u>Year</u>	<u>Saudi Arabia</u>	<u>Al Khaleej</u>	<u>Middle East</u>	<u>Others</u>	<u>Total</u>
2020	351,967	2,672	5,080	--	359,719
	9,570	--	--	--	9,570
<i>Total</i>	<u>361,537</u>	<u>2,672</u>	<u>5,080</u>		<u>369,289</u>
2019	716,814	1,175	2,837		720,826
	20,259	--	--	--	20,259
<i>Total</i>	<u>737,073</u>	<u>1,175</u>	<u>2,837</u>		<u>741,085</u>

Clause (4) of Article 43 – Governance

8th : Shares and Debt Instruments Activities and Conflicts of Interest:

During the year 2019, there were no debt instruments issued by the company.

There is no interest in the voting-eligible shares category belonging to persons (other than members of the board of directors and senior executives and their relatives) who informed the company of these rights.

There is no private interest, private contractual securities, special option rights, or special subscription rights belonging to members of the Board of Directors, senior executives, their spouses and minor children, in the shares or debt instruments of the company or any of the subsidiary companies. There are also no transfer or subscription rights under convertible debt instruments, contractual securities, subscription right notes, or similar rights issued or granted by the company during the year 2019.

There is also no refund, purchase or cancellation by the company for any refundable debt instruments.

There are also no arrangements or agreements whereby a member of the company's board of directors or a senior executive waived any salary or compensation.

Also, there are no arrangements or agreements whereby any of the shareholders waived any rights to profits.

There are also no contracts or deals that the exporter is a party to.

In addition, there is no substantial interest in any contracts or deals concluded by the company and pertaining to a member of the board of directors or the president

The executive, chief financial officer, or any person related to any of them.

Clause (8) (10) (11) (13) (14) (15) (17) (18) (19) (20) of Article Forty-Three - Registration and Listing Rules – Governance.



9th: Company policy in dividend distribution:

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

1. *10% of the net profits shall be set aside to form a statutory reserve, and the Ordinary General Assembly may stop this deduction when the said reserve reaches 30% of the paid capital.*
2. *The company may set aside (30%) (Thirty percent) of the net profits to form an agreement reserve to be allocated to support, the financial position of the company and it may also suspend or use it.*
3. *From the remainder, a first payment equal to 5% (five percent) of the paid-up capital shall be distributed to the shareholders.*
4. *After providing a percentage not exceeding five percent (5%) (five percent) of the remainder, it shall be allocated to the remuneration of the members of the Board of Directors, with a maximum of no more than five hundred thousand riyals for each member, provided that the entitlement of this remuneration is proportional to the number of sessions attended by the member.*
5. *The remainder is then distributed to the shareholders as an additional share of profits.*

Clause (9) of Article Forty-Three – Governance

10th: Loans

Whereas the main element of the company's financing elements are loans. The volume of loans at the end of 2020 amounted to 501.8 million riyals, compared to 394.5 million riyals at the end of 2019. The following is a statement of short-term loans:

Balances of short-term loans at the end of the year (amounts in thousands of riyals)

Bank	Purpose	2019	2020
Commercial Loan (Riyad Bank)	Working Capital	79,290	70,000
Islamic Loan (Riyad Bank– Ministry of finance)	Working Capital	120,000	120,000
Islamic Loan (Al Rajhi Bank)	Working Capital	163,924	165,382
Islamic Loan (Al Awal Bank -SABB)	Working Capital	31,280	146,459
Total		<u>394,494</u>	<u>501,841</u>



The mentioned loans are for the purpose of financing working capital and against promissory notes signed in favor of banks, which are a number of short-term loans that are due to be repaid during the year. The mentioned amounts represent the original value of the existing loans, noting that the net debit balance to clients amounted to 71 million riyals by the end of 2020 and this balance will be used To repay existing working capital financing loans.

Clause (12) of Article 43 - Governance

Long, medium and short term loans and the current portion of long-term debt from my Saudi Industrial Development Fund:

(Amounts in thousands of riyals)

<i>No.</i>	<i>Duration</i>	<i>Purpose</i>	<i>Year 2020</i>	<i>Year 2019</i>
<i>1</i>	<i>Short term</i>	<i>Funding project of Jubail Factory</i>	<i>77,717</i>	<i>69,861</i>
<i>2</i>	<i>Short term</i>	<i>Funding development of Riyadh Factory and Jubail Factory</i>	<i>-</i>	<i>7,165</i>
<i>Total</i>			<i>77,717</i>	<i>77,026</i>

During 2005, the company obtained the approval of the Saudi Industrial Development Fund to grant a loan to the company in the amount of 113.4 million riyals to finance the company's factory project in Jubail. The year is 77.7 million riyals, noting that the Saudi Industrial Development Fund loan is secured by mortgaging the company's factory buildings, machinery and equipment, and the loan is repaid according to the latest rescheduling agreement signed in ten unequal semi-annual installments. 14/10/2019. The company submitted a request to the Industrial Development Fund to reschedule the outstanding amount, and it was approved in 2021 and its effect will be shown in the future.

In April 2019, the company obtained financing for the development and creation of machinery and equipment for the Riyadh and Jubail factories, amounting to 18.2 million riyals.

Clause (12) of Article 43 - Registration and Listing Rules – Governance

11th: Meetings of the members of the Board of Directors and committees:

Board of Directors:

The number of Board meetings during the year 2020 reached 4 meetings, and the following is a statement of the names of the members of the board of directors, the description and classification of their membership, the number of times to attend the meetings, and their membership in the board of directors of other joint-stock companies: -

	<i>Member of the Board of Directors</i>	<i>Meeting No. (9/11) 18.03.2020</i>	<i>Meeting No. (9/12) 15.07.2020</i>	<i>Meeting No. (9/13) 26.10.2020</i>	<i>Meeting No. (9/14) 30.12.2020</i>	<i>Total</i>	<i>%</i>
<i>1</i>	<i>Youssef Saleh Aba Al-Khail</i>	<i>Attended</i>	<i>Attended</i>	<i>Attended</i>	<i>Attended</i>	<i>4</i>	<i>100</i>
<i>2</i>	<i>Khaled Abdullah Abu Nayyan</i>	<i>Attended</i>	<i>Attended</i>	<i>Attended</i>	<i>Attended</i>	<i>4</i>	<i>100</i>
<i>3</i>	<i>Saad Ibrahim Al-Mojil</i>	<i>absent</i>	<i>Attended</i>	<i>Attended</i>	<i>Attended</i>	<i>3</i>	<i>75</i>



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4	Azzam Saud Al Modaiim	Attended	Attended	Attended	Attended	4	100
5	Haitham Tawfiq Al-Fraih	Attended	Attended	Attended	Attended	4	100
6	Saad Falah Al-Qahtani	Attended	Attended	Attended	Attended	4	100
7	Ahmed bin Ali Al-Luhaidan	Attended	Attended	Attended	Attended	4	100

In addition, there are no transactions between the company (the source) and any related party.

Clause (13) (16) of Article Forty-Three – Governance

Meetings of Board Members and Affiliate Committees:

Board of Directors:-

The number of meetings of the Board of Directors during the year 2020 reached 4 meetings. The following is a statement of the names of the members of the Board of Directors, the description and classification of their membership, the number of times they attend meetings, and their membership in the Board of Directors of other joint-stock companies:-

	<i>Member of the Board of Directors</i>	<i>Meeting No. (9/11) 18.03.2020</i>	<i>Meeting No. (9/12) 15.07.2020</i>	<i>Meeting No. (9/13) 26.10.2020</i>	<i>Meeting No. (9/14) 30.12.2020</i>	<i>Total</i>	<i>%</i>
1	Youssef Saleh Aba Al-Khail	Attended	Attended	Attended	Attended	4	100
2	Khaled Abdullah Abu Nayyan	Attended	Attended	Attended	Attended	4	100
3	Saad Ibrahim Al-Mojil	absent	Attended	Attended	Attended	3	75
4	Azzam Saud Al Modaiim	Attended	Attended	Attended	Attended	4	100
5	Haitham Tawfiq Al-Fraih	Attended	Attended	Attended	Attended	4	100
6	Saad Falah Al-Qahtani	Attended	Attended	Attended	Attended	4	100
7	Ahmed bin Ali Al-Luhaidan	Attended	Attended	Attended	Attended	4	100

Also, there are no deals between the company (the exporter) and any related party.

Clause (13) (16) of Article 43 - Governance

Actions taken by the Board of Directors to inform its members, especially non-executives - taking note of the shareholders' proposals

and their comments about the company and its performance

- In accordance with the company's bylaws and the company's approved corporate governance regulations, shareholders have the right to actively participate and discuss board members in the general assembly meetings.*
- The Chairman and Chief Executive Officer shall inform all members of the Board of Directors, especially non-executives, of the shareholders' proposals and their observations regarding the company and its performance at the nearest meeting of the Board, if any.*



The Board of Directors also evaluates its performance and the performance of its committees and members without setting performance indicators and no third party assistance has been sought.

A statement of the current and previous positions, qualifications and experiences of the members of the Board of Directors:

<i>Name</i>	<i>Current job</i>	<i>Previous job</i>	<i>Qualifications</i>	<i>Experiences</i>
<i>Youssef Saleh Aba Al-Khail</i>	<i>Chairman of Board of Directors</i>	<i>Chairman of Board of Directors</i>	<i>Bachelor of Computer Science. Master of Science in Information Systems Management</i>	<i>He worked for 15 years in various sectors in the computer field. He worked in various sectors in the field of industry and insurance, including: (9) years as Chairman and Member of the Board of Directors of Zoujaj. (9) years as Chairman and Member of the Board of Directors of Exa Insurance. (6) years as a member of the Qassim Cement Council</i>
<i>Khaled Abdullah Abu Nayyan</i>	<i>Chairman of the Board of Directors of Abu Nayyan Holding Company</i>	<i>Executive of Abu Nayyan Holding Company</i>	<i>Bachelor of Administrative Sciences and Computer Science.</i>	<i>He worked for (7) years as CEO of Abdullah Abunayyan Trading Company. He worked for (10) years as CEO of Abunyan Holding Company. He is currently working as the Chairman of the Board of Directors of Abu nyyan Holding Company from 2018 to date</i>
<i>Azzam Saud Al Modaiim</i>	<i>CEO of Abu Nayan Holding Company</i>	<i>CEO of Al Hassan Ghazi Ibrahim Shaker Company</i>	<i>Bachelor of Mechanical Engineering.</i>	<i>He worked for 12 years in AEC as a Manufacturing Engineer. Worked for (5) years in Al-Muhaidib Foods Company as a Regional Sales Manager. He worked for (4) years at Masdar Material Trading Company as a procurement manager and warehouse manager. Worked for (10) years at Masdar Trading Materials Company as a General Manager. He worked as CEO of Al Hassan Ghazi Ibrahim Shaker Company from November 2017 until November 2020. He works as CEO of Abu Nayyan Holding Company from December 2020 to date.</i>
<i>Saad Ibrahim Al-Mojil</i>	<i>Member of the Board of Directors</i>	<i>Member of the Board of Directors</i>	<i>Bachelor of Chemical Engineering.</i>	<i>He worked for 41 years in the management of Al-Mojil Trading and Contracting Company</i>



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			<i>Master of Chemical Engineering</i>	
<i>Saad Falah Al-Qahtani</i>	<i>Executive Vice President of Finance and Investment at Thakhir Real Estate Development Company</i>	<i>Chief Financial Officer at Knowledge Economic City</i>	<i>Bachelor of Accounting. Master of Finance and Investment.</i>	<i>He worked for (13) years in SABIC Financial Company. He worked for (3) years at Maaden Financial Company. He worked for (2) years at Al-Rajhi Financial Group. Worked for one year at Zahran Financial Group. He worked for two years at Knowledge Economic City Company. He works at Thakhir Real Estate Development Company from July 2019 to date</i>
<i>Haitham Tawfiq Al-Fraih</i>	<i>Member of the Board of Directors</i>	<i>Member of the Board of Directors</i>	<i>Bachelor of Architecture. Master of Business Administration.</i>	<i>Worked for 12 years at Amwal Al Khaleej Company - Business Administration. He worked for a year as a financial advisory analyst at Al Muhaidib Group.</i>
<i>Ahmed bin Ali Al-Luhaidan</i>	<i>CEO</i>	<i>CEO</i>	<i>Bachelor of Mechanical Engineering. Higher Diploma in Design, Production and Management</i>	<i>He worked for a period of (29) years as Director of Projects Studies and Consultations Department at the Saudi Industrial Development Fund</i>
<i>Saleh Al-Fadl</i>	<i>Chief Financial Officer of Herfy Food Services Company</i>	<i>Chief Financial Officer of Herfy Food Services Company</i>	<i>Senior Deputy Manager for Financial Affairs at Al Rajhi Capital</i>	<i>He worked as an investment analyst at the Saudi Arabian Monetary Agency from April 2006 to August 2013. He worked as a Senior Manager of Private Equity at Al Rajhi Investments from March 2013 until July 2014. He worked as Senior Deputy Manager for Financial Affairs at Al Rajhi Capital from August 2014 until October 2015. He is the Chief Financial Officer of Herfy Food Services Company from November 2015 to date</i>
<i>Amr Muhammad Al-Hattab</i>	<i>Vice President of Operations</i>	<i>Vice President of Operations</i>	<i>Director of the company's factories</i>	<i>More than 20 years of experience in the manufacture and installation of pipes</i>
<i>Fawzi Ibrahim Al-Hussein</i>	<i>Executive Vice President, Supply Chain</i>	<i>Executive Vice President, Supply Chain</i>	<i>logistics manager</i>	<i>18 years of experience (external and internal procurement - supplier development - shipping - warehouse - developing computer systems (SAP))</i>



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<i>Hammoud Ali Al-Hamza</i>	<i>Chief Financial Officer</i>	<i>Chief Financial Officer</i>	<i>Chief Financial Officer</i>	<i>Relationship Manager in Arab National Bank. Senior Relationship Manager in the Corporate Department (Al-Rajhi Bank). Financial Manager (Arab Pipe Company).</i>
<i>Ali Al-Makrami</i>	<i>Vice President of Commercial Matters</i>	<i>Vice President for Commercial Matters</i>	<i>Sales and Marketing Director</i>	<i>He has been working for the Arabian Pipes Company for 10 years</i>
<i>Dakhil Naqi Al-Mutairi</i>	<i>Director of Human Resources and Administration</i>	<i>Director of Human Resources and Administration</i>	<i>Head of Human Resources and Payroll Department</i>	<i>14 years of experience (administrative affairs - salaries - recruitment and training - human resources - occupational safety)</i>

A statement of the composition of the current board of directors for the period from 05/23/2018 to 05/22/2021 and the names of other joint stock companies who are members of their boards:-

Name	Membership description	Membership Classification	Membership of boards of directors of other joint stock companies
<i>Youssef Saleh Aba Al-Khail</i>	<i>Chairman of Board of Directors</i>	<i>independent</i>	<i>Chairman of the Board of Directors of AXA Cooperative Insurance Company Chairman of the Board of Directors of the Saudi Ceramic Company Arabian Cement Company</i>
<i>Khaled Abdullah Abu Nayyan</i>	<i>Deputy Chairman of the Board</i>	<i>independent</i>	<i>Lavana Inc. Abunyan Holding Company Toray Membrin Middle East Company Water and Environmental Technology Company Ltd. (WETICO) Vision Investment Company (formerly Aqua Holding) KSB Arabia Ltd.</i>
<i>Azzam Saud Al Modaiim</i>	<i>Member of the Board of Directors</i>	<i>independent</i>	<i>Al Hassan Ghazi Ibrahim Shaker Company Communications Solutions Company Modern Vision Company, Jordan Emirates Energy Services Management Company</i>
<i>Saad Ibrahim Al-Mojil</i>	<i>Member of the Board of Directors</i>	<i>Non Executive</i>	<i>Al Yamamah Steel Industries Company Al Yamamah Iron and Armament Company Porcelain Pipe Company</i>
<i>Haitham Tawfiq Al-Fraih</i>	<i>Member of the Board of Directors</i>	<i>independent</i>	<i>Al-Amana Insurance Company Hoshan Company Gulf Insulation Group Aqua Power Box Al-Latifia Contracting Company</i>
<i>Saad Falah Al-Qahtani</i>	<i>Member of the Board of Directors</i>	<i>independent</i>	<i>Bloom Fund Light Real Estate Scheme Anmia real estate development company</i>



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<i>Ahmed bin Ali Al-Luhaidan</i>	<i>Member of the Board of Directors/ CEO</i>	<i>Executive</i>	<i>Southern Cement Company</i>
<i>Saleh Al-Fadl</i>	<i>A member from outside the board</i>	<i>A member from outside the board</i>	<i>AXA Cooperative Insurance Company. Abdul Latif Al-Essa Group. Saudi Ground Services Company. Astra Industrial Group. Theeb Rent A Car Company. Alpha Financial Company. Saudi Aircraft Preparation and Maintenance Company. Arabian Oud. National Financial Services Company.</i>

Description of current jobs, qualifications, and experiences of board of directors:

<i>Name</i>	<i>Current Job</i>	<i>Previous Job</i>	<i>Qualifications</i>	<i>Experiences</i>
<i>Youssef Saleh Aba Al-Khail</i>	<i>Chairman</i>	<i>Chairman</i>	<i>Bachelor of Computer Science. Master of Science in Information Systems Management.</i>	<i>Worked for (15) years in various sectors in the field of computer. Worked in various sectors in the field of industry and insurance, including: For (9) years as Chairman and Member of the Board of Directors of Glass. For (9) years as Chairman and Board Member of EXA Insurance. For (6) years as a member of Qassim Cement Council.</i>
<i>Khaled Abdullah Abu Nayyan</i>	<i>Chairman of Abu Nayan Holding Co.</i>	<i>CEO of Abu Nayan Holding Co.</i>	<i>Bachelor of Administrative Sciences and Computer Science.</i>	<i>worked for (7) years as CEO of Abdullah Abu nayyan Trading Company. He worked for (10) years as CEO in Abu nayyan Holding Company. He is currently the Chairman of the</i>



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				<i>Board of Directors of Abu nayyan Holding Company from 2018 to date.</i>
<i>Azzam Saud Al Modaiim</i>	<i>CEO of Abu Nayan Holding Co.</i>	<i>CEO of Al Hassan Ghaz Ibrahim Shaker Co.</i>	<i>Bachelor of mechanical engineering</i>	<p><i>worked for (12) years in the Advanced Electronics Company as a Manufacturing Engineer.</i></p> <p><i>He worked for (5) years in Al Muhaidib Food Company as a regional sales manager.</i></p> <p><i>He worked for (4) years in Masdar Trading Materials Company as a Purchasing Manager and Warehouse Manager.</i></p> <p><i>He worked for (10) years in Masdar Trading Materials Company as General Manager.</i></p> <p><i>He worked as CEO of Al Hassan Ghazi Ibrahim Shaker Company from November 2017 to November 2020.</i></p> <p><i>He worked as CEO of Abunayyan Holding Company from December 2020 AD to date.</i></p>
<i>Saad Ibrahim Al-Mojil</i>	<i>Member</i>	<i>Member</i>	<i>Bachelor of mechanical engineering Master of chemical engineering</i>	<i>worked for (41) years in the management of Al Mojil Trading and Contracting Company</i>



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<i>Saad Falah Al-Qahtani</i>	<i>Executive Vice President of Finance and Investment at Thakher Real Estate Development Company</i>	<i>Chief Financial Officer at Knowledge Economic City</i>	<i>Bachelor of accountancy Master of finance and investment</i>	<i>Worked for (13) years in SABIC - Financial Company. Worked for (3) years in Ma'aden - Financial Company. Worked for two (2) years in Al-Rajhi Financial Group. He worked for one year in Zahran Financial Group. He worked for two years in the Knowledge Economic City Company. He has been working at Thakher Real Estate Development Company from July 2019 to date</i>
<i>Haitham Tawfiq Al-Fraih</i>	<i>Member</i>	<i>Member</i>	<i>Bachelor's degree in Architectural Engineering. Master of Business Administration</i>	<i>Worked for (12) years in Amwal Al Khaleej Company - Business Administration. Worked for a year as a financial advisory analyst at Al Muhaidib Group.</i>
<i>Ahmed bin Ali Al-Luhaidan</i>	<i>CEO</i>	<i>CEO</i>	<i>Bachelor's degree in Mechanical Engineering. Higher Diploma in Design, Production and Management</i>	<i>Worked for (29) years as Director of Project Studies and Consultations at the Saudi Industrial Development Fund</i>
<i>Members outside the board of directors</i>				
<i>Saleh Al-Fadl</i>	<i>Chief Financial Officer at Herfy Food Services</i>	<i>Senior Vice Director of Financial Affairs at Al Rajhi Capital</i>	<i>Bachelor of Business Administration Master of Science in Finance</i>	<i>Worked as an investment analyst at the Saudi Arabian Monetary Agency from April</i>



			<i>Master of Science in Accounting</i>	<p>2006 to August 2013.</p> <p>He worked as Senior Manager for Private Equity at Al Rajhi Investment from March 2013 to July 2014.</p> <p>He worked as Senior Vice Director for Financial Affairs at Al Rajhi Capital from August 2014 to October 2015.</p> <p>- Served as Chief Financial Officer at Herfl Food Services Company from November 2015G to date.</p>
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Statement of current jobs, previous jobs. Qualifications and experiences of executive administration:

<i>Name</i>	<i>Current Job</i>	<i>Previous Job</i>	<i>Qualifications</i>	<i>Experiences</i>
<i>Amro Mohammed Al Hattab</i>	<i>Deputy President Operations</i>	<i>Company Factories manager</i>	<i>Bachelor of Mechanical Engineering</i>	<i>More than 20 years of experience in the manufacture and installation of pipes</i>
<i>Fouzi Ibrahim Al Hussain</i>	<i>Deputy of CEO for chain of supply</i>	<i>Logestic services manager</i>	<i>Master certificate at Project Management. Bachelor of Information Systems.</i>	<p>18 years of experience (external and internal procurement - supplier development - shipping - warehousing - computer systems development (SAP))</p>
<i>Homoud Ali Al Hamza</i>	<i>CEO OF Financial Affairs</i>	<i>Financial manager</i>	<i>Master Degree in Business</i>	<i>Relationship Manager in the</i>



			Administration (specializing in financial management) in 2015 from Barry University - Miami - United States of America. Bachelor Degree in Finance in 2007 from Prince Sultan University - Riyadh - Saudi Arabia - 2007	company's department (Arab National Bank). Senior Relationship Manager in the Corporate Department (Al Rajhi Bank). Financial Manager (Arabian Pipe Company). Experience of more than 11 years.
Ali Al Makrami	Deputy President for commercial matters	Sales and marketing manager	Bachelor of Mechanical Engineering	working for 10 years at the Arab Pipe Company
Dakheel Nagi Al Mutaury	HR and Administration Manager	Manager of human resources and administrative affairs	Bachelor of Business Administration Higher Diploma in Accounting Entrepreneurship Diploma Diploma in Human Resources	14 years experience (administrative affairs - salaries - recruitment and training - human resources - occupational safety)

The following is a list of the company's committees:-

Audit Committee:-

The audit committee consists of three members and 4 meetings were held during the year 2020 AD, and the following is a list of the audit committee meetings:

Audit committee	Membership description	Meeting No. (9/8) 16.03.2020	Meeting No. (9/9) 17.06.2020	Meeting No. (9/10) 16.08.2020	Meeting No. (9/11) 09.11.2020	%
Haitham Al-Fraih	Chairman of the Audit Committee	Attended	Attended	Attended	Attended	100



Azzam Al Modaiim	Member of the Audit Committee	Attended	Attended	Attended	Attended	100
Saleh Al-Fadl	Member of the Audit Committee	Attended	Attended	Attended	Attended	100

Functions of the Audit Committee:

1. Supervising the internal audit department in the company in order to verify its effectiveness in carrying out the work and tasks assigned to it by the board of directors.
2. Study the internal control system and draw up a written report on its opinion and recommendations regarding it.
3. Examining the internal audit reports and following up on the implementation of corrective actions for the observations contained therein.
4. Recommending to the Board of Directors to appoint statutory accountants, dismissing them and determining their fees, and taking into account when recommending the appointment to ensure their independence, provided that the company estimates the cost of auditing by it before requesting auditing offers, and that the one that is closest to estimation and work efficiency is the one that is chosen.
5. Following up on the work of the chartered accountants and approving any work outside the scope of the audit work they are assigned to while they are performing the audit work.
6. Study the audit plan with the chartered accountant and make her observations on it.
7. Study the chartered accountant's notes on the financial statements and follow up on what has been done about them.
8. Study the annual interim financial statements before submitting them to the Board of Directors, and ensure the integrity of the financial and non-financial reports, and express opinion and recommendations regarding them.
9. Study the accounting policies used and give opinion and recommendation to the Board of Directors in this regard.

The Board of Directors through periodic reports submitted to the Board supervises the committee



Clause (d) of Article 9 - Governance

Clause (13) of Article Forty Three - Rules for registration and listing

Nomination and Remuneration Committee:-

<i>Nomination and Remuneration Committee</i>	<i>Membership description</i>	<i>Meeting No. (20/1) 17.03.2020</i>	<i>Meeting No. (20/2) 29.12.2020</i>	<i>%</i>
<i>Azzam Al Modaiim</i>	<i>Chairman of the Committee</i>	<i>Attended</i>	<i>Attended</i>	<i>100</i>
<i>Saad Al-Mojil</i>	<i>Member of the Committee</i>	<i>Absent</i>	<i>Attended</i>	<i>50</i>
<i>Khaled Abu Nayan</i>	<i>Member of the Committee</i>	<i>Attended</i>	<i>Attended</i>	<i>100</i>

Functions of the Nomination and Remuneration Committee:

- 1. Recommending to the Board of Directors the nomination for Board membership with candidates capable of enhancing the ability of the Board to effectively manage and direct the affairs of the company in accordance with the approved policies and standards.*
- 2. Annual review of the required needs of appropriate skills for membership of the Board of Directors and the preparation of a description of the capabilities and qualifications required for membership of the Board of Directors, including determining the time that the member must devote to the work of the Board of Directors.*
- 3. Review the structure of the Board of Directors and make recommendations regarding the changes that can be made.*
- 4. Determining the strengths and weaknesses of the board of directors and proposing remedies in accordance with the company's interest.*
- 5. Ensure on an annual basis the independence of the independent members and the absence of any conflict of interest if the member occupies the membership of the board of directors of another company.*
- 6. Establishing clear compensation and remuneration policies for members of the Board of Directors and senior executives, taking into account when setting these policies the use of performance-related criteria.*
- 7. Recommendation to the Board of Directors regarding candidates for membership in the various committees emanating from the board.*
- 8. Ensure that there is an induction program for the company's business for new members of the council.*
- 9. Recommending the appointment of the executive management of the company.*
- 10. Perform other tasks or responsibilities assigned to it by the Board of Directors from time to time.*

The Board of Directors through periodic reports submitted to the Board supervises the committee

Clause (d) of Article 9 - Governance

Clause (13), paragraph b, c, of Article 43 - rules for registration and listing

Executive committee:



The Executive Committee consists of four members, and 4 meetings were held during the year 2020. The following are a list of the meetings:

Executive committee	Membership description	Meeting No. (9/8) 15.03.2020	Meeting No. (9/9) 15.07.2020	Meeting No. (9/10) 26.10.2020	Meeting No. (9/11) 28.12.2020	%
<i>Khaled Abdullah Abu Nayan</i>	<i>Chairman of the Committee</i>	<i>Attended</i>	<i>Attended</i>	<i>Attended</i>	<i>Attended</i>	<i>100</i>
<i>Youssef Saleh Aba Al-Khail</i>	<i>Member of the Committee</i>	<i>Attended</i>	<i>Attended</i>	<i>Attended</i>	<i>Attended</i>	<i>100</i>
<i>Sa'ad Al-Qahtany</i>	<i>Member of the Committee</i>	<i>Attended</i>	<i>Attended</i>	<i>Attended</i>	<i>Attended</i>	<i>100</i>
<i>Ahmad Al-Luhaidan</i>	<i>Member of the Committee</i>	<i>Attended</i>	<i>Attended</i>	<i>Attended</i>	<i>Attended</i>	<i>100</i>

Functions of the Executive Committee:

- 1. The committee carries out all the tasks assigned to it by the board of directors, and for this purpose, it has the right to exercise the powers for which the committee is authorized in accordance with the decisions of the board of directors.*
- 2. Review deals or transactions with related persons*
- 3. Study and discuss the executive plans for capital and investment projects to achieve the company's objectives follow up on their implementation and evaluate their results by submitting to the Board of Directors the proposals and recommendations it deems appropriate regarding them.*

The Board of Directors through periodic reports submitted to the Board supervises the committee

Clause (13), (16) of Article Forty Three - rules for registration and listing

Clause (d) 1 and 2 of Article 9 - Governance Code

The total amounts paid and payable to members of the Board of Directors for the year 2020 amounted to (1,221 thousand) Riyals (which is an allowance for attending the sessions of the Board and its subordinate committees and remuneration for membership of the committees according to the regulation of the remuneration policy for members of the board and according to the text of the article of the articles of association, and the total salaries, bonuses and compensation paid by the company to the top five of its senior executives, who are) CEO - Financial Director - Vice President of Materials Management - Director of Sales and Marketing - Director of Administration and Personnel Affairs (an amount of 4.2 million) detailed as in the following table:-



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	Fixed remuneration (in thousands)							Variable remuneration (in thousands)							Grand total (thousands)	Expense allowance (in thousands)
	Annual remuneration for board and committee	Allowance for attending board sessions	Total attendance at committee sessions	Benefits in kind	Reward technical, administrative and other	Remuneration for the Board of Directors	Total	percentage of profits	Periodic bonuses	Short-term incentive plans	Long-term incentive plans	(Shares Given) value to be entered	Total	End of service benefits (thousands)		
1 st : Independent Members																
1- Youssef Saleh Aba Al-Khail	150	12	12	-	-	-	174	-	-	-	-	-	-	-	174	-
2- Khaled Abdullah Abu Nayan	150	12	18	-	-	-	174	-	-	-	-	-	-	-	180	-
3- Azzam Saud Al Modaiim	150	12	18	-	-	-	180	-	-	-	-	-	-	-	180	-
4- Haitham Tawfiq Al-Fraih	150	12	12	-	-	-	174	-	-	-	-	-	-	-	174	-
5- Saad Falah Al-Qahtani	150	12	12	-	-	-	174	-	-	-	-	-	-	-	174	-
2 nd : Non-executive members																
1- Saad Ibrahim Al-Mojil	150	9	6	-	-	-	165	-	-	-	-	-	-	-	165	-
3 rd : executive members																
	150	12	12	-	-	-	174	-	-	-	-	-	-	-	174	-



Statement	Fixed Rewards				Variable Rewards						Indemnity	Total executive remuneration for
	Salary	Allowance	Benefits	Total	Regular Bonus	Earnings	Short Term Motivation	Long Term Motivation	Granted Shares	Total		
Five senior executives who received the highest rewards among them CEO and CFO	3,278	1,220	-	4,498	-	-	-	-	-	-	-	174



The interest of members of the Board of Directors, senior executives, and their wives and minor children, as on 31.12.2020

<i>Name</i>	<i>Title</i>	<i>Stocks at the beginning of the year</i>	<i>Change during the year</i>	<i>Stocks at the end of the year</i>	<i>Variation Ratio</i>
<i>Mr. Youssef Saleh Aba Al-Khail</i>	<i>Chairman of Board of Directors</i>	<i>1.647.809</i>	<i>1.643.809</i>	<i>4.000</i>	<i>443.4 %</i>
<i>Mr. Khaled Abdullah Abunayyan</i>	<i>Deputy Chairman of the Board</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>
<i>Engineer / Saad Ibrahim Al-Mojil Representative of Al-Mojil Trading & Contracting Company</i>	<i>Member of the Board of Directors</i>	<i>676.617</i>	<i>--</i>	<i>676.617</i>	<i>--</i>
<i>Engineer / Azzam Saud Al-Modaiim</i>	<i>Member of the Board of Directors</i>	<i>1.269</i>	<i>--</i>	<i>1.269</i>	<i>--</i>
<i>Mr. Haitham Tawfiq Al-Fraih</i>	<i>Member of the Board of Directors</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>
<i>Mr. Saad Falah Al-Qahtani</i>	<i>Member of the Board of Directors</i>	<i>500</i>	<i>--</i>	<i>500</i>	<i>--</i>
<i>Engineer / Ahmed Ali Al-Luhaidan</i>	<i>Member of the Board of Directors</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>

In addition, there are no interests, contractual securities, subscription rights, and any contracts belonging to members of the board of directors and senior executives, including the CEO and the financial director, and the wives of members of the board of directors or their minor children, in shares, debt instruments, or any of its subsidiary companies.

12th: Contracts for stakeholders with the company by the end of 2020:

The company's management acknowledges that there are no contracts for members of the board of directors, their representatives, senior executives, and those related to any of them with the company during the year 2020.



13th: A statement of the dates of the general assemblies of shareholders held during the year 2020, and the names of the members of the board of directors attending these assemblies:

#	Name	Attendance Record		
		Ordinary general assembly meeting 03.02.2020	Extraordinary general assembly meeting 23.11.2020	Total of meetings
1	Youssef Saleh Aba Al-Khail	Attended	Attended	2
2	Khaled Abdullah Abunayyan	Attended	Absent	1
3	Saad Ibrahim Al-Mojil Representative of Al-Mojil Trading & Contracting Company	Attended	Attended	2
4	Azzam Saud Al-Modaiim	Attended	Attended	2
5	Haitham Tawfiq Al-Fraih	Attended	Attended	2
6	Saad Falah Al-Qahtani	Attended	Attended	2
7	Ahmed Ali Al-Luhaidan	Attended	Attended	2

14th: Number of company requests for shareholders 'register, application dates and reasons:

The number of company application for shareholder register	Application date	Application reasons
3	03.06.2020 26.10.2020 23.11.2020	General Assembly
4	19.05.2020 26.08.2020 19.11.2020 31.12.2020	Company procedures

15th: Governance and related applications:

The Capital Market Authority has issued a corporate governance regulation, which outlines the rules and standards governing the management of joint-stock companies. The company's corporate governance system has been prepared and implemented, in which compliance with the best corporate governance practices that ensure the protection of shareholders 'rights, disclosure and transparency, has also been prepared. The internal review system has also been prepared and the Board of Directors authorized the relevant committees. By following up the implementation of the company's corporate governance system, noting that the following have not been applied:



1. *Paragraph (5) of Article 6 “Investors of legal persons who act on behalf of others, such as investment funds, must disclose their voting policy and actual voting in their annual reports,” as the company has not received such a disclosure.*
2. *Guidance materials and will be adhered to once approved.*

Clause (24) of Article Forty Three - Rules for Registration and Listing,

Clause (A) of Article Nine - Governance Law

16th: Zakat and statutory payments

The company paid an amount of 4,607 thousand riyals as zakat in 2019, and the provision for zakat and income was made for the year 2020 at a value of 3,941 thousand riyals.

Value Added Tax: The company paid an amount of 25,935 thousand riyals, according to the regulations of the General Authority for Zakat and Income Tax

The General Organization for Social Insurance, the company paid an amount of 2,806 thousand riyals in accordance with the regulations of the General Organization for Social Insurance.

The company paid 244 thousand riyals according to the regulations of the Ministry of Interior as Iqama Expenses.

17th: Fines, Penalties and Precautionary Restrictions:

There is no penalty, penalty, precautionary measure or precautionary restriction imposed on the company by the Authority or from any supervisory, regulatory or judicial authority.

Clause (24) of Article Forty Three - Rules for Registration and Listing,

Clause (A) of Article Nine - Governance Law

18th: Approval of internal controls

The Board of Directors and the Company's management acknowledge that:

1. *Accounting records have been prepared in a correct manner and appropriate accounting records are kept along with the associated documents at the correct format*
2. *And that the internal controls and the internal control system of the company were prepared on sound bases and have been effectively implemented*
3. *That there is no doubt about the ability of the company to continue its activity.*

19th: Results of the annual review of the effectiveness of internal control procedures:

The company's internal audit department checks the effectiveness of the internal control system and assesses business risks. The audit committee also follows up the procedures taken by the company's management regarding audit observations to close the observations and treat them in a manner that



ensures that they are not repeated, which enhances the audit committee's conviction of the effectiveness of the internal control procedures followed. The audit committee recommended the following:

- 1. Recommending the modernization of the company's ERP system*
- 2. Recommending the updating of the company's Policy and procedures*

The recommendation of the Audit Committee was implemented to develop and attract competencies in the Internal Audit Department, so the company appointed internal auditors for the company during the year 2020.

20th: Board proposals for the General Assembly

The Board of Directors proposes to you the following:

- 1. Approval of what is stated in the report of the Board of Directors for the year 2020.*
- 2. Approval of the auditor's report for the year ending 31.12.2020.*
- 3. Certification of the list of the company's financial position as on 31.12.2020 and the rest of the financial statements for the year ending on the same date.*
- 4. Approval of the formation of the audit committee, defining its tasks, its work regulations, and the remuneration of its members. In addition to some other items that will be mentioned later in the announcement of the invitation to the General Assembly*