



شركة الصناعات الكهربائية
ELECTRICAL INDUSTRIES CO.

Board of Directors Report for 2020

Board of Directors Annual Report Electrical Industries Company For the Company activities during 2020





The content:

- 1- Establishment and Activities
- 2- Company's plans and Future expectations
- 3- Risks associated with the Co business
- 4- Assets, Liabilities and the results
- 5- Geographical analysis of revenue
- 6- Clarifications of any substantial differences in operational results
- 7- Clarifications of any inconsistency with the Standards approved by SOCAPA
- 8- List of the Company's subsidiaries
- 9- Details of shares and debt instruments
- 10- A Description of Dividend policy
- 11- A description of any interest in a class of voting shares held by persons other than (company's directors, senior executives and their relatives) who have notified the Company with their holding pursuant to Article 67 of the Rules of the offer of securities and continuous obligation, together with any change to such interests during the last fiscal year.
- 12- Ownership of 5% and more and the percentage of change.
- 13- A description of any interest, contractual securities or rights issue of the Board Members and Senior Executives and their relatives on shares or debt instrument of the Company or its affiliates, and any change on these interests or rights during the last fiscal year.
- 14- Information on any Loans.
- 15- A description of a class and number of any convertible debt instruments or contractual securities or preemptive rights or similar rights issued or granted by the Company during the last fiscal year, as well as stating any compensation obtained by the Company in this regard.
- 16- A description of conversion or subscription rights under any convertible debts instruments, or contractual based securities, warrants or similar rights issued or granted by the Company.
- 17- Description of any redemption, purchase or cancellation by the Company to any redeemable debt instruments and the value of such outstanding securities, distinguishing between those listed securities purchased by the company and those purchased by its affiliates
- 18- The formation of the board and classification of its members
- 19- Name, Qualifications and experience of the Board, Committee Members, and Executive Management.
- 20- Names of the companies inside and outside the Kingdom in which a Board member is a member of their current or previous Board member or manager
- 21- The Board meetings and the attendance record.



- 22- General Assembly Meetings
- 23- Shares registry
- 24- Description of any transaction between the Company and any related party
- 25- Contracts and businesses to which the company is a party and in which a board member, senior executives or any person related to any of them has an interest in such contracts and businesses.
- 26- The remuneration of the Board, Committees and Executive Management
- 27- Waiver of Remuneration
- 28- Waiver of dividends
- 29- A statement of the value of any paid and outstanding statutory payment.
- 30- A statement of a value of any investment made or any reserves set up for the benefit of the employees of the Company.
- 31- The Board of Directors declarations
- 32- The External Auditors report reservations of the annual financial statement.
- 33- The Board of Directors recommendation to replace the External Auditor before the end of its term.
- 34- The Audit Committee's recommendation on the need for appointing an Internal Auditor
- 35- The Audit Committee's recommendations with conflict with the Board resolutions.
- 36- A brief description of the competencies and duties of the committees.
- 37- Any punishment, penalty, precautionary procedures or preventive measure imposed on the Company.
- 38- The results of the Annual review of the effectiveness of the internal controls procedures of the Company.
- 39- Communication with the shareholders'
- 40- The procedures taken by the board to inform its members, especially the none executives of the shareholder's suggestions and remarks on the company and its performance.
- 41- Disclosure of the details of treasury shares held by the Company and the details of using such shares,
- 42- Governance of the Company
- 43- The Board recommendation to the General Assembly



The Board of Directors:

The Chairman of the Board:

Mr. Yousef Ali Zaid ALQuraishi

Vice Chairman of the Board:

Eng. Mahmoud Mohamad ALToukhi

The Members:

Eng. Talal Ahmed ALZamil

Mr. Faisal Saleh ALQuraishi

Mr. Fahad Saad ALTuwaijri

Mr. Bader Ibrahim ALSwaillem

Mr. Jameel Abdullah ALMolhem

The Managing Director

Eng. Tariq Mohamad ALTahini



Chairman's Message

Dear shareholders of Electrical Industries Company,

The Board of directors of EIC is pleased to present to its shareholders' the Annual Report for the financial year ended in 31st of Dec.2020.The Report has been prepared as per the requirements of Corporate Governance regulations issued by CMA, Companies Law and the bylaws of the Company.

The report presents information about the Company activities, its performance, future plans, efforts exerted to develop the shareholders' equity and to support the manufacturing of electrical equipment in Kingdom of Saudi Arabia as per 2030 vision.

Shareholders are well aware of the challenges that confronted the global and regional economy and the decline in domestic demand due to the outbreak of the new Corona virus (COVID -19) and the accompanying precautionary and preventive measures taken by the competent authorities and the total and partial lockdown of economic activities. Despite of these challenges, the company maintained its market share, achieved growth in revenue by 12% compared with 2019.

The Board would like to assure that the challenges facing the global and regional economy are being observed and assessed to keep up with the latest developments, to preserve shareholders' equity and to ensure the sustainability of the company's operations.

I sincerely thank you for your trust in the board of directors, as well as my fellow board members for their directions and efforts. I also thank the executive management for the sincere efforts, looking forward to more achievement and success in 2021.

Yousef Ali ALQuraishi
Chairman of the Board



Managing Director's speech

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

We have accomplished many milestones during the fiscal year 2020, the company has maintained its market share with total revenues reaching SR (648.7) million with growth rate of 12% , despite the global economic recession and the slowdown of domestic and regional demand due to the outbreak of the new Corona virus (19) and the precautionary and preventive measures taken by the competent authorities to prevent its spread and the lockdown of most economic activities and shutdown of two of our factories for one month.

As part of the company's strategic plan to diversify and expand its products base, the company signed a number of technical assistance agreements with a leading international companies in the field of electrical equipment, which will allow the company to enter new markets and sectors.

At present, there are still many global economic challenges that pose a threat to the global and regional economy as some countries continue to take precautionary and preventive measures to prevent the spread of the new Coronavirus (19), which may result in delays in the recovery of the economy and reduce the domestic and regional demand. However, the company will continue its efforts and plans to open new markets, increase exports and increase its customers base. The company is also working to optimize its resources and factories, to improve operating efficiency and rationalize costs to make its products more competitive.

In conclusion, I reiterate my thanks to everyone for their contribution, and we look forward to further success in 2021.

Tariq Mohammed Al-Tahini
Managing Director &CEO



1- Establishment and Activities

A- Establishment:

Electrical Industries Company was established as a Saudi joint stock company registered in the Kingdom of Saudi Arabia by the Ministerial Decree No. 198/Q dated 25/7/1428H corresponding to 7/8/2007G under the Commercial Register No. 2050056359 dated 22/8/1428H corresponding to 4/9/2007G issued in Dammam. The current share capital of the Company is SR (450) Million consisting of (45) Million ordinary shares, with a nominal value of SR (10) each.

On 22/9/2014, the Capital Market Authority has approved to list (13,500) Million shares which represents 30% of the Company shares to the public. The Company was listed in Saudi Market Exchange (Tadawul) on 7/12/2014.

B- Activities

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

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

1. Electrical Transformers: Manufactured by STC, WESCOSA and SPTC.
2. Low and medium voltage switchgears manufactured by WESCOSA, which manufactures and supplies a wide range of medium and low voltage switchgears, low voltage distribution panels/boards, motor control centers, switch racks, panel boards, cable bus and bus ducts, relays and protection panels.
- 3- Cable trays are being manufactured by WESCOSA
- 4- Services and maintenance provided by WESCOSA, which offers after sales services for low and medium voltage switchgear products. The division provides maintenance, repair, inspection, upgrade, study of products, electrical and mechanical systems and related works. It also provides test services for electrical equipment on site.

The following table shows the impact of the major activities in the volume of the company business and its contribution to the results (in thousands, SR).

Activities	Revenue	Percentage%
Transformers &Substations	433,588	67%
Switchgears	108,951	17%
Cable Trays	51,088	8%
Service	55,059	8%
Total	648.686	100%



2- Summary of the main achievements, operations and Future plans.

Below are the main achievements during 2020:

- Despite the outbreak of (COVID -19) and the precautionary measures taken by the respective authorities to prevent its spread, the company was able to achieve increase in sales by 12% compared to 2019, also export sales increased to SR 127 Million which represents a growth rate of 139 % compared to 2019.
- By the end of 2020, the order backlog stood at SR 960 Million compared to SR 477 Million by the end of the same period last year.
- Designing and testing special type Transformers such as Transformers used for high speed pumps and Transformers used in power generation projects from solar energy.
- Designing, manufacturing and testing Transformer with 230 KV rate, which is considered the first one in KSA and gaining prequalification at Saudi Aramco.
- The company has signed a technical support agreement with Schneider Electric to provide the technical support for the manufacturing of Low Voltage Switchgears as per IEC standards.
- Despite the increase of investment in working capital resulting from postponement of projects in the oil and gas sector and the reduction of bank facilities from some banks in the Kingdom according to their policy, the company has maintained a healthy financial position.
- During the lockdown periods imposed by the competent authorities to prevent the spread of the new Corona virus (19), the company was able to activate remote work for its employees by providing secure access to their personal computers to enable them carrying out the required tasks so that the workflow of the company is not affected.
- In order to keep pace with recent technical developments and digital transformation, the company has begun implementing virtual operating systems (ERP Cloud), in conjunction with the use of Business Process Automation (RPA), and the company is in the process of replacing its e-mail system to Cloud to support the need for remote work and increased security.

The company will continue its plans to improve the performance and increase production efficiency, however it is difficult to predict the company's results during 2021 and the upcoming years, due to local and regional market situation and the level of local and regional demand.

The company's strategy aims to strengthen its financial position, increase its market share, meet the requirements of its customers and achieve sustainable return to its shareholders, through continuous improvement and development of its products, expand and diversify its activities.

The company is currently targeting regional markets to export its products to compensate the decline in the local market. The company also increases its sales from the most profitable products and services as much as possible in view of the market situation.

The company's strategy also aims to diversify the product base in current activities and enter into partnerships and agreements with companies that have activities complementary or similar to the company ones.



The main events during 2020.

Serial	The event	2020
1	EIC announcement on its Annual financial results for the period ending on 31 Dec 2019	19/3/2020
2	EIC announcement to invite its shareholders to attend the Extraordinary General Assembly meeting.	9/4/2020
3	EIC announcement on the results of the Extraordinary General Assembly meeting	5/5/2020
4	EIC announcement on its Interim financial results for the period ending in 31 March 2020	19/5/2020
5	EIC announcement on its Interim financial results for the period ending in 31 June 2020	20/8/2020
6	EIC announcement on its board of directors resolution to enter into negotiation to conclude Purchase Assets Agreement of CG Power Belgium Company (under liquidation) and establish a Limited Liability Co in Belgium.	23/8/2020
7	EIC announcement on its Interim financial results for the period ending in 31 Sept. 2020	28/10/2020
8	EIC announcement on signing two of its subsidiaries supply agreements with Saudi Electricity Co.	15/11/2020
9	EIC announcement on signing one of its subsidiary a technical agreement with Schneider Electric Co.	17/11/2020
10	EIC announcement on signing two of its subsidiaries supply agreements with Saudi Electricity Co.	26/11/2020
11	EIC announcement on the completion of the liquidation process of CG PSSA and cancelling the CR of the Company.	2/12/2020



3- Risk Factors

1) Competition

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

2) Operational risks

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

3) Risks of raw material price fluctuations

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

4) Compliance risks

The Company is committed to comply with the rules and regulations issued by the relevant authorities. As these regulations are constantly subject to amendment, non-compliance with the updated regulations exposes the company to the risk of penalties and fines. In response to these risks, the company is constantly keeping pace with the changes and amendments issued by the relevant authorities to be aware of the requirements. The company also contacts the regulatory bodies for any clarification.



5) Financial Risk Factors

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyses the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Control department. Internal Control department undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

- **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are primarily in Saudi Riyals and United States Dollars. Since Saudi Riyal is pegged to United States Dollars, management of the Group believes that the currency risk for the financial instruments is not significant.

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

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

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

- **Price risk**

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group's financial assets and liabilities are not exposed to price risk.



- **Credit risk**

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from cash and cash equivalents as well as credit exposures to customers, including outstanding amounts from related parties and committed transactions.

With respect to exposures with banks, management considers the credit risk exposure to be minimal as the Group deals with reputed local banks only. Management does not expect any losses from non-performance by these counterparties. The Group has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables.

- **Liquidity risk**

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

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

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal ratio targets.

- **Capital risk management**

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

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

- **Fair value estimation**

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

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

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Group's Audit Committee.

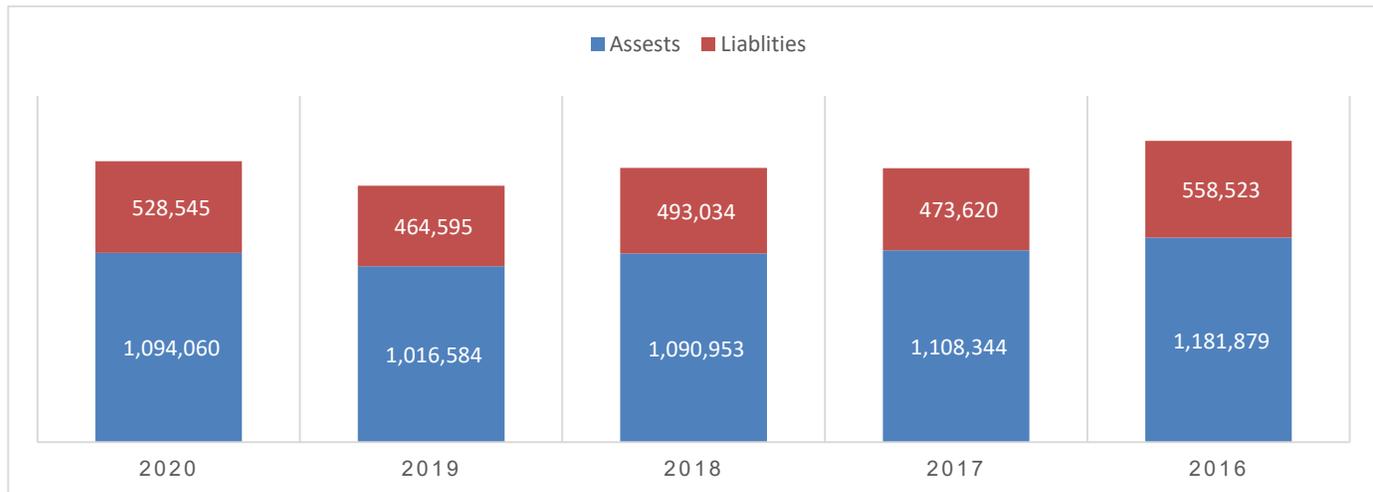


4- Summary of the company's assets, liabilities and results

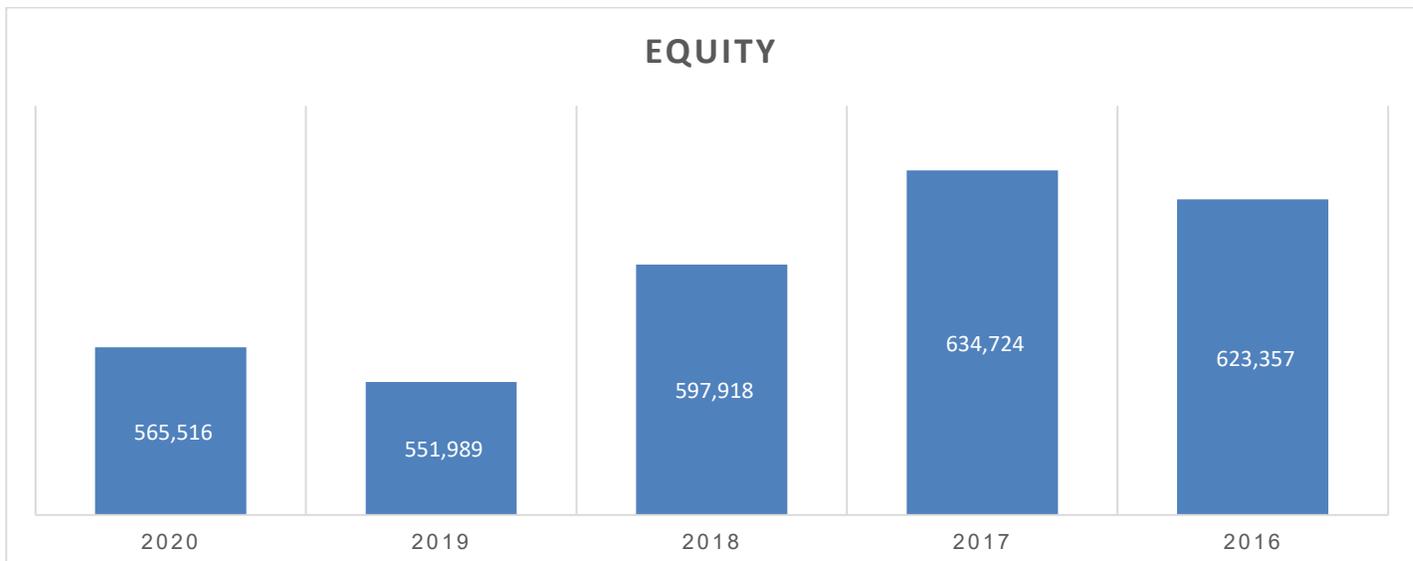
The following table shows the assets and liabilities for the last five fiscal years (in thousands)

Assets & Liabilities	2020	2019	2018	2017	2016
Current assets	788,064	705,600	775,403	790,658	861,453
Non - current assets	305,996	310,985	315,549	317,685	320,426
Total assets	1,094,060	1,016,584	1,090,953	1,108,344	1,181,879
Current liabilities	414,003	353,962	383,540	405,584	461,127
Non - current Liabilities	114,541	110,633	109,494	68,036	97,395
Total Liabilities	528,545	464,595	493,034	473,620	558,523
Equity	565,516	551,989	597,918	634,724	623,357

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



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





Comparing the results of business:

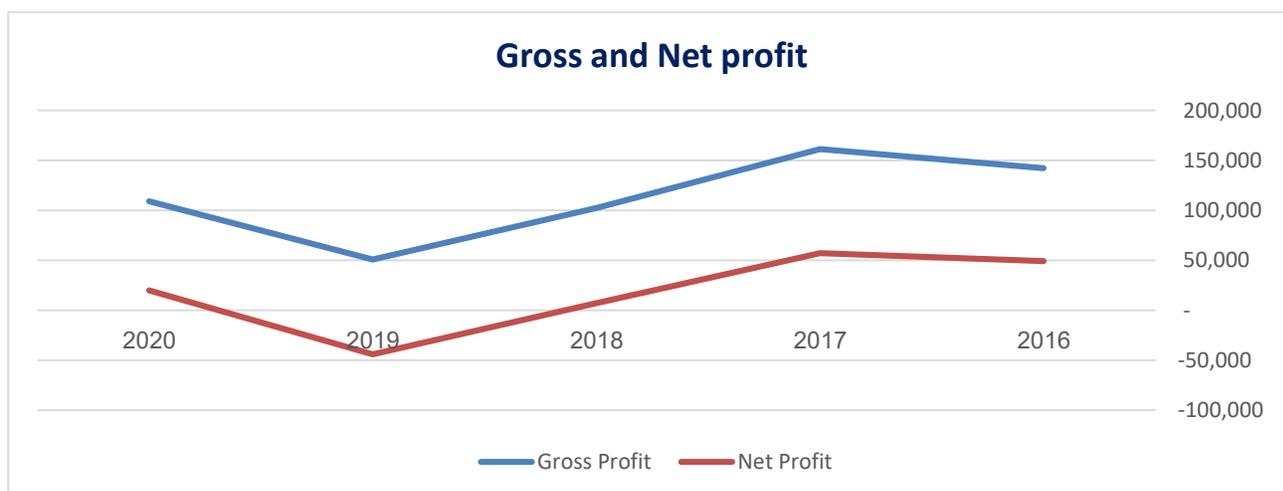
The following table shows the results for the last five fiscal years (the amounts in thousands, SR)

Profit & Loss	2020	2019	2018	2017	2016
Sales	648,686	577,556	705,556	869,818	884,762
Cost of sales	(539,585)	(526,849)	(603,418)	(708,642)	(742,489)
Gross profit	109,100	50,706	102,469	161,176	142,273
Net profit	20,061	(44,182)	7,113	57,322	49,376

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



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





5- Geographical analysis of revenue for the Co and its affiliates:

The following table shows the geographical analysis of the company's revenue during 2020 (in thousands).

Region	Revenue
Easterner Region	319.393
Western Region	164.803
Central Region	21,699
Southern Region	5,113
Northern Region	10,647
Export	127,031
The total	648,686

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

Statement	2020	2019	Differences (+) , or (-)	Percentage
Sales	648,686	577,556	71,130	12%
Cost of sales	(539,585)	(526,849)	12,736	2,4%
Gross profit	109,100	50,706	58,394	115%
Other operating income	283	1,101	(818)	(74%)
Other operating expenses	(67,215)	(71,170)	3,955	5.5%
Operating profit	42,168	(19,362)	61,530	318%

The increase in Gross, Operating and Net Profit for year 2020 compared with 2019 is mainly attributed to:

- Increase in sales from SR 577,6 Million to SR 648,7 Million and the diversification of sold products which includes products with higher profitability. In addition to improvement of Gross Margin in certain products.
- Decrease in Selling and Distribution expenses from SR 30,9 Million to SR 27,6 Million.
- Decrease in Financial costs from SR 11,1 Million to SR 7,5 Million due to lower cost and level of finance.

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

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



8- List of the Company's subsidiaries

S	Name of the Subsidiary	Location	Main activities	Ownership	Capital
1	Saudi Transformers Co.	First Industrial City Dammam - KSA	Manufacture of distribution transformers, compact substations and LV panels	100	SR 102,750,000
2	Waha Electric Supply Co of Saudi Arabia (WESCOSA).	First Industrial City Dammam - KSA	Manufacture of distribution transformers, substations , switchgears , cable trays and service	100	SR 64,000,000
3	Saudi Power Transformers Co.	2 ND Industrial City Dammam - KSA	Manufacture of medium power transformers	100	SR 30,200,000
4	Gulf Electrical Equipment Co.	Dubai - UAE	Trading in Power Generation, Transmission and Distribution Equipment	100	DHS 100,000

- 1) Saudi Transformers Co. is a limited liability company with a paid up capital of (SAR 102,750,000). STC is fully owned, directly and indirectly, by EIC. STC manufactures distribution transformers, compact substations and low voltage distribution panels/boards.
- 2) Waha Electric Supply Co. of Saudi Arabia is a limited liability company with a paid up capital of (SAR 64,000,000). WESCOSA is fully owned, directly and indirectly, by EIC. WESCOSA manufactures transformers and substations, low and medium voltage switchgear, and provides services and technical support.
- 3) Saudi power transformers Co, is a limited liability company with a paid up capital of (SAR 30,200,000). SPTC is owned fully by EIC. SPTC manufactures medium capacity power transformers with a power capacity between 20 MVA and up to 100 MVA..
- 4) Gulf Electrical Equipment Co. is a limited liability Company with paid up capital of (DHS 100,000). GEEC is fully owned by EIC. GEEC activities is trading in power generation, transmission and distribution equipment.

9- Details of shares and debt instruments.

The following table shows the capital of the Co. and the number of shares. The company did not issue any debt instruments during 2020.

No	Details	Value in SAR / Number of shares
1	Paid up capital	450,000,000
2	Number of issued shares	45,000,000
4	Nominal value of Share	10



10- Description of dividends policy

Dividends is subject to realized net income and free cash flow during the year and according to Article (50) of the company bylaw which reads as follow:

- 1- Annually the company will set aside (10) of the net profit to form a statutory reserve. The General Assembly may decide to stop this deduction whenever the said reserve amounts to (30%) of the capital of the company.
- 2- The General Assembly as per suggestion from the board, may decide to set aside (10%) of the net profit to form additional reserve to be allocated for the benefit of the company.
- 3- After deducting the statutory reserve and any other reserve that may be decided by the General Assembly, (5%) of the paid up capital shall be distributed from the annual net profit to the shareholders as initial dividend.

The proposed cash dividends distribution for year 2020.

The Board of Directors has recommended in their meeting held on 16 March 2021 to the General Assembly to distribute cash dividends to the shareholders for the fiscal year 2020, amounting to SR (22,5) Millions, estimated at SR (0.5) per share, representing (5%) of the nominal value per share. The eligibility of dividends shall be for company's shareholders who own the shares at the end of the trading day of General Assembly meeting and registered in the company's Share Registry at Securities Depository Center at the end of the second trading date following the due date.

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

The company did not receive any notice of any interests, or a change in the interests of person other than board members and senior executives in the class of voting shares during 2020.

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

Name	No of shares at the beginning of the year	%	No of shares at the end of the year	%	Net Change	Percentage Change
Ali Zaid ALQuraishi & Brothers' Co.	11,970,000	26,60	-	-	(11,970,000)	100
AJDA for Industrial and Technical Services	-	-	12,600,000	28	12,600,000	100
Sons of Saad Abdullah ALTuwaijri Holding Co.	10,265,850	22,81	10,265,850	22,81	-	-
ALToukhi Trading Group	6,649,650	14,78	-	-	(6,649,650)	100



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

A- Board of Directors

Name	No. of Shares at the beginning of the year	%	No. of shares at the end of the year	%	Net Change	Percentage change
Mr. Yousef Ali Z. ALQuraishi	-	-	-	-	-	-
Mr. Mahmoud M. ALToukhi	-	-	1,342,532	-	1,342,532	100
Eng. Talal Ahmad A. ALZamil	2,000	-	2,000	-	-	-
Mr. Faisal Saleh ALQuraishi	-	-	-	-	-	-
Mr. Fahad Saad A ALTuwaijri	1,000	-	1,000	-	-	-
Mr. Bader Ibrahim ALSwailem	1,000	-	20,000	-	19,000	1900
Mr Jameel Abdulalh AIMolhem	-	-	-	-	-	-
Eng. Tariq Mohamad ALTahini	3,000	-	-	-	3,000	-

B- Senior Executives

Name	No. of Shares at the beginning of the year	%	No. of shares at the end of the year	%	Net Change	Percentage change
Mr. Medhat Adham Ghaleb	3,000	-	-	-	-	100
Eng. Mohammed Yousef AbuSaada	-	-	-	-	-	-
Eng. Maher Abdulhai ALNajar	-	-	-	-	-	-
Mr. Abdulaziz Azzam ALDhafiari	-	-	-	-	-	-

14-Information on any Loans

The following table shows the details of loans and payment status as of 31 Dec 2020 (in thousands).

Lender	Original amount	Loan period	Amount paid during the year	Balance at the end of the year
RAJHI	26,000	6 Months	-	26,000
BSF	15,700	5 Months	-	15,700
NCB	76,665	6 Months	-	76,665
GIB	9,873	6 Months	-	9,873
ABC	22,875	3 Months	-	22,875
SIDF	56,900	10 Years	346	43,469
Total	208,013		346	195,513



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

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

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

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

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

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

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

According to the charter of the board of directors of the Company, the board is composed of (8) members, majority of them are none executives. The board members have been selected by the General Assembly in its meeting held on 9 Sept 2018.

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

Name	Membership Type	Position	Expiry of the term
Mr. Yousef Ali Z. ALQuraishi	None Executive	Chairman	10 th Sept.2021
Eng. Mahmoud M. ALToukhi	None Executive	Vice Chairman	10 th Sept.2021
Eng. Talal Ahmed A. ALZamil	Independent	Member	10 th Sept.2021
Mr. Faisal Saleh Z. ALQuraishi	Independent	Member	10 th Sept.2021
Mr. Fahad Saad A. ALTuwaijri	None Executive	Member	10 th Sept.2021
Mr. Bader Ibrahim I. ALSwaillem	Independent	Member	10 th Sept.2021
Mr. Jameel Abdullah A. ALMolhem	Independent	Member	10 th Sept.2021
Eng. Tariq Mohamad A. ALTahini	Executive	Member	10 th Sept.2021



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

A- Board and Committee Members:

Name	Current positions	Previous positions and experience's	Qualifications
Mr. Yousef Ali Z. ALQuraishi Chairman of the board	Managing director of Ali Zaid ALQuraishi & Brothers Co.	Vice Chairman of the board Ali Zaid ALQuraishi & Brothers Co. Managing Director ALQuraishi marketing Co.	High school
Eng. Mahmoud Mohamad M. ALToukhi. Vice Chairman of the board Member of Remuneration & Nomination Committee	Chairman of the Board of Directors of Al Toukhi Group Executive Manager and Board Member in Al Toukhi Ozdil Co	Assistant Project Manager of KV 132 transfer station in Riyadh, for Al Toukhi Company for Industry, Trading and Contracting	Bachelor's Degree in Electrical Engineering, Northrop University - California, USA Master's Degree in Business Administration, San Diego University- California, USA
Eng. Talal Ahmed A. ALZamil Board Member Chairman of Remuneration & Nomination Committee	Executive Manager at Middle East Batteries Co.	Credit Team Leader at Saudi Industrial Development Fund. More than 25 years' experience in credit and company management.	Bachelor of Science in Mechanical Engineering, King Fahd University of Petroleum & Minerals Executive MBA, King Fahd University of Petroleum & Minerals in Dhahran
Mr. Faisal Saleh Z ALQuraisi Board Member Member of Remuneration & Nomination Committee	Chairman of the board of Ali Zaid ALQuraishi & Brothers' Co.	Managing director of Ali Zaid ALQuraishi & Brothers Co	Bachelor's Degree in Marketing, King Fahd University of Petroleum & Minerals in Dhahran Master's Degree in Business Administration Pepperdine University USA
Mr. Fahad Saad A ALTuwaijri Board Member	Chairman of the Board of Sons of Saad Abdullah ALTuwaijri Holding Co.	General Manager of the National Concrete Products Establishment	Bachelor's Degree in Military Science, King Khalid Military College Riyadh



Board of Directors Report for 2020

Name	Current Positions	Previous Positions and Experiences	Qualifications
Mr. Bader Ibrahim ALSwailem Board Member Chairman of Audit Committee	Executive President of Saudi Orix Leasing Co.	Audit Committee Member of Samba Group Vice President of Saudi Orix Leasing Co. Executive President for Electronic Sector at ALFaisaliah Financial Controller at ALFaisaliah Group Finance Manager at Saudi Chemicals Co. Accountant and Internal Auditor at SABIC.	Bachelor's Degree in Accounting, King Saudi University Certified Public Accountant (CPA) from SOCPA. Certified Public Accountants (CPA) from the American Institute of Certified Public Accountants
Eng.Tariq Mohamad ALTahini Board Member	Executive President & Managing Director at EIC	More than 25 years' experience in leading positions at SEC	Bachelor of Science in Mechanical Engineering, King Fahad University of Petroleum & Minerals
Mr. Jameel Abdullah ALMolhem Board Member Audit Committee Member	Managing Director Takween advanced Industries Co.	Executive President Shaker Group Executive President for Operation at STC Senior Investment Manager SABB	Bachelor of Science in Marketing, King Fahad University of Petroleum & Minerals
Mr. Sattam Abdulaziz ALZamil Audit Committee Member (outside the board)	Vice President for Finance ALZamil Group		Bachelor Degree in Accounting , King Fahad University of Petroleum& Minerals - Dhahran



B- Executive Management

Name	Current Positions	Previous Positions and Experiences	Qualifications
Mr. Medhat Adham Ghaleb	Executive Vice President for Finance and Information Technology	Senior Vice President for Finance and Shared Services - EIC. Director of Finance and Administration - STC. Finance Manager - STC Chief Accountant - STC. Accountant - STC Programmer at Al Nasr Clothing and Textiles Co.(Egypt).	Bachelor's Degree in Accounting, Alexandria University
Eng. Mohammad Youssef Abusaada	Executive Vice President of Sales and Marketing	Sales and Marketing Manager - WESCOSA Sales Supervisor for Transformers Division - WESCOSA Senior Sales Engineer - WESCOSA Sales Engineer at the Transformers Department- WESCOSA.	Bachelor's Degree in Electrical Engineering, ISRA University, Jordan. Master's Degree of Electrical Engineering, King Fahd University of Petroleum and Minerals, KSA.
Eng. Maher Abdulhay ALNajjar	Executive Vice President of Operation and Engineering.	Vice president for operation, EIC Operation Manger - EIC. Production Manager - STC. Production Supervisor - STC.	Bachelor's Degree in Electrical Engineering, Isra University, Jordan.
Mr. Abdulaziz Azzam ALDhafeeri	Vice President for HR & Administration	HR & Administration Manager ALRajhi, Industrial Sector. HR& Administration Manager, EIC. Recruitment & Employee Ration Supervisor, MARAFIQ	Bachelor Degree in IT, Arab Open University, Riyadh Master Degree in HR, Open University Malaysia, Bahrain. Diploma in HR, Open University Malaysia, Bahrain.



Board of Directors Report for 2020

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

Member Name	Current Membership	Inside/ Outside KSA	Previous Membership	Inside / Outside
Mr. Yousef Ali Z. ALQuraishi	Ali Zaid ALQuraishi & Brothers Co. (Joint stock).	Inside KSA	Saudi Power Transformers Co (Ltd).	Inside KSA
	Saudi Transformers Co. (Ltd).	Inside KSA	United Motors Co.(Ltd)	Inside KSA
	WESCOSA (Ltd).	Inside KSA	AL Quraishi Marketing Co.(Ltd).	Inside KSA
	Saudi Chain Link Fence Manufacturing Co. (Ltd).	Inside KSA		
	Gulf Net Solutions Co. Ltd	Inside KSA		
	Automobile Distribution & Marketing Co. Ltd	Inside KSA		
	TECO Middle East (Ltd).	Inside KSA		
	Arabian Assayel Real Estate Co.(Ltd).	Inside KSA		
	Distribution & Marketing Co.(Ltd).	Inside KSA		
	Kalaam Telecom Co. (Ltd).	Outside KSA		
	Royal & Sun Alliance Middle East (Joint Stock).	Outside KSA		
	Safar Holding Co.(Ltd).	Outside KSA		
	TILAD Investment Co. (Ltd).	Outside KSA		
Himma Capital Co. (Ltd).	Outside KSA			
Eng. Mahmoud Mohamad AL Toukhi.	Amana Cooperative Insurance Co. (Public Stock).	Inside KSA	Saudi Power Transformers Co (Ltd).	Inside KSA
	Al Toukhi Trading Group (Ltd).	Inside KSA	WESCOSA (Ltd).	Inside KSA
	Saudi Transformers Co. (Ltd).	Inside KSA		
	Al Toukhi Ozdil Co. for Power Transmission (Ltd).	Inside KSA		
	Al-Toukhi Co for Industry, Trading and Contracting (Ltd).	Inside KSA		
	Saudi Switches & Sockets Factory Co. (Ltd).	Inside KSA		
	INDICO (Ltd).	Inside KSA		
	Al Toukhi Investments Co.(Ltd).	Outside KSA		
Mona Cool Co. (Ltd).	Outside KSA			
Eng. Talal Ahmad ALZamil	Saudi Marketing Co. (Public Stock).	Inside KSA	Saudi Fransi Capital Co.(Ltd).	Inside KSA
	Saudi Steel Pipe Co. (Public Stock).	Inside KSA	Dar ALYaum Est. for Media (Ltd).	Inside KSA



Board of Directors Report for 2020

Member Name	Current Membership	Inside/ Outside KSA	Previous Membership	Inside / Outside KSA
Mr. Faisal Saleh ALQuraishi	Ali Zaid Al Quraishi & Brothers Co. (Joint Stock Closed). TAWKELAT Co for Finance (Joint Stock Closed). United Motors Co. (Ltd). WESCOA (Ltd). Automobile Distribution & Marketing Co. (Ltd).	Inside KSA Inside KSA Inside KSA Inside KSA Inside KSA	Saudi Air Navigation Services Co. (Ltd). Saudi Power Transformers Co(Ltd). Saudi Transformers Co. (Ltd). TECO Middle East (Ltd). Eastern province chamber (GOV Authority).	Inside KSA Inside KSA Inside KSA Inside KSA Inside KSA
Mr. Fahad Saad ALTuwaijri	Sons of Saad Abdullah ALTuwaijri Holding Co. (Joint Stock Closed). Saudi Transformers Co (Ltd). WESCOSA (Ltd).	Inside KSA Inside KSA Inside KSA	National Concrete Est(Ltd)	Inside KSA
Mr Bader Ibrahim ALSwaillem	Saudi ORIX Leasing Co. (Joint Stock Closed). Amana Cooperative Insurance Co. (Public Stock). Manpower Integrated Solutions Co. (Ltd).	Inside KSA Inside KSA Inside KSA	Arabian Co. for Internet & Communication (Awal Net) (Ltd). ALFaisaliah Group (Ltd). Saudi Chemicals Co (Ltd)	Inside KSA Inside KSA Inside KSA
Eng. Tariq Mohamad ALTahini	Saudi Power Transformers Co.(Ltd).	Inside KSA	CG Power Solutions of Saudi Arabia (Ltd).	Inside KSA
Mr Jameel Abdullah ALMohem	TAKAWEEN (Public Listed) SHAKER Group (Public Listed) Saudi Post (GOV Authority). New Marina Plastic Co. (Joint Stock Closed). Walaa Insurance Co, (Public Listed)	Inside KSA Inside KSA Inside KSA Outside KSA Inside KSA	STC (Public Stock). Call Center Co. (Ltd). New Vision Co.(Ltd). Energy Services Co.(Ltd) VIVA – Bahrain (Ltd). VIVA-Kuwait (Public Stock) CELL CE(Ltd). AVEA (Ltd). Turk Telecom (Public Stock) INTEGRAL (Ltd).	Inside KSA Inside KSA Outside KSA Outside KSA Outside KSA Outside KSA Outside KSA Outside KSA Outside KSA



21- The Board meetings and the attendance record.

The Following table shows the number of meetings held during 2020, their dates and the attendance record:

Name	1 st Meeting 22/1/2020	2 nd Meeting 19/3/2020	3 rd Meeting 7/9/2020	4 th Meeting 27/10/2020	5 th Meeting 22/12/2020	Total
Mr. Yousef Ali ALQuraishi	✓	✓	✓	✓	✓	5
Eng. Mahmoud M. ALToukhi	✓	✓	✓	✓	✓	5
Eng. Talal Ahmed ALZamil	✓	✓	✓	✓	✓	5
Mr. Faisal Saleh ALQuraishi	✓	✓	✓	✓	✓	5
Mr. Fahad Saad ALTuwaijri	✓	✓	✓	✓	✓	5
Mr. Bader Ibrahim ALSwailem	✓	✓	✓	✓	✓	5
Eng. Tariq Mohamad ALTahini	✓	✓	✓	✓	✓	5
Mr. Jameel Abdullah ALMolhem	✓	✓	✓	✓	✓	5

22- General Assembly Meetings and the Board attendance

During 2020 the company held one meeting of the shareholders' General Assembly.

The following is a list of the board members who attended the meeting:

Name	Extraordinary General Assembly Meeting on 4 th of May 202	Remarks
Mr. Yousef Ali ALQuraishi	✓	
Eng. Mahmoud Mohamad ALToukhi	✓	
Eng. Talal Ahmed ALZamil	✓	
Mr. Faisal Saleh ALQuraishi	✓	
Mr. Fahad Saad ALTuwaijri	✓	
Mr. Bader Ibrahim ALSwailem	✓	
Eng. Tariq Mohamad ALTahini	✓	
Mr. Jameel Abdullah ALMolhem	✓	



23- Shareholders register

During the fiscal year ended on 31 Dec 2020, the Company has requested the shareholders register (3) times.

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

No.	Date of the registry	Reason of the request
1	4/5/2020	Annual General Assembly meeting
2	17/12/2020	Company procedures
3	31/12/2020	Preparing Board of directors report

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

According to the information available to the company, there is no transactions concluded between the company and any related party during 2020.

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

During 2020, the company concluded contracts and businesses with related parties. These businesses and contracts are normal trade, limited with specific period without special terms or preferences. The below table shows the related parties transactions during 2020:

Name of the related party	Member who has interest	Nature of the business	Duration of contract	Terms	Total Amount of businesses (SR)
AIToukhi Company for Industry Trading and Contracting	Eng. Mahmoud M. ALToukhi	Sale of products.	One year	No special terms or preference	23,688,280
ALQuraish Electrical Services	Mr. Yousef A. ALQuraishi Mr. Faisal S. ALQuraishi	Sale of products.	One year	No special terms or preference	441,000
ALQuraish Electrical Services	Mr. Yousef A. ALQuraishi Mr. Faisal S. ALQuraishi	Purchase of products	One year	No special term or preference	1,099,777



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

The company prepared the "Remuneration Policy for the "the Board of directors, Committees and Executive management in accordance with the provisions of Article (61) of Corporate Governance issued by the CMA. The policy was approved by the Company's General Assembly on 24/12/2017. It is taken into considerations that the remuneration paid to members of the Board, committees and senior executives should be in line with the approved policy.

The following are the principles of the remuneration policy of board of directors, committees and senior executives as stated in the policy:

Principles of the Remunerations:

- The remuneration should be consistent with the company's strategy and objectives
- Granting remuneration with the aim of encouraging the Board members and Executives management to achieve the success of the Company in its long- term development.
- Determine the remuneration is based on job level, duties and responsibilities, educational qualifications, practical experience, skills and level of performance.
- Take into consideration the practices of other companies in respect of determination of the remuneration, while avoiding the disadvantages of such comparison in leading to unjustifiable increases in remunerations and compensations.
- Remuneration should be based on the sector of the company business, its size and the practical experiences of the board.
- The remuneration should aim to attract talented professionals, retain and motivate them without exaggeration.
- Board members' remuneration may vary to reflect the member's experience and competences.
- The remuneration should be based on recommendation from the Remuneration & Nomination Committee.

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

The remuneration of the Board of Directors and the committees consists of certain amount, attendance fees and travel expenses not exceeding what is stated in the companies Law, its executive regulations and the company's bylaws as per the following details:

- Annual remuneration of SAR (200,000) paid for each member of the Board of Directors.
- Annual remuneration of SAR (50,000) paid for each member of the committees.
- Attendance fees of SAR (3,000) for each session for each member of the board of directors or committees
- Overnight allowance and travel allowance for members who came from outside the city where the meeting is located.

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

- A) The company grants senior executives specific benefits based on the salary scale and the company policy. Senior executive remuneration and compensation includes the following:



Board of Directors Report for 2020

- A basic salary paid at the end of each month.
- Allowances including, but not limited to, housing, transportation and education allowance.
- Medical insurance for the employee and his family.
- Other benefits include, but are not limited to, annual leave, annual travel tickets, end-of-service award according to human resources policy approved by the company.
- Annual bonus determined by performance.

The relation between the paid remuneration and the approved remuneration policy

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

A- The remunerations and compensations paid to the board of directors during 2020 (in Thousand)

Members Of the board	Fixed remuneration							Variable remuneration					End of Service award	Total	Expenses Allowance	
	Specific Amount	Attendance allowance for board meetings	Total attendance allowances for	In-kind benefits	Remuneration for technical & Consultancy	Remuneration of the Chairman, MD or Secretary of Board	Total	Percentage of profits	Periodic Remuneration	Short term incentive plan	Long term incentive plan	Granted shares				Total
Independent Members																
Eng. Talal Ahmed ALZamil	200	15	9	-	-	-	224	-	-	-	-	-	-	-	224	-
Mr Bader Ibrahim ALSwailem	200	15	12	-	-	-	227	-	-	-	-	-	-	-	227	3
Mr.Jameel Abdullah ALMolhem	200	15	12	-	-	-	227	-	-	-	-	-	-	-	227	-
Total	600	45	33	-	-	-	678	-	-	-	-	-	-	-	678	3
None Executives Members																
Mr. Yousef Ali ALQuraishi	200	15	-	-	-	-	215	-	-	-	-	-	-	-	215	-
Eng. Mahmoud Mohamad ALToukhi	200	15	9	-	-	-	224	-	-	-	-	-	-	-	234	3
Mr. Faisal Saleh ALQuraishi	200	15	9	-	-	-	224	-	-	-	-	-	-	-	234	-
Mr. Fahad Saad ALTuwaijri	200	15	-	-	-	-	215	-	-	-	-	-	-	-	215	3
Total	800	60	18	-	-	-	878	-	-	-	-	-	-	-	878	6
Executive Members																
Eng. Tariq Mohamad ALTahini	200	15	-	-	-	-	215	-	-	-	-	-	-	-	215	-
Total	200	15	-	-	-	-	215	-	-	-	-	-	-	-	215	-



Board of Directors Report for 2020

B- Remunerations and compensations paid to the Committees members during 2020.

Name	Fixed remunerations (excluding session attendance allowances)	Session attendance allowance.	Total
Audit committee			
Mr. Bader Ibrahim ALSwailem	50,000	12,000	62,000
Mr. Sattam Abdulaziz ALZamil	50,000	12,000	62,000
Mr. Jameel Abdullah ALMolhem	50,000	12,000	62,000
Total	150,000	36,000	186,000
Remuneration & Nomination Committee			
Eng. Talal Ahmed ALZamil	50,000	9,000	59,000
Eng. Mahmoud Mohamad ALToukhi	50,000	9,000	59,000
Mr. Faisal Saleh ALQuraishi	50,000	9,000	59,000
Total	150,000	27,000	177,000

C- Remunerations of Senior executives during 2020.

The following table shows the remuneration paid to Senior Executives, including the CEO and CFO for the year ended in 31 December 2020 (amounts in thousands, SR):

Senior Executives	Fixed Remuneration				Variable Remuneration						End of services award	Total Remuneration For Board Executives If any	Total
	Salaries	Allowances	In-kind benefits	Total	Periodic Remuneration	Profits	Short Term Incentives Plan	Long term incentive plan	Shares granted	Total			
Five Senior Executives													
Total	3,821	1,241	-	5,062	-	-	-	-	-	-	-	200	5,262



27- Waiver of Remuneration

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

28- Waiver of dividends

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

29- Paid and Outstanding Statutory Payment during 2020

The below table shows the values of the paid and outstanding statutory payments and a brief description and their reasons (amounts in thousands, SR).

Statement	2020		A brief description	Reasons
	Paid during the year	Due and not paid at the end of the year		
Zakat	10,820	11,075	ZAKAT provisions for 2020	The due sums during 2021 will be paid after receiving the final assessment for 2020.
VAT	21,418	5,307	VAT provisions for of Dec 2020	The due sums will be paid in January 2021
GOSI	6,058	558	GOSI Provision for Dec 2020	The due sums will be paid during Jan. 2021
Labor Office and passport	595	-	Labor Office Fees and expenses for visa and Iqama renewal.	-
Saudi Customs	6,442	720	Customs duties for the imported raw materials	Differences for Customs duties for previous years.



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

The following table shows the reserves and the investment set for the benefit of the employees.

Statement	The amount (in thousands , SR).
End of Service award	73,895
Interest Free Loan	2,000
Bonus Shares program	9,862

31- The Board of Directors declarations.

The Board of directors acknowledges the following:

- The accounting records were properly prepared.
- The internal control system was founded and implemented effectively
- There are no doubts on the company's ability to continue business.

32- The External Auditors report reservations of the annual financial statement.

The auditor's report shows that the consolidated financial statements are free from any material misstatements and any reservation towards it.

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

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

34- The Audit Committee's recommendation on the need for appointing an Internal Auditor

The company has already appointed Internal auditor and there is no recommendation from the Audit committee.

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

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



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

A- Audit Committee

According to its charter, the Audit committee shall compromise three to five none- executive members, at least one should be independent. The members are nominated by the board of directors and appointed by the general assembly of the shareholders.

The following table lists the committee members, their membership type and their attendance in the meetings held during 2020.

Name	Position	1 st Meeting 18/3/2020	2 nd Meeting 14/5/2020	3 rd Meeting 19/8/2020	4 th Meeting 26/10/2020	Total
Mr. Bader Ibrahim ALSwailem	Chairman	✓	✓	✓	✓	4
Mr. Sattam Abdulaziz ALZamil	Member (Outside the board),	✓	✓	✓	✓	4
Mr. Jameel Abdullah ALMolhem	Member	✓	✓	✓	✓	4

Audit Committee's main tasks.

- 1- Analyzing the Company's Interim and annual financial consolidated statements before presenting to the board and providing its opinion and recommendation to ensure their integrity, fairness and transparency.
- 2- Providing its technical opinion as per request from the board regarding whether the board's report and the company's financial statement are fair, balanced and understandable.
- 3- Investigate accurately any issues raised by the Company CFO or the External auditor.
- 4- Reviewing the accounting estimates in respect of significant matters that are contained in the financial statements.
- 5- Reviewing the accounting policies adopted by the Company and providing its opinion and recommendation to the board thereon.
- 6- Study and review the Company's internal and financial control systems and risk management system.
- 7- Analyzing the internal audit reports and following up the implementation of the corrective measures in respect of the remarks made in such reports.
- 8- Monitoring and overseeing the performance and activities of the Internal auditor and internal audit department.
- 9- Recommend to the board on the nomination or termination of services and fees of the external auditors,
- 10- Ensuring the independence of the external auditor, its objectives, fairness and effectiveness of the audit activities, taking into account the relevant rules and standards.
- 11- Reviewing the plans of the 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 provide its opinion thereon.
- 12- Reviewing the external auditor's reports and its comments on financial statement, and following up the procedure taken in connection therewith.
- 13- Ensuring the company's compliance with the relevant laws and regulations, policies and instructions.
- 14- Reviewing the findings of reports of the supervisory authorities and ensuring that the company has taken the necessary action in connection therewith.
- 15- Reviewing the contacts and transactions that company intends to conclude with the related parties and provide its recommendation to the board in connection therewith.



B- Remuneration and Nomination Committee:

According to its charter, Remuneration and nomination committee shall compromise three to five none – executive members of the board, at least one should be independent. The members are appointed by the board.

The following table lists the committee members, their membership and their attendance in the meetings held during 2020.

Name	Membership	The attendance record			Total
		1 ST Meeting 15/1/2020	2 nd Meeting 29/3/2020	3 rd Meeting 28/12/2020	
Eng. Talal Ahmad ALZamil	Chairman	✓	✓	✓	3
Eng. Mahmoud Mohamad ALToukhi	Member	✓	✓	✓	3
Mr. Faisal Saleh ALQuraishi	Member	✓	✓	✓	3

Remuneration and Nomination committee's main task:

- 1- Preparing a clear policy for remunerations of the board and its committees and the executive management and presenting such policy to the board in preparation for approval from the general assembly.
- 2- Clarifying the relation between the paid remunerations and the adopted policy and highlighting any material deviation from that policy.
- 3- Periodical review of the remuneration policy and assessing its effectiveness in achieving its objectives.
- 4- Recommend to the board in respect of the remuneration of its members, committees members and senior executives.
- 5- Suggesting a clear policies and standards for membership of the board and executive management.
- 6- Recommend to the board for the nomination or re- nomination of its members in accordance with the approved policy.
- 7- Preparing a description of the capabilities and qualifications required for membership of the board and executive management positions.
- 8- Annual review of the skills and expertise required of the board members and the executive management.
- 9- Review the structure of the board and executive management and provide recommendation regarding changes that may made to such structure.
- 10- Annually ensuring the independence of independent directors and the absence of any conflicts of interest if a board member also acts a member of the board of directors in another company.
- 11- Provide job description for the executive, non – executive and independent directors and senior executive management.
- 12- Setting procedures to be followed if the position of a member of the board or senior executive becomes vacant,
- 13- Determine the strengths and weakness of the board and recommend solutions.



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

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

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

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

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

39- Communication with the shareholders'

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

40- The procedures taken by the board to inform its members, especially the none executives of the shareholder's suggestions and remarks on the company and its performance.

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



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

No of treasury shares retained by the company	Value (in thousands, SR)	Date of retaining	Details of usage
500,000	9,862	15/10/2019	The shares will be allocated to the incentives shares program

42- Governance of the Company

The company is complying with all the provision stated in the corporate governance manual issued by CMA except for the following articles:

Article Number	Description of the article	Explanation
Article 41 Assessment of the board	The means used by the board to assess its performance , its members and committees and the external body which conducted the assessment and its relation with the company.	Guiding article The board will study in the future to comply with the this article.
Article 71 Formation of Risk Management Committee	The board shall by resolution form a committee to be named “ risk management committee”	Guiding article The board has formed internal committee from the management to identify the risks encountering the company and to set out the required controls and procedures that mitigate such risks. The committee shall submit periodical reports for its activities to the audit committee.
Article 87 Social responsibly	The General assembly , based on the board recommendation , shall establish a policy that guarantees a balance between its objectives and those of the community for the purposes of developing the social and economic conditions of the community	Guiding article The Board does not see a need for that as it has adopted a policy to regulate the relationship with stakeholders, which includes the social responsibility of the company, and the policy has stated that the company's responsibility towards society is not limited to the sale of products, but extends beyond that. The company is keen to provide its customers with high quality products with the highest levels of safety.
Article 88 Social Initiatives	The board shall establish programs and determines the necessary methods for proposing social initiatives by the Co.	Guiding article
Article 95 Formation of Corporate Governance Committee	If the board form a Governance committee , it shall assign to it the competences stipulated in article 94	Guiding Article As per Article 50 of the Corporate Governance Regulations, which stipulates that the Board shall form specialized committees according to the company's needs and circumstance so that it can perform its functions effectively, therefore the Board deems that there is a need to form a specialized committee for governance, as the work of the Board and its committees are among the main components of governance, each of which contributes to the achievement of its objectives.



43- The Board recommendation to the General Assembly

- 1- Voting on the auditor's report for the fiscal year ending on 31/12/2020.
- 2- Voting on the Company's consolidated financial statements for the fiscal year ending on 31/12/2020
- 3- Voting on the Board of Directors' report for the fiscal year ending on 31/12/2020
- 4- Voting on the appointment of external auditors from among the candidates recommended by the Audit Committee to audit the company's annual financial statements for the second, third quarter, annual financial statements for the fiscal year 2021 and the first quarter of year 2022 along with determining their fees.
- 5- Voting on the Board of Directors recommendation to distribute cash dividends to shareholders for the fiscal year ended on 31 Dec 2020 amounting to SR (22,5) Millions, at SR (0.5) per share, representing (5%) of the nominal value per share. The eligibility of dividends shall be for company's shareholders who own the shares at the end of the trading day of the General Assembly meeting and registered in the company's Share Registry at Securities Depository Center at the end of the second trading date following the due date.
- 6- Voting on the discharge of the Board of Directors members for the fiscal year ending on 31 December 2020
- 7- Voting on the disbursement of an amount of SAR (1,600,000) as a remuneration for the Board Members for the year ending on 31 Dec.2020
- 8- Voting on the businesses and contracts concluded between the Company and ALToukhi Company for Industry Trading and Contracting, in which the vice chairman of the board, Eng. Mahmoud M. ALToukhi has indirect interest. These contracts are for sales of the company's products, without special terms or preference. The total amount of the contracts during 2020 has reached SR (23,688,280).
- 9- Voting on the participation of the board members, Mr. Yousef Ali ALQuraishi and Mr. Faisal Saleh ALQuraishi in a business that competes with the business of the company.

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

The board also appreciates the efforts of all the employees of the company and urges them to continue, and also extending their thanks to the company's clients inside and outside the Kingdom for their confidence in the company and its products and the constant support for it.