

Fawaz Abdulaziz Alhokair & Co. Invites Its Shareholders to Attend The Ordinary General Assembly Meeting (First Meeting) By Means Of Modern Technology

The Board of Directors of FAWAZ ABDULAZIZ AL HOKAIR & CO. is pleased to invite its valued shareholders to participate and vote in the Ordinary General Assembly meeting (the first meeting), which is scheduled to be held, God willing, at 8:00 pm on Wednesday 02/03/1444H corresponding to 28/09/2022G through modern technical means using the Tadawulaty system.

City and venue of the Ordinary General Assembly: Using modern technology from the Company's main headquarters in Riyadh - Prince Turki Abdul Aziz Al Awwal Road - U Walk Complex (University Avenue). This is done through the use of Tadawulaty via the link www.tadawulaty.com.sa

To vote on the following agenda:

1. Voting on the Board of Directors Report for the fiscal year ended on 31/03/2022
2. Voting on the Annual audited financial statements for the fiscal year ended on 31/03/2022
3. Voting on the External Auditor Report for the fiscal year ended on 31/03/2022
4. Voting on releasing members of the Board of Directors from liabilities for their performance during the fiscal year ending on 31/03/2022
5. Voting on paying an amount of 1,800,000 Saudi Riyals as remuneration to the members of the Board of Directors for the fiscal year ended on 31/03/2022
6. Voting on business dealings and contracts that took place between the Company and Arabian Centres Company in which the following Board members have an indirect interest in: Fawaz Bin Abdulaziz Al-Hokair, Abdul Majeed Bin Abdulaziz Al-Hokair, Omar Bin Abdulaziz Almohammadi and Mohamad Rafic Mourad. These dealings and contracts relate to real estate rental payments, in the amount of 424,146,097 Saudi Riyals for the fiscal year ending on March 31, 2022. It should also be noted that these transactions are carried out on a commercial basis (there are no preferential terms). (Attached)
7. Voting on business dealings and contracts that took place between the Company and Saudi FAS Holding Company in which the following Board members have an indirect interest in: Fawaz Bin Abdulaziz Al-Hokair, Abdul Majeed Bin Abdulaziz Al-Hokair, Omar Bin Abdulaziz Almohammadi, Abdul Majeed Bin Abdullah Al-Basri and Mohamad Rafic Mourad. These dealings and contracts relate to Transfer of balance due from disposal subsidiary, bearing in mind that the amount of transactions for the fiscal year ending on March 31, 2022 amounted to 75,000,000 Saudi Riyals, and it should also be noted that these transactions are carried out on a commercial basis. (There are no preferential terms). (Attached)
8. Voting on business dealings and contracts that took place between the Company and Saudi FAS Holding Company in which the following Board members have an indirect interest in: Fawaz Bin Abdulaziz Al-Hokair, Abdul Majeed Bin Abdulaziz Al-Hokair, Omar Bin Abdulaziz Almohammadi, Abdul Majeed Bin Abdullah Al-Basri and Mohamad Rafic Mourad. These dealings and contracts relate to Expenses paid on behalf of Company, bearing in mind that the amount of transactions for the fiscal year ending on March 31, 2022 amounted to 8,825,525 Saudi Riyals, and it should

- also be noted that these transactions are carried out on a commercial basis. (There are no preferential terms). (Attached)
9. Voting on business dealings and contracts that took place between the Company and the Egyptian Centers for Real Estate Development Company in which the following Board members have an indirect interest in: Fawaz Bin Abdulaziz Al-Hokair, Abdul Majeed Bin Abdulaziz Al-Hokair. These dealings and contracts relate to real estate rental payments, in the amount of 5,984,195 Saudi Riyals for the fiscal year ending on March 31, 2022. It should also be noted that these transactions are carried out on a commercial basis (there are no preferential terms). (Attached)
 10. Voting on business dealings and contracts that took place between the Company and Hagen Ltd in which the following Board members have an indirect interest in: Fawaz Bin Abdulaziz Al-Hokair, Abdul Majeed Bin Abdulaziz Al-Hokair. These dealings and contracts relate to printing and advertising services, in the amount of 4,577,100 Saudi Riyals for the fiscal year ending on March 31, 2022. It should also be noted that these transactions are carried out on a commercial basis (there are no preferential terms). (Attached)
 11. Voting on business dealings and contracts that took place between the Company and Al Farida Commercial Agencies Company in which the following Board member have an indirect interest in: Abdul Majeed Bin Abdulaziz Al-Hokair. These dealings and contracts relate to business and services, in the amount of 3,793,249 Saudi Riyals for the fiscal year ending on March 31, 2022. It should also be noted that these transactions are carried out on a commercial basis (there are no preferential terms). (Attached)
 12. Voting on the participation of Board Member Abdul Majeed Bin Abdulaziz Al-Hokair in a competing activity. (Attached)
 13. Voting on delegating to the Board of Directors the authorization powers of the General Assembly stipulated in paragraph (1) of Article 71 of the Companies Law, for a period of one year from the date of approval by the General Assembly or until the end of the delegated Board of Director's session, whichever is earlier, in accordance with the conditions contained in the controls and procedures. The regulations issued in implementation of the Companies Law for listed Joint Stock Companies.

Each of the shareholders registered in the company's shareholder's register in the Depository Centre at the end of the trading session preceding the meeting of the assembly has the right to attend the Ordinary General Assembly meeting in accordance with the rules and regulations.

Eligibility for registering to attend the General Assembly meeting ends upon the commencement of the meeting. Eligibility for voting on meeting agenda ends upon the conclusion of vote count by the Counting Committee. The Ordinary General Assembly meeting is valid if attended by shareholders representing at least half of the Company's capital. Bearing in mind that the registered shareholders in the Tadawulaty services will be able to vote electronically on the assembly's items starting from 01:00 AM on Sunday 29/02/1444 AH corresponding to September 25, 2022 AD until the end of the time of the Ordinary General Assembly Registration and voting for Tadawulaty services will be free and available to all shareholders via the following link: tadawulaty.com.sa

If you have any inquiries, please contact us through the following channels:

Phone: 0114350000

Email: investors.relations@fahretail.com

Fawaz Abdulaziz Al-Hokair & Co.

The annual report of the Audit Committee

For the fiscal year ending March 31, 2022

Audit Committee:

The Audit Committee was formed of three (3) members, all of whom are independent, non-executive members specialized in financial affairs and accounting, including an independent board member.

The duties and responsibilities of the Audit Committee are as follows:

- Supervising the Internal Audit Department in order to verify its effectiveness in carrying out the works and tasks designated by the accounting policies approved by the Board of Directors and related bodies.
- Studying the internal audit reports and following up the implementation of corrective actions for the observations contained therein.
- Raising recommendations to the General Assembly for the appointment of external auditors, termination of their assignment, determining their costs, ensuring their independence and follow-up their work while studying and reviewing the audit plan with the external auditor and approving of the same.
- Studying the external auditor's comments on the company's financial statements, following up what has been done about them and studying the quarterly and annual financial statements before submitting them to the Board of Directors and expressing opinion and recommendation thereon.
- Evaluate the effectiveness of the company's assessment of significant risks and the steps taken by the company's management to monitor and respond to these risks, giving opinion and recommendation to the Board of Directors on this regard.
- Issuing an annual report to the General Assembly that includes details of the committee's performance on its terms of reference and duties stipulated in

the Companies Law and its implementing regulations, provided that the report includes the committee's recommendations and opinion on the efficiency of the internal control systems, financial and risk management systems of the company.

- Submitting an annual report to the shareholders describing the composition of the committee, its responsibilities, how they are conducted and any other information required by the competent authorities including approval of non-audit services.

Audit Committee members:

Name	Position
Mr. Eid Faleh AlShammry	Chairman of the Committee
Dr. Suleiman Andullah Alsukran	Member
Mr. Saad Ibrahim AlMashouh	Member

Audit committee meeting schedule:

Nine (9) meetings of the Audit Committee were held during the period between April 1, 2021 and March 31, 2022, as follows:

Date	Mr. Eid	Dr. Suleiman	Mr. Saad
25 April 2021	✓	✓	✓
9 May 2021	✓	✓	✓
28 June 2021	✓	✓	✓
30 June 2021	✓	✓	✓
18 Aug 2021	✓	✓	✓

7 Sep 2021	✓	✓	✓
7 Nov 2021	✓	✓	✓
6 Feb 2022	✓	✓	✓
29 March 2022	✓	✓	✓
Total meetings	9	9	9

Its activities during those meetings were as follows:

- Reviewing the annual and quarterly financial statements of the company and providing recommendations to the Board of Directors for approval.
- Attracting several offers to provide internal audit services by outsourcing to manage the internal audit for a period of two years, where Crowe Company was selected and contracted for this work.
- The committee communicated with the board of directors through three letters on very important subjects, which were as follows:
 - The first letter dated June 29, 2021 regarding the risks related to some of the material matters referred to in the external auditor's letter, which are: inventory, the oracle system applied to the company, the company's administrative structure, strengthening the internal audit department and the amounts relevant to related parties and sister companies.
 - The second letter dated November 7, 2021 regarding amounts relevant to related parties and sister companies referred to in the external auditor's letter amounted to 422 million riyals at that time.
 - The third letter also dated November 7, 2021 regarding the report of the review carried out by the "Protiviti" team to evaluate and review the inventory management process and the significant processes

undertaken by management in connection with write-off, calculating provisions for inventory and the important observations and recommendations contained in the report which were discussed with the management.

- Meeting with both the external auditor and the internal auditor of the company and to ensure that the company's management has provided them with all data and information required to perform their work.
- Follow up with the Board of Directors and Executive Management to ensure the implementation of key issues such as:
 - Re-appointment of external auditors
 - Implementation of the "Oracle" program and strengthening the oversight of accounts books
 - Appointment of Crowe Co. to provide internal audit services
 - The company's risk management system
- Strengthening policies, procedures, controls and governance regarding:
 - Trade inventory, inventory allocation and carrying out inventory
 - Fixed assets including inventory, and their depreciation
 - Application of the International Financial Reporting Standard (IFRS) No. 16 "Leasing contracts" to check its suitability to the company's conditions and its compliance with international accounting policies.
- Reviewing and approving the annual plan of the Internal Audit Department.
- Reviewing and approving the internal audit charter, manual and protocols.
- Review the annual report of the internal audit and follow up the implementation of the notes and recommendations of the internal audit.

- Follow-up on the impact of the Covid-19 pandemic on the company and the measures taken by the management in this regard.

Internal Audit Department:

The Internal Audit Department undertakes the internal audit functions of the various departments of the company. Within the framework of the implementation of internal audit services department is committed to the following:

- Audits are conducted in accordance with established professional standards set by the Association of Internal Auditors.
- Maintain independence, objectivity and commitment to the highest degree of fairness and integrity, and comply with the rules of professional conduct setup by the Association of Internal Auditors.
- Maintain good relationships with fellow auditors that are characterized by open communication, trust, mutual respect and professionalism as well as maintaining a high level of performance and time management.
- Encourage teamwork and creativity, achieving continuous professional improvement through obtaining professional certificates and educational objectives in the professional field. Carry out a comprehensive review to provide a reasonable level of assurance.
- Work on developing the administration professionally, in line with the company's business volume, and seriousness towards localizing the necessary expertise.

The scope of the work of the Internal Audit Department includes the following:

- Preparing the annual internal audit plan based on the risks identified during the risk assessment and validation by the department, prioritization of limited resources as the audit plan was organized over a period of three

years, each year a combination of internal audit assignments based on risk assessment, compliance assistance, and necessary advisory services, continuous monitoring and follow-up.

- Assisting the management to achieve its goals and objectives by providing positive impact on the efficiency and effectiveness of operations.
- Continuing to recognize professionalism, competence and positive attitude.
- Continuing to benefit from auditing methods and renewable technology in order to make the audit process more effective and efficient.
- Working to be one of the pioneers of professional practice of internal auditing profession in the Kingdom of Saudi Arabia.
- Preparing and implementing the principle of sampling and testing based on risk assessment to determine whether most important administrative controls are well designed and works as intended.

Supervision of the Audit Committee:

The Audit Committee periodically supervises the work of the internal audit and reviews its reports on a regular basis. To ensure the independence of Internal audit, the head of the internal audit department submits his reports technically, professionally, and administratively to the audit committee, where no one of the company's managers interferes in the internal affairs of the internal audit. The head of internal audit department does not have any direct operational responsibility in any of the areas or activities that are reviewed. The head of the internal audit department shall annually assure to the audit committee independence of the internal audit department.

The Internal Audit Department submits a summary report to the Audit Committee on points of weakness in the areas of internal control, the limited scope, the good Practices and scope of quarterly improvements in accordance with the International Professional Practices Framework issued by Internal auditors, and strengthen the established internal control framework.

The opinion of the Audit Committee on the internal control system:

The annual review of internal control procedures which were selected for testing during the financial year ending March 31, 2022 by the Committee and the Internal Audit Department, as well as the reports of the external auditors confirm that there is a fundamental weakness in the control systems which was previously mentioned in the opinion of the Audit Committee for the previous fiscal year, March 31, 2021, and that the Board of Directors and the executive management have work simultaneously to develop and improve internal control procedures, risks, governance and activities related to a number of internal control objectives which are mainly related to inventory operations, fixed assets, financial reports, activities of related persons, information systems and human resources.

In light of what was included in the report of the external consultant (Protiviti), the audit committee found that there are fundamental weaknesses regarding control procedures and policies related to stockpiling, provisions, etc., knowing that the final report has been sent and discussed with the Board of Directors. The subsequent report of Crowe (internal audit service providers) confirmed that no actions were taken to correct this weakness up to now. Also, noticeable weaknesses in human resource management and information systems appeared.

The report of the external auditor also indicated that there is a legal violation related to the amounts due from related parties and sister companies amounting to 410 million Saudi riyals in its up to date.

The committee also recommended that the procedures for inventory and inventory management in stores and warehouses have a defect which at some stages is a severe defect and needs reconsidering the policies and procedures on all inventory management.

Given the importance of identifying risks before they have a negative impact on the company's business, the committee recommended the establishment of an independent risk committee.

The Audit Committee reviewed the company's financial statements for the year ended March 31, 2022, which were sent to it by the Chief Financial Officer on June

29, 2022. It submitted it to the Board for review and approval by announcing it on the Tadawul Platform. Later, the committee learned that the lists announced on the Tadawul website (the Saudi Stock Exchange) differ from the financial statements that were presented to the committee. Knowing that the differences represent an increase in the company's net profit from 2.7 million Saudi riyals- according to the financial statements that were presented to the committee- to a net profit of 38 million Saudi riyals as per the announced statements. Also, a change was made in the financial position as the total assets reached 8.531 billion Saudi riyals, according to the financial statements presented to the committee up to total assets 8.546 billion Saudi riyals according to the announced lists, after the company's management and the external auditor agreed on the mentioned amendments. Knowing that the committee has not been informed the amendments that have been made. The committee asked the external auditor and the company's financial management for clarifications about the aforementioned amendments, and the committee considered that these amendments do not have a material impact on the company's lists and therefore do not affect the fairness of the company financial statements.

The company's board of directors has been informed of this transgression in the company's corporate governance procedures, as the financial statements are one of the responsibilities of the company board of directors. An order was issued to take the necessary measures.

Dr. Suleiman Abdullah AISukran <i>Member</i>	Mr. Eid Faleh AlShammry <i>Committee Chairman</i>	Mr. Saad Ibrahim AIMashouh <i>Member</i>