

AL HASSAN GHAZI IBRAHIM SHAKER CO.



شركة الحسن غازي إبراهيم شاکر



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The Chairman of the Board of Directors' Word  
Dear Shareholders,

I am pleased to present to you Al Hassan Ghazi Ibrahim Shaker's (Shaker) Annual Report for the twelve months ended 31 December 2020, in which we review the Company's strategy and operating highlights, in addition to our financial performance for the year.

This was a period of significant market challenges, unlike any we have experienced in living memory. Covid-19 had a devastating impact on global economies and healthcare systems across the world, and the effects of the pandemic continue to challenge policy makers, businesses and people. Despite these significant market pressures, Shaker proved agile and resilient, achieving a number of important milestones that placed it firmly on the right track in terms of both operational and financial performance. With thanks to God, and the efforts of the executive management team for the implementation of the directions and recommendations from the Board of Directors, the Company has returned to profitability, reaping the rewards of completing our Breakthrough Program turnaround strategy, and formulating a roadmap for growth to 2023.

### **Our market**

In 2019, the Saudi Government had announced the highest national budget to date for the year 2020 to tame the widening deficit caused by significantly reduced public revenues. But 2020 proved to be another challenging year, with Covid-19 impacting business-as-usual for most sectors of the economy, and the pressure of reduced oil production agreements for OPEC members. Saudi Arabia's economy contracted by 4.1% in 2020 as oil production levels were kept in line with OPEC+ commitments, and non-oil sectors remained subdued as a result of significant social and movement restrictions in the first half of the year, as well as household adjustments to the VAT increase.

To offset the economic impact of Covid-19 and oil price pressure, the Government raised the VAT rate to 15%, affecting consumer spending and pricing structures for retail businesses across the Kingdom. The challenges posed by the pandemic renewed our own impetus to further scrutinize the Company's cost structure, search for new methods to improve efficiency and improve supply chain structures.

According to data from the Saudi Central Bank, mortgages for individual borrowers increased by 86% to SAR 120.78 billion in the first 11 months of 2020. As part of Saudi Vision 2030, homeownership and construction remained a top priority for the Kingdom, and the government remains committed to meeting such ambitious targets. Additionally, the Saudi



government has set in motion numerous megaprojects set to improve infrastructure and diversify the economy; we therefore see plenty of opportunities in the medium- to long-term to supply energy efficient AC and home appliance solutions to B2B and B2B customers in the Kingdom.

### Key achievements

Despite a challenging operating environment, Shaker made significant strides during the year, achieving profitability for the first time since 2016, and successfully completing the Breakthrough Program transformation. The positive effects of the program are clear, creating new headroom for growth as we look to take the next steps in our growth journey.

Our strategy for the future is grounded in delivering sustainable and profitable growth by defending our strength in the market and setting ambitious targets to expand our product mix as we continue to improve efficiency across the business.

### Growth opportunities

Saudi AC sales are expected to grow by approximately 2% over the next 3 years. This is a trend that we are eager to exploit to enhance our already significant market share. In recent years we have made meaningful strides in ensuring we are well positioned to capture future opportunities and the energy programs supported by the government, such as Tarsheed and SEEC, provide a welcoming regulatory environment that can foster growth for the business.

Home appliance sales are also expected to grow at a similar pace, driven by a number of macroeconomic factors. With the rising costs associated with energy and electricity in the home, consumers are searching for more energy efficient appliances to offset expenses. Furthermore, disposable household income is likely to rise as greater numbers of women begin to join the workforce. As part of Saudi Vision 2030, the government has committed to delivering several housing projects in the medium-term, while promoting home ownership among nationals. We believe that these factors combined present an exciting opportunity to grow our market share in underserved product categories.

In the wider industry, there are opportunities to tap into partnerships with new brands and joint ventures. Our operating model proved resilient to market headwinds in 2020 and a robust supply chain network provides an attractive proposition to brands in the market who would benefit from our exceptional distribution capabilities.

On behalf of the Board of Directors, the executive management, and all the employees of the Company, I extend my thanks to the Kingdom's wise leadership, and our sincere gratitude to our shareholders for their continued support.

Abdulelah Abdullah Abunayyan  
Chairman

#### 1- Overview:

Al Hassan Ghazi Ibrahim Shaker Company "Shaker" is a joint stock company, registered in the Kingdom of Saudi Arabia under Ministerial Resolution (ق/ 275), dated on 17/08/1429 AH corresponding to 19/08/2008 G. The company's capital has been increased from 350 million riyals to 630 million Saudi riyals, divided into 63 million shares of equal value after the extraordinary general assembly approved the increase of the company's capital on 21/05/2015. In April 2010, the company launched its IPO of 10.5 million share in the Saudi market, representing 30% of the company's capital. The company's shares were publicly traded in the Saudi stock market on 17/-5/2010, noting that the number free shares changes from one period to another according to the circulation of Shaker shares.

The activity of Shaker is currently concentrated in the field of trading of household appliances, electrical, electronic appliances, air conditioners, maintenance of electrical, electronic devices, and air conditioners, manufacturing of various air-conditioners, renewable energy solutions, measuring and control devices hardware, in addition to the commercial agencies, engaged in the same activities. The company is the Kingdom's exclusive agent for LG air conditioners.

#### 2- The Main Activities of the Company and Affiliates.

Sale and maintenance of air-conditioners and household appliances are the main source of Shaker's sales in the year 2020, with a percentage of approximately 100% as the company's sales and maintenance of LG brand air conditioners were 62% of revenues.



The sales from trade, maintenance of household and electrical appliances of Arston, Indesit, Metag, and Media brands which is the main activity of the affiliated company "Ibrahim Shaker Ltd., were 35% of the revenues.

The sales from trade and maintenance of household and electrical appliances of Bombani and Panasonic brands, which is the main activity of the affiliated company "Asdaa Al Khaleej Co. were 3% of the revenues. Meanwhile, sales from trade and maintenance of household appliances and air conditioners of LG brand which is the main activity of New Vision for Electronics and Electrical Appliances, the affiliated company in Jordan, were 8% of the revenues.

The activity of energy efficiency and its solutions, which is the main activity of "Energy Management Services" "EMS", the affiliated company in the United Arab Emirates, provided a contribution of 0.30% to the company's revenues.

The company adopts maintenance activities, provides after sales services, allocates increasing amounts annually -to develop and extend this service to meet the growing needs-, develops technical support points, whether through the company's service centers or accredited service centers, and develops a customer service center to follow up on maintenance operations, complaints, and customer requests. All these services contributed to increasing productivity and facilitating follow-up.

The company continued to focus on its operating units, dealing with air-conditioning and refrigeration contracting (which is an extension of the maintenance department), energy solutions activity, and business to business units (B2B) to publicize the services and products of these units in related projects to increase its operations and revenues.

During the year 2020, the company depended- in its sales of LG air conditioners, with a percentage of 88% on the locally manufactured devices by "LG Shaker" company, while the rest of its LG air conditioners were imported from LG Electronics Korea. The Affiliates continued to import household appliances from the major manufacturers.

### 3- A Description of the Company's Plans and Future Prospects.

In the first quarter of 2019, the company announced to its shareholders through Tadawul website the launch of the strategic transformation program to implement its future vision, which focuses on four main axes:

**Key Business Transformation:** It aims at achieving sales with a positive return on the company's financial results by targeting commercial companies and individuals, as well as government business and after sales services, and focusing more on operational efficiencies enhancement and working capital management improvement.

**Talent development plan:** It aims at developing operational efficiencies and improving the organizational structure of all the company's sectors. The plan also aims at attracting qualified competencies who have sufficient experience in the sector to support the company's mechanisms, regarding achieving its aspirations and implementing the objectives of the program, in addition to focusing on developing the operational capabilities of the sales team.

**The Performance infrastructure:** This includes improving the operations, business of the company, and communication mechanisms through the establishment of the Transformation Department to supervise and follow up on the program's implementation stages.

**The Strategic Orientations:** Enhancing relationships with major brands and strategic business partners and exploring the promising opportunities, complementing the company's core business scope to ensure the provision of valuable services to all its clients.

In general, Shaker aims at continuously maintaining its leadership position in the market, moving towards higher horizons through representing the leading global companies in air-conditioning and home appliances products, providing products with high efficiency, quality and durability, and providing the best solutions for consumers and companies to save electricity consumption while preserving the environment. Achievement of all these objectives shall maintain the company's competitiveness, support its leadership, in addition to achieve growth, enhance and raise the level of financial performance, and achieve good profit rates, as the company continues to develop a strong infrastructure to support its operational, supply, and after sales services.

The company's strategy mainly include the increase of its market share inside the Kingdom of Saudi Arabia through broadening its existing distributor and customer base to increase its sales. This shall be achieved through marketing and selling new products in addition to the current products, enhancing Shaker's assets of international brands, and covering all sectors of the electrical appliances market. In this context, the positive impact of "LG" air conditioners on the company's sales was clear, as the new generation of advanced air conditioners- available with a high-performance dual inverter feature, designed based on several innovative technologies- were added to the company's product during 2018, to provide its customers with a set of unique advantages, providing a real added value and making these air conditioners an ideal choice by reducing electrical energy consumption, in addition to reducing its environmental effect.

The development of the energy solutions system in Shaker represents an important strategic direction. At the beginning of 2015, the company increased its share from 20% to 74% in the Emirates Energy Management Services LLC (EMS). In this context also, in the year 2017, the company enhanced its operating units in the Kingdom, concerning with energy solutions, to publicize the services, provided by these units, whether to the individual consumer or projects in terms of energy efficiency and its solutions. In this regard, the company obtained a certificate of energy services license from the Saudi Energy Efficiency Center, to provide engineering assessment services, manage energy efficiency standards projects, data review and audit, and provide measurement services and verification of the staff.



Also, the company is making use of its market share of the LG Multi V air conditioners in terms of bidding, during the coming period, to a number of new projects in light of the real estate strategy, adopted by the state, in addition to private sector project, expected to experience a significant recovery during the next stage, through the support of our wise government to the national economy.

Due to the success of this strategy, positively reflected on the strategic transformation program during 2020, the company posted its first profits since 2016.

The Main Features of the 2021-2023 Strategy:

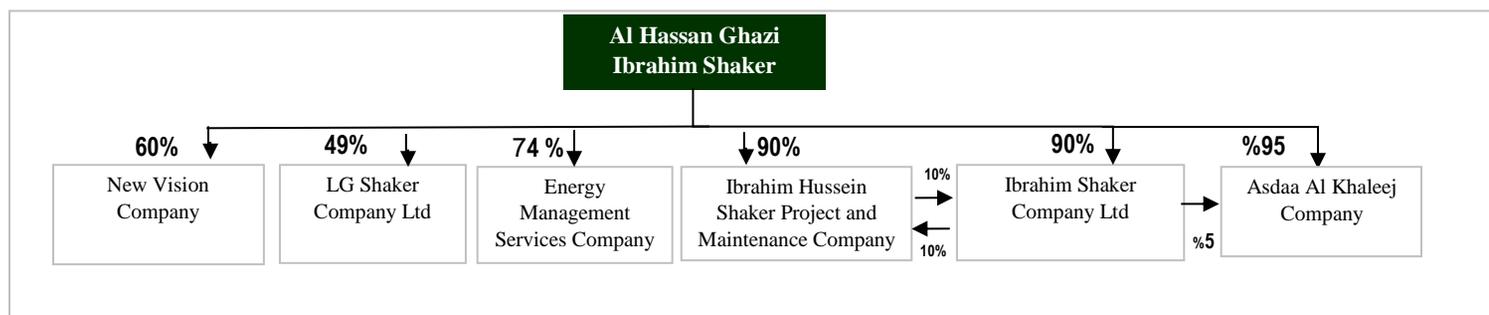
| The Market and Household Appliances' Sector   | Operations and the Operational Efficiency   | The Enterprise and Staff  |
|---|---|---|
| <ul style="list-style-type: none"> <li>• The fulfillment of leadership in all the market's sectors</li> <li>• Expanding into new fields such as televisions and small household appliances.</li> <li>• Maintaining the leading position of the company in sectors such as: air conditioners, dishwashers, and dryers.</li> <li>• Strengthening the relationships with customers and improving the revenues of after sale services.</li> <li>• Developing and enhancing e- commerce business.</li> </ul> | <ul style="list-style-type: none"> <li>• Raising awareness of the brand and pursuing the marketing initiatives.</li> <li>• Improving the functions of supply chain and inventory management</li> <li>• Improving the organizational structure of sales.</li> <li>• Strengthening control over the operating costs.</li> </ul> | <ul style="list-style-type: none"> <li>• Strengthening the digitization and reporting.</li> <li>• Improving controls, operations, and procedures.</li> <li>• Maintaining and developing the talents.</li> </ul> |

Al Hassan Ghazi Ibrahim Shaker Company shall enhance its wide portfolio of household appliances and air conditioners, to make use of the promising market opportunities. The air-conditioning market in the Kingdom of Saudi Arabia is expected to grow by 2 % in the next three years, supported by the Saudi government energy efficiency programs: the Saudi Energy Efficiency Center (“SEEC”), the National Energy Services Company (Tarsheed), the growing consumer demand for energy-saving products due to the high electricity costs in the Kingdom, and mega projects such as “NEOM” and “The Red Sea”, and housing projects throughout the Kingdom. The home appliances market is expected to grow by 3 % in the next three years, due to the growing consumer demand for energy-saving products and the increase in the available income as many women engaged in the labor market.



#### 4- The Affiliates

The following graph clarifies the ownership structure of Al Hassan Ghazi Ibrahim Shaker Company in the Affiliates:



Al Hassan Ghazi Ibrahim Shaker Company consists of six companies whose main activities are air-conditioners manufacturing, and wholesale, home appliances, and energy efficiency solutions. These Affiliates are:

- **Ibrahim Shaker Company Ltd.**

Ibrahim Shaker Company Ltd. is a Saudi company with limited liability. The ownership of Hassan Ghazi Ibrahim Shaker Company is 90% and 10% is in favor of Ibrahim Hussein Shaker Company for Projects and Maintenance 90% also owned by Hassan Ghazi Ibrahim Shaker Company.

The capital of Ibrahim Shaker Company Ltd is (10,000,000) ten million Saudi riyals. Its headquarters in Jeddah, and the main place of its operations is in the Kingdom of Saudi Arabia. Ibrahim Shaker Company Ltd activity is in the trade of air-conditioning, household appliances, electrical appliances, and commercial agencies.

- **LG Shaker Company Ltd**

LG Shaker Company is a limited liability company, established through a partnership between LG Electronics Korea and Al Hassan Ghazi Ibrahim Shaker Company in the Kingdom of Saudi Arabia. Its main activity is manufacturing air-conditioners according to a foreign investment license, and the capital of LG Shaker Company is 37.125.000 Saudi riyals. The main place of its operations is in the Kingdom of Saudi Arabia, where the head office and the factory.

On 21/01/1435 A.H corresponding to 24/11/2013 G, the Board of Directors of Shaker Company approved the sale of LG Electronics Company equivalent to (2%) percent of the total shares owned by Shaker Company in LG Shaker Company Ltd., according to its book value for the fiscal year 2012 . On 26/05/2014, the process of shares transferring was completed before the competent authorities. Consequently, the percentage of LG's share in the capital of LG Shaker became 51% and the share of Shaker became 49% This sale was announced on Tadawul website on 24/11/2013 and on 26/05/2014, as Shaker announced ceasing consolidating the financial statements of LG Shaker Ltd within its consolidated financial statements.

- **Ibrahim Hussein Shaker Project and Maintenance Company**

Ibrahim Hussein Shaker Project and Maintenance Company is a Saudi company with limited liability. The ownership share of Al Hassan Ghazi Ibrahim Shaker Company in it is 90% and 10% in favor of Ibrahim Shaker Ltd, which is also owned by Al Hassan Ghazi Ibrahim Shaker Company by 90%.The company's capital is (500,000) Saudi riyals. Its headquarters in Jeddah, and the main place of its operations is the Kingdom of Saudi Arabia. Its main activity is marketing services to others, as it provides marketing services for Al Hassan Ghazi Shaker Company and Ibrahim Shaker Company and participates in the implementation of direct contracts between the government and Shaker.

- **New Vision for Electronics and Electrical Appliances**

New Vision for Electronics and Electrical Appliances Company is a private limited shareholding company, established under the laws of the Hashemite Kingdom of Jordan, where is the head of its operations. The company's activities include manufacture and distribution of household, electrical, electronic appliances, and air conditioners. In the middle of 2015, the capital of the New Vision Company was raised from 10 million Jordanian dinars to 12.5 Jordanian dinars, in which the share of Shaker Company is 75 million Jordanian dinars are equivalent to 39.7 Saudi riyals 60% of the capital of the company. The shares in the New Vision Company are of one category, which is the ordinary category, and each share in the company has a nominal value of one Jordanian dinar, as each share has one vote in the general assembly meetings.



- **Asdaa Al Khaleej Company**

Asdaa Al Khaleej Company is a Saudi company with limited liability. The ownership share of Al Hassan Ghazi Ibrahim Shaker Company is 95% and 5% in favor of Ibrahim Shaker Ltd., which is also owned by Al Hassan Ghazi Ibrahim Shaker Company by 90%. The capital of the company is 500,000 Saudi riyals, its head office is located in Riyadh and the main place of its operations is the Kingdom of Saudi Arabia. Its main activity is the wholesale and retail trade of electrical appliances. Asdaa Company is a distributor of electrical appliances of Bombani and Panasonic brands.

- **Energy Management Services Company - Emirate**

The Emirates Energy Management Services Company (EMS) is a company incorporated under the laws of the United Arab Emirates and the Emirate of Dubai is the main location for its operations. It is a company specialized in energy management and providing the comprehensive projects services, environmentally friendly buildings and energy management services. The capital of the Energy Services Company is 3.375.000 AED, and Shaker's share in it is 74% of the company's capital.

The company's activities include implementing energy-related projects, including energy rationalization, renewable energy sources, and alternative energy, designing and raising the efficiency of power generation, lighting, and air-conditioning systems, as it provides its services to the commercial, industrial, and government sectors at the national and regional levels.

Details of shares and debt instruments issued for each affiliated company:

With the exception of what was mentioned about the shares of the New Vision Company, there are no shares and debt instruments issued by the Affiliates of Shaker inside or outside the Kingdom.

5- The financial results of the fiscal year 2020:

The fiscal year 2020 ended with the achievement of financial results, which are summarized as follows, compared to the figures of the previous fiscal year 2019:

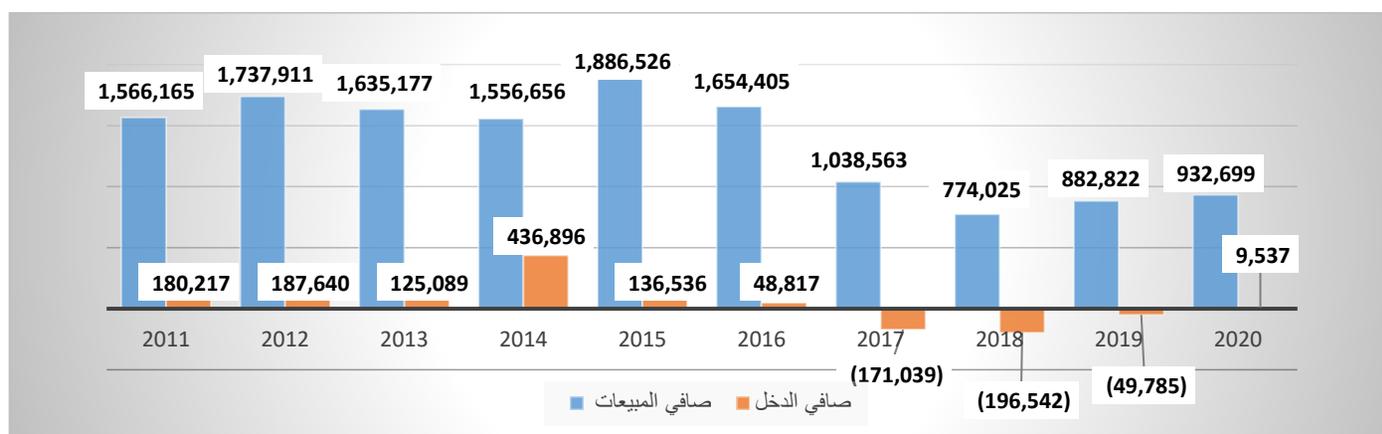
1. Sales revenues in the year 2020 amounted to 933 million SAR approximately compared to 833 million SAR in the previous year.
2. Net profits amounted to 9.5 million SAR, compared to 49.7 SAR loss in the previous year.
3. The gross profit was 195.6 million SAR, compared to 165.6 SAR in the previous year.
4. The Operating profits 12.1 million SAR, compared to a loss of 38.4 million SAR in the previous year.
5. Earnings per share amounted to 0.15 SAR, compared to a loss of (0.79) SAR in the previous year.

The following is a summary of the financial results for the period from 2016 to 2020 and a statement of the development during the period:

| Income Statement (Thousands)           | 2016      | 2017      | 2018      | 2019     | 2020    | The percentage Change compared to the previous year |
|--|-----------|-----------|-----------|----------|---------|---|
| Sales                                  | 1,654,405 | 1,038,563 | 774,025   | 882,822  | 932,699 | %5.65   |
| Cost of Sales                          | 1,265,479 | 862,615   | 674,107   | 717,176  | 737,139 | %2.78   |
| Overall Profits                        | 388,926   | 175,948   | 99,918    | 165,646  | 195,560 | %67.80  |
| Marketing and Distribution Expenses    | 181,536   | 162,530   | 140,336   | 104,454  | 95,567  | % (8.50)  |
| The General Expenses                   | 152,203   | 125,707   | 110,718   | 87,393   | 84,629  | %(3.20)   |
| Income (Loss) from the Main Operations | 58,717    | (153,472) | (155,221) | (38,447) | 12,091  | %(131.50)   |
| Net Income (Loss) before Zakat,        | 50,518    | (169,067) | (195,308) | (50,680) | 16,874  | %(133.30)   |



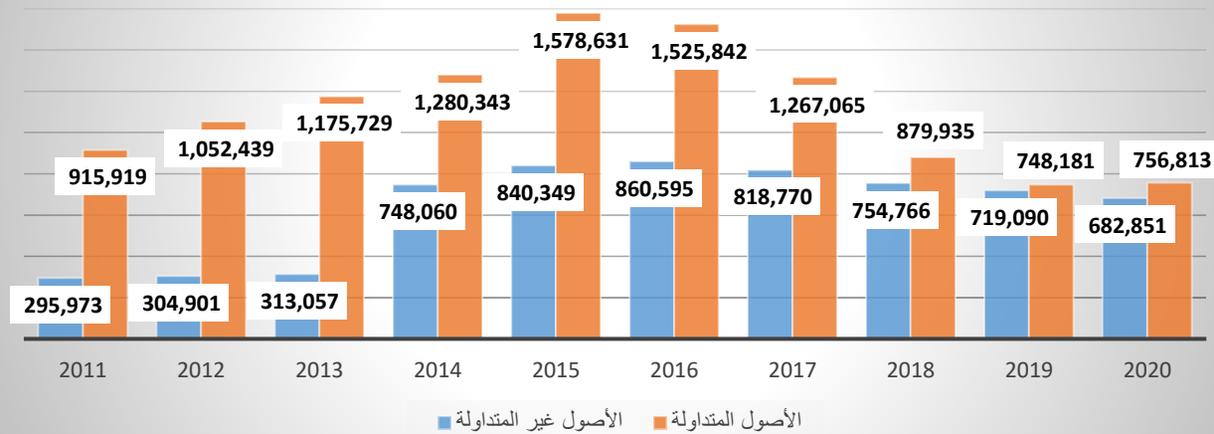
|                                 |        |           |           |          |       |           |
|---------------------------------|--------|-----------|-----------|----------|-------|-----------|
| income tax, and minority rights |        |           |           |          |       |           |
| Net income                      | 48,817 | (171,039) | (196,542) | (49,785) | 9,537 | %(119.20) |



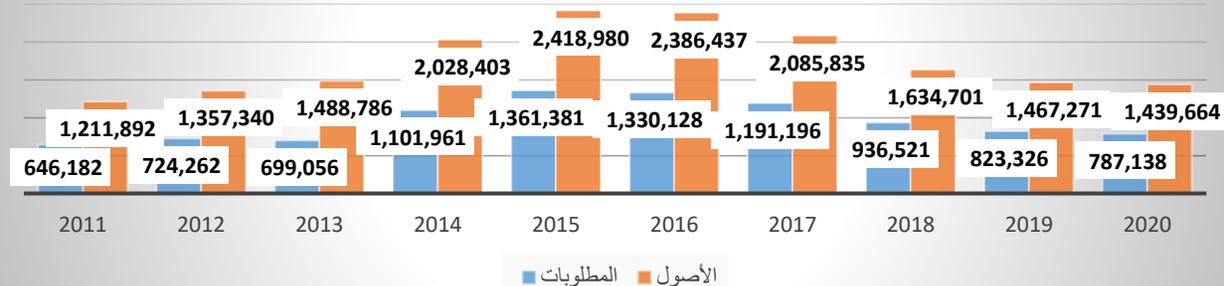
| Financial Position Statement   | 2016      | 2017      | 2018      | 2019      | 2020      | The percentage Change compared to the previous year |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|---|
| Circulated Assets              | 1,525,842 | 1,267,065 | 879,935   | 748,181   | 756,813   | % 1.15  |
| Non- Circulated Assets         | 68,595    | 818,770   | 754,766   | 719,090   | 682,851   | % -5.04   |
| Total Assets                   | 2,386,437 | 2,085,835 | 1,634,401 | 1,467,271 | 1,439,664 | % -1.88   |
| Circulated Liabilities         | 1,249,014 | 1,083,295 | 879,770   | 608,230   | 652,132   | % 7.21  |
| Total Liabilities              | 1,330,128 | 1,191,196 | 936,521   | 823,326   | 787,138   | % -12.09  |
| Total Shareholders' Rights     | 1,044,194 | 874,399   | 676,981   | 624,012   | 632,007   | % 1.28  |
| Total Equities                 | 1,056,309 | 894,639   | 698,180   | 643,945   | 652,526   | % 1.33  |
| Total Liabilities and Equities | 2,386,437 | 2,085,835 | 1,634,701 | 1,467,271 | 1,439,664 | % -1.88   |



## Change in Current and Non-current Assets

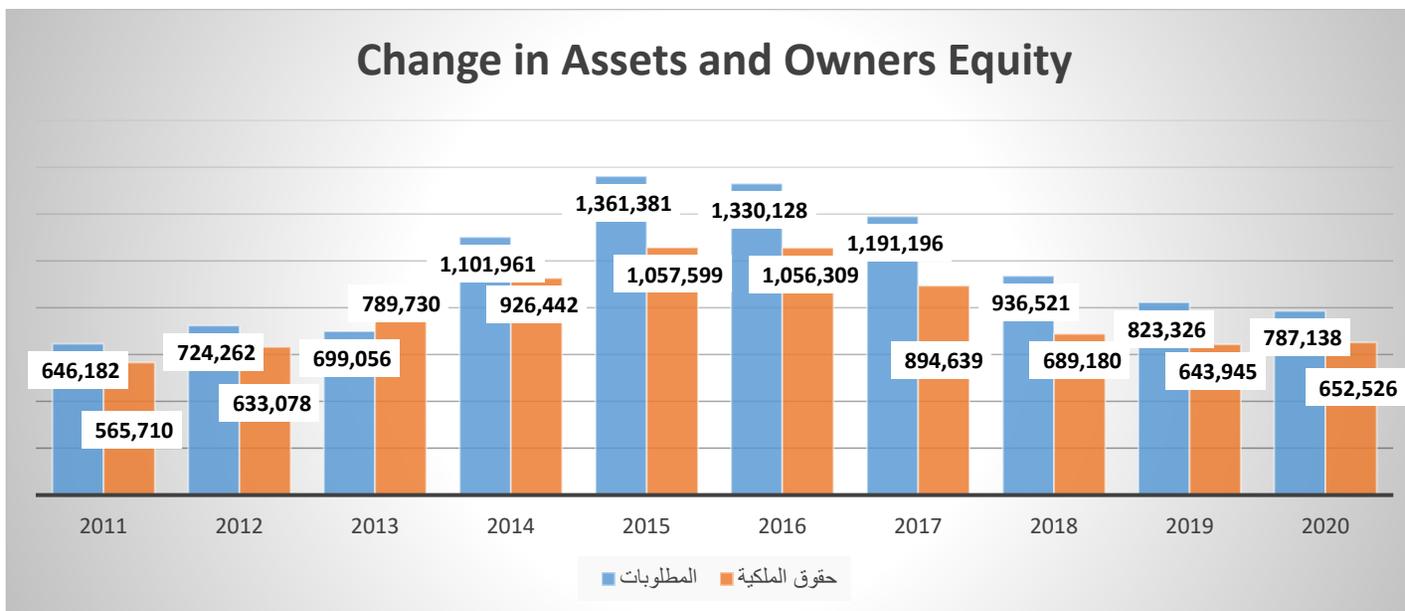


## Change in Assets and Laibilites





## Change in Assets and Owners Equity



### 6- The Geographical analysis of the company's revenues and the total revenues of affiliates outside the Kingdom:

The table below shows the geographical analysis of the revenues of the company and its affiliates in the Kingdom of Saudi Arabia, Jordan, and the United Arab Emirates:

| Statement | 2019    |                   | 2020    |                   |
|-----------|---------|-------------------|---------|-------------------|
|           | Sales   | Net Profit (Loss) | Sales   | Net Profit (Loss) |
| KSA       | 799,415 | (49,785)          | 859,701 | 9,537             |
| Jordan    | 68,315  | -                 | 69,871  |                   |
| U.A.E     | 15,092  | -                 | 3,127   |                   |
| Total     | 882,822 | (49,785)          | 932,699 | 9,537             |



- 7- Clarification of the operational results, compared to the previous year:  
The below table shows the operational results of the fiscal year 2020, compared to the previous year 2019:

| statement                 | 2019             |            | 2020             |            | The percentage Change % |
|---------------------------|------------------|------------|------------------|------------|-------------------------|
|                           | The Amount       | % of sales | The Amount       | % of sales |                         |
| Sales                     | <b>882,822</b>   | -          | <b>932,699</b>   | -          | 5.65%                   |
| Costs of Sales            | <b>(717,176)</b> | 81.2%      | <b>(737,139)</b> | 79.03%     | 2.78%                   |
| Total Profits             | <b>165,646</b>   | 18.8%      | <b>195,560</b>   | 20.10%     | 18.06%                  |
| Operational Expenses      | <b>(204,093)</b> | 23.1%      | <b>(183,469)</b> | 19.67%     | (10.10)%                |
| Operational Profit (Loss) | <b>(38,447)</b>  | 4.3%       | <b>12,091</b>    | 1.30%      | (131.50)%               |

The increase in the current period's sales, compared to the previous period, by 5.65% % is attributed to the growth of some economic activities and the expansion in the aggregate demand. Also, the increase in sales, volume of demand, the strength of competition, and the reduction of the cost of sales led to the increase in the gross profit by 18.06%. Also, due to the administration's initiatives, the administrative costs decreased by an amount of 2.7 million Saudi riyals, the costs of selling and distribution decreased by an amount of 8.9 million Saudi riyals compared to the previous year, and the financing expenses decreased by an amount of 0.44 million Saudi riyals compared to the previous year.

#### 8- Loans and Murabaha:

- a) Short Term Loans and Murabaha:

The table below outlines the movement of the short term loans (Murabaha) within the fiscal year 2020 of Al Hassan Ghazi Ibrahim Shaker Co. as follows:

| Movement of Short Term Loans (Thousands SAR)      | Riyadh Bank | First Bank | Saudi Investment Bank | Arab National Bank | SAUDI British Bank | Saudi French Bank | National Bank | Islamic Arab Banking Corporation Bahrain (ABC Bank) | GIB | Total   |
|---|-------------|------------|-----------------------|--------------------|--------------------|-------------------|---------------|---|-----|---------|
| Balance as of 1 / 1 / 2020 (Total Murabaha Asset) | 0           | 9,331      | 72,000                | 0                  | 7,999              | 12,323            | L.T           | 56,304  | L.T | 157,957 |
| Drafted within 2020 (New Murabaha)                | 125,268     | 9,340      | 43,630                | 0                  | 46,907             | 19,414            | 0             | 257,207   | 0   | 501,764 |
| Paid within 2020                                  | 42,827      | 11,668     | 79,549                | 0                  | 17,935             | 19,723            | 0             | 263,220   | 0   | 434,922 |
| Balance as of 31 / 12 / 2020                      | 82,441      | 7,003      | 36,081                | 0                  | 36,971             | 12,014            | 0             | 50,289  | 0   | 224,799 |



The Murabaha stated in the abovementioned detailed table was obtained within the fiscal year 2020 and the most of which was through Murabaha funding contracts with the term of three months or six months paid within the due period.

- The total balance as of 31 / 12 / 2020 shows an annual increase of 25 million Saudi Riyals representing the utilization and drawdown under RiyadBank new facilities net of restructuring of GIB exposure from short-term to long-term facilities in accordance with the international accounting standards.

The table below outlines the turnover of the short term loan (Murabaha) within the fiscal year 2020 of New Vision Company as follows:

| Movement of Short Term Loans               | Islamic Arab Banking Corporation Bahrain (ABC Bank) |
|--|---|
| (Thousands Saudi Riyals)                   |   |
| Loans Balance as of 1 / 1 / 2020           | 29,216  |
| Loans utilization and drawdown within 2020 | 22,641  |
| Loans Settlement within 2020               | 44,535  |
| Loans Balance as of 31 / 12 / 2020         | 7,322   |

Murabaha facilities represents the utilization under the documentary credit financing for a total limit of 25 million USA Dollars granted to the company by Islamic Arab Banking Corporation (ABC Bank-Bahrain).

The purpose of such facilities is to finance the procurement cycle of the company from its vendors and each utilization drawdown is settled within twelve months from the related documentary credit due date but no longer than twenty months from the opening of the documentary credit.

The year-end balance of the abovementioned

The table below outlined the long term loans that were reclassified into short term within the fiscal year 2020 for the subsidiaries Energy Management Services - Emirate as follows:

| Movement of Short Term Loans               | Arab Bank - Dubai |
|--|-------------------|
| (Thousands Saudi Riyals)                   |                   |
| Loans Balance as of 1 / 1 / 2020           | 6,749             |
| b) Overdraft drawdown                      | 15,219            |
| Loans utilization and drawdown within 2020 | -                 |
| Loans Settlement within 2020               | 16,476            |
| Loans Balance as of 31 / 12 / 2020         | 5,147             |

b) Long Term Loans and Murabaha

The table below outlines the turnover of the long term loans within the fiscal year 2020 of Al Hassan Ghazi Ibrahim Shaker Co. as follows:

| Movement of Long Term Loans (Thousands Saudi Riyals) | National Commercial Bank | Riyadh Bank | GIB    | Total   |
|--|--------------------------|-------------|--------|---------|
| Loans Balance as of 1/1 /2020                        | 24,252                   | 104,000     | 0      | 128,252 |
| Loans Utilization and Drawdown within 2020           | 0                        | 0           | 42,000 | 42,000  |
| Loans Settlement within 2020                         | 24,252                   | 5000        | 2,625  | 31,877  |
| Loans Balance as of 31 / 12 / 2020                   | 0                        | 99,000      | 39,375 | 138,375 |

The abovementioned table outlines the long term loan arranged with:

- Riyadh Bank in September 2019 for a total of SAR 104M payable over 54 months, starting October 2020.
- GIB in February 2020 for a total of SAR 42M payable over 48 months, starting October 2020
- National Commercial Bank, long term loan balance of SAR 24M, settled in full within 2020

Regulatory Payments to Governmental Parties:

The table below shows the amounts of money paid by the company and its subsidiaries in the Kingdom within 2020:

| Statement (Thousands Saudi Riyals)   | 2020   |                | Briefed Description  | Reasons                |
|--------------------------------------|--------|----------------|--|------------------------|
|                                      | Paid   | Due and unpaid |  |                        |
| Customs fees                         | 32,033 | -              | The fees and tariffs established by the competent governmental parties that will be paid   | Regulatory requirement |
| Zakat and due tax                    | 3,061  | 6,740          | The allocations calculated as per the provisions and rules of Zakat and Income Authority   | Regulatory requirement |
| General Social Insurance Corporation | 4,791  | -              | The amounts calculated and paid as per the provisions and rules of General Social Insurance Corporation                              | Regulatory requirement |
| Visas and passports                  | 8,277  | -              | The amounts paid as per the provisions and rules of Labor Office and Department of Passports for the residents and commercial visits | Regulatory requirement |



Public Authority of Zakat and Income (“Authority”) completed the zakat connection till the year ended on 31 December 2006 for Al Hassan Ghazi Ibrahim Shaker Company, on 31 December 2007 for Ibrahim Shaker Limited Company and Ibrahim Hussein Shaker for Projects and Maintenance Limited Company and on 31 December 2011 for Asdaa Company.

#### **Unified:**

The company presented zakat representations on a unified basis from 2008 and thereafter for Al Hassan Ghazi Ibrahim Shaker Company, Ibrahim Shaker Limited Company, Ibrahim Hussein Shaker for Projects and Maintenance Limited Company and Asdaa Company and the results of Asdaa Company were recognized in the unified representation on 13 November 2014.

The company received in 2020 the final connection of Al Hassan Ghazi Ibrahim Shaker Company on a unified basis for 2014 with zakat claims reaching 5,569,454 Saudi Riyals and after the objection before the authority and accepting it partially, the company presented the grievance before the General Directorate for Zakat Committees and with the opinion of the management, the resolutions issued by the committees subordinated to the General Directorate will be in the interest of the company.

The company received in 2020 the final connections of Al Hassan Ghazi Ibrahim Shaker Company on a unified basis for 2015 and 2018 and the company objected such connections within the regular terms and presented the supporting documents and the required clarifications supporting its viewpoint and the objection is still under consideration by the authority.

#### Foreign Tax Income:

Due to the losses of the subsidiary in Jordan, New Vision Company, there will be no foreign tax income liability.

#### 10- Provisions of 2020:

- a- A provision was formed for the stock with the amount of 13.42 million Saudi Riyals.
- b- A dead debt provision was form with the amount of 17.8 million Saudi Riyals.
- c- The retained accumulated loss balance reached as of 31 / 12 / 2019 an amount of 138.9 million Saudi Riyals.
- d- Zakat provision reached an amount of 6.8 million Saudi Riyals.

#### 11- Risks:

The company prepared and approved the risk policy to keep on the validity of the risk management system since 2017 within the company governance regulations to define the principles and elements of the risk management system and risk management methods and keep on and control the validity of the risk management system. It also approved the framework for Entrprice Risk Mangment (ERM) on 00/00/2020.

- 1) Defining the risks 2) Appraising the risks 3) Risk management methods.
- 1) Defining the risks: all efforts are exerted to define the key risks faced by the company and relating to its operational activities and to achieve so, the company uses all available means for auditing the operations, holds the meetings with the officials charged with defining the risks and uses the appraisals conducted by the internal and external auditors and any other method to define the risks. The company defines the risks relating to the operational activities of the company and registers them in a record called the risk registry as the registration of such risks is limited to describing the nature of danger and the technical opinion relating to the significance of such risk on the operations of the company. The risk registry includes archived reports so that the internal auditing management by the general audit of the various company operations defines the risks relating to the operational activities of the company and registers and appraises them and presents the technical opinion relating to such risks and their effects on the operations of the company and follows them up to correct the notes and refers its visions to the auditing committee.
- 2) Analyzing, appraising and classifying the risks: For each of the key risks, the company appraises the expected effect of each risk.
- 3) Risk Management Methods: For each key risk, the company prepares the methods and solutions to deal with them and reduce the prospected losses.  
So, the key risks facing the activities of the company are summarized as follows:
  - a) Credit Risks:  
The credit risks are represented in the risks of exposing the company to financial losses if the client or the counter party fails to conclude a financial tool for meeting his contractual obligations and this mainly results from the trading payables, cash and like.
    - Trading payables and others  
The exposure by the company of the credit risks is mainly affected by the individual properties of each client separately, but the management takes into account also the factors influencing the credit risks of a client base in the company including the risks of failure in the client sector and the states in which the clients exercise their activities and the company



has a credit policy by virtue of which each new client is analyzed separately to verify his credit ability before presenting the standard conditions and provisions of payment of the company and limits are developed for the sales of each client separately and they are annually audited.

Meanwhile, the company seeks to minimize the credit risks in respect of the clients by the permanent and significant control of the due payables.

b) **Liquidity Risks:**

The liquidity risks are represented in the risks facing the company due to the difficulty of facing its obligations relating to its financial liabilities settled by the payment in cash or by other financial assets. The methodology of the company in managing the liquidity aims at ensuring that it has always the sufficient liquidity to meet its obligations at the due date in the light of the ordinary and urgent conditions without incurring any unaccepted losses or endangering the reputation of the company.

c) **Risks relating to the activity of the company:**

- The competitive environment in which the company exists as there is a number of the competitive companies acting in a number of the local and international company products and to minimize the risks resulting from the competition in the market, the company focuses on the quality of the products and investment in expanding the network of distribution and post-sale services in addition to the huge projects usually requiring that the supplied goods shall be of global and approved quality and a deep experienced registry and strong financial resources shall be available as enjoyed by the company qualifying it to be at the top of the companies being able to execute such projects.
- The market risks are represented in the prospected effect risks of the changes in the market prices such as the foreign exchange rates, commission rates and share rates on the revenues of the company or its financial tool value. The objective of managing the exposure of the market risks is to manage and control the exposure of the market risks within accepted limits and achieve the highest revenue as much as possible.
- The slow growth of the construction and real estate sector affecting the level of the market demand and the delay in executing the projects in the various sectors of real estate, industry and commerce.
- The economic risks due to the slow economic activity of the year which is expected to influence directly all economic sectors.
- Depending on main vendors, so the company has no vendor enjoying the exclusive distribution right covering the whole Kingdom and it continually increases its vendor number and the distribution channels to expand the distribution base of its products.
- The fluctuation risks of the rate material prices to manufacture the air conditioning devices and the applicable practices of the company are to conclude agreements annually assisting in minimizing the negative effect resulting from the fluctuation of the rate material prices.

d) **Risks of Profit Dividends:**

The profit dividend depends on certain factors including the ability of the company to achieve profits, its financial position, the requirements of the legal reserves, the stipulations of the funded financial corporations, the available credit limits, the general economic situations and other factors subject to the recommendation of the board in this regard.

e) **Risks relating to laws and regulations:**

The works of the company are subject to the laws and regulations applicable in the Kingdom and such laws and regulations may be changed and the legal changes may mainly influence the operations and the financial results of the company and the company may amend its products or operations so that its activity is consistent with any future changes in such laws by any of the supervisory or regulatory authorities. So, this may affect the revenues and the future cash flows of the company.

The company continually follows up to manage such risks and the applicable procedures and conduct the precautions contributing in improving the awareness level to minimize their effects as the internal audit management directly subordinated by the audit committee inquires about all periodic managements and units to define and appraise the essential risks affecting the operations of the company and the proper actions to manage such risks and minimize their effect, if any, by defined and measurable indexes allowing for appraising the expectations of any risks and defining a decisive limit and the accepted risk degree.

12- Policy of Company for Profit Dividend:

The profits are distributed to the shareholders as per the provisions contained in the regulations of the company and the internal control of the profit dividends approved in the company as follows: The net annual profits of the company are distributed after discounting all general expenses and the other costs as follows:

- Ten percent (10%) of the net profits is retained to form a regular reserve and the ordinary general meeting may suspend this retention whenever the abovementioned reserve reached (30%) of the paid capital.
- The ordinary general meeting may, based on the proposal of the board, retain a defined percentage of the net profits to form a greed reserve allocated for supporting the financial position of the company.
- The ordinary general meeting may decide to form other reserves to the extent achieving the interest of the company or ensuring the distribution of the fixed profits as much as possible to the shareholders and it may also deduct from the net profits amounts for setting up social corporations for the company labors or assisting such existed corporations.



- The remaining reserve is distributed to the shareholders with the percentage of (5%) from the paid capital.
- The company may, after meeting the disciplines established by the competent party, distribute interim cash profits to the shareholders.
- The company has the right to increase its capital by issuing grant shares to its current shareholders to be paid in full from its reserve after obtaining the consent of the financial stock authority to increase the capital by the grant shares.

#### 13- Shares of Treasury:

No treasury shares retained within the fiscal year ended on 31 / 12 / 2020 exist.

The company has no excellent shares or shares having the priority in voting – whether to the shareholders or the board directors or its relatives and all shares of the company are ordinary shares of equal nominal value and voting rights and other rights as per the internal control.

#### 14- Forming Board Directors:

Article 17 of the regulations of the company stipulated that the company shall be managed by a board consisting of (8) directors elected by the ordinary general meeting of the shareholders for the term of no more than three (3) years and they may be reappointed for certain cycles. Except so, the first board was appointed for the term of five years by the converting general assembly of the company and the membership term of the first board of the company began upon the date of the ministerial resolution issued by the conversion declaration. Each shareholder has the right to nominate himself or any other person or more than one person for the membership of the board within the limits of his title in the capital. On 20 / 05 / 2019, the directors of the board were elected through the extraordinary general meeting to begin a cycle extended for three years ending on 24 / 05 / 2022.

- The following table outlines the names of the board directors in its current cycle and the classification of their membership:

| Capacity               | Name                         | Classification of Membership |
|------------------------|------------------------------|------------------------------|
| Chairman of Board      | Abdulleah Abdullah Abunayyan | Non-executive                |
| Vice Chairman of Board | Musab Suliman Al Muhaidib    | Independent                  |
| Board Director         | AbdulRaouf Walid Al Beitar   | Non-executive                |
| Board Director         | Fares Ibrahim Al Hamid       | Independent                  |
| Board Director         | Eid Bin Faleh Al Shammri     | Independent                  |
| *Board Director        | Francesco Toscano            | Independent                  |



|                   |                             |               |
|-------------------|-----------------------------|---------------|
| *Board Director   | Enrique martinz             | Independent   |
| *Board Director   | Waltherus cornelis Matthigs | Independent   |
| ** Board Director | Azzam Saud Almadaiheem      | Non-executive |
| ** Board Director | Musad Abdullah Al Qasim     | Independent   |

- The below directors resigned on 19 / 07 / 2020 due to the conflict of the Law of commercial agencies with the membership of the foreigners in the board.  
Mr. Francesco Toscano  
Mr. Enrique Martinz  
Mr. Waltherus cornelis Matthigs
- The below directors were appointed on 01 / 10 / 2020 to complete the current cycle of the board ending on 24 / 05 / 2022  
\*\* Eng. Azzam Saud Almadaiheem  
\*\* Mr. Musad Abdullah Al Qasim

15- Qualifications and Experiences of the board directors and the members of the committees and executive management and their current and prior jobs:

a) Board Directors:

|                        |   |
|------------------------|---|
| Name of Board Director | Mr. Abdulleah Abdullah Abunayyan (Chairman of Board and Member of Committee for Nominations and Remunerations)  |
| Qualifications         | Bachelor degree of economy from King Saud University  |
| Experiences            | <ul style="list-style-type: none"> <li>Vast experience in board memberships of major companies.</li> <li>Experience in developing the strategic works, sales and marketing.</li> <li>Remarkable skills in leadership, communication and dealing with others and high skills in management and strategic planning</li> </ul> |



| Names of companies in which the board director is director in their current boards or managers | Inside the Kingdom<br>Outside the Kingdom | The legal entity<br>Integrated joint stock<br>Non-Integrated joint stock<br>Limited liability | Names of companies in which the board director is director in their current boards or managers | Inside the Kingdom<br>Outside the Kingdom | The legal entity<br>Integrated joint stock<br>Non-Integrated joint stock<br>Limited liability |
|--|---|---|--|---|---|
| Chairperson of Al Hasan Ghazi Ibrahim Shaker Company   | Inside the Kingdom                        | Integrated joint stock  | Qatar Alfa Baton Ready Concrete  | Outside the Kingdom                       | Limited liability   |
| Lavana Holding Company   | Inside the Kingdom                        | Limited liability   | Solutions for Telecommunications   | Inside the Kingdom                        | Limited liability   |
| Rafal Tower  | Inside the Kingdom                        | Closed joint stock  | Board Director in Ethra Capital Financial Consultancies Company                                | Inside the Kingdom                        | Closed joint stock  |
| Abdulleah Abdullah Abu Neian Company   | Inside the Kingdom                        | Limited joint stock   |  |   |   |
| Board Director of Holding Abu Neian  | Outside the Kingdom                       | Limited liability   |  |   |   |
| Board Director of Altra Medical Company  | Inside the Kingdom                        | Limited liability   |  |   |   |



|  |   |   |   |   |   |
|--|---|---|---|---|---|
| Abu Neian Companies Group  | Inside the Kingdom                        | Limited liability   |   |   |   |
| L G Shaker   | Inside the Kingdom                        | Limited liability   |   |   |   |
| Name of Board Director   |   |   | Mr. Musab Suliman Al Muhaidib (Vice Chairman of Board)  |   |   |
| Qualifications   |   |   | <ul style="list-style-type: none"> <li>• Bachelor degree of business administration (financial major) from Meiami University, Florida, United States of America</li> <li>• Master of Business Administration – Liverpool University – United Kingdom</li> <li>• Developing and growing the works and bold capital – London Business School – United Kingdom</li> </ul>  |   |   |
| Experiences  |   |   | <ul style="list-style-type: none"> <li>• Holding many leadership and executive positions in certain governmental roles, public and private commercial and industrial companies.</li> <li>• Vast experience in leadership and membership of major company boards (as per the statement below).</li> <li>• Experience in developing the works and strategic visions and developing the bold capital, sales and marketing in many fields.</li> <li>• Able to define and invest the commercial chances.</li> <li>• Remarkable skills in leadership, communication and dealing with others and high skills in management and strategic planning</li> </ul> |   |   |
| Names of companies in which the board director is director in their current boards or managers | Inside the Kingdom<br>Outside the Kingdom | The legal entity<br>Integrat ed joint stock<br>Non-Integrat ed joint stock<br>Limited liability | Names of companies in which the board director is director in their current boards or managers  | Inside the Kingdo m<br>Outside the Kingdo m | The legal entity<br>Integrat ed joint stock<br>Non-Integrat ed joint stock<br>Limited liability |
| Source Group   | Inside the Kingdom                        | Closed joint stock  | Great Stocks  | Inside the Kingdo m                         | Closed joint stock  |



|   |                    |                        |  |                     |                    |
|---|--------------------|------------------------|--|---------------------|--------------------|
| Middle East Paper Industry and Production (MEBCO) | Inside the Kingdom | Integrated joint stock | Al Badia Cement  | Outside the Kingdom | Closed joint stock |
| Goldman Sax Saudi                                 | Inside the Kingdom | Closed joint stock     | Nice Contracting Company   | Inside the Kingdom  | Closed joint stock |
| Hospitality Houses                                | Inside the Kingdom | Integrated joint stock | Source for Commercial Technical Preparations   | Inside the Kingdom  | Closed joint stock |
| Saudi Endeavour                                   | Inside the Kingdom | Closed joint Stock     | Al Muheib for Technical Preparations   | Inside the Kingdom  | Closed joint stock |
| Al Muheib Group                                   | Inside the Kingdom | Limited Liability      | Al Riyan Company   | Outside the Kingdom | Closed joint stock |
| Inseiad French University – Saudi Section         | Inside the Kingdom | -<br>-                 | Innovation for Investment and Real Estate Development Company  | Inside the Kingdom  | Closed joint stock |
| Al Hassan Ghazi Shaker Company                    | Inside the Kingdom | Integrated joint stock | Asala Real Estate Development Company  | Inside the Kingdom  | Closed joint stock |
| Saudi Manufacturing Company                       | Inside the Kingdom | Closed joint stock     |  |                     |                    |
| Name of Board Director                            |                    |                        | Mr. Eid Bin Faleh Al Shamri (Board director and member of audit committee)   |                     |                    |
| Qualifications                                    |                    |                        | Bachelor degree of industrial management sciences from King Fahd Petroleum and Metal University  |                     |                    |
| Experiences                                       |                    |                        | <ul style="list-style-type: none"> <li>15 years as director of Al Daries Petroleum and Transport Services Company</li> <li>15 years as president of the audit committee in Al Daries Petroleum and Transport Services Company</li> </ul> |                     |                    |



|  |   |   | <ul style="list-style-type: none"> <li>15 years as member of the committee of governance and nominations in Al Daries Petroleum and Transport Services Company</li> <li>10 years as board director of Al Daries Industry Company (Aletco)</li> </ul> |   |   |
|--|---|---|--|---|---|
| Names of companies in which the board director is director in their current boards or managers | Inside the Kingdom<br>Outside the Kingdom | The legal entity<br>Integrated joint stock<br>Non-Integrated joint stock<br>Limited liability | Names of companies in which the board director is director in their current boards or managers   | Inside the Kingdom<br>Outside the Kingdom | The legal entity<br>Integrated joint stock<br>Non-Integrated joint stock<br>Limited liability |
| Al Daries Petroleum and Transport Services Company   | Inside the Kingdom                        | Integrated joint stock  | Saudi French Bank  | Inside the Kingdom                        | Integrated joint stock  |
| Gulf Contracting for Shipment and Uploading Company  | Inside the Kingdom                        | Limited liability   | Aletco Company   | Inside the Kingdom                        | Closed joint stock  |
| Al Hassan Ghazi Ibrahim Shaker Company   | Inside the Kingdom                        | Integrated joint stock  | Amana Cooperative Insurance company  | Inside the Kingdom                        | Integrated joint stock  |
| Fawaz Al Hakir Company   | Inside the Kingdom                        | Integrated joint stock  | Al Saif R D B Precast Company  | Inside the Kingdom                        | Limited Liability   |
| Al Marai Company (member of audit committee)   | Inside the Kingdom                        | Joint stock   | Al Enmaia Investment and Real Estate Company   | Inside the Kingdom                        | Non-integrated joint stock  |



|  |                    |                  |  |                    |                   |
|--|--------------------|------------------|--|--------------------|-------------------|
| Teba Investment Company (Audit Committee Member) | Inside the Kingdom | Joint stock      | Saudi Kidney Center Company  | Inside the Kingdom | Limited Liability |
|  |                    |                  | Ethraa Medical Services Company  | Inside the Kingdom | Limited Liability |
|  |                    |                  | Ethraa Investment and Real Estate Development  | Inside the Kingdom | Limited Liability |
|  |                    |                  | Saudi Technology Sports Company  | Inside the Kingdom | Limited Liability |
| Name of Board Director                           |                    |                  | Mr. Fars Ibrahim Al Hamid (Board Director and President of Committee of Nominations and Remunerations)   |                    |                   |
| Qualifications                                   |                    |                  | <ul style="list-style-type: none"> <li>- Bachelor degree of science from King Saud University</li> <li>- Masatshostes Technology Institute from Selion Management College</li> <li>- Saudi Oxford Leadership and Advanced Management Program</li> <li>- Board Directors Institute BDI</li> </ul>   |                    |                   |
| Experiences                                      |                    |                  | <ul style="list-style-type: none"> <li>• From 1994 – to 1996 lecturer of the technology college in Baridah</li> <li>• From 1996 – to 2000 Saudi Future Kids Centre Company – in the field of assistant of schools for using the technology</li> <li>• From 2003 – to 2004 Hightech Technology Company – in the field of the accounting programs and human resources.</li> <li>• From 2000 – to 2006 Al Doalg Company in the field of technology and educational software industry</li> </ul> |                    |                   |
| Names of companies in which the board director   | Inside the Kingdom | The legal entity | Names of companies in which the board director   | Inside the Kingdom | The legal entity  |



| is director in their current boards or managers          | Outside the Kingdom | Integrated joint stock Non-Integrated joint stock Limited liability | is director in their current boards or managers | Outside the Kingdom | Integrated joint stock Non-Integrated joint stock Limited liability |
|--|---------------------|---|---|---------------------|---|
| Al Hasan Ghazi Ibrahim Shaker Company                    | Inside the Kingdom  | Integrated joint stock  | Rowag Educational Fund                          | Inside the Kingdom  | Closed special fund   |
| Al Sand Digital Telecommunication and Technology Company | Inside the Kingdom  | Closed joint stock  | Dala Holding Health Services Company            | Inside the Kingdom  | Integrated joint stock  |
| Halla Company  | Inside the Kingdom  | Closed joint stock  | Al Qasim Cement Company                         | Inside the Kingdom  | Integrated joint stock  |
| Financial Awareness Company                              | Inside the Kingdom  | Closed joint stock  | Riyadh Real Estate Fund                         | Inside the Kingdom  | Closed joint stock  |
| Al Mabthag Al Shamia Company                             | Inside the Kingdom  | Limited Liability   | Al Sagherion Trading and Contracting Company    | Inside the Kingdom  | Closed joint stock  |
| Sons of Ibrahim Al Rashid Al Hamid Company               | Inside the Kingdom  | Closed joint stock  |   |                     |   |
| Saudi House Funding Company                              | Inside the Kingdom  | Closed joint stock  |   |                     |   |
| Czech Physical   | Inside the Kingdom  | Closed joint stock  |   |                     |   |



|  |   |   |   |   |   |
|--|---|---|---|---|---|
| Mediation Center   |   |   |   |   |   |
| Awareness Healthcare Fund  | Inside the Kingdom                        | Special fund  |   |   |   |
| Abdullah Abdul Aziz Al Rajhi Company   | Inside the Kingdom                        | Closed joint stock  |   |   |   |
| Name of Board Director   |   |   | Mr. Abdul Raouf Waleed Al Beitar (Board Director)   |   |   |
| Qualifications   |   |   | Bachelor degree of civil engineering from American Seracious University   |   |   |
| Experiences  |   |   | <ul style="list-style-type: none"> <li>Board director in Shaker Company since 2009</li> <li>30 years of experience in the industrial companies</li> </ul> |   |   |
| Names of companies in which the board director is director in their current boards or managers | Inside the Kingdom<br>Outside the Kingdom | The legal entity<br>Integrat ed joint stock<br>Non-Integrat ed joint stock<br>Limited liability | Names of companies in which the board director is director in their current boards or managers  | Inside the Kingdo m<br>Outside the Kingdo m | The legal entity<br>Integrat ed joint stock<br>Non-Integrat ed joint stock<br>Limited liability |
| Al Azel Gulf Group Company   | Inside the Kingdom                        | Non-integrat ed joint stock   | Middle East Specialized Cables Company Mesk   | Inside the Kingdo m                         | Integrat ed joint stock   |
|  |   |   | Cooling Area Company  | Inside the Kingdo m                         | Non-integrat ed joint stock   |
| Name of Board Director   |   |   | Mr. Azzam Saud Almadeheim (Board Director)  |   |   |
| Qualifications   |   |   | Bachelor degree of mechanical engineering with honour from King Fahd University   |   |   |
| Experiences  |   |   | <ul style="list-style-type: none"> <li>1996 – 2008 – Manufacturing Engineer in Advanced Electronics Company</li> </ul>                                    |   |   |



|  |   |   | <ul style="list-style-type: none"> <li>• 1998 – 2001 – regional sales manager – middle area in Al Muheib Foods</li> <li>• 2001 – 2007 – Procurement manager and deposit manager assigned in Source for carpentry materials</li> <li>• 2007 – 2010 – general manager assigned in Source for the trading materials.</li> <li>• 2011 – 2017 – general manager in Source for trading materials</li> <li>• 2014 – 2016 – board director in Source for technical preparations – subsidiary of Source Building Materials Company and its sister Source for Carpentry Materials Company</li> <li>• November 2017 – chief executive officer of Al Hassan Ghazi Ibrahim Shaker Company to November 2020</li> <li>• December 2020 – to date the chairperson of Abu Neian Trading Company</li> </ul> |   |   |
|--|---|---|--|---|---|
| Names of companies in which the board director is director in their current boards or managers | Inside the Kingdom<br>Outside the Kingdom | The legal entity<br>Integrated joint stock<br>Non-Integrated joint stock<br>Limited liability | Names of companies in which the board director is director in their current boards or managers   | Inside the Kingdom<br>Outside the Kingdom | The legal entity<br>Integrated joint stock<br>Non-Integrated joint stock<br>Limited liability |
| Al Hassan Ghazi Ibrahim Shaker Company   | Inside the Kingdom                        | Integrated joint stock  |  |   |   |
| Solutions Telecommunications Company   | Inside the Kingdom                        | Limited Liability   |  |   |   |
| Arabian Pipes Company  | Inside the Kingdom                        | Integrated jointed stock  |  |   |   |



|  |   |  |   |   |  |
|--|---|--|---|---|--|
| Azaem Arab Company   | Inside the Kingdom                        | Closed jointed stock   |   |   |  |
| Modern Vision Company  | Outside the Kingdom                       | Closed joint stock   |   |   |  |
| Name of Board Director   |   |  | Mr. Musad Abdullah Al Qasim (Board Director and member of committee of nominations and remunerations)   |   |  |
| Qualifications   |   |  | Bachelor degree of English Arts and Translations  |   |  |
| Experiences  |   |  | <ul style="list-style-type: none"> <li>• 2002 – 2007 holding certain positions in Al Marai Company and the last of which, he was the manager of the employment group</li> <li>• 2007 – 2008 – employment advisor and human resources manager in Pepseico Company</li> <li>• 2008 – 2011 – the human resources manager in Al Rajhi Real Estate Investments Company</li> <li>• 2011 – 2012 – vice president of human resources in Al Ajaln and Sons Company</li> <li>• 2012 – 2015 – manager of human resource operations in Mining Saudi Arabian Metal Company</li> <li>• 2015 – 2019 – head of human resources in Hospitality House Company</li> <li>• From 2019 – head of joint services in Hospitality House Company to date</li> <li>• From 2018 to date – member of committee of nominations and remunerations in Al Hassan Ghazi Ibrahim Shaker Company</li> <li>• From 2019 – board director in Saudi Hotel Services Company to date</li> <li>• From 2019 – board director in Shada Corporation for Hotel Services to date</li> </ul> |   |  |
| Names of companies in which the board director is director in their current boards or managers | Inside the Kingdom<br>Outside the Kingdom | The legal entity<br>Integrat ed joint stock<br>Non-Integrat ed joint stock | Names of companies in which the board director is director in their current boards or managers  | Inside the Kingdo m<br>Outside the Kingdo m | The legal entity<br>Integrat ed joint stock<br>Non-Integrat ed joint stock |



|   |                    | Limited liability      |  |  | Limited liability |
|---|--------------------|------------------------|--|--|-------------------|
| Hospitality House Company   | Inside the Kingdom | Limited liability      |  |  |                   |
| Board director and member of committee of nominations and remunerations in Al Hassan Ghazi Ibrahim Shaker Company | Inside the Kingdom | Integrated joint stock |  |  |                   |

b) Members of Committees from outside the board:

c)

| Name of Board Director | Mr. Turki Bin Abdul Mohsen Al Lahid (President of Audit Committee)   |
|------------------------|--|
| Qualifications         | <ul style="list-style-type: none"> <li>Bachelor degree of accounting from King Saud University – Administrative Sciences College</li> <li>Certified legal accountant (CPA)</li> <li>Member in SOCPA</li> </ul>   |
| Experiences            | <ul style="list-style-type: none"> <li>From 2004 to 2005 in Riyadh Bank, Eastern Area Office, Commercial Funding Centre in managing the credit letters</li> <li>From 2006 – to 2014 auditing partner in Earnest and Yung Company, services of guarantee and commercial consultancies.</li> <li>2014 – 2016, acting on the basis of sponsorship with Al Ouini Investment and Contracting Company</li> <li>2016 and still partner in Al Lahid and Al Yehya Certified Accountants Office</li> </ul> |



| Names of companies in which the board director is director in their current boards or managers | Inside the Kingdom<br>Outside the Kingdom | The legal entity<br>Integrated joint stock<br>Non-Integrated joint stock<br>Limited liability | Names of companies in which the board director is director in their current boards or managers  | Inside the Kingdom<br>Outside the Kingdom | The legal entity<br>Integrated joint stock<br>Non-Integrated joint stock<br>Limited liability |
|--|---|---|---|---|---|
| President of audit committee in Al Hassan Ghazi Ibrahim Shaker Company                         | Inside the Kingdom                        | Integrated joint stock  |   |   |   |
| Name of Board Director   |   |   | Mr. Ahmed Zaki Mohammed Al Farih (Member of Audit Committee)  |   |   |
| Qualifications   |   |   | <ul style="list-style-type: none"> <li>• Bachelor degree of accounting from Al Sharjah University</li> <li>• Executive program for financial affair directors from Chicago University</li> <li>• International Institute for Administrative Development – Lozan – Switzerland</li> </ul>  |   |   |
| Experiences  |   |   | <ul style="list-style-type: none"> <li>• From 2005 – 2013 – senior auditor in Earnest and Yung</li> <li>• From 2013 to 2014 – Financial auditor in Al Argan Company</li> <li>• From 2014 to 2016 – Financial Auditor in Alam Company</li> <li>• From 2017 to 2018 – Financial Manager of industrial cities (Moden)</li> <li>• 2018 to date – Financial Manager of Saudi Telecommunication Channels Company STC</li> </ul> |   |   |
| Names of companies in which the board director is director in their current boards or managers | Inside the Kingdom<br>Outside the Kingdom | The legal entity<br>Integrated joint stock<br>Non-Integrated joint stock<br>Limited liability | Names of companies in which the board director is director in their current   | Inside the Kingdom<br>Outside the Kingdom | The legal entity<br>Integrated joint stock<br>Non-Integrated joint stock<br>Limited liability |



|  |                    |                            | boards or managers |  |  |
|--|--------------------|----------------------------|--------------------|--|--|
| Member of audit committee in Al Hassan Ghazi Ibrahim Shaker Company                                | Inside the Kingdom | Integrated joint stock     |                    |  |  |
| Member of audit committee in Saudi Korean Property Maintenance and Management Company (Properties) | Inside the Kingdom | Limited liability company  |                    |  |  |
| Gulf laboratory for Examining Electrical Equipment   | Inside the Kingdom | Closed joint stock company |                    |  |  |
| Sela Sports Company  | Inside the Kingdom | Closed joint stock company |                    |  |  |

d) Executive Management:

| Name                   | Current Job   | Qualifications  | Experiences   |
|------------------------|---|---|---|
| Mr. Mohammed Abu Neian | Assigned chief executive officer Al Hassan Ghazi Ibrahim Shaker Company | Obtaining bachelor degree from Al Yamama University<br>Obtaining certain courses:<br>Administrative control program from London Business College<br>Course in appraising the performance and indexes from Norton Cablen | - Quality management director<br>- Manager of strategic planning<br>- General manager of retailing and wholesale in mediations and medical supplies<br>-Project management director |



|                      |  |   |  |
|----------------------|--|---|--|
|                      |  | Courses in the field of business and management from Insiad<br>Courses from Korean LG   |  |
| Mr. Hossam Al Akad   | Vice president of financial management Al Hassan Ghazi Ibrahim Shaker Company            | <ul style="list-style-type: none"> <li>- Bachelor degree of commerce, accounting major from Ain Shams University</li> <li>- Master degree in company funding from Virginia United States University</li> <li>- Obtaining the certified administrative accountant certificate CMA</li> </ul> | <ul style="list-style-type: none"> <li>• 30 years of experience in directing and controlling the financial and accounting affairs, auditing, general management jobs, strategic planning and work development</li> <li>• From 2000 to 2004 – president of financial group in Moroccan and Saudi hospitals and centers, Egypt</li> <li>• From 2010 to 2012 – financial manager of Castle Holding Group</li> <li>• From 2012 to 2019 – Financial Manager and vice president of financial strategies and work development in Asala Holding Company</li> </ul> |
| Mr. Mohammed Salaman | Assigned internal auditing management director in Al Hassan Ghazi Ibrahim Shaker Company | Internal auditor approved in United States of America, internal auditing institute<br>Colleague member in FCCA<br>Master degree in professional accounting from London University, United Kingdom   | <ul style="list-style-type: none"> <li>• From 2006 to 2012, external auditor, internal auditor in KPMG in Pakistan (including the mandatory training of Certified Legal Accountant British University).</li> <li>• From 2012 to 2015 – external auditor, accounting in Delout Company, Kingdom of Saudi Arabia</li> <li>• From 2016 to 2017 KPMF Al Fawzan and Co. – supervisor in the accounting consultancy section</li> <li>• From 2017 to 2018 – accounting manager of Harvi Food Services Limited Company</li> </ul>                                  |

16- Meetings of Board:

- The board elected by the extraordinary general assembly in its meeting held on 20 / 05 / 2019 held (5) five meetings within the fiscal year 2020 as its current cycle began on 25 / 05 / 2019 and ending on 24 / 05 / 2022 with the attendance of the directors as follows:

| Name                            | Date of Board Meetings |                |                |                |                | Total |
|---------------------------------|------------------------|----------------|----------------|----------------|----------------|-------|
|                                 | 19 / 04 / 2020         | 19 / 07 / 2020 | 25 / 10 / 2020 | 01 / 11 / 2020 | 20 / 12 / 2020 |       |
| Abdulleah Abdullah<br>Abu Neian | √                      | √              | √              | √              | √              | 5 / 5 |



|                              |   |   |   |                |   |       |
|------------------------------|---|---|---|----------------|---|-------|
| Musab Suliman Al Muhedieb    | √ | √ | √ | Did not attend | √ | 4 / 5 |
| Abdul Raouf Waleed Al Beitar | √ | √ | √ | √              | √ | 5 / 5 |
| Eid Bin Faleh Al Shamri      | √ | √ | √ | √              | √ | 5 / 5 |
| Fars Ibrahim Al Hamid        | √ | √ | √ | √              | √ | 5 / 5 |
| *Fransecous Maria            | √ | √ | X | X              | X | 2 / 5 |
| *Anerice Marteniez           | √ | √ | X | X              | X | 2 / 5 |
| *Altheros Kornelis Maties    | √ | √ | X | X              | X | 2 / 5 |
| **Azzam Saud Almadeheim      | √ | √ | √ | X              | X | 3 / 5 |
| **Musad Abdullah Al Qasim    | √ | √ | √ | X              | X | 3 / 5 |

\*He resigned on 19 / 07 / 2020.

\*\* He was appointed for the membership of the board on 01 / 10 / 2020.

17- General Meetings of the shareholders within the fiscal year 2020 and the names of the board directors attending them:

The company held within the fiscal year 2020 the ordinary general meeting dated 14 / 05 / 2020 as the agenda included the following items:

- 1- Voting on the report of the board for the fiscal year ended on 31 / 12 / 2019.
- 2- Voting on the report of the auditor for the fiscal year ended on 31 / 12 / 2019.  
M/S KPMG read their report as the auditor of the company for the fiscal year ended on 31 / 12 / 2019.
- 3- Voting on the audited financial statements for the fiscal year ended on 31 / 12 / 2019.
- 4- Voting on the appointment of the company auditor among the nominees based on the recommendation of the committee of auditing to examine, review and audit the financial statements of the second, third and fourth quarters and the annual financial statements of the fiscal year 2020 and the first quarter of the fiscal year 2021 and defining his remunerations.
- 5- Voting on encashing an amount of 1.6 million Saudi Riyals as remunerations for the board directors for the fiscal year ended on 31 / 12 / 2019.
- 6- Voting on the disclaimer of the board directors for the fiscal year ended on 31 December 2019.

The meeting was held under the presidency of Mr. Abdulleah Abdullah Abu Neian, chairperson of the board and in the attendance of the directors and members of the committees including Mr. Musab Suliman Al Muhedieb – vice chairperson of the board, Mr. Fars Ibrahim Al Hamid, Mr. Abdul Raouf Waleed Al Beitar, Mr. Turki Abdul Mohsen Al Lahid – President of Auditing Committee and the directors Mr. Eid Bin Faleh Al Shamri, Mr. Fransecous Maria, Mr. Anerice Marteniez and Mr. Altheros Kornelis Maties did not attend.

18- Description of any interest, contractual financial portfolios and subscription titles belonging to the directors of the board, senior executive officers and their relatives in the shares or debt tools of the company or any of its subsidiaries and any change in such interest or titles within the least fiscal year:

The following table outlines the list of names and titles of the board directors, senior executive officers or their relatives in the shares of the company and any change in their titles within 2020:



| Name of Interested Person *     | Beginning of year 2019 |                  | Change within 2019   |                  | End of 2019         |                  |
|---------------------------------|------------------------|------------------|----------------------|------------------|---------------------|------------------|
|                                 | Percentage of title    | Number of shares | Percentage of change | Number of shares | Percentage of title | Number of shares |
| ** Abdulleah Abdullah Abu Neian | %1.63                  | 1.027.800        | -                    | -                | %1.63               | 1.027.800        |
| ** Abdul Raouf Waleed Al Beitar | %6.13                  | 4.201.800        | -                    | 4.201.800        | %6.13               | 4.201.800        |
| Musab Suliman Al Muhedieb       | %0.003                 | 1800             | -                    | 1800             | %0.003              | 1800             |
| Eid Bin Faleh Al Shamri         | %0,002                 | 1000             | -                    | 1000             | %0,002              | 1000             |
| Fars Ibrahim Al Hamid           | %0,002                 | 1000             | -                    | 1000             | %0,002              | 1000             |

Except the persons stated in the previous statement, no senior executive officers or their relatives have any interest in the shares of the company or any of its subsidiaries.

\*\*\* Indirect title in the shares of Shaker Company through Abdulleah Abdullah Abu Neian Limited Company with the percentage of 13.3% in Lavana Holding Company (previously known as Abdulleah Abdullah Abu Neian and Sons Company) shareholding directly with 7,695.000 shares as of 31 / 12 / 2019 in addition to the direct title of 1.800 shares.

\*\*\*\*\* Direct title of 1.800 shares and indirect title of the shares of Shaker Company through the direct title of 75% in Lama Holding Company shareholding in Shaker Company with 3,600.000 shares as of 31 / 12 / 2017 and indirect title through his wife Miss / Lama Abu Khedra, shareholder in Ismailia Lights Company with the percentage of 33% shareholding in Shaker Company with 1,800.000 shares as of 31 / 12 / 2018.

Note: The Company was not reported within the fiscal year 2020 of any interest having the right in voting belonging to any persons except the board directors and senior executive officers and their relatives or any change in such titles.

#### 19- Procedures taken by the board to inform its directors – especially the non-executive officials – of the proposals and notes of the shareholders about the company and its performance:

Due to the eagerness of the board directors to take all actions continually recognizing the notes of the shareholders and contacting them by the general assemblies and receiving the inquiries and notes of the shareholders by contacting with the contacting officials in the company, the board was eager in the ordinary general meeting to reply to all inquiries of the shareholders raised within the meeting in consistent with the disclosure regulations applicable by the concerned parties, taking into account all inquiries of the shareholders not replied by the directors within the general assembly. Moreover, the board was eager to explain to the directors of the assembly the most imminent activities of the company within the last year and its strategic directions after counting all inquiries raised by the shareholders by their inquiries and communication with the contacting officials of the company as per periodic reports prepared by the contacting officials of the company about the most imminent notes and visions of the shareholders about the performance and results of the company and presenting them to the board to be taken into account if they are proven to be important. The directors of the board were eager to attend the meetings whether by the directors of the board or the presidents of the committees or their representative to directly contact with the shareholders throughout the general meetings and reply to their inquiries in consistent with the interest of the company. On the other side, the internal control of the company and the regulations of the governance ensure to the shareholders all rights in deliberation and taking part in the discussion during the general assemblies as the essential notes and inquiries raised by the shareholders are noted to be considered within the meetings of the board.

#### 20- Remunerations of the board directors, committee members and chief executive officers:



a) Policy of Remunerations and Compensations to Board Directors:

- The remunerations shall be paid to the directors of the board and the members of its committees and the chief executive officers as per the policies approved by the general assembly of the company held on 20 / 12 / 2017 in consistent with the general frame of the law of companies and the regulations of the financial stock authority and the regulations of the company as the policy of remunerations stipulated that “The remunerations of the board directors including the chairperson for the services they performed consist of a lump sum of 200,000 Saudi Riyals for each director in addition to the attendance allowance of the assembly sessions with the amount of 3,000 Saudi Riyals for each session per director of the board and a lump sum of 50,000 Saudi Riyals for each director for the meetings of the committees stemmed from the board in addition to the attendance allowance of 1,500 Saudi Riyals for each meeting of the committee meetings for each member as per the laws, resolutions and instructions applicable in the Kingdom of Saudi Arabia and issued by the competent parties, especially the law and regulations of the company”... and the remunerations shall depend on the recommendation of the committee of remunerations and nominations stemmed from the board reviewing the attendance schedule of the board and committee meetings and the duties and subjects they recognized and the proper recommendation shall be presented to the board to define the remunerations payable to the directors of the board.

The remunerations of the directors may be of varied amount so that they shall reflect the experience extent of the director and his majors, his duties and the number of meetings he attends and other considerations the committee of remunerations and nominations considers proper.

- If any of the board directors resigns or his membership expires in any other form before the end of the board cycle, the annual remunerations shall be divided between the director whose membership expires and the new director who will complete the term of his ancestor in the board cycle with the amount of the term of each membership within the fiscal year.

b) Policy of Remunerations and Compensations of Committee Members:

The regulations and policies relating to the committees of the board considered the standards of realizing the remunerations of the committee members stemmed from the board as the two regulations of the committee of nominations and remunerations and the auditing committee in addition to the executive committee stipulated that the members of each committee shall be paid an annual lump sum of 50,000 Saudi Riyals if the member of the committee is the director of the board, but if the member of the committee is from outside the board, he shall be paid annually 100,000 Saudi Riyals and in all cases, the members of the committees shall be paid attendance allowance for each session 1,500 Saudi Riyals.

c) Policy of Remunerations for Chief Executive Management:

The policy of remunerations for the executive management developed certain main standards upon which such remunerations are determined and the most important of which shall be:

- Polarizing and maintaining the best competencies.
- Motivating and improving the level of the employee performance to achieve the annual targets of the company and to reflect and being consistent with the duties and liabilities.
- Connecting between the performance of the employees and the annual targets of the company.
- Granting the remuneration shall depend on the recommendations presented by the committee of remunerations and nominations.
- The remuneration and the relevant performance index shall be clear, measurable and engaged to the institutional performance as whole and the personal performance of all personnel as the remunerations shall be paid only on the basis of the results of each performance appraisal process.
- The annual remuneration or obtaining it is not automatic as the chief executive officers may not obtain any remuneration for any year in which the company does not achieve net profits or without the recommendation of the committee of remunerations and nominations and the approval of the board.

d) Remunerations of Board Directors:

The board recommended on 22 / 03 / 2020 to grant the annual remuneration of 2019 to the directors of the board and the members of the committees as per the following table as recognized:

1) Remunerations of Independent Board Directors:



| Name  | Musab Al Muhaib | Fars Al rashad | Eid Al Shamri | Enrique Martinz | Francesco Toscano | Waltherus cornelis Matthigs |
|---|-----------------|----------------|---------------|-----------------|-------------------|-----------------------------|
| A defined amount as annual remuneration for the board   | 200,000         | 200,000        | 200,000       | 337,500         | 225,500           | 250,000                     |
| Attendance allowance of the board meetings  | 15,000          | 15,000         | 24,000        | 337,500         | 225,5000          | 250,000                     |
| Total remunerations of the committee membership   | -               | 50,000         | 50,000        |                 |                   |                             |
| Total attendance allowance of the committee meetings  | -               | 4,500          |               |                 |                   |                             |
| In kind benefits  | -               | -              | -             | -               |                   |                             |
| Remunerations of the technical, administrative and consultancy works                          | -               | -              | -             | -               |                   |                             |
| Remuneration of the chairperson, managing director or secretary if he is one of the directors | -               | -              | -             | -               |                   |                             |
| Total   | 215,000         | 269,500        | 274,000       | 337,500         | 225,000           | 250,5000                    |

## 2) Non-executive directors of the board:

Based on the resolution of the board, no annual remuneration was paid for 2018 to the non-executive directors of the board whether in their capacity as board directors or members of committees, whether fixed or varied remunerations under any name.

## 3) Remunerations of committee members from outside the board:

| Name   | Fixed remunerations (except the meeting attendance allowance) | Meeting attendance allowance | Total   |
|--|---|------------------------------|---------|
| <u>Members of auditing committee from outside the board:</u> |   |                              |         |
| Turki Al Lahid   | 100,000   | 9,000                        | 109,000 |



|  |         |       |         |
|--|---------|-------|---------|
| Ahmed alfuraih   | 60,547  | 4,500 | 65,047  |
| <u>Members of committee of remunerations and nominations from outside the board:</u> |         |       |         |
| Musad Al Qasim   | 100,000 | 4,500 | 104,500 |

The following table outlines the remunerations obtained by the top five executive officers including the chief executive officer and the financial manager:

| Chief executive officers  | Fixed remunerations |            |                  |    | Varied remunerations   |               |                                       |                      |                                      |       | End of service benefits | Total remunerations of executive officer of the board, if any | Overall total |
|---|---------------------|------------|------------------|----|------------------------|---------------|---------------------------------------|----------------------|--------------------------------------|-------|-------------------------|---|---------------|
|   | saaksks             | Allowances | In kind benefits | To | Periodic remunerations | P r o f i t s | S h o r t t e r m i n c e n t i v e s | Long term incentives | Granted shares (including the value) | Total |                         |   |               |
| Total remunerations obtained by the top five executive officers including the chief executive |                     |            |                  |    |                        |               |                                       |                      |                                      |       |                         |   | 5,294,95      |





| Name                             | 24/03/2020 | 16/06/2020     | 16/08/2020 | 07/09/2020 | 05/11/2020 | total |
|----------------------------------|------------|----------------|------------|------------|------------|-------|
| <b>Chairman Turki Al (luhaid</b> | √          | √              | √          | √          | √          | 5/5   |
| <b>Eid Alshammri</b>             | √          | Did not attend | √          | √          | √          | 5/4   |
| <b>Ahmed Alfuraih</b>            | √          | √              | √          | √          | √          | 5/5   |

Scope of Work of Auditing Committee within 2020 was as follows:

a- The financial reports and the auditor reports as follows:

- 1) Auditing the initial and annual financial statements before disclosing them to the board to ensure their integrity and fairness and stating the opinion and recommendations thereon.
- 2) Auditing the auditing plan with the external auditor and verifying that he did not present technical or administrative works inconsistent with the auditing scope of work and stating any notes thereon.
- 3) Considering the reports and notes of the auditor on the financial statements and following up the taken actions.
- 4) Recommending the board in respect of selecting the external auditor and supervising the activities of the auditor and appraising the performance.

b- Internal Auditing:

- 1) Controlling and supervising the performance and activities of the internal auditing management of the company as per the annual internal auditing plan to ensure their effectiveness in executing the defined activities and duties.
- 2) Considering the internal auditing reports and following up the execution of the corrective procedures for the notes registered on the work units and divisions in the company.
- 3) In ensuring the independency principle, the internal auditing management and the external auditors present direct reports to the auditing committee without any intervention by any party.

c- Risk Management:

The auditing committee approved the internal auditing plan of 2020 to ensure that the plan was strong and was mainly aiming at defining the risks inside the risks and the committee regularly by the held meeting discusses and follows up the auditing plan in addition to the reports and notes presented by the internal auditing management by the following:

- 1) The management is highlighted on any prospected main risks and arranging its priority on the basis that they are (high / medium / low) in each auditing report to ensure the productivity at the defined time and the effective closure of the registered notes.
- 2) In case of the repeated failure in complying with the auditing notes as per the agreed timing scopes without any justified cause or causes, the higher management is recalled to explain so with the preparation of the corrective action plan.
- 3) The management takes all required measures to remedy the main notes presented by the internal auditing reports or the auditors.

- In the light of the abovementioned facts and based on the periodic reports, the auditing committee supervises the internal auditing works in the company periodically to make sure that the internal controlling system is adequate and effective in general and in respect of the fairness of the financial statements especially and it provides a continued appraisal of the internal controlling system and taking into account any notes presented to it to deal with them within the objectives of the board to obtain a reasonable assurance about the integrity and effectiveness of the internal control system performance of the company. As per the annual auditing results of the internal control action effectiveness in the company, the auditing committee did not find out any matter suspecting that there is essential shortage required to be disclosed and the controlling system achieved many improvements within the year. The



company continues under the supervision of the auditing committee the periodic appraisal and the regulatory system auditing to ensure achieving the internal control objectives and improving the competency and effectiveness of the operations and complying with the applicable laws and regulations.

Second: Committee of Remunerations and Nominations:

On 20 / 04 / 2017, the board decided to join the committee of remunerations and the committee of nominations stated in articles 60 and 64 of the regulations of the company governance in one committee called “Committee of Remunerations and Nominations” in Al Hassan Ghazi Ibrahim Shaker and on 20 / 12 / 2017, the regulations of the committee of remunerations and nominations updated by the general assembly were approved and the most imminent duties of the committee shall be as follows:

- 1- Preparing a clear policy for the remunerations of the directors of the board and the committees stemmed from the board and the executive management and filling them to the board for consideration to approve them by the general assembly so that in this policy, it shall be observed that the performance standards shall be followed up and their execution shall be verified and annually or based on the request of the board, such remunerations shall be audited and the proper recommendations shall be filed to the board.
- 2- Considering the various collective remunerations based on the performance of the company and the various managements and sections and recommending such remunerations to the board for review and approval.
- 3- Presenting the recommendation to the board on the nomination to the board membership in consistent with the established policies and standards and the committee shall make sure that no person condemned by any crime affecting the honor is nominated.
- 4- Auditing and presenting the recommendations and amendments on the structure of the board.
- 5- Annually making sure of the independency of the independent members and that there is no conflict of interests with any of the board directors for being board director in another company.
- 6- Proposing clear policies and standards for the membership of the board and the executive management.
- 7- The annual auditing of the requirements of skills or experiences proper for the membership of the board and the jobs of the executive management.

- The committee held (4) four meetings within the fiscal year 2020 and the following table outlines the registry of the attendance:

| Name                                      | 9/03/ 2020 | 5/7/2020 | 28/7/2020 | 3/9/2020 | Total |
|---|------------|----------|-----------|----------|-------|
| • Fares Al Hamid (President of Committee) | √          | √        | √         | √        | 4/4   |
| • Abdulleah Abdullah Abu Neian            | √          | √        | √         | √        | 4/4   |
| • Musad Al Qasim                          | √          | √        | √         | √        | 4/4   |
| • Altheros Kornelis Maties                | √          | √        | √         | √        | 4/4   |

23- Means on which the board depended on appraising its performance and the performance of its committees and directors:

In launching from the duties of the committee of remunerations and nominations in increasing its role in appraising the directors of the board, the committee recommended the board within the second quarter of the fiscal year 2018 with appointing one of the external bodies to appraise the performance of the board and use the practices of the board to reach to the best standards and requirements of the governance and the most important axes on which it depended on appraising the performance of the board were: 1) Appraising Leadership: Through the effective leadership of the board and the presidents of the committee in respect of their effect on recalling and the participation of all members and raising the agendas of the meetings, 2) Appraising the management: through preparing the meetings of the board, defining the proper dates to ensure the participation of all directors and inviting for holding



meetings and the participation of all members, sharing the opinions and ideas and the time required for the participations of the board directors in the discussions and contacting with the committees in the light of their purposes and defined roles, 3) Appraising the shareholding: through the integration and participation of the directors of the board and the committees and their compliance with executing their roles, allocating the required time and the method of the discussion progress, raising the topics and questions and taking into account the viewpoints and taking the decision.

In 2019, the external body contracted by the management of the company prepared a report including certain main axes to increase the effectiveness of the board performance and they were disclosed with the board directors within the fourth quarter in 2019 and the most imminent axes on which the report depended were the method of increasing the integration of the discussions and participations of the board directors within the meetings of the board and committees.

#### **24- Punishments and Penalties imposed on the company:**

It was evident to us that there company has no essential punishments or penalties within 2019.

#### **25- Applications of Company for Registering Shareholders:**

| Type of application                           | Date of title deed | Cause of application |
|---|--------------------|----------------------|
| Quantities – at the level of the identity (A) | 14 / 05 / 2020     | General Assembly     |
| Quantities – at the level of the identity (A) | 12 / 03 / 2020     | Other                |
| Quantities – at the level of the identity (A) | 30 / 04 / 2020     | Other                |
| Quantities – at the level of the identity (A) | 06 / 05 / 2020     | Other                |
| Quantities – at the level of the identity (A) | 30 /06/2020        | Other                |
| Quantities – at the level of the identity (A) | 03/09/2020         | Other                |
| Quantities – at the level of the identity (A) | 18/11/2020         | Other                |
| Quantities – at the level of the identity (A) | 31/12/2020         | Other                |

#### **26- Disclosures of the company via Tadawal website within the fiscal year 2020:**

| No. | Date of Notification | Subject of Notification   |
|-----|----------------------|---|
| 1   | 29 / 3 / 2020        | Notification of Al Hassan Ghazi Ibrahim Shaker Company for the annual financial results ended on 31 – 12 - 2019 |



|    |               |  |
|----|---------------|--|
| 2  | 16 / 4 / 2020 | Al Hassan Ghazi Ibrahim Shaker Company announces that its works were affected by the precautionary actions taken against the novel Corona virus (Covid – 19) and the effect of the governmental support to minimize the effects resulting from such actions. |
| 3  | 20 / 4 / 2020 | Al Hassan Ghazi Ibrahim Shaker Company invites its shareholders to attend the ordinary general meeting (the first meeting)   |
| 4  | 17 / 5 / 2020 | The notification of Al Hassan Ghazi Ibrahim Shaker Company for the results of the ordinary general meeting (first meeting)   |
| 5  | 18 / 6 / 2020 | The notification of Al Hassan Ghazi Ibrahim Shaker Company for the initial financial results of the period ended on 31 – 3 – 2020 (three months)   |
| 6  | 21 / 6 / 2020 | A subsequent notification of Al Hassan Ghazi Ibrahim Shaker Company in respect of the initial financial results of the period ended on 31 / 3 / 2020 (three months)  |
| 7  | 28 / 7 / 2020 | The notification of Al Hassan Ghazi Ibrahim Shaker Company for the independency of three directors of its board  |
| 8  | 18 / 8 / 2020 | The notification of Al Hassan Ghazi Ibrahim Shaker Company for the initial financial results of the period ended on 30 – 6 – 2020 (six months)   |
| 9  | 19 / 8 / 2020 | A corrective notification of Al Hassan Ghazi Ibrahim Shaker Company for the initial financial results of the period ended on 30 – 6 – 2020 (six months)  |
| 10 | 21 / 9 / 2020 | The notification of Al Hassan Ghazi Ibrahim Shaker Company for the renewal of the exclusive agency of L G Electronics Air Conditioning   |
| 11 | 1 / 10 / 2020 | The notification of Al Hassan Ghazi Ibrahim Shaker Company for appointing two directors in the board   |
| 12 | 8 / 11 / 2020 | The notification of Al Hassan Ghazi Ibrahim Shaker Company for the initial financial results of the period ended on 30 – 9 – nine (six months)   |
| 13 | 9 / 11 / 2020 | A corrective notification of Al Hassan Ghazi Ibrahim Shaker Company for the initial financial results of the period ended on 30 – 9 – nine (six months)  |



|    |                |  |
|----|----------------|--|
| 14 | 18 / 11 / 2020 | Al Hassan Ghazi Ibrahim Shaker Company announces appointing chief executive officer by presentation and not renewing the contract of the chief executive officer |
|----|----------------|--|

#### 27- Governance of Company:

The company developed an internal governance regulation taking into account the provisions and requirements of the company governance in the Kingdom issued by the financial stock authority and the amended governance regulation of the company was approved by the board on 21 / 12 / 2017 in consistent with the regulations of the company governance issued by the financial stock authority.

The company applied all mandatory provisions contained in the regulation of the company governance in the Kingdom of Saudi Arabia issued by the financial stock authority till the end of the year 2017 except the following provisions including guidelines:

| Article No/        | Text of Article   | Causes of not applying so  |
|--------------------|---|--|
| 9 - Paragraph c    | “The shareholder shall be paid his share of profit as per the resolution of the general assembly issued on the profit dividends to the shareholders or the resolution of the board distributing interim profits ...”  | No profits were distributed within the fiscal year 2019 and accordingly, this paragraph was not applied.                                     |
| 13 – paragraph c   | The board shall invite for the ordinary general meeting if required by the auditor or the auditing committee or a number of shareholders having (5%) at least of the company capital and the auditor may invite the general assembly for holding if it is not invited by the board within thirty days upon the request date of the auditor. | The auditor or any of the shareholders having 5% did not ask within the fiscal year 2017 holding the ordinary general meeting.               |
| 14 – paragraph (a) | The board shall, at preparing the agenda of the general meeting, take into account the subjects the shareholders are desirous to include and the shareholders having (5%) at least of the company shares may add one subject or more to the agenda of the general assembly at preparing it.   | The company was not informed of any subjects the shareholders are desirous to include in the agenda of the general meeting held within 2019. |



|                    |  |  |
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| 19 – paragraph b   | At the expiration of the membership of any board director by any of the membership expiration methods, the company shall inform the authority and the stock immediately and state the causes thereof.  | No director of the board expired within the fiscal year 2019.  |
| 19 – paragraph c   | If any director of the board resigns and he has notes on the performance of the company, he shall present a written statement to the chairperson of the board and this statement shall be disclosed to the directors of the board.   | No director of the board resigns within the fiscal year 2019 and maks notes on the performance of the company. Accordingly, this article was not applied.  |
| 26 – paragraph (2) | Proposing the inclusive strategy of the company, the main and interim action plans, the mechanisms and policies of the investment, funding and risk management and the plans of managing and executing the urgent administrative conditions.   | It is not partially applied as the company has an inclusive strategy and main action plans but as for the funding operations, they are made under the directions of the board quarterly and as required in case of any changes in the financial expenditures.  |
| 39 – paragraph (2) | Developing the required mechanisms so that each director of the board and the executive management obtains training programs and courses continually to develop their skills and knowledge of the fields relevant to the activities of the company.  | The company sufficed applying the paragraph (1) of the article and the board is always recognized of the developments in the field of the company action through its meetings, especially that the directors of the board have the professional competency and experience in the field of investment and industry. |
| 48                 | If the general assembly refuses to grant the licenses by virtue of the articles seventy one and seventy two of the law of companies and article forty six of this regulation, the board director shall resign within a deadline defined by the general assembly, otherwise, his membership in the board is deemed expired unless he amends the contract, deal or competition or reconciles the situations as per the law of companies and its executive regulations before the expiration of the deadline defined by the general assembly. | It was not applied in 2019 as the agenda of the extraordinary general meeting did not include any items relating to obtaining licenses for any of the board directors.   |



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| 60 | a) By a resolution of the company board, a committee called (committee of remunerations) shall be formed from three members not directors in the executive board so that they shall include at least one independent director. B) the general assembly of the company issues – based on the proposal of the board – a regulation for the committee of remunerations.   | The committee of remunerations was joined to the committee of nominations in one committee as per the text of article 50 – paragraph 7.                             |
| 63 | The committee of remunerations meets periodically each year at least and as required.  | This is not applied as the company joined the committee of remunerations and nominations in one committee.  |
| 64 | a) By a resolution of the company board, a committee called (committee of nominations) shall be formed from three members not directors in the executive board so that they shall include at least one independent director. B) the general assembly of the company issues – based on the proposal of the board – a regulation for the committee of nominations so that this regulation shall include the disciplines and action plans of the committee and its duties and the rules of selecting its members, term of membership and their remunerations. | This is not applied as the company joined the committee of remunerations and nominations in one committee.  |
| 67 | The committee of nominations meets periodically each year at least and as required.  | This is not applied as the company joined the committee of remunerations and nominations in one committee.  |
| 70 | A committee called (committee of risk management) shall be formed by a resolution of the company board so that its president and most members shall be of the non-executive directors of the board and it is provided that its members shall be of proper level of knowledge of the risk management and financial affairs.   | The company did not form a committee specialized in managing the risks and the duties of this committee were added to the duties of the auditing committee in 2017. |
| 72 | The committee of risk management meets periodically each six months at least and as required.  | The company did not form a committee specialized in the risk management (guideline article).  |



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| 85                 | <p>The company develops programs for developing and promoting the participation and performance of the personnel of the company including especially as follows:</p> <ol style="list-style-type: none"> <li>1) Forming committees or holding workshops for hearing the opinions of the company personnel and discussing them in the matters and topics subject matter of the key decisions.</li> <li>2) Programs of granting the personnel shares in the company or share of the profits achieved or pension programs and incorporating an independent spending fund of such programs.</li> <li>3) Setting up social corporations for the company personnel.</li> </ol> | <p>It is not applied partially as there are not programs for granting the personnel shares in the company or share of the profits and there are not social corporations for the company personnel.</p> |
| 87                 | <p>The ordinary general meeting develops – based on the proposal of the board – a policy ensuring the balance between its objectives and the objectives required to be met by the society for developing the social and economic situations of the society.</p>   | <p>It is not applied as it is guideline knowing that the company plays its social role towards the society in launching from its compliance towards the society and the nation.</p>                    |
| 88 – paragraph (a) | <p>Developing measurement indexes connecting between the performance of the company for the initiatives of the social work and comparing so with the other companies of similar activity.</p>   | <p>It is not applied as it is guideline.</p>   |



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| 95 | If the board forms a committee specialized in the governance of the companies, it shall delegate it the competencies established in article (ninety four) of this regulation and this committee shall follow up any subjects on the governance applications and provide the board annually at least with the reports and recommendations it reached. | The company did not form any special committee for the governance and there is management concerning the compliance and governance supervising the application of the governance laws in the company and disclosing its viewpoints to the board periodically in case of making any amendments consistent with the performance of the company. |
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28- Results of the annual auditing for the effectiveness of the internal controlling actions in the company:

The role of the auditing committee (the committee) in Al Hassan Ghazi Ibrahim Shaker Company (the company) is to supervise the financial report actions and control them as per the regulations of the committee duties approved by the general assembly on 20 December 2017 in addition to the procedures of the risk management in the light of the financial statements, the reports of the auditors, the operative and administrative operations and the frame of the internal control approved in the company and it exercises its works as per its activity in promoting and protecting the value of the company and achieving its targets as per the annual auditing plan approved by the auditing committee and reports are filed for the results to the executive management. In general, the committee has the whole power to investigate any activity within its competences or anything required thereby especially and file the reports to the auditing report and the board including the reference to any essential prospected risks relating to the failure of the disciplines or the risk management or compliance.

The auditing works discloses certain notes filed to the executive management and the board and they were remedied and the auditing committee was not warned so that it thinks that there is essential failure required to be disclosed and the controlling system achieved many improvements within 2020.

29- Social Contribution:

The company is eager for its contribution in serving the society especially developing its competences and resources through its training academies spread out in the areas of the Kingdom to welcome engineers and technicians from the various public and private sectors via free training seminars and the job contracting with the fresh graduates from the students of the technical universities, institutes and colleges in the Kingdom to motivate the student to act in the fields of the company after their graduation and to rehabilitate the Saudi youth with the technical and administrative skills and also to activate skill programs from the human resource development fund.

The company opens its maintenance centers to welcome the students of the technical colleges providing them with the most modern technologies in the field of air conditioning and household devices in addition to the contribution by the company in many social works through the in kind support representing in most cases by replacing the air conditioning of certain social and medical centers as such works are under the liability of the company in serving its society.

30- Representations as per the regulations of the Capital Market Authority for 2020:

- 1- The management of the company represents that the records of accounting were correctly prepared.
- 2- The management of the company represents that the internal control regulation was prepared on proper and valid bases.
- 3- The management of the company confirms that there is no doubt in the ability of the source to continue its activity.
- 4- No recommendation was raised by the auditing committee on the need of appointing an internal auditor in the company as the company has its internal auditing management.



- 5- No recommendations were presented by the auditing committee disclosing that there is any conflict between it and the decisions of the board or the board refused to take them into account on the appointment of an auditor for the company and dismissing him and defining his remunerations and appraising the alternatives or appointing the internal auditor and the drafts of such recommendations and the causes of not taking them into account (not applied).
- 6- No description was made for the interest in any of the share category having the right in voting for any persons (except the directors of the board and the chief executive officers and their relatives) who informed the company of such rights by virtue of article (45) of the rules of registration and inclusion and any change in such rights within the least fiscal year. (not applied)
- 7- No description was made for the categories and numbers of any converted debt tools or any contractual financial portfolios, subscription right pleas or similar rights issued or granted by the company within the fiscal year with the clarification of any compensation obtained by the company. (not applied)
- 8- No description was made for any rights of conversion or subscription by virtue of any converted debt tools or any contractual financial portfolios, subscription right pleas or similar rights issued or granted by the company. (not applied)
- 9- No description was made for any refund, purchase or cancellation by the company of any refundable debt tools and the remaining amount of the financial portfolios with remaking between the included financial portfolios purchased by the company and those purchased by its subsidiaries. (not applied)
- 10- Stating any waiver arrangements or agreement by virtue of which one of the shareholders of the company waives any rights in the profits. (not applied)
- 11- The chairperson of the board did not receive any report from any of the board directors in respect of any interests in any dealings with the company and none of them asked for licensing his exercise of competitive works. (not applied)
- 12- The report of the auditor did not include any reservations on the annual financial statements of the fiscal year 2020.
- 13- No recommendation was presented by the board for changing the auditor before the expiration of the appointed term. (not applied)
- 14- No remunerations were paid to the directors of the board within the year 2020 in their capacity as personnel or administrators or for technical, administrative or consultancy works. (not applied)

With God Speed!!