



مجموعة فتيحي القابضة  
FITAIHI HOLDING GROUP

Annual  
Board  
Report  
2020



## Board Members

**Ahmed H. Fitaihi**



**Chairman of the BOD**  
Head of Investment Committee



**Dr. Ibrahim Hassan  
Mohammed Al-Madhoun**  
Vice-Chairman of the BOD  
Head of Risk Management  
Committee



**Eng. Abdulmalik Abdullah  
Fathaddin**  
Board Member



**Mr. Omar Riyadh  
Mohammed Al-Humaidan**  
Board Member



**Dr. Suhail Hassan Qadi**  
  
Board Member  
Head of Nomination and  
Remuneration Committee



**Dr. Adnan Abdelfattah Soufi**  
  
Board Member  
Head of Audit Committee  
Head of the Executive Committee  
for the Retail Sector



**Mrs. Bayan Adel  
Mohammed Fakieh**  
Board Member



**Mr. Yasser Yehia Abdelhamid**  
CEO



**Mr. Uthman Riyadh Al-Humaidan**  
Member of Audit Committee (External)

## Chairman's Message



**His Excellency SHK. Ahmed H. Fitaihi**

**In the name of Allah, the Compassionate and the Merciful  
May Blessings and Peace be upon our Prophet Mohammed, His Family and  
Companions**

Messrs, The Honorable Shareholders of Fitaihi Holding Group

AA.

The Board of Directors of Fitaihi Holding Group is pleased to provide you with the Annual Report of the Group including its performance over the fiscal year 2020.

Thankfully for the third year in a row, I am pleased to congratulate the shareholders and those leading Fitaihi Holding Group for receiving the Excellence Award in applying corporate governance (non-financial sectors) in the Saudi Stock Exchange, (Investment by international standard ESG Investing "Environment, Social Responsibility, Governance"), during the Second International Corporate Governance Conference, held by Corporate Governance Centre, affiliated to the College of Business at Alfaisal University on 3 February 2021. This award casts further responsibility on the Board Members, and the Executive Management of the Group to maintain this level of excellence, and to continue the internal development during the incoming period, hopefully.

The year 2020 was an exceptional year for the whole world, affecting the economies of countries, companies and individuals' income, and changed many social, health and practical concepts. A year in which efforts were combined together to take out the least possible losses.

We cannot forget that our noble Government, by direct instructions from the Custodian of the Two Holy Mosques and his Crown Prince, has done and still doing decisive and prudent actions at health, economic, social and other levels, In addition to providing numerous distinguished services at all levels

to reduce –to the maximum extent possible– the effects of the Corona Virus Crisis, which led to – thankfully– overcome this global crisis smoothly and peacefully.

The year 2020 was a step forward on the same track of the last year; It was a continuation of the great challenges faced by the sectors in which the Group has investments, especially the Retail Sector, which focuses on the activity of gold, jewelry and luxury products. We are fully confident in Allah that the efforts exerted and the plans developed will hopefully lead to a better future for the Company and its shareholders.

The measures taken by the Company were a realistic response to the surrounding circumstances in general, and hopefully, we wish that the measures taken will result in a tangible improvement on our business results. We also look to the future optimistically, so that the Company – hopefully – continues to complete the process of development and growth.

On behalf of the Members of the Board, Executive Management and all employees of the Company, I pray for our wise Leadership –may Allah protect– and send many thanks and gratitude to the shareholders of the Company.

Best Regards,

**Ahmed H. Fitaihi**  
**Chairman**





## CEO's Message



**Mr. Yasser Yehia Abdelhamid Abdrabou**

AA.

Messrs, the Honorable Shareholders of the Fitaihi Holding Group

Praise be to Allah, Lord of all creation, and prayers and peace be upon the most Honorable Messengers, our Prophet Mohammed, His Family and all His Companions, My sincere thanks and gratitude go to the Chairman and the Board Members for their support and for giving me full confidence for managing Fitaihi Holding Group, I would also like to express my special thanks and appreciation to the Group's team of various levels for their hard work, which resulted in realizing the achievements that indicate the stable and well-studied steps hopefully towards achieving the Company's objectives.

The Company has kept pace with the periods of major advancements and development that the Kingdom has witnessed over the past decades to date, providing considerable experience in its business field. The Group proceeded with the pace of development, establishing a reputable name in the field of Retail and Investment, contributing to the development of economic development in our beloved Kingdom.

The Company has developed and implemented an appropriate and flexible action plan during the Corona Virus Crisis that struck the whole world, follow-up on and amend its results when necessary, which had a great impact –thankfully– in mitigating and avoiding several negative impacts of that crisis.

The Company has also restructured the Group and its affiliates, and took deliberate actions to face these challenges to reduce the negative impacts resulting from the Corona crisis and the decline in



sales as a result of the decrease in spending on luxury goods such as jewelry as a result of the conditions in the global economy and the decline in demand in general in KSA, which led to a decrease the sales of the Group. The Group has worked on reducing this impact by managing working capital and rationalizing spending, especially selling, marketing, general and administrative expenses, and diversifying and directing investments in an optimal manner that achieves a better return for shareholders.

The Group also seeks to diversify its investments, and thus diversify sources of income and distribute risks, re-study strategies, prioritize and reformulate objectives according to the variables. We believe that there is an opportunity to improve the performance and profitability in the future.

The Group is doing its best to maintain the leading competitive situation of Fitaihi Holding Group; it will continuously seek to achieve advancement and distinction to hopefully maximize the rights of the Group's shareholders.

Best Regards,

**Yasser Yehia Abdelhamid Abdrabou**

**CEO**





## About the Group

Fitaihi Holding Group is a Saudi joint stock Company registered in KSA under Ministerial Decree No. 1058 on Ramadan 9, 1418H, and CR No. 4030085128 issued in Jeddah on Sha'aban 2, 1412H, corresponding to February 5, 1992.

The name Fitaihi goes back to the year 1907, it is a famous brand name in the field of gold, jewelry and luxury goods, such as gifts, crystals, silverware, antiques, and Chinaware made of the highest quality and finest raw materials.

The Group has focused on the fields in which it operates. It currently works in the Retail Sector (branches bearing the trademark Fitaihi), and the Investment Sector through (Investment in the medical sector through its contribution in the International Medical Center Hospital – Jeddah, and the agricultural sector through its contribution to the Al-Jouf Agricultural Development Company – Al-Jouf, and the household products sector through its contribution to the Oriental Weavers Company – Egypt).

Retail showrooms are currently centralized in Jeddah. The share capital of Fitaihi Holding Group reached SAR 550,000,000, divided into 55,000,000 shares.

The Fitaihi Holding Group is registered in the Saudi Stock Exchange "Tadawul" since 2000. The Group is managed by a Board of Directors consists of expertise in the financial, administrative and commercial fields. The Group has developed a strategic vision for the next period, to be implemented in order to improve the rate of investment returns and to maximize shareholders' rights.



## I: Key Activities of the Group<sup>1</sup>

**The key activities and objectives of the Group include the following:<sup>2</sup>**

- 1) Management of its subsidiaries or participating in the management of other companies in which it contributes; as well as providing the necessary support.
- 2) Investment of its funds in the shares and other securities.
- 3) Owning the properties and movables necessary to practice its activity.
- 4) Ownership, utilization and lease of industrial property rights, such as patents, trademarks, industrial trademarks, franchise and other moral rights to its subsidiaries or third parties.

**The Company shall carry out its business activity according to the applicable laws after obtaining the required licenses from the competent authorities, if any.**

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<sup>1</sup> - Paragraph 15) of Article 90 - Corporate Governance Regulations - (Disclosure in the Board's Report)

<sup>2</sup> - Article 3) of the Articles of Association of Fitaihi Holding Group



## **Description of key activities of the Company and relevant impacts on Company's business and its contribution to the outcomes:<sup>3</sup>**

The Company's activities are divided into two main activities:

- 1) **Retail:** Selling and purchasing precious metals, gemstones, jewelery, ready-made clothes, textiles, accessories, antiques, gifts, tableware, bedspreads, leather products and chocolate.
- 2) **Investment:** Management of subsidiaries or participation in the management of other companies, as well as providing the necessary support.

**(In Thousand SAR)**

Activity Type	Activity Revenue	%	Impact on results Profit (loss)
Retail Activity	48,020	42.41%	(14.93)
Investment Activity	65,192	57.59%	44.48
<b>Total</b>	<b>113,212</b>	<b>100%</b>	<b>29.55</b>

<sup>3</sup> - Paragraph 15) of Article 90 - Corporate Governance Regulations - (Disclosure in the Board Report)



## II: Strategy of the Group<sup>4</sup>

**The General Strategy of the Group is summarized in three main axes:**

### **Axis (I):**

The first axis is represented in getting ready for growth strategy through developing and preparing the Group's infrastructure to achieve future objectives and plans, getting out from unprofitable activities and assets, attracting, training and developing qualified human cadres, developing the administrative structure and setting out modern administrative systems in line with the strategic direction of the Group.

### **Axis (II):**

Focusing on the key activities and working on improving and developing the sales channels, preserving our customers, and targeting new ones by providing distinguished service of the best and finest products and services.

### **Axis (III):**

Improving the rate of investment revenues and maximizing shareholder equity through the optimal use of the Company's assets, and diversifying income sources through investment by purchasing or merging into companies or entering into strategic partnerships with existing companies.

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<sup>4</sup> - Paragraph 16) of Article 90 - Corporate Governance Regulations - (Disclosure in the Board Report)



### III: Plans, Decisions, Future Prospects and Potential Risks<sup>5</sup>

#### **Company's Significant Plans and Decisions**

The Company restructured its business by focusing on the key activities represented in the trade of gold and jewelry and other complementary activities, and focusing in its investments on vital sectors such as the medical, agricultural as well as other promising sectors. ([As stated in the paragraph entitled "Key Recommendations and Decisions of the Board of directors"](#))

Within this framework and over the FY 2020, the Group has exit an investment, from its subsidiary, by selling its 80% stake in the share capital of its subsidiary (Luxury Goods Trading Company Ltd.), to the former Board Member, **Dr. Mohammed Ahmed Hassan Fitaihi**, with the aim of achieving the Group's strategic objectives and improving the return on shareholders' rights.

#### **Future Prospects of the Group's Business**

The Group is currently seeking to focus on its key activities, taking into account the current market conditions, and trying to seize all investment opportunities available and to requisite all possible material and human capabilities to meet this objective.

### **Potential Risks<sup>6</sup>**

#### **A- Operational Risks**

##### **Branches and Unprofitable Activities**

Periodically, the Group's management shall carry out a detailed study on the performance of each trade name, branch and region. These reports mainly show the volume and cost of sales for each branch, and indicate some prospects that

<sup>5</sup> - Paragraph 16) of Article 90 - Corporate Governance Regulations - (Disclosure in the Board's Report)

<sup>6</sup> - Paragraph 17) of Article 90 - Corporate Governance Regulations - (Disclosure in the Board's Report)



can be worked upon. However, some branches may not achieve the expected results due to the external factors such as changes in market conditions, customer behavior or a change in common sense. In such a case, the Company may be forced to close or make amendments to some of these branches to achieve the general objectives of the Company, the most important of which is to increase sales and profitability.

### **Inventory**

One of the most significant risks – which can be encountered by companies engaged in Retail Sales in general, and luxury goods in particular– is that such companies cannot market their goods, since the stagnant or surplus inventory freezes part of the capital and negatively affects the margin of profitability. The Company periodically estimates the value of the decline in the value of the inventory according to the accumulated experience and the analysis of the inventory aging and its current status. Such reduction is equal to the value of the discrepancies between the cost of the inventory and its estimated market value. In case that the actual future conditions are less than the management's prospects, a reduction in the value of the inventory can be resorted to once again, as the estimates and assumptions that are based on in estimating the value of the inventory decline may change from time to time according to any future developments, in addition to reformulating part of the inventory.

### **Risks Related to Geographic Expansion**

When the Company opens more branches within KSA, as well as introduces new brand names, depending on its capacity to manage this expansion through planning, following-up, selecting suitable locations for the branches and continuing to apply and develop operational, financial regulations, and computer systems, as well as providing, training and managing its human resources, as



long as the Company has the capacity to cover capital expenses and the costs of incorporation, production, distribution and marketing, as well as the administrative costs incurred in developing such new branches. However, currently, the Company prefers to be very careful before undertaking the geographical expansion process, due to the current market conditions. The Retail Sector always monitors the retail markets in various regions and submits the necessary reports for decision-making before opening or closing branches.

### **Risks Related to Human Resources**

The Group's performance depends mainly on the experiences, skills and capabilities of its executives and other senior employees. The future performance of the Group depends, to a large extent, on its ability to attract and preserve highly qualified individuals, since the competition is at its peak currently, in relation to attracting such required expertise. The Company is working to reduce employees turnover to minimize the impact of losing key employees. However, in any case, there are no guarantees that the Company's business will not be affected in case of failing to attract, develop, preserve or replace the qualified employees with employees of the same level of qualifications, abilities and experiences. The Company may be affected by the loss of services of one or more of its key employees who cannot be replaced in the short and medium term, which may lead to the disruption of some business and may negatively affect the financial position of the Company and the results of its operations. Consequently, the Company has been able to replace those employees with other qualified employees.

The Company shall always seek to attract qualified and professional employees in addition to developing the capabilities of current employees to carry out massive functions and occupying higher positions in the Company. The Human Resources Department shall monitor the assessment of the existing manpower



performance and determine the extent of the actual need to attract competencies in specific positions.

## **B– Investment Risks**

Investing in stocks has several advantages such as the value increase of those stocks in market and receiving cash dividends, but its risks lie in several aspects of the risks as follows: –

### **1– Economic Risks**

It lies in the decline in the fair value of the stocks invested in as a result of changes in the level of stock indicators and economic activities. The results of these companies' businesses are also affected by the economic situation in the markets in which they operate. Therefore, stock prices and indicators are monitored around-the-clock to take the appropriate decision in the interest of the Group.

### **2– Foreign Currency Risks:**

Most of the Group's transactions are made in SAR, USD, GBP, EUR, and EGP, and the USD is linked to the SAR at a fixed exchange rate. The Management monitors fluctuations in currency exchange rates and manages their impacts on the consolidated financial statements. Currency Risks are represented in the fluctuation of the value of a financial instrument due to fluctuations in foreign exchange rates. The Group is exposed to the risks of fluctuations in currency exchange rates during its normal business cycle. The risks related to currency fluctuations associated with financial instruments are concentrated in the currency fluctuations of the Group's foreign investments, whereas, the Group's main investments in the stock market are concentrated in the Egyptian Exchange. Therefore, its fair value is affected by the Egyptian pound exchange rate from one period to another, according to the economic and political



conditions in the A.R.E. The Group considers most of its investments to be for long-term strategic purposes.

### **3- Risks of Rates-Price Fluctuations:**

The investments available for sale of the Group are subject to stock price risks as the Company has investments in the Egyptian Capital Market in Egypt. Accordingly, the Company continuously monitors the rates of these stocks and sectors as well as diversifies the Group's investment portfolio to take the appropriate decision in-for the interest of the Group.

### **4- Stock Price Risks:**

The Group is exposed to market price risks on its investments in traded stocks arising from uncertainties surrounding the future value of traded stocks. Reports on investment in traded stocks are submitted to the Senior Management regularlyperiodically.

### **5- Market Risks:**

Market Risks mean the risks related to the fluctuation of the value of financial instruments as a result of changes in the market interest prices or the market price as a result of a change in the credit classification of the issuing authority or the instrument, the change in market sentiment, speculative activities, offer and demand on securities, and liquidity in the market.

### **6- Commission Rate Risks:**

Commission Rate Risks are the risks arising from the possibility that fluctuation of commission rates will affect future profitability or the fair value of financial



instruments. The Group is exposed to commission rate risks on its assets and commission requirements. The ~~sensitivity~~ sensitivity of the consolidated profit or loss statement is the effect of default changes in commission rates on the Group's income for one year, ~~with~~ while other variables remaining constant, according to the financial liabilities with variable rates held as ~~of~~ at December 31, 2020.

### **C- Credit Risks:**

Credit risk is represented in the failure of one party in ~~a~~ the financial instrument to fulfill its obligation and causing the other party to incur a financial loss. The Group works on limiting ~~the~~ the credit risks. The Management believes that credit risks are limited as the Group's sales are in cash.

### **D- Liquidity Risks:**

The primary responsibility for managing liquidity risk is ~~attributed to the Board of the BOD~~ attributed to the Board of the BOD, which has set an appropriate framework for managing liquidity risks to manage the Group's short, medium and long term requirements and liquidity management requirements. The Group shall manage liquidity risks by maintaining adequate funds through monitoring projected and actual cash flows continuously by matching the dates of the financial assets and liabilities. The Group is not exposed to Interest Rate Risk, as the Group's management depends fundamentally on providing liquidity through the Group's operational and investment operations. ~~and it~~ and it does not depend on facilities and loans. Therefore, interest rate sensitivity analysis has not been presented.

Liquidity Risks ~~is~~ are represented in the ~~disability~~ inability of the Group to meet its obligations related to financial liabilities once they are due. Liquidity needs are monitored on a monthly basis. The ~~administration~~ Management works on ensuring that sufficient funds are available to meet any obligations as they arise.



The Group's current financial liabilities consist of trade payables, accrued expenses, advances from customers, other payables and Zakat payable. It is expected that all these financial liabilities will be settled within 12 months from the date of the consolidated financial position statement. The Group expects to have sufficient funds to perform the work needed.

The Group's non-current financial liabilities consist of employee defined benefit obligations. The employee defined benefit obligations shall be paid according to the actual timing of the end of employee's service period.

#### **E- Interest Rate Risks:**

Interest Rate Risks are the fluctuations risks of the value of financial instruments or the associated cash flows due to changes in the interest rates. The Group has no significant assets with variable interest.

#### **F- Other Risks:**

- 1)- The Group's performance is directly linked to the economic situation in KSA; the financial solvency of targeted customers may be affected by this economic situation as a result of the large decrease in the volume of consumer spending and the general decline of economy. Therefore, the Group depends on diversifying investment through its investment portfolio in diversified companies.
- 2)- The advancement of the Retail Sector in the Group is linked to its ability to increase sales; in order to achieve this goal, the Retail Sector shall carry out many activities such as planning, selecting sites and differentiating between them, making the leasing decision, discussing prices, terms and other conditions of concluded contracts, preparing and equipping sites, developing computer systems and linking the same to the headquarter. Accordingly, the sector's success in achieving this advancement is closely



- linked to its ability to carry out all these activities in a successful manner. Therefore, the sector uses its expertise, key staff and its trade name in implementation, limitation or mitigation of the relevant risks through diligence, accuracy, and reviewing reports before making expansion decisions and lease new sites.
- 3)- The Group's ability to continue to growth is also linked to providing and training human resources timely to meet the needs of new exhibitions and to attract the necessary managerial qualifications and experiences. Therefore, the Group seeks at the first place to preserve the important and leadership key staff through distinguished financial compensation and training whenever needed, as well as working on developing an administrative succession plan.
  - 4)- The sales volume and profitability of the Company's Retail Sector are affected by seasonal timing, and thus the Company's profitability may fluctuate from period to another during one year. Therefore, the Sales and Marketing Departments of the sector monitor the sales performance daily, and take the necessary corrective actions for the marketing activities.
  - 5)- The Company's Retail Sector operates in a highly competitive environment where many retail and wholesale establishments operate in the same fields in which the Company operates, and the growth of the Company's Retail Sector and its profit levels are linked not only to its ability to compete successfully, but to maintaining its advanced competitive position. That is why the Sector Management monitors the market and submits reports to take the necessary actions, whether by expanding or exiting from areas or markets.
  - 6)- The Company depends heavily on IT systems to manage its assets and control its financial activities and records, Therefore the Company's continued satisfactory performance is linked to the continued efficient



- operation of those systems. Therefore, the Company is working on updating the Company's IT systems.
- 7)– The Company may also be affected by some of the risks that the Company's suppliers abroad, are exposed to, such as the increase in the prices of production requirements (especially gold, diamonds and gemstones) as well as the economic conditions and the political situation in their countries. That is why the Company always seeks to expand the supplier base and the regional areas in which these suppliers operate to limit or mitigate these risks as much as possible.
  - 8)– The Company's sales may also be affected if the decision to reduce the working hours of trade exhibitions is applied. If this decision is applied, the Company will resort to focusing on sales through e–channels.
  - 9)– The region is affected by the surrounding political events, which may affect the Company's activities generally in the future. Therefore, the Company has diversified its investment portfolio with a distinctive variety of stocks in the local and foreign sectors.
  - 10) – The high prices of properties lease in KSA, which may lead to an increase in the lease of sales exhibitions. In order to mitigate this risk, the Company shall enter into lease contracts for relatively long periods.
  - 11)– Imposition of fees or taxes such as labor fees, VAT, or any other fees or taxes. In order to mitigate this impact, the Group shall seek to increase its profitability from its existing investments.
  - 12)– Force Majeure, including but not limited to: (Floods – wars – earthquakes – epidemics – volcanoes – hurricanes – etc ...).

### **G– Capital Risk Management:**

For the purpose of managing the Group's Capital Risk, the Company's capital consists of capital and an investment assessment reserve in shareholders equity



instruments at FVOCI, retained earnings and statutory reserves of the shareholders of the parent Company.

The Group manages its capital to ensure its sustainability and to maximize return to shareholders by improving the balance between debt and shareholders rights. The Group's General Strategy remains unchanged from the previous year. The Group's Capital Structure consists of shareholders equity and debt which consist of capital, statutory reserve and retained earnings.

The Group manages and adjusts its capital structure in light of changes in economic conditions and financial pledges requirements. In order to maintain or adjust the capital structure, the Group may adjust dividends to stakeholders or issue new stocks, as the main objective of capital management is to maximize stakeholders equity.

The Group has no capital structure with specific objectives, or rates that should be achieved in relation with managing Capital Risk. The General Strategy of the Group remains the same and unchanged comparing to the previous year. The Group's Capital consists of equity (consisting of capital, statutory reserve, retained earnings and investment assessment reserve in stakeholders equity instruments at FVOCI).

## **Risk Management and Control Policy**

### **I: Risk Management Committee Functions**

BOD has formed a sub-committee of the BOD called the Risk Management Committee, which ends with the end of the current session of the BOD on 21/04/2022G, and among its most important main functions are the following:

**(Indicative)**

- 1- Developing a comprehensive strategy and policy of risk management that are consistent with the nature and magnitude of the Company's activities,



- monitoring its implementation, reviewing and updating the same based on the Company's internal and external variables of the Company.
- 2- Determining and maintaining the risk appetite that may be faced by the Company and ensuring that the Company does not go beyond such level.
  - 3- Ensuring the feasibility of the Company continuation, the successful sustainability of its activities and determining the risks that threaten its existence during the subsequent twelve (12) months.
  - 4- Overseeing and evaluating the effectiveness of Company's risk management system and mechanisms for determining and monitoring the risks that threaten the Company in order to determine areon weaknesses.
  - 5- Regularly re-assessing the Company's risk appetite and exposition to such risks periodically through endurance tests.
  - 6- Preparing and referring to the Board, detailed reports on the exposure to risks and the recommended measures to address such risks.
  - 7- Providing recommendations to the Board on matters related to risk management.
  - 8- Ensuring the availability of adequate resources and systems for risk management.
  - 9- Reviewing the organizational structure for risk management and providing recommendations regarding the same before approval by the Board
  - 10- Verifying the independence of the risk management employees from activities that may expose the Company to risk.
  - 11- Ensuring that the risk management employees understand the risks threatening the Company and working on risks awareness-raising culture.
  - 12- Reviewing any issues raised by the Audit Committee that may affect the Company's risk management.



## **II: Objectives of Implementing the Risk Management Policy**

- Complying with the Company's corporate governance standards related to identifying risks and in some cases disclosing those risks.
- Avoiding what threatens the strategic objectives and the Company's activities and providing the needed protection .
- Coordinating and developing Risk Management Systems related to all Company activities, aiming to limit the impact of those risks.
- Seizing investment opportunities in order to increase the value of the Company's assets and profitability in the short and long term, while finding a balance between revenues and risks.

## **III: Identify Risks**

The Company shall determine the risks it encounters through investigation and holding meetings with those responsible for identifying risks. An external body can be used for this or through the results of the internal or external auditors, or any other method the Company deems appropriate.

## **IV: Risk Assessment**

The Company shall assess the expected losses in case of any risk and the expected impact on the Company and its shareholders. As well as the Company shall perform an initial risk assessment in the light of what it deems appropriate and classify the risk category.

## **V: Methods of managing and directing risks**

- Accept Risk.
- Share Risks with third Parties.
- End Risks.
- Finance Risks. (Insurance)
- Diversify Risks.

**VI: Persons Responsible for the Risk Management System**

- The heads of departments and units within the Company are responsible for identifying and discussing the risks they encounter within their departments.
- The Company shall adhere to implement the Company's General Risk Management Policy.

**VII: The Board shall periodically implement the following:**

- Identify the nature of the risks the Company encounters.
- Identify the acceptable and unacceptable risks for the Company.
- Identify the ability of the Company to sustain risk-related losses.

**VIII: The Risk Management Committee shall:**

- Conduct an annual assessment of the Company's Risk Management System.
- Identify the changes that take place in the nature and priority of risk as well as the Company's ability to deal with those variables.
- Identify the quality and volume of activities of the executive Members, internal auditors, and other persons in the internal control in relation to Risk Management.

**IX: Disclosure of Information**

- Communication channels shall be always maintained between the Board, the executive managers and all department heads.
- In the annual report, the Board shall disclose information on any risks encountered by the Company (whether operational, financial or market risks) and the policy of managing and controlling these risks to the shareholders.



### **Fitaihi Holding Group Action Plan during the Corona Pandemic:**

Since the beginning of the global Corona Virus (Covid-19) pandemic crisis, which began to cast its shadow over the region in March 2020, the intensive efforts of the Board have been united and through its sub-committees, especially the Risk Management Committee and the Audit Committee, along with the efforts of the Executive Management. Nonetheless, the role and importance of the Risk Management Committee has been manifested in such circumstances. Accordingly, coordination has been made between the Board and the Executive Management to prepare various scenarios in order to manage the crisis. Thankfully, the Executive Management was able to handle that crisis and prepare and implement the "Corona Crisis Management plan" after approval, which is summarized as follows:

#### **- Internal Administrative Readiness:**

- 1- Adhering to health and preventive directives in workplace.
- 2- Reducing the number of employees present in workplaces and providing the directives of reducing the rates of direct transaction and interactions.
- 3- Ongoing sterilizing of all workplaces.
- 4- Readiness for the possibility of partial (or full) remote work.
- 5- Keeping a backup copy of files for remote work when necessary.
- 6- Increasing the interest and dependence on technology programs and channels to communicate with clients and shareholders, and allocating phone numbers for communication if circumstances require working remotely.
- 7- Holding remote meetings for the Board and its committees.
- 8- Working and accelerating the preparation and launch of an online website for sales of gold and jewelry as a temporary partial alternative of exhibitions in case that they are closed under any circumstances.



9- Ongoing following-up of the procedures implementation and the flexibility and speed of amendment if necessary.

1- Sell Group's share in the Luxury Goods Trading Company Ltd.:

The sale and offer of Fitaihi Holding Group's 80% share in the Luxury Goods Trading Company Ltd., to the partner Dr. Mohammed Fitaihi, with whom negotiations are entered, in order to provide additional liquidity and stop bearing losses.

2- Closure of a set of branches:

Closing Fitaihi Center in Riyadh, Al Malaz, and the Company's branch on Olaya St, and closing the branch of Le Penache Jeddah, and transfer goods.

In November 2020, the pilot launch of Fitaihi Online Website (<https://fitaihionline.com/>) for gold and jewelry shopping. Now It is under update in order to keep pace with the purchasing trends that have gone so far towards the online shopping.

3- Human Resources Issues

1- Reducing employee costs, adopting flexible working hours, and benefiting from government initiatives (SANED Program), while maintaining positive employee morale.

2- Allowing the employees of the Group to use their paid leave balances.

3- Terminating employment contracts during the probationary period that did not add value to the business.

Obligations Issues

1- Providing the necessary liquidity to cover the Company's liabilities.

2- Deferring the payment of financial obligations, if necessary.

3- Reducing expenses in all possible ways during the crisis period.



#### 4- Investments

- 1- Maintaining the strategic investments of the Group.
  - 2- The possibility of selling any part of the Group's investments when needed.
  - 3- Avoiding entering into any new investment or increasing any existing investment, whatever the attractiveness prices are, until things get back to normal.
  - 4- Selling of unused assets to provide the largest amount of liquidity reserve.
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## IV: Financial Performance

### A- Summary of Financial Results<sup>7</sup>

#### Income Statement (in Thousand SAR): (Comparison of Business Results)

Statement	2020* IFRS	2019* IFRS	2018* IFRS	2017* IFRS	2016* IFRS
Activity Revenue	113,212	100,626	147,721	194,389	206,038
Activity Costs	(29,864)	(52,853)	(62,018)	(86,032)	(105,144)
<b>Total Profit of Activity</b>	<b>83,348</b>	<b>47,773</b>	<b>85,703</b>	<b>108,357</b>	<b>100,894</b>
Marketing, Administrative and General Expenses	(37,009)	(52,110)	(74,002)	(101,210)	(113,027)
Other Net Income (Expenses)	(5,587)	(713)	715	493	533
Zakat	(10,751)	(4,809)	(5,297)	(6,636)	(6,417)
Minority Rights	-	316	652	(302)	(585)
<b>Net Income (loss)</b>	<b>30,001</b>	<b>(9,543)</b>	<b>7,771</b>	<b>702</b>	<b>(18,602)</b>

\* Some figures of previous years have been reclassified to comply with the presentation for the current FY year. The Company's share of the operations results of an associate was included in the revenues of the activity.

<sup>7</sup> - Paragraph 18) of Article 90 - Corporate Governance Regulations - (Disclosure in the Board Report)



## B– List of financial position (in Thousand SAR): (Comparison of Assets and Liabilities)<sup>8</sup>

Statement	2020* IFRS	2019* IFRS	2018* IFRS	2017* IFRS	2016* IFRS
Current Assets	217,620	201,334	230,893	288,258	267,879
Current Liabilities	21,353	29,591	19,652	30,717	29,471
Working Capital	196,267	171,743	211,241	257,541	238,408
Non-Current Assets (long term)	<b>376,517</b>	<b>372,679</b>	<b>367,469</b>	<b>366,484</b>	<b>365,885</b>
Fixed Assets and In Progress	54,668	80,678	66,602	82,871	103,097
<b>Total Assets</b>	<b>648,805</b>	<b>654,691</b>	<b>664,964</b>	<b>737,613</b>	<b>736,861</b>
Current Liabilities	21,353	29,591	19,652	30,717	29,471
Non-Current Liabilities	<b>1,201</b>	<b>12,469</b>	<b>7,424</b>	<b>15,853</b>	<b>20,099</b>
<b>Total Liabilities</b>	<b>22,554</b>	<b>42,060</b>	<b>27,076</b>	<b>46,570</b>	<b>49,570</b>
Paid Capital	550,000	550,000	550,000	550,000	550,000
Reserves and Retained Profits	72,515	52,696	85,963	111,662	109,112
Reserve of Investment Assessment in Equity Instruments at Fair Value through Comprehensive Income	<b>3,736</b>	<b>4,841</b>	<b>(3,493)</b>	<b>23,380</b>	<b>22,478</b>
Rights of Shareholders	<b>626,251</b>	<b>607,537</b>	<b>632,470</b>	<b>685,042</b>	<b>681,590</b>
Non-Controlling Rights	–	<b>5,093</b>	<b>5,418</b>	<b>6,001</b>	<b>5,701</b>
<b>Total Liabilities and Shareholders' rights</b>	<b>648,805</b>	<b>654,690</b>	<b>664,964</b>	<b>737,613</b>	<b>736,861</b>

\* Some figures of previous years have been reclassified to comply with the presentation for the current FY year.

<sup>8</sup> - Paragraph 18) of Article 90 - Corporate Governance Regulations - (Disclosure in the Board Report)



## The Company Sectors Consist of the Following:<sup>9</sup>

(In Thousand SAR)

<b>2020</b> In Thousand SAR	<b>Retail Activity</b>	<b>Investment Activity</b>	<b>Total</b>
<b>Revenues</b>	48,020	65,192	<b>113,212</b>
<b>Total Profit of Activity</b>	18,156	65,192	<b>83,348</b>
<b>Net (loss) income of the FY year</b>	(14,935)	44,484	29,549
<b>Assets</b>	139,087	509,718	<b>648,805</b>
<b>Liabilities</b>	14,263	8,291	<b>22,554</b>

(In SAR Thousand)

<b>2019*</b> In SAR Thousand	<b>Retail Activity</b>	<b>Investment Activity</b>	<b>Total</b>
<b>Revenues</b>	71,224	2,598	<b>73,822</b>
<b>Total Profit of Activity</b>	29,390	2,598	<b>31,988</b>
<b>Net (loss) income of the year</b>	(3,711)	(6,149)	(9,860)
<b>Assets</b>	166,631	488,060	<b>654,691</b>
<b>Liabilities</b>	21,193	20,867	<b>42,060</b>

\* Some figures of previous years have been reclassified to comply with the presentation for the current year.

<sup>9</sup> - Paragraph 15) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)



### C– Geographical Analysis of Company Sales:<sup>10</sup>

Description	2020	2019G
	In SAR Thousand	In SAR Thousand
Western Region Sales	41,906	49,098
Central Region Sales	6,114	22,126
Eastern Region Sales	–	–
Outside KSA	–	–
<b>Total Sales</b>	<b>48,020</b>	<b>71,224</b>

### C– Geographical Analysis of Company Revenues:<sup>11</sup>

Description	2020	2019G
	In SAR Thousand	In SAR Thousand
<b>Revenues of Retail Sector</b>		
Kingdom of Saudi Arabia	48,020	71,224
Outside KSA	–	–
<b>Total</b>	<b>48,020</b>	<b>71,224</b>
<b>Revenues of Investment Sector</b>		
Kingdom of Saudi Arabia	57,601	(5,244)
Arab Republic of Egypt	7,591	7,842
<b>Total</b>	<b>65,192</b>	<b>2,598</b>
<b>Total Revenues</b>	<b>113,212</b>	<b>73,822</b>

<sup>10</sup> - Paragraph 19) of Article 90 - Corporate Governance Regulations - (Disclosure in the Board Report)

<sup>11</sup> - Paragraph 19) of Article 90 - Corporate Governance Regulations - (Disclosure in the Board Report)



**E– The substantial discrepancies in the operating results as at the previous year results or any prospects announced by the Company:**

*(In SAR Thousand)*

Statement	2020	2019G	Difference (+) or (-)	Percentage of the difference
Sales / Revenues *	113,212	73,882	39,330	53.23%
Cost of Sales Revenues	(29,864)	(41,893)	12,029	28.71%
Total Profit	83,348	31,989	51,359	160.55%
Operating Expenses	(37,009)	(35,784)	1,225	3.42%
Operating Profit (Loss)	46,339	(3,795)	50,134	1321%

\* This item includes (sales and net investment profit).

**Results of Operations During the FY 2020:**

The operating profit during the current year is amounting to SAR 46.34 million, in exchange for losses of SAR 3.8 million for the previous year, mainly due to the result of the difference between the following positive and negative aspects:

● **Positive Aspects**

- a. Making a profit from the sale of the shares of an associate Company – Al-Jouf Agricultural Development Company– of SAR 32.1 million in 2020, compared with a no-sale profit during the previous year under Fitaihi Holding Group, pursuant to the Group's Board Resolution to sell a portion of 5.01% of its associate's capital, Al-Jouf Agricultural Development Company, according to the Company's announcement published on Tadawul website on September 15, 2020.



- b. Making a profit by refunding a part of the depreciation in investment of an associate Company – Al-Jouf Agricultural Development Company – of SAR 16 million during the year 2020, compared to depreciation losses of SAR 24.8 million during the previous year. This is due to the improvement in the market value of the Al-Jouf Agricultural Development Company's share and the absence of justification for continuing to recognize the decrease in the investment value, after the increase of the price of Al-Jouf Agricultural Development Company's share above the previous book cost of the depreciation.
- c. Total sales and administrative expenses decreased by SAR 6.2 million during 2020, and by 17.2% for the previous year.

- **Negative Aspects**

- A– Sales have been decreased during 2020 by 32.6% compared to the previous year. (Due to the complete closure of commercial centers from mid-March until the end of April 2020, then decrease working hours in May and June 2020 as part of the preventive and precautionary measures in KSA to face the new Corona virus pandemic, as well as the increase in VAT up to 15% on July 1, 2020.
- B– A decrease in profits of dividends from investments in equity instruments at fair value during 2020, by 3.2% compared to the previous year.
- C– A decrease of the Company's share in the results of the business of associates during the year 2020 by 51.4% compared to the previous year.
- D– An increase in the Zakat expense during the year 2020 by 153.7% compared to the previous year.



- E– An increase of net losses from discontinued operations during the year 2020 by 308% compared to the previous year.
- F– A decrease in sales profit margin during 2020 compared to the previous fiscal year due to a decrease in the inventory value of SAR 3.3 million, in addition to charging the expenses with a stock obsolescence allowance of SAR 7.4 million, so the total charged to the income statement for 2020 is SAR 10.7 million, as a part of reducing the obsolete inventory .



The following table shows the names of the subsidiaries, their main activities, the headquarter of their operations, and the country of incorporation:<sup>12</sup>

	Sodouq International Holding Investment Company L.L.C	Mahabbat Commercial Company LTD	Luxury Goods Trading Company Ltd. L.L.C	Fitaihi Retail Company L.L.C	Tawteen Saudi Company for Maintenance and Operation
<b>Main Activity</b>	Activities of holding companies (i.e., units that acquire assets of owning a dominant share of a Group of subsidiaries capital, which main activity is the ownership of that Group)	Wholesale and retail trade in accessories, watches, household utensils, tableware, antiques, mirrors, and ready-made clothes.	Purchase and sell precious metals, gemstones and jewelry.	Retail sale of gold, jewelry, jewels and precious metals.	Providing general maintenance services, maintenance of air conditioners and computers, cleaning and operation of factories, companies, buildings and shops, maintenance of machinery, equipment, vehicles and devices, commercial services, export and marketing to third party.
<b>Percentage of Company's ownership therein</b>	100%	-	-	100%	100%
<b>Status</b>	Active	<b>The liquidation took place during the year 2020</b>	Fitaihi Holding Group announced on Tadawul website on October 25, 2020 that it had signed a final sale contract for the Group's 80% share in the capital of the subsidiary (Luxury Goods Trading Company Ltd.) to former Board Member <b>Dr. Mohammed Ahmed Hassan Fitaihi</b> , for a total amount of SAR 14.36 million	Active	Active
<b>Capital – SAR</b>	100 million	100 thousand	5 million	100 million	100 thousand
<b>Number of stocks /shares owned</b>	100,000	-	-	100,000	100
<b>Loans for subsidiaries – SAR</b>	-	-	-	-	-
<b>Loans from subsidiaries – SAR</b>	389 thousand	-	-	50.78 million	86.98 thousand
<b>Main Country of Operations</b>	Jeddah– KSA	Jeddah– KSA	Jeddah– KSA	Jeddah– KSA	Jeddah– KSA
<b>Country of incorporation</b>	<b>KSA</b>	<b>KSA</b>	<b>KSA</b>	<b>KSA</b>	<b>KSA</b>

<sup>12</sup> - Paragraph 22) and 23) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)



## **F–Investments**

### **1. Associate companies**

#### **The International Medical Center (IMC)**

The capital of the International Medical Center Company (IMC) (a closed joint stock Company) is SAR 750 million, and the contribution of Fitaihi Holding Group is estimated at 19.25% of the total capital of IMC, and the transfer of the Company was approved according to the Minister of Commerce and Industry Decision (Ministerial Decree) No. (Q/99) on 08/04/1437H, from (Limited Liability Company) to (Closed joint stock Company).

In order to fulfill its mission to follow the best international medical standards in treatment, the hospital obtained the Joint Commission International (JCI) accreditation for assessing the quality of health services for the first time in 2008, with the highest success rate in the region, for the second time in 2011, for the third time in January 2014, then for the fourth time in February 2017G, and for a period of 3 years until 2020. The establishment was assessed for accreditation for 5th time in February 2020 for a period of 3 years extending up to 2023. IMC also obtained the Australian Council for Healthcare Standards International “ (ACHSI) accreditation in October 2014 for a period of 4 years, and the re–assessment took place in December 2018, and the renewal was for a period of 4 years until 2023.

At the local level, IMC was keen to obtain the accreditation of the Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI), which it successfully obtained for a period extends from November 2017 to November 2020, and the facility was assessed for accreditation in September 2020, for a period of 3 years extends to 2023.

In 2014, a cooperation was made between IMC and the American College of Surgeons to monitor and analyze the results of surgical operations, As part of the IMC's journey and its aspiration to improve the services provided to its patients, it has obtained the accreditation certificate from the American Association of Blood Bank (AABB) in 2018, and then obtained the accreditation certificate in February 2020, which extends for 2 years until 2022.

IMC won the King Abdulaziz Quality Award for the category of private health facilities at the silver level for the year 2020, and IMC was the only private hospital to win this competition. The King Abdulaziz Quality Award is the main award for institutional excellence at the level of KSA and for all sectors. Therefore, participation in the award race is one of the most



important indicators of the establishments leaders' adoption of quality and excellence and providing products and services that meet and exceed the beneficiaries aspirations .

**Dr. Mohammed Ahmed Hassan Fitaihi** and **Mr. Yasser Yehia Abdelhamid** represent Fitaihi Holding Group in the Board of IMC, in order to reinforce the strategy of Fitaihi Holding Group in focusing on its investment in the medical sector.

### **Al-Jouf Agricultural Development Company**

A Saudi listed joint stock Company with a capital of SAR 300 million and the contribution of Fitaihi Holding Group thereto is estimated at 14.1% at the end of 2019. Its main activity is agricultural production

As part of Fitaihi Group's strategy to increase profitability and maximize shareholder's equity, on March 2, 2021, Fitaihi Holding Group sold its entire equity in the capital of Al-Jouf Agricultural Development Company, achieving (exptional) capital gains.

## **2-Investments Available for Sale**

### **Oriental Weavers Corporate**

Oriental Weavers is one of the world's largest manufacturers of machine-made carpets. Our contribution is currently estimated at 10% of its capital. Over the past four decades, Oriental Weavers has been able to continuously expand their production capacity to nearly 150 million square meters produced through 8 plants in each of Arab Republic of Egypt, the United States of America, and the People's Republic of China.

Thankfully, with the continuing efforts of Oriental Weavers Corporate employees and the rigorous planning of the team, in addition to the use of the latest



technological means, product quality and innovative design, Oriental Weavers were able to grow at rapid pace in exporting to world markets, which amounts 65% of Company's sales in December 2020 Oriental Weavers is one of the largest exporters in the Arab Republic of Egypt, where the Company exports its products to more than 130 countries around the world, and the Company exports to United States of America cover 14% of American imports of machine-made carpets This is in addition to the leading position in the Egyptian market, with the market share of more than 80% through Company's showrooms and wholesale outlets.

In an effort of Oriental Weavers Corporate to keep up with continuous development of the quality of items, the efficiency of production, and meet the growing demand for the Company's products in both domestic and export markets, Company has purchased during 2020 5 new looms. It is worth noting that the most of added looms are among the latest in machine technology in the world, allowing an increase in production capacity by 2%.

The Company has also added a carpet tile shredder for administrative buildings and upgrades printing machines. In the coming period, the Company intends to add new capacities to yarns, which will increase the self-sufficiency ration of yarns as well as looms for carpet industry The Company plans to invest \$ 20-23 million during 2021 in this development

Oriental Weavers Corporate acquires market share of up to 80% of the Egyptian local market, through distribution networks and showrooms of up to 255 showroom and wholesale outlet spread throughout Arab Republic of Egypt. Given the expected growth in the domestic market, the Company plans to open new showrooms in order to cope with increasing growth, 5 showrooms have opened in 2020 and 8 new showrooms are planned to open in 2021.

**Dividend Policy:**<sup>13</sup>

- A) The Company's top priority is to ensure the liquidity needed to meet all operating and investment expenses and future expansions of the Company, taking into account the prevailing conditions in the Company, future investment patterns, the Company's growth and the economic climate, as well as the amount of available liquidity, the financial needs of the Company, and the available investment opportunities.
- B) Profits shall be distributed annually in case that the Board recommends that and the general assembly of the shareholders of the Company approves this methodology of distribution (within 6 months on the end of the fiscal year for which the profits are to be disbursed), and then the annual net profits of the Company shall be distributed after deducting all general expenses and other costs. According to what is stated in Article (44) of the Company's articles of association, the annual net profits of the Company shall be distributed as follows:
- 1) (10%) of the net profits shall be set aside to form the statutory reserve of the Company, and the Ordinary General Assembly may decide to stop this deduction when the mentioned reserve reaches 30% of the paid capital.
  - 2) The Ordinary General Assembly based on the proposal of the Board may set aside (10%) of the net profits to form a consensual reserve and allocate it to one or more specific purposes. This agreement reserve may not be used for a purpose other than the purpose for which it is made except by a decision of the Ordinary General Assembly according to the Board recommendation.
  - 3) The general assembly may decide to create other reserves, to the extent that it serves the interest of the Company or ensures that fixed dividends are distributed as much as possible to the shareholders. The aforementioned assembly may also deduct a percentage do not exceed (10%) of the net profits

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<sup>13</sup> - Paragraph 24) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)



to establish social institutions for the Company's workers or to assist those existing institutions.

4) After that, a percentage of no less than (1%) of the Company's paid capital shall be distributed to the shareholders.

C) The Company's Board may also take a decision to distribute interim dividends to the shareholders of the Company on a semi-annual or quarterly basis under an authorization from the Board's general assembly, to be renewed annually. Upon taking a decision to distribute interim dividends to shareholders by the Board, the Company shall disclose this in the market and send a copy of this decision to the Authority.

D) The shareholder shall be entitled to his share in the profits according to the General Assembly resolution issued regarding the distribution of profits to shareholders, or Board decision to distribute interim dividends; the decision shall specify the due date and the date of distribution. Eligibility for dividends shall be for shareholders registered in the Company's shareholders register at the Securities Depository Center (Depository Center) at the end of the second trading day following the due date.

E) The Board shall implement the decision of the General Assembly or Board regarding the distribution of profits to the registered shareholders within (15) days from the due date of these profits specified in the decision of the General Assembly or in the decision of the Board to distribute interim profits.



The percentage of profits distributed during the year <sup>14</sup>			
	Interim dividends were distributed for the first half of 2020 G, disbursed on 07/12/2020	Proposed interim profits to be distributed for the second half of 2020 *	Total disbursed and proposed interim profits (As at FY 2020)
%	2%	2%	4%
<b>Total profits</b>	<b>SAR 11,000,000</b>	<b>SAR 11,000,000</b>	<b>SAR 22,000,000</b>

On 03/07/2021, the Company announced on Tadawul website the recommendation of the Board of Directors to distribute cash dividends for the second half of the fiscal year 2020, with a distribution ratio of 2% of the nominal value, in a total amount of SAR 11 million, and the share of distribution is 20 Halalass.

<sup>14</sup> - Paragraph 24) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)


**Description of any interest, securities and subscription rights belonging to the Members of Board of directors and their relatives in the Company's shares and debt instruments<sup>15</sup>**

	The name of whomsoever has the interest, securities or subscription rights	Beginning of year		End of year		Net variation	Percentage of variation
		Number of Shares	Debt instruments	Number of Shares	Debt instruments		
1	Shk. Ahmed Hassan Fitaihi	16,417,792	-	16,417,792	-	0	0.00%
2	Dr. Ibrahim Hassan Al-Madhoun	1,000	-	1,000	-	0	0.00%
3	Mr. Omar Riyadh Mohammed Al-Humaidan	3,000	-	159,359	-	156,359	5211.97%
4	Eng. Abdulmalik Abdullah Fathaddin	1,000	-	1,000	-	0	0.00%
5	Dr. Suhail Hassan Qadi	1000	-	1,000	-	0	0.00%
6	Dr. Adnan Abdelfattah Soufi	1000	-	1,000	-	0	0.00%
7	Mrs. Bayan Adel Mohammed Fakieh*	0	-	20	-	20	
8	Mr. Uthman Riyadh Mohammed Al-Humaidan	102,500	-	140,000	-	37,500	36.59%
9	Dr. Mohammed Ahmed Hassan Fitaihi*	901,000	-	1,000	-	-900,000	-99.89%
10	Mrs. Soraya Jamil Abdulrahim Attar	549,996	-	549,996	-	0	0.00%
11	Shk. Riyadh Mohammed Abdullah Al-Humaidan	8,716,403	-	8,100,000	-	-616,403	-7.07%

Mrs. Bayan Fakieh's membership in the Board of Directors started on 25/10/2020

\*\*Dr. Mohammed Fitaihi's resignation from his membership of the Board of Directors of Fitaihi Holding Group came into effect on 01/07/2020.

<sup>15</sup> - Paragraph 26) of Article 90 - Corporate Governance Regulations - (Disclosure in the Board's Report)


**Description of any interest, securities and subscription rights belonging to the Members of Board of directors and their relatives in the Company's shares and debt instruments<sup>16</sup>**

	The name of whosoever has the interest, securities or subscription rights	Beginning of year		End of year		Net variation	Percentage of variation
		Number of Shares	Debt instruments	Number of Shares	Debt instruments		
1	Mr. Yasser Yehia Abdelhamid Abdrabou*	1,000	-	20	-	-980	-98%
2	Mr. Hussien Ali Hussien Al Yarimi	10,340	-	10,340	-	0	0.00%

\* Mr. **Yasser Yehia** holds the position of Chief Executive Officer and Chief Financial Officer at Fitaihi Holding Group

\*\* Mr. **Hussein Ali Hussien Al Yarimi** holds the position of Manufacture Director at Fitaihi Retail Company of Fitaihi Holding Group.

**Description of any interest, securities and subscription rights belonging to the Members of Board of directors and their relatives in the subsidiary shares and debt instruments (Luxury Goods Trading Company Ltd)<sup>17</sup>**

	The name of whoever has the interest, securities or subscription rights	Beginning of year		End of year		Net variation	Percentage of variation
		Number of Shares	Debt instruments	Number of Shares	Debt instruments		
1	Dr. Mohammed Ahmed Hassan Fitaihi	10,000	-	50,000	-	40,000	400%

The Ordinary General Assembly of the Group's shareholders convened on 15/07/2020 approved the sale of the Group shares amounting to 80% of the capital of its subsidiary (Luxury Goods Trading Company Ltd) to the former Board Member, Dr. **Mohammed Ahmed Hassan Fitaihi**. Fitaihi Holding Group announced on Tadawul website that it had signed the aforementioned sale contract with Dr. **Mohammed Fitaihi** on 25/10/2020.

<sup>16</sup> - Paragraph 26) of Article 90 - Corporate Governance Regulations - (Disclosure in the Board's Report)

<sup>17</sup> - Paragraph 26) of Article 90 - Corporate Governance Regulations - (Disclosure in the Board's Report)



**Description of any interest, securities and subscription rights belonging to the executives and their relatives in the subsidiary's (1) shares or debt instruments<sup>18</sup>**

	The name of whoever has the interest, securities or subscription rights	Beginning of year		End of year		Net variation	Percentage of variation
		Number of Shares	Debt instruments	Number of Shares	Debt instruments		
1	N/A	-	-	-	-	-	-

**Description of any interest in the voting rights category belonging to persons (except Board Members, senior executives, their spouses and relatives) who informed the Company of these rights under Article (68) of Rules on the Offer of Securities and Continuing Obligations or change in those rights during the last fiscal year<sup>19</sup>**

	The name of whoever has the interest, securities or subscription rights	Number of shares at the beginning of the year	Number of shares at the end of the year	Net variation	Percentage of variation
1	N/A	-	-	-	-

The Company has not issued any convertible debt instruments or any contractual securities, and there are no prospectus or any similar rights issued or granted by the Company during the last fiscal year<sup>20</sup>

Company's issues and stock splits				
	Convertible debt instruments	Contractual Securities	Prospectus	Similar rights
class	N/A	N/A	N/A	N/A
Number	-	-	-	-
reparation	-	-	-	-

<sup>18</sup> - Paragraph 26) of Article 90 - Corporate Governance Regulations - (Disclosure in the Board's Report)

<sup>19</sup> - Paragraph 25) of Article 90 - Corporate Governance Regulations - (Disclosure in the Board's Report)

<sup>20</sup> - Paragraph 28) of Article 90 - Corporate Governance Regulations - (Disclosure in the Board's Report)



The Company has not issued any transfer or subscription rights under convertible debt instruments to shares, or contractual securities, and there are no rights of option, prospectus or any similar rights issued or granted by the Company during the last fiscal year<sup>21</sup>

Company's issues and grants under convertible debt instruments ,contractual securities, subscription Prospectus or any similar rights		
	Transfer rights	Subscription rights
class	N/A	N/A
Number	-	-

The Company has not made any recovery, purchase or cancellation of any recoverable debt instrument and any value of remaining securities, the Company did not distinguish between listed securities bought or those bought by its subsidiaries in the last fiscal year<sup>22</sup>

Recovery, purchase or cancellation from the Company or its subsidiaries								
Company	Process Recovery/purchase/cancellation	Type of Recoverable debt instrument	Number	Value	Date	Reason	Renaming	
							Number	Value
Fitaihi Holding Group	N/A	-	-	-	-	-	-	-
Subsidiary (1)	N/A	-	-	-	-	-	-	-
Subsidiary (2)	N/A	-	-	-	-	-	-	-

<sup>21</sup> - Paragraph 29) of Article 90 - Corporate Governance Regulations - (Disclosure in the Board's Report)

<sup>22</sup> - Paragraph 30) of Article 90 - Corporate Governance Regulations - (Disclosure in the Board's Report)



## V: Governance

The Board of Directors, in its eighth session, consists of seven Members as follows, whose Membership began on 22/04/2019 and shall be valid until 21/04/2022:<sup>23</sup>

Member Name	Membership Nature	Membership Classification		
		Independent	Executive	Non-executive
Shk. <b>Ahmed Hassan Ahmed Fitaihi</b>	Chairman			✓
Dr. <b>Ibrahim Hassan Mohammed Al-Madhoun</b>	Vice-Chairman			✓
Eng. <b>Abdulmalik Abdullah Fathaddin</b>	Board Member	✓		
Mr. Omar Riyadh Mohammed Al-Humaidan	Board Member			✓
Dr. <b>Suhail Hassan Abdulmalik Qadi</b>	Board Member	✓		
Dr. <b>Adnan Abdelfattah Mohammed Soufi</b>	Board Member	✓		
Mrs. <b>Bayan Adel Mohammed Fakieh</b>	Board Member			✓
Dr. <b>Mohammed Ahmed Hassan Fitaihi**</b>	Board Member (former)		✓	

\*\* Dr. Mohammed Fitaihi's resignation from his membership of the Board of Directors of Fitaihi Holding Group came into effect on 01/07/2020.

<sup>23</sup> - Paragraph 4) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)

**Communicating with shareholders and investors:**

The Group recognizes the importance of communicating with its shareholders and providing them with the information. For the implementation of the principle of disclosure and transparency, the Group shall do the following:

- Publish the quarterly financial statements and final accounts for the fiscal year on the Tadawul website and on the Company's official website, and publish them within the period specified by regulations.
  - Comply with the announcement format set by the Capital Market Authority, the essential information that should be included, and the dates for publishing these announcements.
  - Prepare Board of directors report in accordance with the disclosure requirements set forth in the governance regulations.
  - All Company shareholders, without exception, may have access to the minutes of general meetings, and any annual reports of the Board of directors on Tadawul site and the Company website and also in person or via e-mail or fax.
-



**The Company's disclosures on Tadawul website during the fiscal year 2020:**

The Company made a number of disclosures on Tadawul website during the fiscal year 2020, as follows:

	Announcement Date	Brief of Announcement Subject	Link
1	30/01/2020	Sale of goods to the International Medical Center with a value of SAR 1,445,984 in cash.	<a href="#">Here</a>
2	16/03/2020	Temporarily close of the retail showrooms of its two subsidiaries (Fitaihi Retail Company) and (Luxury Goods Trading Company Ltd.) located inside commercial complexes in Saudi Arabia and Kuwait.	<a href="#">Here</a>
3	17/03/2020	Temporarily close the Group retail stores in accordance with instructions issued by the official authorities in the Kingdom as a part of precautions to control the Corona virus.	<a href="#">Here</a>
4	25/03/2020	Fitaihi Holding Group announces the annual consolidated financial results ended on 31/12/2019.	<a href="#">Here</a>
5	25/03/2020	Fitaihi Holding Group announces to not distribute cash dividends to shareholders for the second half of fiscal year 2019.	<a href="#">Here</a>
6	07/04/2020	The last developments to close all retail showrooms of its two subsidiaries (Fitaihi Retail Company) and (Luxury Goods Trading Company Ltd.) located inside commercial complexes in Saudi Arabia and Kuwait temporarily.	<a href="#">Here</a>
7	09/04/2020	Invite the shareholders to attend the Ordinary General Assembly meeting (the first meeting).	<a href="#">Here</a>
8	09/04/2020	The impact of recent government initiatives and decisions to mitigate and control the spread of Coronavirus (COVID-19).	<a href="#">Here</a>
9	27/04/2020	Reopen retail showrooms of the Group to customers in the permitted times.	<a href="#">Here</a>
10	29/04/2020	Date of commencement of electronic voting on the items of the Ordinary General Assembly meeting (first meeting).	<a href="#">Here</a>
11	06/05/2020	Results of Ordinary General Assembly meeting (the first meeting).	<a href="#">Here</a>



12	11/05/2020	The resignation of chief executive officer of Retail Sector, Dr. Mohammed Ahmed Hassan Fitaihi commences from 13/05/2020	<a href="#">Here</a>
13	17/05/2020	The last developments to close all retail showrooms of its two subsidiaries (Fitaihi Retail Company) and (Luxury Goods Trading Company Ltd.) located inside commercial complexes in Saudi Arabia and Kuwait temporarily.	<a href="#">Here</a>
14	21/05/2020	Preliminary consolidated financial results for the period ended 31/03/2020 (three months).	<a href="#">Here</a>
15	01/06/2020	The last developments to close all retail showrooms of its two subsidiaries (Fitaihi Retail Company) and (Luxury Goods Trading Company Ltd.) located inside commercial complexes in Saudi Arabia and Kuwait temporarily.	<a href="#">Here</a>
16	10/06/2020	Signing a memorandum of understanding (non-binding) with Board Member Dr. Mohammed Fitaihi (related party) to sell Fitaihi Holding Group's share equal 80% of its subsidiary capital (Luxury Goods Trading Company Ltd) to executive Board Member, Dr. Mohammed Ahmed Hassan Fitaihi	<a href="#">Here</a>
17	21/06/2020	Invite the shareholders to attend the Ordinary General Assembly meeting (the first meeting).	<a href="#">Here</a>
18	29/06/2020	The resignation of the Board Member, Dr. Mohammed Ahmed Hassan Fitaihi from Membership in the Board of Directors of Fitaihi Holding Group, as well as from his Membership in the Investment Committee, and the approval of the Board of Directors that the resignation takes effect commences from 07/01/2020.	<a href="#">Here</a>
19	09/07/2020	Date of commencement of electronic voting on the items of the Ordinary General Assembly meeting (first meeting).	<a href="#">Here</a>
20	16/07/2020	Outcomes of Ordinary General Assembly, approval on the sale of Fitaihi Holding Group's share amounting 80% of its subsidiary capital (Luxury Goods Trading Company Ltd) to the former Board Member, Dr. <b>Mohammed Fitaihi</b> in consideration of SAR 14.36 million.	<a href="#">Here</a>
21	16/08/2020	Close three retail branches of its subsidiary, Fitaihi Retail Company (in line with the Group's strategic direction).	<a href="#">Here</a>



22	25/08/2020	Preliminary consolidated financial results for the period ended on 30/06/2020 (six months).	<a href="#">Here</a>
23	15/09/2020	Achieve SAR 29.95 million in extraordinary capital gains by selling a part of its share in Al-Jouf Agricultural Development Company (associate Company).	<a href="#">Here</a>
24	21/10/2020	Non-renewal of the Executive Committee of the Retail Sector as it failed to achieve the purpose for which it was formed.	<a href="#">Here</a>
25	22/10/2020	Appointment of Board Member, Mrs. Bayan Adel Mohammed Fakieh (non-executive) to the vacant seat of the Board of Directors, succeeding the resigned Member Dr. Mohammed Ahmed Hassan Fitaihi (Executive), on October 25, 2020.	<a href="#">Here</a>
26	25/10/2020	Signing a contract with the former Board Member, Dr. Mohammed Fitaihi to sell the Group's share amounting 80% of the subsidiary capital (Luxury Goods Trading Company Ltd)	<a href="#">Here</a>
27	11/11/2020	Fitaihi Holding Group announcement of preliminary consolidated financial results for the period ended on 30/09/2020 (nine months).	<a href="#">Here</a>
28	11/11/2020	Recommendation of the Board of Directors to distribute cash dividends to shareholders for the first half of the fiscal year 2020.	<a href="#">Here</a>
29	06/12/2020	Remind shareholders of the date and method of profits disbursement for the first half of the fiscal year 2020	<a href="#">Here</a>
30	30/12/2020	Launch unclaimed dividends inquiry service via website: <a href="http://www.fitaihi.com.sa/dividends-ar/">http://www.fitaihi.com.sa/dividends-ar/</a>	<a href="#">Here</a>



### **Declaration from Board of Directors in accordance with the requirements of Governance Regulations.**

Since the Corporate Governance Regulation issued by Capital Market Authority, emphasizes the need to disclose in the annual report of the Board of Directors all the items contained in these regulations, if no paragraph of its paragraphs is applicable, this shall be indicated in the report and clarified in disclosure form No. 8. Accordingly, we would like to point out that in this report the Group has disclosed the requirements to which it applies and the Board of directors recognizes that the following topics are not applicable to the Group.

### **The Board shall disclose it whenever the Group implements it or its occurrence:**

- The Group is not currently implementing options rights plans.
- The Group does not have debt instrument to be converted into shares

### **Arrangement or agreement under which a Board Member or senior executives of the Group waives any remunerations:<sup>24</sup>**

- 1- The Chairman, SHK. **Ahmed Hassan Fitaihi** has not received any allocations or allowances and waived the annual financial remuneration for the fiscal year 2020 (without written assignment contract or agreement)
- 2- The Board Members, and the External Member of audit committee assigned 50% of their annual remunerations in return for their Membership in the Board of directors and audit committee in the fiscal year 2020

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<sup>24</sup> - Paragraph 35) of Article 90 - Corporate Governance Regulations - (Disclosure in the Board's Report)



**Assignment arrangement or agreement under which any of Company's shareholders assign any rights in profits:<sup>25</sup>**

N/A

**Remuneration and Allowances for Board Committee Members:<sup>26</sup>**

No remuneration or allowances have been paid to Members of Board Committees for the year 2020 (only the remuneration of Board Members, and Members of the Audit Committee (External Members) will be paid), as will be described in the following table:

**Remunerations and Compensations of the Board Members, Senior Executives and Members of Board committees:<sup>27</sup>**

The following tables describe the details of remunerations and compensations **paid** to each Board Member, committee Member and five of senior executives whom received highest remunerations and compensation from the Group (including the chief financial officer):

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<sup>25</sup> - Paragraph 36) of Article 90 - Corporate Governance Regulations - (Disclosure in the Board's Report)

<sup>26</sup> Paragraph 4c) of Article 93 - Corporate Governance Regulations (Disclosure of Remuneration)

<sup>27</sup> Paragraph A - -2) of Article 93 - Corporate Governance Regulations (Disclosure of Remuneration)  
- Paragraph 8) of Article 90 - Corporate Governance Regulations - (the Board's Report)



## Remunerations of the Board Members

	Fixed Remuneration						Variable Remuneration					End of Service Benefit	Aggregate Amount	Expense allowance	
	Certain amount	Allowance for attending Board Meeting	Total of Committee Meetings Attendance Allowance	In-kind Benefits	Remunerations for technical, managerial and consultative work	Remuneration of Chairman, Managing Director, or Secretary if he is a Member	Total	Percentage of the profits	Periodic Remunerations	Short-term incentive plans	Long-term incentive plans				Value of granted shares
<b>I: Independent Members</b>															
1	Eng. Abdulmalik Abdullah Fathaddin	150,000					150,000					0		150,000	
2	Dr. Suhail Hassan Qadi	150,000					150,000					0		150,000	
3	Dr. Adnan Abdelfattah Soufi	150,000					150,000					0		150,000	
	<b>Total</b>	<b>450,000</b>	-	-	-	-	<b>450,000</b>	-	-	-	-	-	-	<b>450,000</b>	-
<b>II: Non-Executive Members</b>															
1	SHK. Ahmed Hassan Fitaihi						0					0		0	
2	Dr. Ibrahim Hassan Al-Madhoun	150,000					150,000					0		150,000	
3	Mr. Omar Riyadh Mohammed Al-Humaidan	150,000					150,000					0		150,000	
4	Mrs./ Bayan Adel Fakieh*						0					0		0	
	<b>Total</b>	<b>300,000</b>	-	-	-	-	<b>300,000</b>	-	-	-	-	-	-	<b>300,000</b>	-
<b>III: Executive Members</b>															
1	Dr. Mohammed Ahmed Hassan Fitaihi**	119,126					119,126					0		119,126	
	<b>Total</b>	<b>119,126</b>	-	-	-	-	<b>119,126</b>	-	-	-	-	-	-	<b>119,126</b>	-

The fixed remunerations (150,000 SAR) disbursed during 2020 for each Member include the following: An amount of 100,000 SAR for the Board Membership for the fiscal year 2019, in addition to 50,000 SAR half remunerations for the Board membership for the fiscal year 2020.



## Remunerations of Senior Executives

Five Senior Executives who have received the highest remunerations (including chief executive officer and chief financial officer )	Fixed Remunerations			Variable Remuneration						End of Service Benefit	Total remunerations for Board executives, if any	Aggregate Amount	
	Salaries	Allowances	In-kind Benefits	Total	Periodic Remunerations	Profits	Short-term incentive plans	Long-term incentive plans	Value of granted shares				Total
Chief Executive Officer, Chief Financial Officer	417,780	146,220		564,000						0	159,408		723,408
GM of Luxury Goods Trading Company Ltd.	375,030			375,030	300,000					300,000	150,000	119,126	944,156
Director of jewelry sector	385,736	135,005		520,741							139,042		659,783
Regional Director of Operations	222,796	77,977		300,773	27,955					27,955	100,666		429,394
Board Secretary and Director of Governance and Investor Relations Department	186,660	65,340		252,000						0	55,300		307,300
<b>Total</b>	<b>1,588,002</b>	<b>424,542</b>	<b>-</b>	<b>2,012,544</b>	<b>327,955</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>327,955</b>	<b>604,416</b>	<b>119,126</b>	<b>3,064,041</b>



## Remunerations of the Members of the Committees

	Fixed Remuneration (Except for the allowance for attending Board meetings)	Allowance for attending Board meetings	Total
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### Audit Committee Members

1	Dr. Adnan Abdelfattah Soufi		-
2	Dr. Ibrahim Hassan Al-Madhoun		-
3	Mr. Omar Riyadh Mohammed Al-Humaidan	60,000	60,000
<b>Total</b>		<b>60,000</b>	<b>-</b>

### Nomination and Remuneration Committee Members

1	Dr. Suhail Hassan Qadi		-
2	Dr. Ibrahim Hassan Al-Madhoun		-
3	Eng. Abdulmalik Abdullah Fathaddin		-
<b>Total</b>		<b>-</b>	<b>0</b>

### Risk Management Committee Members

1	Dr. Ibrahim Hassan Al-Madhoun		-
2	Dr. Adnan Abdelfattah Soufi		-
3	Eng. Abdulmalik Abdullah Fathaddin		-
<b>Total</b>		<b>-</b>	<b>0</b>

### Investment Committee Members

1	SHK. Ahmed Hassan Fitaihi		-
2	Dr. Ibrahim Hassan Al-Madhoun		-
3	Dr. Mohammed Ahmed Hassan Fitaihi*		-
4	Mr. Omar Riyadh Mohammed Al-Humaidan		-
<b>Total</b>		<b>-</b>	<b>0</b>

\* Dr. Mohammed Fitaihi's resignation from the membership of the BOD and his membership in the Investment Committee came into effect on 01/07/2020.

**Members of the Executive Committee for the Retail Sector**

1	Dr. Adnan Abdelfattah Soufi			0
2	Eng. Abdulmalik Abdullah Fathaddin			0
3	Dr. Mohammed Ahmed Hassan Fitaih			0
	<b>Total</b>	-	-	<b>0</b>

\*\* Mr. Uthman Al-Humaidan's remunerations for his membership in the Audit Committee includes an amount of 40,000 SAR (membership remuneration in the Audit Committee for the fiscal year 2020) in addition to 20,000 SAR (the second half of his Membership remuneration in the Audit Committee for 2019 that disbursed to him in 2020)



## Remuneration Policy<sup>28</sup>

### I: Board Members and Emanating Committees Remuneration

- a) Taking into consideration other relevant laws and regulations issued by other supervisory entities, the Board should take into account while determining and disbursing the remuneration that each of its Members shall receive, the relevant provisions contained in the Companies Law and the Corporate Governance Regulations, in addition to the following standards:
- 1) Remuneration policy should be in line with the Company strategy and goal.
  - 2) Remunerations shall be provided with the aim of encouraging the Board Members and Executive Management to achieve the success of the Company and its long-term development, by for example making the variable part of the remuneration linked to the long-term performance.
  - 3) Remunerations shall be determined based on job level, duties and responsibilities, educational qualifications, practical experience, skills and level of performance.
  - 4) Remunerations shall be consistent with the magnitude, nature and level of risks faced by the Company.
  - 5) The practices of other companies shall be taken into consideration in respect of the determination of remunerations, while avoiding the disadvantages of such comparisons in leading to unjustifiable increases in remunerations and compensations.

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<sup>28</sup> Paragraph A - 1) of Article 93 - Corporate Governance Regulations (Disclosure of Remuneration)



- 6) Remuneration shall be reasonably sufficient to attract, motivate and retain professional talents and Board Members with appropriate competence and experience, without exaggeration.
  - 7) Remuneration shall be based on the Nomination and Remuneration Committee recommendation and in coordination with the Nomination and Remuneration Committee in respect of new appointments.
  - 8) Remuneration shall be fair and commensurate with Members' competencies, the business and responsibilities undertaken by the Board Members, in addition to the objectives set by the Board to be achieved during the fiscal year.
  - 9) Remunerations shall be commensurate with the Company activities and required competence to be managed.
  - 10) Taking into consideration, the sector that the Company belongs to, its size and the Board expertise.
  - 11) Nomination and Remuneration Committee could regulate the grant of Company's shares to the Board Members and the Executive Management, whether newly issued or purchased by the Company
  - 12) Taking into consideration situations where remunerations should be suspended or reclaimed if it is determined that such remunerations were set based on inaccurate information provided by a Member of the Board or the executive management, in order to prevent abuse of power to obtain unmerited remunerations.
- b) The Board Members shall not be allowed to vote on Board Members remuneration item in the General Assembly meeting.



- c) The Board Members remuneration shall consist of an amount of SAR 200,000 (two hundred thousand SAR) for each Member in exchange for his/her Membership in the Board and his/her participation in its business, including attendance allowance and additional bonuses in the event of Member participation in the emanating committees from the Board and within the limits of which is stipulated in the Companies Law and Regulations.
- d) Member of Board remuneration may be a certain amount (SAR 200,000), an attendance allowance, in-kind benefits, or a certain percent of the profit net, and two or more of these benefits may be combined.
- e) Independent Board Members remuneration may not be based on a percentage of the profits that the Company shall earn, or directly or indirectly on the profitability of the Company.
- f) If the remuneration is a certain percent of the Company's profits, then this percent may not exceed (10%) of the net profits, after deducting the reserves decided by the General Assembly in implementation of the provisions of the law and the Company's articles of association, and after distributing a profit of no less than (1%) of the Company's paid-up capital. Provided that the entitlement to such remuneration shall be commensurate with the number of meetings attended by the Member, and otherwise it shall be void and null.
- g) In any case, the total of financial or in-kind benefits and remuneration that a Board Member shall receive, does not exceed an amount of five hundred thousand SAR annually, according to the controls decided by the competent authority.



- h) The Company may distribute interim profits to its shareholders biannually or quarterly under an annually renewable authorization from the General Assembly Board.

## **II: Remuneration and Allowance of Audit Committee Members Attendance**

- 1) Each independent Member of the Audit Committee –non Board Member– shall receive an annual remuneration of (SAR 80,000), in addition to attendance allowance and other prescribed indemnities.
- 2) The attendance allowance of audit committee meeting is amounting to (SAR 1500) for each session (as approved in the Shareholders' Assembly meeting dated 4/20/2016), and not exceeding the attendance allowance prescribed for the Board Members, and a specific amount for each hour spent by the Member outside the committee meetings for relevant business, and an indemnity for actual expenses incurred for business related to carrying out his duties.
- 3) The General Assembly Board report should illustrate the remunerations and other benefits that were paid to the committee Members.
- 4) If the committee Member or the committee secretary is an employee of the Company or whosoever receives a monthly salary from the Company, he/she shall not be entitled to receive any special remuneration other than the allowance for attending committee meetings above-mentioned.
- 5) A Board Member could have a remuneration for his Membership in the audit committee which formed by General Assembly, or for additional executive, technical, managerial or consultative positions –under professional license– assigned in the Company. In addition to his remuneration as a Member in the Board or the committees formed by the



Board, Based on the Companies Law and the Company's Articles of Association. In other words, the total remunerations that Board Member shall obtain in return for his Membership in the Audit Committee formed by the General Assembly or for any additional business or executive, technical, administrative, or advisory positions– under a professional license – business or assigned to him at the Company shall not be listed within the scope of the upper limit of remuneration stipulated in paragraph (3) of Article 76 of the Companies Law.

### **III: Additional Remunerations of Board Member**

A Board Member could have a remuneration for his Membership in the audit committee which formed by General Assembly, or for additional executive, technical, managerial or consultative positions –under professional license– assigned in the Company. In addition to his remuneration as a Member in the Board or the committees formed by the Board, Based on the Companies Law and the Company's Articles of Association.

### **IV: Disparities in Remunerations of Board Members**

- a) Remunerations of the Board Members could be disparity according to the Member's experience, specialties, tasks assigned to him, independence, the number of attended sessions, and other considerations.
- b) Remunerations of independence Board Members should not be deducted from Company's dividends percentage, in order to not connect remunerations with the Company's performance or any other factors that could affect his decisions' independency.



#### **V: Suspend and reclaim remunerations by the Company**

- 1) If the General Assembly decided to terminate the Membership of a Board Member because of his absence for three consecutive meetings without legal excuse, this Member will not have any remunerations for the period after his last attended meeting. In addition, this Member have to reimburse all remunerations he received for that period.
- 2) If the Audit Committee or Authorities discovered that the remunerations disbursed to any Board Member or executive management Member based on incorrect or false information (provided to General Assembly or included in the Board annual report), this remunerations shall be repaid to the Company. Also, the Company has the right to reclaim this remunerations or suspend it, in order to prevent abuse of power to obtain unmerited remunerations.
- 3) If the general shareholders' assembly did not approved disbursing the annual remunerations to Board Members for their Membership in the Board, the Member who received their remunerations should repay it within 15 working days after the date of convening the General Assembly meeting or suspend remunerations disbursing. This will be in exchange for their Board Membership in the Fiscal year of the remunerations disbursing.

#### **VI: Disclosure of Remunerations and Policies by the Company**

The Board shall disclose –in the annual report– the details of policies related to remunerations, its identification mechanisms, amounts, benefits in kind and financial benefits paid for every Board Member (whether it is Salaries, Percentage of the profits, Allowance for attending, Expenses Allowance, or any other benefits) for any executive, technical, managerial or consultative positions



or works. In addition, this report should disclose the number of Board sessions that the Member attended since the last meeting of the General Assembly.

#### **VII: Disbursement Method for Remunerations and Compensations for the Board Members**

- 1) Disbursing annual remuneration for the Membership in the Board which is (SAR 200,000) for the Board Member in two installments: The first installment shall be disbursed directly after the end of second quarter of fiscal year, while the second installment shall be disbursed after the end of fiscal year.
- 2) If the shareholders' assembly failed to approve the remunerations disbursement to Board Members for the fiscal year, the Members who received their remunerations for their Membership in the Board should reimburse it.
- 3) This system will be updated in accordance with any updates to the Company's articles of association and related statutory regulations.
- 4) If the compensations are salaries for the Board Member, it should be paid within payroll system.

#### **VIII: Remunerations and Compensations of the Executive Management**

Executive Management remunerations shall include the following:

- Basic salary (to be paid monthly in the end of every calendar month),
- Allowances that include, but are not limited to, a housing allowance, a transportation allowance,
- Medical insurance benefits for the employee and his family



- Other benefits that include, but are not limited to, annual leave, annual tickets, and end-of-service benefits according to Labor Law and the Human Resources policy approved by the Company.

**Clarifying the relation between the awarded remunerations and the applicable remuneration policy, and any material deviation from that policy**<sup>29</sup>

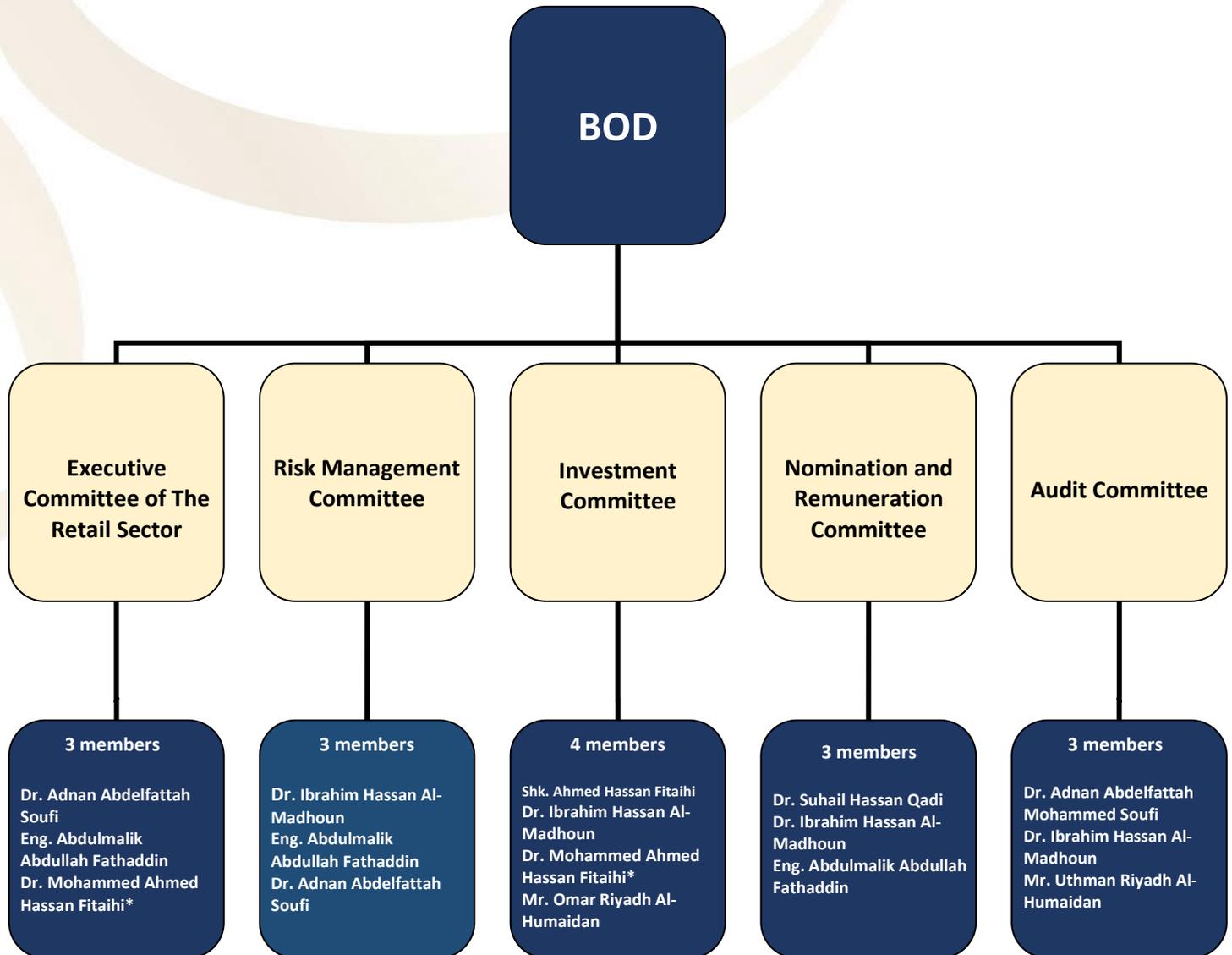
We would also like to point out that the relationship between the awarded remunerations and the applicable remuneration policy is characterized by adherence, and there is no material deviation from this policy. Knowing that BOD Members have not received any allowances for attending BOD meetings or the sub-committees held in the fiscal year 2020.

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<sup>29</sup> Paragraph A - 3) of Article 93 - Corporate Governance Regulations (Disclosure of Remuneration)



## BOD and its Sub-Committees<sup>30</sup>



\*Dr. Mohammed Fitaihi's resignation from the Membership of BOD of Fitaihi Holding Group and from his Membership in the Investment Committee came into effect on 01/07/2020.

<sup>30</sup> - Paragraph 2) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)



Member Name	Membership Classification	Board and Committee Members					
		BOD	Audit Committee	Nomination and Remuneration Committee	Risk Management Committee	Investment Committee**	Executive Management Retail Sector*
Shk. Ahmed Hassan Fitaih	Non-executive	Chairman of the Board				<b>Committee Head</b>	
Dr. Ibrahim Hassan Al-Madhoun	Non-executive	Vice Chairman	Member	Former Member	<b>Committee Head</b>	Member	
Dr. Mohammed Ahmed Hassan Fitaihi**	Executive	Member				Member	Member
Eng. Abdulmalik Abdullah Fathaddin	Independent	Member		Member	Member		Member
Mr. Omar Riyadh Al-Humaidan	Non-executive	Member				Member	
Dr. Suhail Hassan Qadi	Independent	Member		<b>Committee Head</b>			
Dr. Adnan Abdelfattah Soufi	Independent	Member	<b>Committee Head</b>		Member		<b>Committee Head</b>
Mrs. Bayan Adel Fakieh***	Non-executive	Member					
Mr. Uthman Riyadh Al-Humaidan	External Member	-	Member				

\* The Company announced on Tadawul website on 21/10/2020 that the Executive Committee of Retail Sector would not be renewed – for another period – on November 5, 2020, due to its fulfillment of the purpose for which it was formed.

\*\*Dr. Mohammed Fitaihi's resignation from the membership of Board of Directors of Fitaihi Holding Group came into effect on 01/07/2020.

\*\*\* Mrs. Bayan Adel Mohammed Fakieh joined the BOD on 25/10/2020, succeeding the resigned BOD Member Dr. Mohammed Ahmed Hassan Fitaihi.



**The means that the BOD depends on in evaluating its performance and the performance of its committees and Members<sup>31</sup>**

A)– Internal Regulations of the mechanisms for evaluating the performance of the Board and its committees stipulated the following: **(Indicative)**

- 1– Periodically, the Board chairman shall evaluate the performance of the Board and its Members according to the approved performance cards.
- 2– Periodically, the Head of Committee shall evaluate the performance of the Committee and its Members according to the approved performance cards.
- 3– Periodically, the non–executive Members shall evaluate the performance of the Board chairman according to the approved performance cards.

B)– Currently, there is no external body that evaluates the performance of the Board. **(Indicative)**

**Diversity:**

Diversity in the formation of the Board and committees shall be an additional factor of strength in applying the best practices of governance. Fitaihi Holding Group adheres to diversify its BOD and its sub–committees, in terms of age structure, and great experiences in various commercial and investment fields.

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<sup>31</sup> - Paragraph 7) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)



## Meetings of General Assemblies of Shareholders held during the fiscal year 2020<sup>32</sup>

Fitaihi Holding Group held (2) General Assembly meetings for Shareholders (**remotely**) during the fiscal year 2020, as follows:

	Member Name*	Membership Nature	Number of meetings (2) meetings Attendance Register		
			The 20th Ordinary General Assembly 05/05/2020	The 21th Ordinary General Assembly 15/07/2020	Total
1	Shk. Ahmed Hassan Ahmed Fitaihi	Chairman	-	-	-
2	Dr. Ibrahim Hassan Al-Madhoun	Vice-Chairman	✓	✓	2
3	Dr. Mohammed Ahmed Hassan Fitaihi**	Member	✓	-	1
4	Eng. Abdulmalik Abdullah Fathaddin	Member	✓	✓	2
5	Mr. Omar Riyadh Al-Humaidan	Member	✓	✓	2
6	Dr. Suhail Hassan Qadi	Member	✓	✓	2
7	Dr. Adnan Abdelfattah Soufi	Member	✓	✓	2

\*\*Dr. Mohammed Fitaihi's resignation from his membership of the Board of Directors of Fitaihi Holding Group came into effect on 01/07/2020.

\*\* Mrs. Bayan Adel Mohammed Fakieh joined the BOD on 25/10/2020, succeeding the resigned Member Dr. Mohammed Ahmed Hassan Fitaihi.

<sup>32</sup> - Paragraph 14) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)



## Meetings of the Board<sup>33</sup>

In order to enhance the work of the Group's BOD, during 2020, the BOD in its 8th session, during 2020, held (4) meetings (**remotely**), explaining below the situation of the BOD Members attending these meetings:

Member Name	Membership Nature	Number of meetings (4) meetings				Total
		First Meeting 10/06/2020	Second Meeting 24/08/2020	Third Meeting 21/10/2020	Fourth Meeting 10/11/2020	
Shk. Ahmed Hassan Ahmed Fitaihi	Chairman	✓	✓	✓	✓	4
Dr. Ibrahim Hassan Al-Madhoun	Vice Chairman	✓	✓	✓	✓	4
Dr. Mohammed Ahmed Hassan Fitaihi**	Member	He was not invited to attend the meeting to avoid a conflict of interest				-
Eng. Abdulmalik Abdullah Fathaddin	Member	✓	✓	✓	✓	4
Mr. Omar Riyadh Al-Humaidan	Member	✓	✓	✓	✓	4
Dr. Suhail Hassan Qadi	Member	✓	✓	✓	✓	4
Dr. Adnan Abdelfattah Soufi	Member	✓	✓	✓	✓	4
Mrs. Bayan Adel Mohammed Fakieh*	Member				✓	1
<b>Date of the General Assembly last meeting: 15/07/2020</b>						

\*Mrs. Bayan Adel Mohammed Fakieh joined the BOD on 25/10/2020, succeeding the resigned Member Dr. Mohammed Ahmed Hassan Fitaihi.

\*\*Dr. Mohammed Fitaihi's resignation from his membership of the Board of Directors of Fitaihi Holding Group came into effect on 01/07/2020.

<sup>33</sup> - Paragraph 31) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)



## The most important decisions and recommendations of the BOD during or related to the fiscal year 2020<sup>34</sup>

No.	Date of Decision	Content of Decision
1	11/05/2020	Accepting the resignation of the CEO of the Retail Sector, Dr. Mohammed Ahmed Hassan Fitaihi, to come into effect on 13/05/2020, due to his personal and business circumstances.
2	10/06/2020	Approving the sale of the Group's 80% ownership share in the capital of the subsidiary company (Luxury Goods Trading Company Ltd.) to BOD Member Dr. Mohammed Ahmed Hassan Fitaihi (whose resignation from the BOD membership came into effect on 01/07/2020) and the price and method of payment of this deal.
3	29/06/2020	Accepting the resignation of Dr. Mohammed Ahmed Hassan Fitaihi from his Membership in BOD and the Investment Committee, to come into effect on 01/07/2020, upon his request.
4	16/08/2020	Closing 3 retail branches of its subsidiary, Fitaihi Retail Company, during the third quarter of the fiscal year 2020, in line with the strategic direction of Fitaihi Holding Group.
5	24/08/2020	Nominating Dr. Mohammed Ahmed Hassan Fitaihi and Professor Yasser Yehia Abdelhamid Abdrabou to represent the Fitaihi Holding Group as a BOD Member of the International Medical Center Company, in its next new session starting from 24/11/2020.
6	24/08/2020	Forming provisions for obsolete goods in the amount of SAR 3,359,800 during the second quarter of the fiscal year 2020, in addition to charging first half expenses in the amount of SAR 1 million in exchange for potential liabilities.
7	07/09/2020	Selling 5.01% of the Group's share in Al-Jouf Agricultural Development Company.

<sup>34</sup> - Paragraph 16) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)



8	21/10/2020	Approving the recommendation of the Nomination and Remuneration Committee regarding the appointment of Mrs. Bayan Adel Mohammed Fakieh (Non-Executive Member), to the vacant seat of BOD, succeeding the resigned Member Dr. Mohammed Ahmed Hassan Fatehi (Executive Member), on October 25, 2020, to complete her predecessor term, until the end of the current session of the Board on 21/04/2022G.
9	21/10/2020	Approving the increase of the Group's investment in the Oriental Weavers Company to reach 10%.
10	21/10/2020	Approving the non-renewal of the Executive Committee of Retail Sector – for another period – on November 5, 2020, due to its fulfillment of the purpose for which it was formed.
11	21/10/2020	Approval of the re-nomination of representatives of the Group to the Membership of the BOD of Al-Jouf Agricultural Development Company.
12	10/11/2020	Distribution of interim cash dividends to stakeholders for the first half of the fiscal year 2020, with a total amount of SAR 11,000,000, in amount of 20 Halalass per share, representing 2% of the nominal value of the share.



## Participation of BOD Members in the Membership of BOD of companies inside and outside KSA<sup>35</sup>

Some BOD Members are Members of the BOD of other companies, and the table below shows the names of the Members and companies that participate in the Membership of their current and previous of BOD or of their directors:–

Member Name	Names of other companies for which a Member of the BOD is a Member of their <u>current</u> BOD or of their directors	Inside KSA/ Outside KSA	Legal Entity (Listed Joint Stock/ Unlisted Joint Stock / Limited Liability / ...)	Names of companies for which a Member of the BOD is a Member of their <u>previous</u> BOD or of their directors	Inside KSA/Outside KSA	Legal Entity (Listed Joint Stock/Unlisted Joint Stock/Limited Liability / ...)
Shk. Ahmed Hassan Fitaihi	–	–	–	– CEO of Fitaihi Holding Group until 12/04/2017. – BOD Chairman of Skoon International Real Estate Company in Jeddah Member of the BOD of Credit Agricole Bank – Egypt Member of the BOD of Dar Al Fouad Hospital – Cairo	Inside KSA  Inside KSA  Outside KSA  Outside KSA	Listed Joint Stock  Unlisted Joint Stock  Listed Joint Stock  Unlisted Joint Stock
Dr. Ibrahim Hassan Al-Madhoun	–	–	–	– Red Sea Housing Services Company – Almarai Company – Herfy Food Services Company – Kingdom Holding Company – Arabian Shield Insurance Company	Inside KSA  Inside KSA Inside KSA Inside KSA Inside KSA	Listed Joint Stock Listed Joint Stock Listed Joint Stock Listed Joint Stock Listed Joint Stock

<sup>35</sup> - Paragraph 3) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)



					- Obeikan Investment Group	Inside KSA	Unlisted Joint Stock
Mr. Omar Riyadh Al-Humaidan	- Al-Jouf Agricultural Development Company (a representative of Fitaihi Group)	Inside KSA	Listed Joint Stock		- Member of BOD of Al-Hayaa Pharmacies	Inside KSA	Limited Liability Company
	- The National Company for Glass Industries (Zoujaj)	Inside KSA	Listed Joint Stock		- Founder and Chairman of Trans-Arabian Peninsula Trading Corporation	Inside KSA	Limited Liability Company
	- BOD Member of Abraj Al Hayat Contracting Est	Inside KSA	Limited Liability Company				
Eng. Abdulmalik Abdullah Fathaddin	- CEO of Al-Khomasih International Real Estate Development Company	Inside KSA	Limited Liability Company		- CEO of Tasra Real Estate Development Company	Inside KSA	Limited Liability Company
					- BOD Member and a partner of Arab Home Real Estate Development Company Ltd.	Inside KSA	Limited Liability Company
					- Chairman of Kinan Real Estate Development Company (a subsidiary of the Savola Group)	Inside KSA	Unlisted Joint Stock
					- Chairman of Real Estate Sector (Savola Group)	Inside KSA	Listed Joint Stock
					- Member of BOD of Al-Seera City for Real Estate Development Co. Ltd.	Inside KSA	Limited Liability Company



				<ul style="list-style-type: none"> <li>- Member of BOD of Knowledge Economic City Developers Co.</li> <li>- Member of BOD of Amlak Namya Company Ltd</li> <li>- Chairman of consultant team for Rua Al Madinah project, owned by the Public Investment Fund</li> <li>- Consultant in Al Madinah Region Development Authority</li> </ul>	<ul style="list-style-type: none"> <li>Inside KSA</li> <li>Inside KSA</li> <li>Inside KSA</li> <li>Inside KSA</li> </ul>	<ul style="list-style-type: none"> <li>Limited Liability Company</li> <li>Limited Liability Company</li> <li>Limited Liability Company</li> <li>Government Agency</li> </ul>
<p><b>Dr. Mohammed Ahmed Hassan Fitaihi</b></p> <p>(His resignation from the BOD came into force on 01/07/2020)</p>	<ul style="list-style-type: none"> <li>- General Director of Luxury Goods Trading Company Ltd.</li> <li>- Member of BOD of International Medical Center Company (a representative of Fitaihi Group)</li> <li>- Al Jouf Agricultural Development Company (a representative of Fitaihi Group)</li> </ul>	<ul style="list-style-type: none"> <li>Inside KSA</li> <li>Inside KSA</li> <li>Inside KSA</li> </ul>	<ul style="list-style-type: none"> <li>Limited Liability Company</li> <li>Unlisted Joint Stock</li> <li>Listed Joint Stock</li> </ul>	<ul style="list-style-type: none"> <li>- CEO of Retail Sector - Fitaihi Holding Group</li> <li>- Deputy Director - Swicorp Investment Banking Company - Geneva - Switzerland - 2002-2003</li> <li>- Director of Fitaihi Center - Riyadh - 1995-1997G</li> </ul>	<ul style="list-style-type: none"> <li>Inside KSA</li> <li>Outside KSA</li> <li>Inside KSA</li> </ul>	<ul style="list-style-type: none"> <li>Listed Joint Stock</li> <li>Limited Liability Company</li> <li>Limited Liability Company</li> </ul>
<p><b>Dr. Suhail Hassan Abdul-Malik Qadi</b></p>	<ul style="list-style-type: none"> <li>- Society Empowerment Company</li> <li>- Albir Society Jeddah</li> </ul>	<ul style="list-style-type: none"> <li>Inside KSA</li> <li>Inside KSA</li> </ul>	<ul style="list-style-type: none"> <li>Limited Liability Company</li> <li>A Charity</li> </ul>	<ul style="list-style-type: none"> <li>- Makkah Construction &amp; Development Company</li> </ul>	<ul style="list-style-type: none"> <li>Inside KSA</li> </ul>	<ul style="list-style-type: none"> <li>Listed Joint Stock</li> </ul>



					- Elaf Group for Travel and Hotel	Inside KSA	Limited Liability Company
<b>Dr. Adnan Abdelfattah Mohammed Soufi</b>	- Savola Company	Inside KSA	Listed Stock	Joint	- SEDCO Holding Company	Inside KSA	Closed Joint Stock
	- Al-Ahly Capital Company	Inside KSA	Closed Stock	Joint	- Bupa Arabia for Cooperative Insurance Company	Inside KSA	Listed Joint Stock
	- Wadi Jeddah Company	Inside KSA	Closed Stock	Joint	- Arab Cement Company	Inside KSA	Listed Joint Stock
	- Panda Retail Company	Inside KSA	Closed Stock	Joint	- AWJ Holding Company	Inside KSA	Limited Liability Company
	- Adnan Abdelfattah Soufi Management Consulting Office	Inside KSA	Sole Corporation				
	- Saudi Industrial Services Company	Inside KSA	Listed Stock	Joint			
<b>Mrs. Bayan Adel Mohammed Fakieh</b>  (Her membership in the Board of Directors came into force on 25/10/2020)	- General Manager of Aljada Holding Company	Inside KSA Outside KSA	Limited Liability Company Limited Liability Company		-	-	-
	- General Manager of Brisco Real Estate Company						



## Qualifications, experiences and current and previous positions of Board Members, Committee Members and Executive Management<sup>36</sup>

### 1 – BOD Members

	Name	Current positions	Previous positions	Qualifications	Experiences
1	<b>SHK. Ahmed Hassan Fitaihi</b>	Chairman of BOD of Fitaihi Group Holding Company	1- CEO of Fitaihi Holding Group (until 12/04/2017) 2- BOD Chairman of Skoon International Real Estate Company in Jeddah 3- Member of BOD of "Credit Agricole Bank" – Egypt. 4- Member of BOD of Dar Al Fouad Hospital – Cairo 5- Member of BOD of General Organization for Social Security. 6- Chairman of Gold and Jewellery Committee in Jeddah Chamber of Commerce. 7- BOD Member of Chamber of Commerce and Industry. 8- Deputy General Director of Al Madina Press Est.	High school	– More than 50 years in establishing, managing and leading companies of all kinds. – Former BOD Member of "Credit Agricole" Bank – Egypt. – Former BOD Member of General Organization for Social Security. – Former BOD Member of Jeddah Chamber of Commerce and Industry. – Former Chairman of Gold and Jewelry Committee at Jeddah Chamber of Commerce for one term. – Former BOD Member of Dar Al Fouad Hospital in Cairo.
2	<b>Dr. Ibrahim Hassan Al-Madhoun</b>	Deputy Chairman of the Fitaihi Group Holding Company	– Chairman of BOD of Red Sea Housing Services Company – BOD Member of Al marai Company	– PhD in Civil Engineering – University of Arizona, USA, 1981 – Master of Civil Engineering – KFUPM– 1975	<b><u>KAU 1981– 1992</u></b> – Assistant Professor, Department of Civil Engineering – KAU – Vice Dean of College of Engineering – KAU

<sup>36</sup> - Paragraph 2) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)



			<ul style="list-style-type: none"> <li>- BOD Member of the Red Sea Housing Services Company</li> <li>- BOD Member of Herfy Food Services Company</li> <li>- BOD Member of Kingdom Holding Company</li> <li>- BOD Member of Arabian Shield Insurance Company</li> <li>- BOD Member of Obeikan Investment Group</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor in Civil Engineering – KFUPM –1973</li> </ul>	<ul style="list-style-type: none"> <li>- General Supervisor of Project Management</li> </ul> <p><b><u>Savola Company 1992–2006</u></b></p> <ul style="list-style-type: none"> <li>- General Director of the Group and in charge of the Legal Department – Public Affairs – Public Relations</li> <li>- Director of Snack Foods sector</li> <li>- Deputy Executive Chairman for Investments</li> </ul>
3	<b>Mr. Omar Riyadh Al-Humaidan</b>	<ul style="list-style-type: none"> <li>- Bussiness man</li> <li>- Al-Jouf Agricultural Development Company (A representative of Fitaihi Group)</li> <li>- The National Company for Glass Industries (Zoujaj)</li> <li>- BOD Member of Abraj Al Hayat Contracting Est</li> </ul>	<ul style="list-style-type: none"> <li>- BOD Member of Al-Hayaa Pharmacies</li> <li>Founder and Chairman of Trans-Arabian Peninsula Trading Corporation</li> </ul>	Bachelor of Sharia and Law 1998	Professional experience in Business Administration and Leadership and incorporation of companies for more 19 years
4	<b>Eng. Abdulmalik Abdullah Fathaddin</b>	<ul style="list-style-type: none"> <li>- CEO of Al-Khomasih International Real Estate Development Company</li> </ul>	<ul style="list-style-type: none"> <li>- CEO of Tasra Real Estate Development Company</li> <li>- Member of BOD and a partner of Arab Home Real Estate Development Company Ltd.</li> <li>- Chairman of Kinan Real Estate Development Company (a subsidiary of the Savola Group)</li> </ul>	<ul style="list-style-type: none"> <li>- Master of Industrial Engineering and Management, Oklahoma State University – America – 1985</li> <li>- Bachelor of Industrial Engineering, KAU – 1979</li> </ul>	Professional experience in Senior Management, Human Resource Management, Strategic Planning, Investment Management and Real Estate Investment Management for more than 30 years



		<ul style="list-style-type: none"> <li>- Chairman of Real Estate Sector (Savola Group)</li> <li>- Deputy Chairman -Al-Azizia Company - Panda</li> <li>- Deputy Chairman and General Manager - Savola Food Oils Company</li> <li>- Deputy Chairman and General Manager - Savola Packaging Systems Company</li> <li>- General Manager of Sales- Savola Food Oils Company</li> <li>- BOD Member of Al-Seera City for Real Estate Development Co. Ltd.</li> <li>- BOD Member of Knowledge Economic City Developers Co.</li> <li>- BOD Member of Amlak Namya Company Ltd</li> <li>- Chairman of consultant team for Rua Al Madinah project, owned by the Public Investment Fund</li> </ul>			
5	<p><b>Dr. Mohammed Ahmed Hassan Fitaihi</b></p> <p>(His resignation from the BOD came into effect on 01/07/2020)</p>	<ul style="list-style-type: none"> <li>- General Manager of Luxury Goods Trading Company Ltd. (A subsidiary of Fitaihi Holding Group)</li> <li>- Member of BOD of International Medical Center, and Chairman of the Audit</li> </ul>	<ul style="list-style-type: none"> <li>- CEO of Retail Sector - Fitaihi Holding Group</li> <li>- Founder of a number of brands, including "Baby Fitaihi"</li> <li>- Deputy Director - Swicorp Investment Banking Company - Geneva - Switzerland - 2002-2003</li> <li>- Director of Fitaihi Center - Riyadh - 1995-1997</li> </ul>	<ul style="list-style-type: none"> <li>- PhD in Business Administration with specialization in leadership from Walden University in 2014G.</li> <li>- Master of Business Administration with specialization in (Entrepreneurship) from Babson College in 2002.</li> </ul>	<ul style="list-style-type: none"> <li>- Professional experience in Business Administration and Leadership for over 25 years.</li> <li>- Designing and producing gold and jewelry.</li> <li>- Marketing, Sales, and Brand- Creation.</li> </ul>



	<p>Committee (A representative of Fitaihi Group)</p> <p>- A BOD Member of Al Jouf Agricultural Development Company (a representative of Fitaihi Group)</p>	<p>- Marketing Sector Director - Fitaihi - 1993-1995</p> <p>- Procurement and Sales Director - Fitaihi - 1993</p> <p>- Floor Director- Fitaihi Center- 1992</p>	<p>- Master of Science in Finance and Investment from Northeastern University in 2000.</p> <p>- Bachelor Degree in Systems Analysis Engineering and Operations Research from George Washington University in 1992</p>	
6	<p><b>Dr. Suhail Hassan Abdul-Malik Qadi</b></p> <p>- Chairman of the Board of Directors of Al-Bir Society in Jeddah</p> <p>- Vice Chairman of the Board of Directors of the Community Empowerment Company</p>	<p>- Vice Chairman of the Board of Directors of Makkah Construction &amp; Development Company</p> <p>- Chairman of the Board of Directors of Elaf Group for Travel and Hotels (from 2011 to 2017)</p> <p>- Chairman of the Board of Directors of the Makkah Cultural Club (1427-1432H)</p> <p>- Director of Umm Al-Qura University (1416-1421H.)</p> <p>- Dean Assistant for Faculty of Education for Postgraduate Studies and Scientific Research and Acting Dean of the Faculty (1404-1409H)</p> <p>- Assistant Mayor of Jeddah Governorate for Administrative and Financial Affairs and Chairman of the</p>	<p>- Doctorate in Educational Systems Administration from University of Colorado Boulder, United States - 1980</p> <p>- Master of Educational Systems Administration from Champaign University, California, United States - 1976</p> <p>- Bachelor Degree in Education and Psychology from Faculty of Education, Mecca - 1393H</p>	<p>- Member of the Shura Council (1414 -1416 H)</p> <p>- Member of the Board of Trustees of King Abdulaziz Center for National Dialogue (1435 - 1439H)</p> <p>- A faculty Member at Umm Al-Qura University (1400H)</p>



			Administrative Development Committee (1401-1403H)		
7	<b>Dr. Adnan Abdelfattah Mohammed Soufi</b>	<ul style="list-style-type: none"> <li>- Founder and Executive Partner for Dr. Adnan Abdelfattah Soufi Management Consulting Office</li> </ul>	<ul style="list-style-type: none"> <li>- CEO of SEDCO Holding Company</li> <li>- Dean of the Faculty of Economics and Administration at King Abdulaziz University</li> <li>- Professor of Business Administration at Faculty of Economics and Administration</li> </ul>	<ul style="list-style-type: none"> <li>- Doctorate in Business Administration from George Washington University in the United States of America in 1984</li> <li>- Master of Business Administration from the University of Seattle in 1979</li> <li>- Bachelor Degree in Electrical Engineering from the University of Seattle in 1977</li> </ul>	<ul style="list-style-type: none"> <li>- Former Member of Saudi Capital Market Authority's Board of Directors (from 2014 to 2016)</li> <li>- Specializing in governance, business development, strategies, change-management, transformation programs, and institutional investment.</li> <li>- Started as CEO's Advisor at SEDCO Holding Company, then Senior Vice Chairman for Direct Investments Group and a Member of the Executive Committee, then Managing Director of the Financial Investments Group, then the CEO of SEDCO Holding Company, then Chairman of the Board of Directors' Advisor (from 1991 to 2013)</li> </ul>



8	<p><b>Mrs. Bayan Adel Mohammed Fakieh</b></p> <p>(Her membership in the Board of Directors came into force on 25/10/2020)</p>	<ul style="list-style-type: none"> <li>- General Manager of Aljada Holding Company</li> <li>- General Manager of Brisco Real Estate Company</li> </ul>	<p><b>Unilever–Saudi Arabia from 2011 to 2015:</b></p> <ul style="list-style-type: none"> <li>- Client–Marketing Manager</li> <li>- Trade Sector–Assistant Manager</li> <li>- Operations Sector–Assistant Manager</li> <li>- Brand–Assistant Manager</li> </ul> <p><b>Al Azizia Panda United from 2010 to 2011:</b></p> <ul style="list-style-type: none"> <li>- Key Accounts–Assistant Manager</li> </ul>	<ul style="list-style-type: none"> <li>- Master of Science in International Management in the Middle East and North Africa SOAS from University of London, United Kingdom in 2009</li> <li>- Bachelor of Business Administration from University of Westminster, London, United Kingdom – 2008</li> </ul>	<ul style="list-style-type: none"> <li>- 15 years–experience in investment, real estate marketing, retail sales, and brand management</li> </ul>
9	<p><b>Mr. Uthman Riyadh Mohammed Al–Humaidan</b></p>	<ul style="list-style-type: none"> <li>- Investment Manager at Abraj Al Hayat Company</li> </ul>	<ul style="list-style-type: none"> <li>- Investment Manager in Al–Hayat Pharmacies Group (2006 – 2010)</li> <li>- Financial Analyst at NAEEM Investment Company (2004 – 2006)</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor Degree in Finance from College of Industrial Management, King Fahd University of Petroleum and Minerals – 2004</li> </ul>	<ul style="list-style-type: none"> <li>- Establishing and operating real estates and investing in various activities</li> <li>- Analyzing indicators and shares</li> </ul>



## 2– Members of the Audit Committee

	Name	Current positions	Previous positions	Qualifications	Experiences
1	Dr. Adnan Abdelfattah Soufi	Please refer to the items of the table of <a href="#">Qualifications, experiences, and current and previous positions of Board of Directors Members</a>			
2	Dr. Ibrahim Hassan Al-Madhoun	Please refer to the items of the table of <a href="#">Qualifications, experiences, and current and previous positions of Board of Directors Members</a>			
3	Mr. Uthman Riyadh Al-Humaidan	Please refer to the items of the table of <a href="#">Qualifications, experiences, and current and previous positions of Board of Directors Members</a>			

## 3– Nomination and Remuneration Committee Members

	Name	Current positions	Previous positions	Qualifications	Experiences
1	Dr. Suhail Hassan Qadi	Please refer to the items of the table of <a href="#">Qualifications, experiences, and current and previous positions of Board of Directors Members</a>			
2	Dr. Ibrahim Hassan Al-Madhoun	Please refer to the items of the table of <a href="#">Qualifications, experiences, and current and previous positions of Board of Directors Members</a>			
3	Eng. Abdulmalik Abdullah Fathaddin	Please refer to the items of the table of <a href="#">Qualifications, experiences, and current and previous positions of Board of Directors Members</a>			

## 4– Risk Management Committee Members

	Name	Current positions	Previous positions	Qualifications	Experiences
1	Dr. Ibrahim Hassan Al-Madhoun	Please refer to the items of the table of <a href="#">Qualifications, experiences, and current and previous positions of Board of Directors Members</a>			
2	Dr. Adnan Abdelfattah Soufi	Please refer to the items of the table of <a href="#">Qualifications, experiences, and current and previous positions of Board of Directors Members</a>			
3	Eng. Abdulmalik Abdullah Fathaddin	Please refer to the items of the table of <a href="#">Qualifications, experiences, and current and previous positions of Board of Directors Members</a>			



## 5– Investment Committee Members

	Name	Current positions	Previous positions	Qualifications	Experiences
1	SHK. Ahmed Hassan Fitaihi	Please refer to the items of the table of <a href="#">Qualifications, experiences, and current and previous positions of Board of Directors Members</a>			
2	Dr. Ibrahim Hassan Al-Madhoun	Please refer to the items of the table of <a href="#">Qualifications, experiences, and current and previous positions of Board of Directors Members</a>			
3	Mr. Omar Riyadh Al-Humaidan	Please refer to the items of the table of <a href="#">Qualifications, experiences, and current and previous positions of Board of Directors Members</a>			
4	Dr. Mohammed Ahmed Hassan Fitaihi*	Please refer to the items of the table of <a href="#">Qualifications, experiences, and current and previous positions of Board of Directors Members</a>			

\*Dr. Mohammed Ahmed Hassan Fitaihi's resignation from the membership of the Board of Directors and the Investment Committee came into effect on 1/7/2020.

## 6– Executive Committee for the Retail Sector Members\*

	Name	Current positions	Previous positions	Qualifications	Experiences
1	Dr. Adnan Abdelfattah Soufi	Please refer to what was mentioned in the table of <a href="#">Qualifications, experiences, and current and previous positions of Board of Directors Members</a>			
2	Eng. Abdulmalik Abdullah Fathaddin	Please refer to what was mentioned in the table of <a href="#">Qualifications, experiences, and current and previous positions of Board of Directors Members</a>			
4	Dr. Mohammed Ahmed Hassan Fitaihi*	Please refer to what was mentioned in the table of <a href="#">Qualifications, experiences, and current and previous positions of Board of Directors Members</a>			

\*Dr. Mohammed Ahmed Hassan Fitaihi's resignation from the membership of the Board of Directors and the Investment Committee came into effect on 1/7/2020.

\*The Company announced on Tadawul website on 21/10/2020 that the Executive Committee for the Retail Sector shall not be renewed for another period on 5 November 2020, due to the completion of the purpose for which it was previously formed.



## 7- Executive Management Members

	Name	Current positions	Previous positions	Qualifications	Experiences
1	<b>Dr. Mohammed Ahmed Hassan Fitaihi*</b>	Please refer to what was mentioned in the table of <a href="#">Qualifications, experiences, and current and previous positions of Board of Directors Members</a>			
2	<b>Mr. Yasser Yehia Abdelhamid Abdrabou</b>	<ul style="list-style-type: none"> <li>- Chief Executive Officer (CEO)</li> <li>- General Manager of Financial Department</li> </ul>	<ul style="list-style-type: none"> <li>- Head of Accounts Department at Ahmed Hassan Fitaihi &amp; Partners Co</li> <li>- Accountant at Ahmed Hassan Fitaihi &amp; Partners Co</li> <li>- Accountant at Ismail Abu Shady Company for Importing and Trading Agricultural Equipment, Cairo</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor Degree in Commerce - Al-Azhar University - 1992</li> </ul>	<ul style="list-style-type: none"> <li>- Developing strategic plans</li> <li>- Developing business plans</li> <li>- Financial analysis and investment assessment</li> <li>- Operations risk assessment</li> <li>- Developing financial control plans</li> <li>- <b>Supervising</b> the implementation of the Corporate Governance Law</li> <li>- Developing financial statements</li> </ul>
3	<b>Mr. Mohammed Hassan Deif-Allah Al-Amri</b> (The business relationship with him has been terminated on 5/10/2020 due to the activity closure)	<ul style="list-style-type: none"> <li>- Regional Operations Manager for the Central Region</li> </ul>	<ul style="list-style-type: none"> <li>- Branch Manager- Accessories sales at Fitaihi Holding Group</li> <li>- Branch Manager- Gold and Jewelry sales</li> </ul>	<ul style="list-style-type: none"> <li>- Certificate of Secondary Education</li> </ul>	<ul style="list-style-type: none"> <li>- More than 15 years experience in sales management</li> </ul>
4	<b>Hussien Ali Hussien Al Yarimi</b>	<ul style="list-style-type: none"> <li>- Manufacturing Manager</li> </ul>	<ul style="list-style-type: none"> <li>- Procurement Officer</li> <li>- Sales Officer</li> </ul>	<ul style="list-style-type: none"> <li>- Holding the certificate of General Secondary</li> </ul>	<ul style="list-style-type: none"> <li>- More than 50 years experience in Gold and Jewelry</li> <li>- Valuation of precious metals and gemstones</li> </ul>
5	<b>Reda Ibrahim Ibrahim Toubar</b>	<ul style="list-style-type: none"> <li>- Board of Directors Secretary</li> <li>- Director of Governance and Investor Relations Department</li> </ul>	<ul style="list-style-type: none"> <li>- Director of Marketing Department at Fitaihi (until 1/2016)</li> <li>- Brand Director at Fitaihi (until 01/2016)</li> <li>- General Manager of Nour East Company for Marble and Granite, Egypt</li> <li>- Italian and English translator</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor degree of Al Alsun- Italian Language Department, Ain Shams University, Cairo in 1996</li> <li>- Professional Certificate of Disclosure- Saudi Stock Exchange (Tadawul)</li> </ul>	<ul style="list-style-type: none"> <li>- 20 years experience in advertising, marketing, brand-building, governance, and investor relations</li> </ul>

\* Dr. Mohammed Ahmed Hassan Fitaihi's resignation from the membership of the Board of Directors and the Investment Committee came into effect on 1/7/2020.



## – Sub-Committees of the Board of Directors<sup>37</sup>

The Board of Directors has formed the Membership of five sub-committees emanate from the Board. These committees assist the Board of Directors and the Executive Management to perform the assigned duties to achieve the Group's objectives, as follow:

### 1 – Audit Committee:

The Committee formed by a resolution of the Sixth Extraordinary General Assembly held on 18/04/2019, and then began to define its duties, work standards, and Members' remunerations. Thereunder the Committee began its work in its new session from 22/04/2019 for a period of three calendar years ending on 21/04/2022. The committee consists of (3) Members, as shown in the following table:

	Name	Membership Nature
1	Dr. Adnan Abdelfattah Soufi	Head of Committee (Board of Directors Member)
2	Dr. Ibrahim Hassan Al-Madhoun	Committee Member (Board of Directors Member)
3	Mr. Uthman Riyadh Al-Humaidan	Committee Member (External Member)

### **Audit Committee's duties and responsibilities summary:**

The Audit Committee shall be responsible for monitoring the Company's activities and ensuring the integrity and effectiveness of the reports, financial statements and internal control systems. The duties of the audit committee shall

<sup>37</sup> - Paragraph 6) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)



particularly include the following (as stated in the Governance Regulations of the Company):

**A) Financial Reports:**

- 1- Analyzing the Company's interim and annual financial statements before submitting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness and transparency.
- 2- Providing its technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model, and strategy;
- 3- Analyzing any important or non-familiar issues contained in the financial reports;
- 4- Accurately investigating any issues raised by the Company's chief financial officer or any person assuming his/her duties or the Company's compliance officer or external auditor;
- 5- Examining the accounting estimates in respect of significant matters that are contained in the financial reports; and
- 6- Paying attention to the extraordinary actions such as accounting reclassification and unusual titles (irregular).
- 7- Examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon.
- 8- Reporting its proposals and recommendations to the Board for resolution.
- 9- Ensuring that the Board is aware of all matters that affect substantially the financial matters and administrative affairs.
- 10- Examining the accounting policies adopted by Company before being approved and any change in this policies and providing the committee's



recommendations in this regard and considering the appropriateness of accounting policies to the nature of Company business and its effects on the financial position and business results.

11- Auditing the annual report prior to its publication and ensuring that the information is understandable and in conformity with the knowledge of Members about the Company and its activities as well as reviewing any legal issues that affect the financial position of the Company.

12- Evaluating the fairness of periodic financial reports and explanations contained therein and seeking the advice of the Management, internal auditor , and auditor about:

A) if the discrepancies in the financial percentages are in conformity with the changes of the Company's operations and financial practices.

B) If the general accepted accounting principles are applied constantly.

C) If there any unusual events or procedures.

D) If the financial and administrative internal control system effectively meets its objectives.

E) If the periodic financial reports contain sufficient and appropriate information for publication.

#### **B) Internal Audit:**

1- Examining and reviewing the Company's internal and financial control systems and risk management system.

2- Examining the internal audit reports and following up the implementation of the corrective measures in respect of the remarks made in such reports.

3- Monitoring and overseeing the performance and activities of the internal auditor and internal audit department of the Company, if any, to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties. If the Company has no internal auditor,



- the committee shall provide a recommendation to the Board on if there is a need to appoint an internal auditor.
- 4- Providing a recommendation to the Board on appointing the manager of the internal audit unit or department, or the internal auditor and suggest his/her remunerations
  - 5- Inviting the internal auditor to attend meetings of audit committee at least one time annually to discuss audit plans and any other matters that committee considers. It also has the right to invite him/her at any time to discuss any other matters relevant to internal audit.
  - 6- Verifying the sufficiency of the control activities in the facility, the efficiency of its design in an appropriate way minimizing and detecting fraud and errors, immediately after they occur, and the effectiveness of the implementation of control activities in a manner allowing verifying of the quality of control activities and consistency of implementation.
  - 7- Overseeing investigations related to fraud or errors occurred in the Company or any matters that the committee deems important for investigation.
  - 8- The internal audit department may be taken as a reference for the audit committee information in cases of important and unusual embezzlement in addition to the Company's application of legal aspects.
  - 9- Examining the nomination applications for the auditor general post in the Company, remuneration, allowances ,and other benefits allocated and nomination of the most suitable person with the reasons and consideration of the termination of general auditor service whether due to resignation, disability, or dismissal and present relevant recommendations to the Board.
  - 10- The audit committee shall prepare a report on its opinion about the adequacy of the internal control system in the Company and the other activities, carried out within its competency. The Board shall submit sufficient copies of this report to the Company headquarter, ten-day prior to the



meeting of the General Assembly to provide a copy thereof to the interested shareholders. The report shall be read during the General Assembly meeting.

\*\* According to the Audit Committee's recommendation, M/s (KPMG) had been appointed to perform the internal audit tasks and risk assessment and management.

and there is

conflict between the Audit Committee's recommendations and the Board of Directors' resolutions and the Board was refused to consider the committee's recommendations into action as to appointing or dismissal the Company's auditor or determining its remuneration, assessing his performance or appointing the internal auditor<sup>38</sup>

### **C) External Auditor**

- 1- Providing recommendations to the Board to nominate external auditors, dismiss them, determine their remunerations, and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts
- 2- Verifying the independence of the external auditor, its objectivity, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards

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<sup>38</sup> - Paragraph 12) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)



- 3- Reviewing the plan of the Company's auditor and its activities, and ensuring that it does not provide any technical or administrative works that are beyond its scope of work, and provides its opinion thereon.
- 4- Responding to queries of the Company's external auditor; and
- 5- Reviewing the external auditor's reports and its comments on the financial statements, and following up the procedures taken in connection therewith.
- 6- Following up on the auditors' work.
- 7- Monitoring the inventories including those made in the Company's branches and projects.
- 8- Holding individual meeting with the auditor to discuss any matters that committees or auditors consider to be discussed personally.
- 9- Ensuring that the important notices and recommendations submitted by the auditor have been received and discussed timely.
- 10- Ensuring the response of the management to the recommendations of the auditor.
- 11- The Ordinary General Assembly shall appoint the Company's external auditor based on a nomination of the Board, and taking into account the following:
  - A)- The nomination shall be based on a recommendation from the Audit Committee.
  - B) The external auditor shall be authorized and meet the requirements established by the competent authority.
  - C) The external auditor's interests shall not conflict with the interests of the Company.
  - D) The number of nominees shall not be less than two auditors.



### **Ensuring Compliance**

- 1) Reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in this regard.
- 2) Ensuring the Company's compliance with the relevant laws, regulations, policies and instructions.
- 3) Reviewing the contracts and proposed Related Party transactions, and providing its recommendations to the Board in this regard.
- 4) Reporting to the Board any issues it deems necessary to take action thereon, and providing recommendations as to the steps to be taken.

### **E) Audit Committee Members' Remuneration and Attendance**

#### **Allowances**

- 1- Each independent Member of the Audit Committee –non Board Member– shall receive an annual remuneration of (SAR 80,000), in addition to attendance allowance and other prescribed compensations.
- 2- The attendance allowance of audit committee meeting is amounting to (SAR 1500) for each session (as approved in the Shareholders' assembly meeting dated 4/20/2016), and not exceeding the attendance allowance prescribed for the Board Members, and a specific amount for each hour spent by the Member outside the committee meetings for relevant business, and an indemnity for actual expenses incurred for business related to carrying out his duties.



- 3- The General Assembly Board report should illustrate the remunerations and other benefits that were paid to the committee Members.
- 4- If the committee Member or the committee secretary is an employee of the Company or whosoever receives a monthly salary from the Company, he/she shall not be entitled to receive any special remuneration other than the allowance for attending committee meetings above-mentioned.
- 5- A Board Member may obtain remuneration for his Membership in the audit committee which formed by General Assembly, or for any additional business, executive, technical, managerial or consultative positions- under professional license- assigned to him by the Company. In addition to **the remuneration that he may receive in his capacity as a Member in the Board or the committees formed by the Board, in accordance with the Companies Law and the Company's bylaws** In other words, the total remunerations that Board Member shall obtain in return for his Membership in the Audit Committee formed by the General Assembly or for any additional business or executive, technical, administrative, or advisory positions- under a professional license - business or assigned to him at the Company shall not be listed within the scope of the upper limit of remuneration stipulated in paragraph (3) of Article 76 of the Companies Law.

#### **F) Audit Committee Controls**

- 1- The committee shall select from a chairman among its Members, besides it may select secretary among its Members or others to prepare its meetings minutes and takes over the administrative issues of the committee.
- 2- The committee shall convene upon an invitation from its Chairman. The committee Member may not be represented by another Member in these meetings. The committee deliberations and decisions shall be recorded in



the minutes signed by the committee's chairperson and Secretary. The committee Member shall be considered resigned if the Member fails to attend committee meetings, without justifiable excuses, for more than three consecutive meetings.

- 3- The quorum of audit committee shall be constituted at its meeting by the presence of the majority of its Members and its decisions shall be adopted by majority vote of the Members present. In the event of a tie, the chairman will cast the deciding vote.
- 4- The committee Member may not participate in any business that would compete with the Company or trade in any activities that Company performs, otherwise the Company shall be entitled to claim compensation or the transactions made for his account, shall be considered made for the Company's account.
- 5- The committee Member shall comply with the Board Member obligations and maintain the Company's secrets. The committee Members may not disclose any information acquired due to their work to shareholders or other, otherwise they are dismissed and claimed to pay compensation.

**The Audit Committee held in its eighth session, which ends on 21/4/2022, 4 (remote) meetings during the fiscal year 2020, and we explain below the attendance position of Committee Members in these meetings:**

Member Name	Members hip Nature	Number of meetings (4) meetings**				
		First Meeting 2/11/2020	Second Meeting 8/24/2020	Third Meeting 10/21/2020	Fourth Meeting 11/10/2020	Total
Dr. Adnan Abdelfattah Soufi	Head	✓	✓	✓	✓	4
Dr. Ibrahim Hassan Al-Madhoun	Member	✓	✓	✓	✓	4
Mr. Uthman Riyadh Al-Humaidan	Member	✓	✓	✓	✓	4



\*\* In addition to field visits to the branches and periodic meetings with the external auditor, the internal auditor and some of the Company's departments (particularly the financial department) to assess their work from time to time and supervise the inventory operations in specific periods.

## 2– The Nomination and Remuneration Committee

The Board of Directors has formed a Nomination and Remuneration Committee from non-executive Board Members, including an independent Member (at least) in accordance with Article No. (60) and (64) of the Corporate Governance Regulations. The Committee began to perform the assigned duties on 22/04/2019 for a period of three years ending on 22/4/2022. The Ordinary General Assembly held on 12/12/2017 agreed to update the Nominations and Remuneration Committee's Work Regulations. The Committee consists of (3) Members, as shown in the below table:

	Name	Membership Nature
1	Dr. Suhail Hassan Qadi	Head of Committee (Board Member)
2	Dr. Ibrahim Hassan Al-Madhoun	Committee Member (Board Member)
3	Eng. Abdulmalik Abdullah Fathaddin	Committee Member (Board Member)

### **Nominations and Remuneration Committee's duties and responsibilities**

#### **summary:**

- 1– Preparing a clear policy for the remunerations of the Board Members and the emanating committees of the Board and Executive Management, reporting such policy to the Board in preparation for approval by the General Assembly, provided that such policy shall be in consistent with the standards linked to performance, disclosing and ensuring the implementation of such policy;



- 2- Clarifying the relation between the granted remunerations and the applicable remuneration policy, and highlighting any material deviation from that policy.
- 3- Periodically reviewing and assessing the effectiveness of the remuneration policy in order to meet its objectives.
- 4- Providing recommendations to the Board in respect of the remunerations of its Members, the emanating committees—except for the Audit Committee—and Senior Executives in accordance with the approved policy.
- 5- Proposing clear policies and standards for the Board and Executive Management Membership.
- 6- Providing nomination or re-nomination recommendation of its Members to the Board, in accordance with applicable policies and standards, taking into consideration not to nominate whomsoever convicted of a crime involving breach of trust.
- 7- Preparing a description of the required capabilities and qualifications required for the Board Membership and Executive Management positions.
- 8- Determining the time needed to be allocated by the Member to the Board businesses.
- 9- Annually reviewing the adequate talents required for Board Membership and Executive Management positions.
- 10- Reviewing the structure of the Board and Executive Management and making recommendations regarding the proposed changes to be applied.
- 11- Annually verifying the independence of Members, and ensuring that no conflict of interest is detected if the Member hold another Board Membership.
- 12- Developing job descriptions for Executive Members, non-Executive Members, independent Members and Senior Executives.
- 13- Developing special procedures in case the position of a Board Member or a Senior Executive has become vacant.



- 14- Identifying weaknesses and strengths in the Board, and proposing relevant solutions in line with the Company's interest.
- 15- Assessing the Senior Executives and CEO performance in the Company, in accordance with the Company HR Department reports.
- 16- Conducting final interviews to adopt the appointment of Senior Executives.
- 17- Informing the CEO and the Board Members, particularly non-executive Board Members of the shareholders' proposals received on the performance of the Company.
- 18- The Nomination and Remuneration committee currently pays more attention to all implementation functions related to the Governance Regulations and Rules. The committee should follow up any issues related to implementing such regulations and providing the Board at least annually with its reports and recommendations. Among the main functions of the Governance Committee, or management or committee in lieu, is as follows:
  - A) Verifying that the Company complies with the Corporate Governance Regulations issued by the Capital Market Authority and the Governance Regulation of the Company.
  - B) Reviewing and Updating the Regulation pursuant to the statutory requirements and best practices.
  - C) Reviewing and developing codes of professional conduct representing the Company's values and other internal policies and procedures in order to fulfill the Company's requirements in accordance with best practices.
  - D) Regularly informing the Board Members of the developments in corporate governance and best practices, or authorizing the audit committee or any other committee or department to undertake this task.
  - E) E) The Nomination and Remuneration committee currently pays more attention to all implementation functions related to the Governance Regulations and Rules.



The Nomination and Remuneration Committee held in its fifth session, which ends on 21/04/2022, 3 (remote) meetings during the fiscal year 2020, and we clarify below the attendance position of the committee Members in these meetings:

Member Name	Membership Nature	Number of meetings: (3) meetings			Total
		First Meeting 3/1/2020	Second Meeting 4/12/2020	Third Meeting 10/21/2020	
Dr. Suhail Hassan Abdul-Malik Qadi	Head	✓	✓	✓	3
Dr. Ibrahim Hassan Mohammed Al-Madhoun	Member	✓	✓	✓	3
Eng. Abdulmalik Abdullah Fathaddin	Member	✓	✓	✓	3

### Remuneration and Attendance Allowances of Committee Members

The General Assembly of Shareholders, which was held on 12/12/2017, approved the updating of the Nomination and Remuneration Committee bylaws, including work controls, formation, tasks, responsibilities, powers, remunerations, and attendance allowances for Members of the committee. Committee Members did not obtain any remunerations or attendance allowances in respect of the committee's meetings.

### **3- Investment Committee**

BOD, in its current session, has formed a committee emanating from the BOD to be named the Investment Committee, which started its works on 22/04/2019 and ends with the end of the current session of the BOD on 21/04/2022, and among its most important main tasks are the following:

- 1- Developing a strategy and comprehensive policies for investment that are consistent with the nature and magnitude of the Company, monitoring their



- implementation, and reviewing and updating them based on internal and external changing factors of the Company and market in general.
- 2- Determining and maintaining an acceptable level of risk that may be faced by the Company, as a result of these investments, and ensuring that the Company does not go beyond such level.
  - 3- Ensuring the feasibility of the Company's survival in these investments and determining the risks that could be faced during the following twelve (12) months.
  - 4- Overseeing the Company's investment system and assessing the effectiveness of the systems and mechanisms for determining, measuring and monitoring the risks that threaten the Company as a result of being involved in these investments, in order to determine areon inadequacy therein.
  - 5- Regularly re-assessing the Company's ability to take risks and be exposed to such risks through endurance tests.
  - 6- Providing recommendations to the Board on investment-related matters.
  - 7- Ensuring the availability of resources for investment.

### **Investment Controls**

- 1- The investment in the financial assets shall be made based on the Group own resources.
- 2- Avoiding engaging in investments in the markets of the high political and economic risks countries.
- 3- Avoiding investment in loss-making companies or companies with financial suspicion.
- 4- The risk should be distributed sectorally and pay more attention to leading companies with high growth rates



- 5- Avoiding investment in the high risk companies whose profits rates exceed the standard rates.
- 6- The securities should be sold and purchased from an investment fund or an investment portfolio of the Company managed by an authorized person in accordance with the management contract, provided that the contract shall expressly indicate the complete separation between the Company and investment decisions and not contain any article might be contrary thereto. The investment for one year or more shall be excluded therefrom, the Company shall not sell the security before one year on date of last purchase of the securities owned by the issuer itself.
- 7- The Company shall notify Capital Market Authority of any management contract made between the Company and the authorized person, together with reference to the number of investment portfolio relevant to this contract.
- 8- The Company shall upon consolidation of financial statements with its subsidiaries, ensure the compliance of subsidiaries with the controls stipulated in this decision.
- 9- Compliance with laws, regulations and circulars on the investment controls of the official authorities (Capital Market Authority, Ministry of Commerce and Investment, etc...)

### **Investment Process Procedures**

- 1- The available investment opportunities shall be presented to the investment committee
- 2- The Members of investment committee shall discuss these opportunities whether through their meetings or via other means of communications (email, phone, fax, etc.)



- 3- After the investment committee agreed in principle on the investment opportunity, it shall recommend it to be presented to the Board Members for discussion.
- 4- When the Board of director adopts the recommendations of investment committee, the Board makes decision in which the investment opportunities, investment controls and limits are determined.
- 5- After the Board adopted the recommendations of investment committee, the Board shall assign and grant the CEO necessary powers to implement the Board's decision of investment.

**The committee consists of (4) Members, as shown in the below table:**

	<b>Member Name</b>	<b>Membership Nature</b>
<b>1</b>	<b>Ahmed Hassan Fitaihi</b>	Head of Committee (Chariman)
<b>2</b>	<b>Dr. Ibrahim Hassan Al- Madhoun</b>	Committee Member (Board Member)
<b>3</b>	<b>Dr. Mohammed Ahmed Hassan Fitaihi</b>	Committee Member (Board Member)
<b>4</b>	<b>Mr. Omar Riyadh Mohammed Al-Humaidan</b>	Committee Member (Board Member)



The Investment Committee held at its fifth session during the financial year 2020, 3 (remote) meetings, where the attendance of committee's Members is outlined below:

Member Name	Membershi p Nature	Number of meetings: (3) meetings			Total
		First meeting 08/04/2020	Second Meeting 10/06/2020	Third Meeting 21/10/2020	
Shk. Ahmed Hassan Fitaihi	Head	✓	✓	✓	3
Dr. Ibrahim Hassan Al-Madhoun	Member	✓	✓	✓	3
Dr. Mohammed Ahmed Hassan Fitaihi	Member	✓	He was not invited to attend in order to avoid any conflict of interests	**	1
Mr. Omar Riyadh Al Humaidan	Member	✓	✓	✓	3

\*\*Dr. Mohammed Fitaihi's resignation from his membership of the BOD of Fitaihi Holding Group and from his membership in the Investment Committee came into effect on 01/07/2020.

#### 4- Risk Management Committee

The Board has formed a committee emanating from the Board called the Risk Management Committee, which ends at the end of the Board's current session dated 21/04/2022. Its main tasks include what was previously stated in Chapter ["Risk Management and Control Policy"](#)

The committee consists of (3) Members, as shown in the table below:

	Member Name	Membership Nature
1	Dr. Ibrahim Hassan Al-Madhoun	Head of Committee (Board Member)
2	Eng. Abdulmalik Abdullah Fathaddin	Committee Member (Board Member)
3	Dr. Adnan Abdelfattah Soufi	Committee Member (Board Member)



The Risk Management Committee held at its second session, which ends on 21/04/2022, 4 (remote) meetings during the financial year 2020, where the attendance of Committee's Members is outlined below:

Member Name	Membership Nature	**Number of meetings: (4) meetings				Total
		First meeting 11/02/2020	Second Meeting 11/02/2020	Third Meeting 21/10/2020	Fourth meeting 10/11/2020	
Dr. Ibrahim Hassan Al-Madhoun	Head	✓	✓	✓	✓	4
Eng. Abdulmalik Abdullah Fathaddin	Member	✓	✓	✓	✓	4
Dr. Adnan Abdelfattah Mohammed Soufi	Member	✓	✓	✓	✓	4

\*\*In addition to the periodic meetings with the internal auditor and some of the Company's departments (Particularly the finance department) to assess their work.

### 5- Executive Committee of the Retail Sector

The Board formed a new committee emanating from the Board of Directors on 03/11/2019, to become effective on 05/11/2019. The new committee's main objective is to oversee the development and implementation of strategic plans for the Retail Sector. Membership of the new committee consists of the following:

	Member Name	Membership Nature
1	Dr. Adnan Abdelfattah Soufi	Head of Committee (Board Member)
2	Eng. Abdulmalik Abdullah Fathaddin	Committee Member (Board Member)
3	Dr. Mohammed Ahmed Hassan Fitaihi	Committee Member (Board Member)



### **Commencement and Duration of the Committee's Duties:**

The committee shall commence its works on 05/11/2019, effective for one calendar year and shall be renewed annually by a Board's decision.

**\*\* The Company announced on Tadawul website on 21/10/2020 that the Executive Committee for the Retail Sector will not be renewed for another period– on November 5, 2020, since the purpose of its formation has been met.**

### **Committee's Duties and Scope of Work:**

Supervising the development and implementation of the Retail Sector strategy, reviewing the implementation plans, the sector's performance and contributing to guidance thereof, as well providing the Board with periodic reports regarding the aforementioned assessment results and following up on its performance.

### **Committee's Meetings**

The committee shall schedule its periodic meetings, and its Chairman may invite its Members for meeting on an exceptional basis or at the request of one of the Members.

**The committee held (1) one meeting during the financial year 2020, where the attendance of committee's Members is outlined below:**

Member Name	Membershi p Nature	Number of meetings: (1)	
		First meeting 13/02/2020	Total
Dr. Adnan Abdelfattah Mohammed Soufi	Head	✓	1
Eng. Abdulmalik Abdullah Fathaddin	Member	✓	1
Dr. Mohammed Ahmed Hassan Fitaihi	Member	✓	1



### **Transactions with related parties during the financial year 2020<sup>39</sup>**

1) The total transactions, concluded with the International Medical Center, during the financial year 2020, amounted to 1,445,984 SAR in cash, without any special conditions, which is the total value of selling goods to the International Medical Center (within the goods traded and sold by Fitaihi Retail Company). Fitaihi Holding Group announced on Tadawul website on January 30, 2020 that it had entered into these transactions on 30/01/2020.

Worth mentioning that (former) Board Member, **Dr. Mohammed Ahmed Hassan Fitaihi**, represents the Fitaihi Holding Group in the International Medical Center's Board of Directors, accordingly, he had an indirect interest in the aforementioned transaction.

### **Any information relating to any business or contracts to which the Company is a party and in which any Board Member, Senior Executive, or any related person is or was interested.<sup>40</sup>**

1)- The former Board Member, **Dr. Mohammed Ahmed Hassan Fitaihi**, whose resignation from the membership of the BOD and the Investment Committee has entered into force on 01/07/2020, was the CEO of the Retail Sector at Fitaihi Holding Group until 12/05/2020 and the General Manager of the f Luxury Goods Trading Company Ltd, in which he owned 20% of its share capital while Fitaihi Holding Group owned 80% of its capital. The total salaries and other benefits he obtained in return for his management during the financial year 2020 until 30/06/2020 amounted to 825,030 SAR.

<sup>39</sup>- Paragraph 33) of Article 90- Corporate Governance Regulations- (Disclosures to be made in the Board's Report)

<sup>40</sup>- Paragraph 34) of Article 90- Corporate Governance Regulations- (Disclosures to be made in the Board's Report)



	Work or Contract Nature	Work or Contract Amount	Name of Member/ Senior Executive or any person related to any of them
1	Employment contract for the General Manager position at the Luxury Goods Company Ltd. and CEO of the Retail Sector at Fitaihi Retail Company.	The salaries, housing and transportation allowances amounted to 825,030 SAR during the financial year 2020 until 30/6/2020.	Former Board Member, <b>Dr. Mohammed Ahmed Hassan Fitaihi.</b>

2)– Fitaihi Holding Group announced on Tadawul website on October 25, 2020 that it had signed a Final Sale Contract of Fitaihi Holding Group’s 80% stake in the share capital of its subsidiary (Luxury Goods Trading Company Ltd.) to the former Board Member, Dr. Mohammed Ahmed Hassan Fitaihi, for a total amount of SAR 14.36 million, to be paid as follows:

- 1– Receiving a cash amount of 10.75 million SAR, from the value of the transaction, (representing 74.9% of the total value of the transaction).
- 2– Obtaining gold and goods, (selected by Fitaihi Holding Group), from Luxury Goods Trading Company Ltd. at its fair value amounting to SAR 1.27 million, (representing 8.8% of the total value of the transaction).
- 3– Scheduling the payment of the remainder of the transaction value, (an amount of SAR 2.34 million), (representing 16.3% of the total value of the transaction), on six installments until 31/12/2022.



\*\* Fitaihi Holding Group announced on Tadawul website on June 10, 2020 that it had signed a (non-binding) Memorandum of Understanding with the former Board Member, **Dr. Mohammed Ahmed Hassan Fitaihi** to sell Group's 80% stake in the share capital of its subsidiary (Luxury Goods Trading Company Ltd.) to **Dr. Mohammed Ahmed Hassan Fitaihi**. The Group also announced on Tadawul website, on July 16, 2020, the resolutions of the Ordinary General Assembly held on July 15, 2020, which had approved the business and contract to be entered into between the Company and the former Board Member, **Dr. Mohammed Ahmed Hassan Fitaihi** related to the aforementioned sale transaction.

	Work or Contract Nature	Work or Contract Amount	Name of Member/Senior Executive or any person related to any of them
1	Final Sale Contract for the Group's 80% share in the capital of its subsidiary (Luxury Goods Trading Company Ltd.)	A total amount of SAR 14.36 million.	The former Board Member, <b>Dr. Mohammed Ahmed Hassan Fitaihi</b> .



## **Procedures made by the BOD to inform its Members – particularly the non-executives – of shareholders' proposals and comments<sup>41</sup>**

- 1) – In 2017, the Company launched on its official website ([www.fitaihi.com.sa](http://www.fitaihi.com.sa)) a special page for shareholders ([Investor Relations](#)) through which they can learn how to send an email (**directed to Board Members**), containing their proposals and feedback about the Company and its performance.
- 2)– There is another page on the Company's official website entitled ([Contact Us](#)) with the email ([sh@fitaihi.com.sa](mailto:sh@fitaihi.com.sa)) which the stakeholders can use to inform the the Company's Board Members of their desires through the Secretary of the BOD.
- 3)– The Nomination and Remuneration Committee shall inform the CEO and Board Members– particularly the non-executives – of the shareholders 'proposals received regarding the Company and its performance.
- 4)– The Governance and Investor Relations Department shall inform the CEO and Members of the Nominations and Remuneration Committee of the shareholders 'proposals it received regarding the Company and its performance.
- 5)– Stakeholders can also contact he secretary of the BOD at phone No. (012 – 2604200), in order to inform him about the proposals or feedback that they wish to convey to the Company's Board Members, or communicate with him via his email ([sh@fitaihi.com.sa](mailto:sh@fitaihi.com.sa)).
- 6)– Chairman of the Audit Committee can be reached at the following email: [Audit.Head@fitaihi.com.sa](mailto:Audit.Head@fitaihi.com.sa). In addition, direct and private communication can be

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<sup>41</sup>- Paragraph 5) of Article 90- Corporate Governance Regulations- (Disclosures to be made in the Board's Report)



made via email with the rest of the Audit Committee Members (all of them are independent) through the Company's official website.

7)– Board Members, committees and the secretary of the BOD shall seek to maintain the confidentiality of any communication with stakeholders, and to provide them with the necessary protection.

8)– Respond to or solve the shareholders' complaints as soon as possible within a period not exceeding 10 working days.



### **Due Statutory Payments**<sup>42</sup>

The following table shows the due statutory payments for any zakat, taxes, fees, or other dues that were not paid until the end of the annual financial period, accompanied with a brief description and indication of the reasons:

(In SAR Thousand)

Description	Dues until the end of the annual financial period that has not been paid	Brief description	Indication of reasons
Zakat	7,954	Zakat due for 2020, and zakat variances for previous years.	
Tax	744	Value Added Tax, December 2020	Paid on January 2021
General Organization for Social Insurance	74	Social Insurance, December 2020	Paid on January 2021

### **Details of retained treasury stock and usage of these shares**<sup>43</sup>

The number of treasury stock retained by the Company	Its value	Retention date	Details of their use
-	-	-	-
-	-	-	-

<sup>42</sup>- Paragraph 37) of Article 90- Corporate Governance Regulations- (Disclosures to be made in the Board's Report)

<sup>43</sup>- Article 15) of the regulatory controls and procedures issued in order to implement the Companies Law for the Listed Joint Stock Companies

Paragraph 38) of Article 90- Corporate Governance Regulations - (Disclosures to be made in the Board's Report)



The Company purchased 4600 shares on 13/09/2008 (with an average purchase price of 16.32 SAR/share) to distribute them to its winning customers in one of its promotional competitions (promotional shares). The rest of these shares are still since then in an investment portfolio named (Fitaihi Group's Promotional Gifts) and amount to 638 shares.



## **VI: Governance Regulations**

Fitaihi Holding Group ensures full compliance with the Corporate Governance Regulations, which resulting in applying comprehensive internal control systems, transparency policies, and commitment to the principles of risk management. It also seeks to apply the latest performance standards in its supervision of its business, including the directives issued by the Capital Market Authority and the Ministry of Commerce and Investment. The Company's Shareholders Assembly approved the Group's Corporate Governance Guide on 4/04/2012, which was updated by the Shareholders' Assembly held on 12/12/2017. According to Paragraph (1) of Article (90) in the Corporate Governance Regulations issued by the Capital Market Authority, the Group shall apply the mandatory articles stated in the governance regulation, especially with regard to the following:<sup>44</sup>

- 1) Shareholders and the General Assembly rights in terms of facilitating the exercise of shareholders rights and access to information, their rights during the Company general meetings, voting rights, shareholders' rights in dividends, and the right to dispose of shares. The Executive Management also provided the shareholders with all the information that enables them to fully exercise their rights, so such information should be complete, accurate, and updated in a regular and timely manner, without any discrimination among them.
- 2) General policies for disclosure, transparency and disclosure in BOD report.
- 3) The Board of Directors, its main functions, responsibilities, formation, committees, their remuneration, and conflict of interest.

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<sup>44</sup> - Paragraph 1) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)



- 4) Publish the quarterly and annual financial results on the Tadawul website on specified dates
- 5) Prepare BOD report in accordance with the provisions of the Corporate Governance Regulations.
- 6) Comply with the announcement form defined by the Capital Market Authority, dates for publication of essential information in accordance with the instruction issued by the Authority regarding Company announcements.
- 7) Draft codes of professional conduct for Company managers and employees to comply with correct professional and ethical standards and regulate the relationship between them and stakeholders.
- 8) Separate between the position of Chairman of the Board of Directors and any executive position in the Company, such as Managing Director, CEO, or General Manager.

**Provisions that have not been applied from the Corporate Governance Regulations:<sup>45</sup>**

The Company shall apply, from a practical perspective, what is stated in the Corporate Governance Regulations fully and partially (being applied) through bylaws, regulations, internal procedures, relevant statutory regulations, as well as applying generally accepted international accounting standards in the Kingdom of Saudi Arabia. The Company seeks to develop internal policies and procedures continuously.

The following are the points that have not fully implemented from the corporate governance regulations and the reason for this as follows:

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<sup>45</sup> - Paragraph 1) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)



Article/ Paragraph No.	Article/ Paragraph text.	Causes
Article 39- Paragraph 2	The Company shall develop the necessary mechanisms for both Board Members and executive management to continuously enroll in training programs and courses in order to develop their skills and knowledge in the fields related to the activities of the Company.	Indicative article-in the future, Board Members and executive management can be coordinated to obtain programs and training courses to develop their skills and knowledge. These training courses were previously held in for most of the Company's employees and are carried out from time to time as needed.
Article 41- Paragraph (E)	The Board of Directors shall take the necessary procedures to obtain an assessment of its performance from a competent external authority every three years.	Indicative article- This could be carried out in the future
Article (85)- Paragraph (2)	The Company may develop programs for granting employees, shares or dividends, and pension programs, as well as establishing an independent fund supporting these programs.	Indicative article- This could be carried out in the future
Article (85)- Paragraph (3)	The Company may establish social associations for the Company's employees.	Indicative article- This could be carried out in the future
Article 87:	The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that guarantees a balance between its objectives and objectives of the community for purposes of developing the social and economic conditions of the community.	Indicative article- This could be carried out in the future However, the Company has a policy and directions of social responsibility
Article 88:	The Board shall develop programs and identify the necessary means to launch the Company's	Indicative article- This could be carried out in the future



	<p>initiatives relevant to the social work, including the following:</p> <p>1- Develop measurement indicators that link the Company's performance with its social work initiatives and comparing this with other companies that engage in similar activities.</p> <p>2- Disclose the objectives of social responsibility adopted by the Company to its employees, and their awareness and education.</p> <p>3- Disclose social responsibility plans in the periodical reports related to the Company's activities.</p> <p>4- Develop awareness programmes to the community to familiarize them with the Company's social responsibility.</p>	
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**Sanction/ penalty imposed on the Company by the Authority or any supervisory, regulatory or judicial entity<sup>46</sup>**

Sanction/ Preventive Precautionary attachment	Penalty/ measure/ attachment	Violation Reasons	The perpetrator	Remedies and avoidance in the future
None	-	-	-	-

<sup>46</sup> - Paragraph 9) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)



### **The Company's requests for shareholders register**<sup>47</sup>

The Company's management requested (12) shareholders' register reports during the fiscal year 2020, as follows:

The number of Company's requests for shareholder register	Request date	The reason for requesting the report
1	28/01/2020	Preparation of the annual report of Board of Directors
2	04/05/2020	The 20th Ordinary General Assembly
3	05/05/2020	The 20th Ordinary General Assembly
4	15/05/2020	Corporate Procedures
5	17/06/2020	External Auditor Request
6	15/07/2020	The 21th Ordinary General Assembly
7	27/08/2020	Corporate Procedures
8	01/10/2020	External Auditor Request
9	18/10/2020	Corporate Procedures
10	19/11/2020	The file of persons entitled to profits for the first half of the fiscal year 2020
11	28/12/2020	Corporate Procedures
12	31/12/2020	Preparation of the annual report of Board of Directors

<sup>47</sup> - Paragraph 32) of Article 90- Corporate Governance Regulations - (Disclosure in the BOD's Report)



### Declarations<sup>48</sup>

- a. Proper books of account have been maintained;
  - b. The system of internal control is sound in design and has been effectively implemented;
- and
- c. There are no significant doubts concerning the Company's ability to continue its activity.

\*The Company emphasizes the implementation of accounting standards adopted by the Saudi Organization for Certified Public Accountants, and that there is no contradiction with it

\*The Company confirms that it had not received a request to convene the General Assembly from the Company's auditor during the ended fiscal year.

	External Auditor	Causes of Reservation	Any information regarding this reservation
<b>1</b>	<b>None</b>	-	-

\* Fitaihi Holding Group and its subsidiaries acknowledge that there are no loans on it (whether payable upon request or otherwise) during the fiscal year 2020, and accordingly there are no sums paid by the Company to pay off any loans during the fiscal year 2020.<sup>50</sup>

<sup>48</sup> - Paragraph 39) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)

<sup>49</sup> - Paragraph 40) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)

<sup>50</sup> - Paragraph 27) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)



	Loan Grantor's Name	Loan Amount	Loan Term	The amounts paid in repayment of the loan during the year	The remaining amount of the loan	Total debt of the Company and its subsidiaries
1	None	-	-	-	-	-

\* The Company confirms that it had not received a request to hold the General Assembly from shareholders who own 5% of the capital or more or any request to add one or more topics to the General Assembly's agenda upon its preparation during the ended fiscal year.

**\*The Company confirms that it had not developed any procedure that may hinder the shareholder's use of his right to vote**

\*The Company confirms that the shareholder has the right to obtain a share of the Company's assets upon liquidation, and the right to monitor the work of the BOD and file a liability lawsuit against the Board Members, based on Company's article of association. Shall be entitled to attend general assemblies, participate in their deliberations and vote on their resolutions, and all that was mentioned in Article (5) (Rights Related to Shares) from the Corporate Governance Regulations.<sup>51</sup>

\*No entity has requested access to the annual reports of investors from legal persons who act on behalf of others, such as investment funds.

<sup>51</sup> - Article 5)- Corporate Governance Regulations - (Disclosure in the Board Report)  
- Article 34) of the Articles of Association of Fitaihi Holding Group



\* There is no assignment arrangement or agreement whereby any of the shareholders of the Company assign any rights to profits during the fiscal year 2020.<sup>52</sup>

\* The shareholder has the right to obtain a share of profits to be distributed, and the right to dispose of shares He shall be entitled to inquire and request information without prejudice to the interests of the Company and in a manner that does not conflict with the Financial Market Law and its implementing regulations.

\* There are no investments or other reserves created for the interest of Company's employees during the fiscal year 2020.<sup>53</sup>

\* There is no recommendation from the Board of directors to replace the auditor before the end of the period for which he was appointed.<sup>54</sup>

\* The Company confirms that it did not provide any kind of cash loans to Members of its BOD or guaranteed any loan made by one with others.

There is no business or contracts to which the Company is a party, or there is an interest for one of the Members of the Company's Board of directors, the CEO, the financial manager, or any person related to any of them, [Other than what was disclosed in this report](#)

<sup>52</sup> - Paragraph 36) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)

<sup>53</sup> - Paragraph 38) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)

<sup>54</sup> - Paragraph 41) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)



### **The objectives of annual review of the effectiveness of internal control procedures**

- Achieve the Company's main objective to make a profit.
- Ensure that all financial transaction of Company are documented.
- Commitment to accounting standards in measurement and disclosure.
- Protect accounting records from unauthorized access to them.
- Apply the control methods that ensure proper accounting for accounting elements.
- Commitment to the applicable laws and regulations governing the field in which the Company operates
- Commitment to the instructions of government and regulatory authorities that regulate the Saudi Stock Exchange.
- Commitment to the applicable laws in accordance with the corporate governance system and the Company's bylaws.
- Commitment to administrative policies and decisions regulating work.

### **Internal Control Objective**

- 1- Increase the operational efficiency and best utilization of resources through:
  - Achieve the planned operational performance rates.
  - Achieve the Company's main objective to make a profit.
  - Increase the actual operating performance rates.
  - Reduce all sources of extravagance and waste in the financial and economic resources available to the Company, which explicitly means protecting the Company's assets from all sources of extravagance, fraud, and areon intentional and unintended depreciation.

**2- Provide accuracy in accounting data through:**

- Document the Company's financial transactions.
- Commitment to accounting standards in measurement and disclosure.
- Protect accounting records from unauthorized access to them.
- Apply the control methods that ensure proper accounting for accounting elements.

**3- Comply with Regulations and Laws through:**

- Comply with the applicable laws and regulations governing the field in which the Company operates.
- Commitment to the instructions of government and regulatory authorities that regulate the Saudi Stock Exchange.
- Comply with the applicable laws in accordance with the Governance Regulations and the Company's bylaws.
- Commitment to administrative policies and decisions regulating work.

**Results of the annual review of the effectiveness of internal control procedures<sup>55</sup>**

The internal control's scope includes the following policies and procedures:

- Concerning maintaining records in a manner that ensures the availability of detailed and accurate information that essentially reflects the fact of the transactions and Company's assets disposals.
- Providing reasonable assurances that recording the transactions enables the preparation of financial statements in accordance with applicable accounting standards in the Kingdom of Saudi Arabia and issued by the Saudi Organization for Certified Public Accountants.

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<sup>55</sup> - Paragraph 10) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)



- Providing reasonable assurances regarding the prevention or timely disclosure of the unauthorized purchase process, use, or disposal of the Company's assets that could have a material effect on the financial statements.

Although all control systems well designed, they may contain an inherent risk regarding their ability to prevent or detect all errors. Moreover, it does not provide an assessment for future periods in which the system will remain effective in detecting risks, due to changes in circumstances that may have a negative impact on the system and became inappropriate in this regard, or in judging the compliance with policies and regulations.

The main business cycles was studied and include: Revenue, inventory, supplier accounts and associated expenditures, fixed assets, financial reports (including Zakat), recruitment costs, wages, and IT systems.

Noted that there is a need to issue administrative resolutions regarding the development and improvement of control procedures and activities related to a number of internal control objectives, particularly related to business cycles of inventory, fixed assets, and financial reporting.



### **The Audit Committee's opinion regarding the sufficiency of the Company's internal control system<sup>56</sup>**

The attention of the Audit Committee was not drawn by any matters that lead it to believe that there is a fundamental deficiency that requires disclosure regarding the internal control systems and what is related to the preparation of the financial reports.

We believe that the Company's internal control system is operating effectively, which assists to develop a general perception of the risks that the Company may face. There are no material events that occurred during the year 2020 that requires disclosure (other than what was announced on Tadawul website).

### **Audit Committee Report**

The following is the Audit Committee's report for the last fiscal year. It will be published upon convening the General Assembly, as well as on the Company's website. The BOD shall provide the Company's headquarter office with enough copies of this report to enable shareholders to obtain a copy of it. The report shall be read during the General Assembly meeting.

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<sup>56</sup> - Paragraph 10) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)



**Audit Committee's Report of Fitaihi Holding Group  
For the Financial Year ending on 31/12/2020, submitted to the  
General Assembly<sup>57</sup>**

**About the formation of Audit Committee of the Board of Directors:**

The Audit Committee consists of three Members; two from BOD Members and the third is an External Member as follows:

- Dr. Adnan Abdelfattah Soufi (Head of Committee– Independent Member).
- Dr. Ibrahim Hassan Al–Madhoun (Committee Member– Non–Executive Member).
- Mr. Uthman Riyadh Al–Humaidan (Committee Member– External).

**Duties and Responsibilities:–**

The audit committee shall be competent in monitoring the Company's activities and ensuring the integrity and effectiveness of the reports, financial statements and internal control systems. The duties of the audit committee shall particularly include the following:

**A) Financial Reports:**

1. Examining the Company's interim and annual financial statements before presenting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness, and transparency.
2. Examining the accounting estimates in respect of significant matters that are contained in the financial reports; and

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<sup>57</sup> Paragraph A - -2) of Article 91- Corporate Governance Regulations (Audit Committee Report)



3. Examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon
4. Reporting its proposals and recommendations to the Board for resolution.
5. Ensuring that the Board is aware of all matters that affect substantially the financial matters and administrative affairs.
6. Auditing the annual report prior to its publication and ensuring that that the information is understandable and in conformity with the knowledge of Members about the Company and its activities as well as reviewing any legal issues that affect the financial position of the Company.

**B) Internal Audit:**

1. Examining and reviewing the Company's internal and financial control systems and risk management system.
2. Examining the internal audit reports and following up the implementation of the corrective measures in respect of the remarks made in such reports.
3. Providing a recommendation to the Board on appointing the manager of the internal audit department, or the internal auditor and suggest his/her remunerations.
4. Verifying the sufficiency of the control activities in the facility, the efficiency of its design in an appropriate way minimizing and detecting fraud and errors, immediately after they occur, and the effectiveness of the implementation of control activities.
5. Overseeing investigations related to fraud or errors occurred in the Company or any matters that the committee deems important for investigation.
6. Examining the nomination applications for the internal auditor post in the Company, remuneration, allowances, and other benefits allocated and nomination of the most suitable person.



7. The Audit Committee's recommended to appoint M/s (KPMG) to perform the internal audit tasks.
8. The Audit Committee and the Risk Management Committee have chosen M/s (KPMG) to examine and assess the risks that may face the Company and how to manage them.
9. \*\*There are no recommendations of the Audit Committee that conflict with the decisions of the Board of Directors, or the Board's refusal to take into consideration with regard to the appointment, dismissal, fees determination and performance evaluation of the Company's auditor

### **C) External Auditor**

1. Providing recommendations to the Board to nominate external auditors, dismiss them, determine their remunerations, and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts
2. Reviewing the plan of the Company's auditor and its activities, and ensuring that it does not provide any technical or administrative works that are beyond its scope of work, and provides its opinion thereon.
3. Responding to queries of the Company's external auditor; and
4. Reviewing the external auditor's reports and its comments on the financial statements, and following up the procedures taken in connection therewith.
5. Ensuring that the important notices and recommendations submitted by the auditor have been received and discussed timely.
6. Ensuring the response of the management to the recommendations of the auditor.



#### **D) Ensuring Compliance**

1. Reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith;
2. Ensuring the Company's compliance with the relevant laws, regulations, policies and instructions;
3. Reviewing the contracts and proposed Related Party transactions, and providing its recommendations to the Board in connection therewith; and
4. Reporting to the Board any issues in connection with what it deems necessary to take action on, and providing recommendations as to the steps that should be taken.

#### **E) Brief of the most important achievements of Audit Committee during the fiscal year 2020:**

- 1- Review the Company's interim and annual financial statements and reporting BOD with these recommendations.
- 2- Follow up the work of BDO auditor, as well as periodic meetings with its representatives, and check the progress of their work.
- 3- Held periodic meetings and constantly contact representatives of the (KPMG) internal auditor to check the progress of their work and follow up on the implementation of their recommendations.
- 4- The Committee assigned the task of internal auditing to the (KPMG) to carry out internal audits for four (4) Departments (Finance and Investment, Sales, Warehouses, and Human Resources). Unfortunately, the circumstances of the global epidemic Coronavirus prevented them from carrying out this task during the fiscal year 2020.
- 5- The Audit Committee and the Risk Management Committee asked (KPMG) to present their offers to carry out the internal auditing task for



the various departments of the Company in addition to assessing risks during the fiscal year 2021. The internal audit and risk assessment work for the financial management has already started.

6- Ensuring the Company's compliance with the relevant laws, regulations, policies, and instructions.

#### F) Audit Committee Meetings

The Audit Committee held in its eighth session, which ends on 21/04/2022, 4 (remote) meetings during the fiscal year 2020, and where the attendance of the Committee Members is outlined below:

Member Name	Membership Nature	** Number of meetings: (4)				Total
		First meeting 2/11/2020	Second Meeting 8/24/2020	Third Meeting 10/21/2020	Fourth meeting 11/10/2020	
Dr. Adnan Abdelfattah Mohammed Soufi	Head	✓	✓	✓	✓	4
Dr. Ibrahim Hassan Al-Madhoun	Member	✓	✓	✓	✓	4
Mr. Uthman Riyadh Mohammed Al-Humaidan	Member	✓	✓	✓	✓	4

\*\*In addition to field visits to the branches and periodic meetings with the external auditor, the internal auditor and some of the Company's departments (particularly the financial department) to assess their work from time to time and supervise the inventory operations in specific periods.



**G) The Audit Committee's opinion on the adequacy of the Company's internal control system**

The attention of the Audit Committee was not drawn by any matters that lead it to believe that there is a fundamental deficiency that requires disclosure regarding the internal control systems and what is related to the preparation of the financial reports.

We believe that the Company's internal control system is operating effectively, which assists to develop a general perception of the risks that the Company may face. There are no material events that occurred during the year 2020 that requires disclosure (other than what was announced on Tadawul website).

According to the Audit Committee's recommendation, M/s (KPMG) had been appointed to perform the internal audit tasks, examine, and assess the risks that the Company may face and how to manage them.

Head of Audit Committee

**Dr. Adnan Abdelfattah Mohammed Soufi**



## **VII: Human Resources**

Fitaihi Holding Group is one of the pioneers in providing job opportunities for Saudi girls, as it provided many job opportunities to a large number of Saudi girls in the fields of accounting, jewelry sales, and luxury goods products, and the Company played a major role in the job localization in the Company.

Fitaihi Holding Group like other companies faced a Coronavirus crisis, and the Company has had to find quick solutions and alternative practices to mitigate the consequences of that crisis. They faced the crisis by working efficiently while being careful to reduce costs, quick respond to changes, and comply with the regulations and resolutions issued by our government, accordingly Company has focused on the following:

- Ensure and emphasize the safety of employees' health, by contacting via phone calls, text messages, and e-mail.
- Develop mechanisms and prepare for remote work to ensure business continuity.
- Benefit from government support (SANED) program.
- Adopt the best practices in dealing with the Corona crisis.
- Provide support and guidance by contacting employees continuously and ensure their safety inside the workplace and employee's residences.

Thankfully for the safety and correctness of the measures taken and their positive impact on the continuity of the Group's business and the preservation of the human resources.



### **VIII: Social Responsibility**<sup>58</sup>

The Company's social responsibility activities should be reflected in 4 main directions and areas as follows:

<b>Direction</b>	<b>Field</b>
<b>Community</b>	<p>1- Charitable contributions and donations to the Associations of Tahfeez Al-Qur'an, Orphanages, humanitarian cases, etc. (Sponsoring the International Day of Disabled Persons at the Saudi Association for Parents of Disabled People).</p> <p>2- The Company believes that its investment in medical projects is an ethical investment, one of its goals is to serve the community.</p> <p>3- Localization of jobs in a manner that serves the interest of the Company and is always consistent with the statutory requirements.</p> <p>4- Respect for human rights as stated in International Human Rights Laws, full compliance with the main rights stated in the Saudi Labor Law, and permanent updating of internal regulations to comply with and fully adhere to these Regulations and Laws.</p>
<b>Empolyees</b>	<p>1- Fitaihi Holding Group is one of the pioneers in providing job opportunities for Saudi girls, as it provided many job opportunities to a large number of Saudi girls and trained them in accounting, human resources, marketing and</p>

<sup>58</sup> - Paragraph 13) of Article 90 - Corporate Governance Regulations - (Disclosure in the BOD's Report)



	<p>sales of jewelry and luxury goods products. Most of the branches are 100% operated by Saudi girls.</p> <p>2- We provide training courses for employees by certified trainers in various fields regularly.</p> <p>3- We pay more attention to the human, psychological and health conditions of all employees of the Company and (accordingly, financial and psychological support is provided in all these cases thankfully without exception and in a timely manner).</p> <p>4- The Company has equipped a playing field for the workers near the employee's residence in Jeddah, and it also sponsors most of the sports tournaments in which the Company's employees participate.</p>
<b>Customers</b>	<p>1- We provide our customers with the finest products with reasonable prices and with the highest levels of service.</p> <p>2- Our products also have the highest levels of safety, and not affect the surrounding environment.</p>
<b>Environment, safety and resource rationalization</b>	<p>1- Updating formulation equipment and using the best purification filters to reduce emissions as much as possible, to avoid any damage to the environment.</p>



	<p>2- Using means of rationalizing water consumption, while recycling water used in formulation.</p> <p>3- Insulating the walls of Fitaihi Center and the Group's headquarters to keep the buildings cool and reduce the use of central air-conditioning equipment.</p> <p>4- Using motion sensors to light up electricity in the Group's headquarters building in Jeddah.</p> <p>5- Using energy-saving lamps in all Company buildings and branches.</p> <p>6- Recycling a large part of the Company's waste by directing it to approved recycling centers.</p> <p>7- Paying attention to the maintenance, cleaning and afforestation of the surroundings of the Company and its branches.</p> <p>8- Permanent guidance and commitment of all employees, especially workers in the maintenance department, to observe and take all safety measures during their work, with an emphasis on everyone following the health instructions in force in accordance with internal protocols.</p>
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### **IX: Agenda**

- 1) – Voting on the Board of Directors' Report for the fiscal year ending on 31/12/2020.
- 2) – Voting on the Auditor's Report for the fiscal year ending on 31/12/2020.
- 3) – Voting on the Consolidated Financial Statements for the fiscal year ending on 31/12/2020.
- 4) – Voting on discharging the members of the Board of Directors from their liabilities pertaining to their management of the Company for the fiscal year ending on 31/12/2020.
- 5) – Voting on delegating the Board of Directors to distribute interim dividends on a biannual/quarterly basis for the fiscal year 2021.
- 6)– Voting on delegating to the Board of Directors the authorization powers of the General Assembly stipulated in paragraph (1) of Article 71 of the Companies Law, for a period of one year starting from the date of the approval by the General Assembly or until the end of the delegated Board of Directors' term, whichever is earlier, in accordance with the conditions set forth in the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies.
- 7)– Voting on the resolution of the Board of Directors of Fitaihi Holding Group to appoint Mrs. Bayan Adel Mohammed Fakieh, as a (Non-Executive) member of the Board of Directors, starting from 25-10-2020, to complete the Board term until the end of the current tenure on 21-04-2022, succeeding the former (Executive) Board Member, Dr. Mohammed Ahmed Hassan Fitaihi.

**Conclusion:**

The Board of Directors extends its thanks to the Group's shareholders for their confidence, support and response to the invitation to attend the General Assembly meeting. It also extends its thanks to the Group's clients for their confidence, and to the Executive Management and the Group's employees for their efforts and performance throughout the year.

In conclusion, we thank God the Almighty for His generosity.

**The Members of the Board of Directors****March 2021****DISCLAIMER:**

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