

Board of Directors Report for the year 2020

To the fiftieth ordinary general assembly

**Dear Shareholders of the Saudi Arabian Refineries Company
(SARCO)**



May peace, mercy and blessings of God be upon you.

The Board of Directors of the Saudi Arabian Refineries Company has the honor to present to you the annual report for the fiscal year ending on December 31, 2020 AD, which reflects the overall performance of the company, other associate and subsidiary companies in which your company contributes in its shares investments or equity. The report also clarifies the requirements for the corporate governance system and other relevant regulations issued by the Capital Market Authority and the Ministry of Commerce and Investment.

The report also includes the audited final accounts and accompanying explanations and the external auditor's report for the fiscal year ending on December 31, 2020.



First: - About the company's activity:

The company was established according to the Saudi Companies Law as a Saudi joint stock company and was registered in the Commercial Registry under the number 4030003334 on 19/12/1379 AH corresponding to 14/06/1960 AD and its objectives include carrying out petroleum business in all its branches and aspects of activity related to it, implementing water projects and reforming Land, all businesses, industrial and commercial projects, participation in establishing companies, buying and selling shares, and carrying out any other business to invest the company's current capital of (150 million riyals). The company's activity is currently limited to investing in local companies (as will be explained in detail below).

Second: - The company's projects:

1- Contribution to the Saudi Industrial Investment Group Company:

It is a Saudi public shareholding company, headquartered in Riyadh, with a capital of (4,500,000,000 riyals) only four billion five hundred million riyals. Your company owns 3.38% in the shares of the Saudi Industrial Investment Group Company (15,194,480 shares) fifteen million one hundred and ninety-four thousand four hundred and eighty shares, and the (market) value of these shares on the date of preparing the financial statements on December 31, 2020 AD amounted to (416,328,752 riyals) Only four hundred and sixteen million three hundred twenty-eight thousand seven hundred and fifty-two riyals.

- Your company has obtained distributed profits from the company for the first half of 2020 AD, at an amount of (7,597,240 riyals) only seven million five hundred and ninety-seven thousand two hundred forty riyals, and it has been included in the income statement of your company for the year 2020 AD.
- The Board of Directors of the Saudi Industrial Investment Group recommended on Jumada Al-Awal 07,1442 AH corresponding to December 22, 2020 AD to distribute cash dividends at the rate of 5% of the nominal value to the shareholders of the company at the rate of fifty halalas for each share for the second half of the fiscal year 2020 AD, and the share of your company is an amount of (7,597,240 riyals) Only seven million five hundred and ninety-seven thousand two hundred forty riyals will be distributed on January 14, 2021 AD and have been included in your company's income statement for the year 2020 AD according to the international standards.

2- The Arab Tanks Company Ltd.

It is a limited liability company headquartered in Yanbu Al-Sinaiyah with a capital of (90,677,400 riyals) only ninety million six hundred seventy-seven thousand and four hundred riyals, your company's share in it is (24,482,898 riyals) by 27%. The company's activity is the storage, mixing, packaging and preservation of chemical, petrochemical, petroleum and petroleum products for others, and the company's profits for the fiscal year ending on December 31, 2020 AD amounted to (3,881,179 riyals) only three million eight hundred and eighty-one thousand one



hundred seventy-nine riyals and your company's share of the shareholding profits is a total amount of (1,047,918 SR), which was included in the income statement for the year 2020.

3- The Arab Sulfonates Company Limited:

It is a limited liability company based in Jeddah Industrial City. The capital of the Arab Sulfonates Company Ltd is (17,350,000 riyals) only seventeen million three hundred and fifty thousand riyals, the share of your company in it is (5,899,000 riyals) at a rate of 34%. The Arabian Sulfonates Company produces a variety of sulfonated acid used in the manufacture of detergents, shampoos and multi-use cleaning fluids. The company sells its products locally and internationally.

The Board of Directors of the company decided, in its meeting held on Muharram 9, 1438 AH, corresponding to October 10, 2016 AD, to assign the legal advisor to the company to file a lawsuit against the management of the Arab Sulfonates Company, due to the unsatisfactory results of the aforementioned company, which resulted in losses of more than half of its capital. The lawsuit No. (1574/2 Q) for the year 1438 AH was filed on Safar 21, 1438 AH corresponding to November 21, 2016 AD and demanded the Arab Sulfonates Company for an amount of 26,268,133 Saudi riyals representing all the losses incurred by the company as a result of its management and its claim for compensation for the losses shown in the lawsuit list against the Arab Sulfonates Company Ltd., on Rabi` al-Awwal 9, 1438 AH corresponding to December 8, 2016 AD, the company received a notification of a lawsuit at the Administrative Court in Jeddah at the Second Commercial Department No. (1659/2 Q) filed by Sultan Muhammad Qusay Wali Al-Din Asaad (partner) in the Arab Sulfonates Company against the Saudi Arabian Refineries Company demanding the dissolution and liquidation of the Arab Sulfonate Company in accordance with the provisions of Article 181 of the Companies Law due to the company's exposure to losses that exceeded half of its capital, the company was notified on 6/26/1439 AH corresponding to 3/14/ 2018 AD from the Office of the Legal advisor in charge of following up the case that in this session the department decided to dissolve and liquidate the Arab Sulfonates Company Ltd, and to appoint the chartered accountant's office Saleh al-Naim as a liquidator for the Arab Sulfonates Company Ltd to verify the losses and if there was a responsibility of the management of the Arab Sulfonate Company for them. A provision for the depreciation of the full book value of the investment was taken during the first quarter of 2018 AD, on June 21, 2020 AD, then the legal liquidator and chartered accountant Saleh Abdullah Al-Naim moved to the mercy of God Almighty and so far no liquidator has been appointed instead of him by the court.

4- Tabuk Cement Company:

It is a Saudi joint stock company headquartered in Tabuk and its capital amounts to (900,000,000) nine hundred million riyals. Your company owns 0.14% in Tabuk Cement Company shares with (128,571 shares) one hundred twenty-eight thousand five hundred and seventy-one shares, and the market value of these shares has reached an amount of (2,190,850) only two million one hundred ninety thousand eight hundred and fifty riyals as at the date of preparing the financial statements



on December 31, 2020 AD, and Tabuk Cement Company did not distribute any cash dividends during the year 2020 AD.

5- Saudi Arabian Oil Company (Aramco):

It is a Saudi company headquartered in Dhahran, its capital is (60,000,000,000 riyals) sixty billion riyals. Your company owns 0.002% of the shares of the Saudi Arabian Oil Company (Aramco) and the number of (35,481 shares) thirty-five thousand four hundred and eighty-one shares.

The (market) value of these shares on the date of preparing the financial statements on December 31, 2020 AD amounted to (1,241,835 riyals) only one million two hundred forty-one thousand eight hundred and thirty-five riyals.

- Your company has obtained distributed profits from the company for (the period of December of the year 2019 AD and the first, second and third half of the year 2020 AD) amounting to (40,065 riyals) only forty thousand and sixty-five riyals have been included in the income statement of your company for the year 2020 AD.

6- Southern Province Cement Company:

Southern Province Cement Company is a Saudi joint stock company; its main activity is the manufacture and production of cement, its derivatives and related accessories. Its capital amounts to (1,400,000,000) one billion and four hundred million riyals. Your company owns 0.43% in the Southern Province Cement Company, with (120,666 shares) one hundred twenty thousand six hundred and sixty-six shares. The (market value) of these shares on the date of preparing the financial statements on December 31, 2020 AD amounted to (10,172,144 riyals) only ten million one hundred seventy-two thousand one hundred forty-four riyals.

- Your company has obtained distributed profits from the company for the second half of 2019 AD and the first half of 2020 AD, at an amount of (542,997 riyals) only five hundred and forty-two thousand nine hundred and ninety-seven riyals, and it was included in your company's income statement for the year 2020 AD.

7- Other revenues:

The remaining profits of your company's for the year 2020 are represented in the following statement:

Statement	Profit	Notes
Income from other services	301,500	administrative services for the tanks Company
Other income	1,560	Recovered amount from Bupa insurance Company
Total	303,060	



Third: - The financial results of the company:

A: - The following is a statement of the company's business results for the last five years and a table for comparing the financial statements for these years according to the company's external auditor's report:

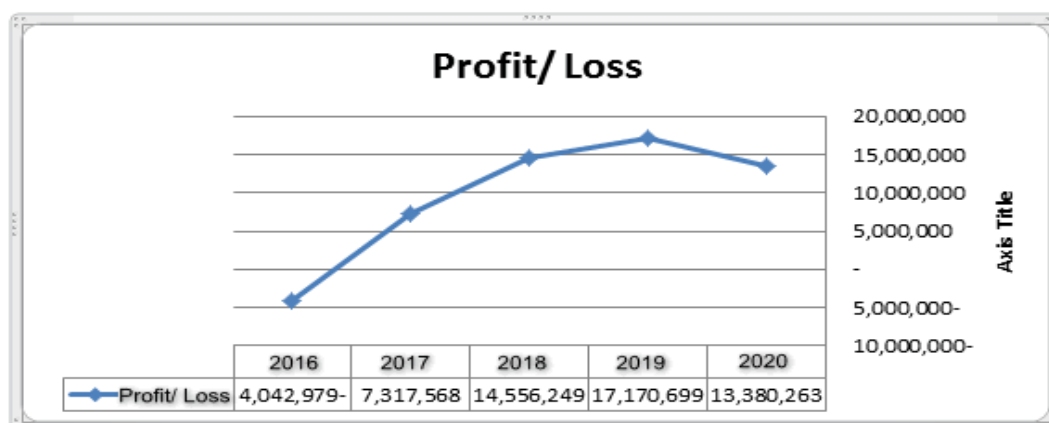
Financial position Statement (In SR)	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
Assets					
Current assets					
Cash & cash equivalents	30,657,331	36,310,138	28,643,269	27,570,144	23,247,466
Prepaid expenses and other debit balances	8,587,390	12,393,315	12,981,976	8,874,973	11,527,170
Total current assets	39,244,721	48,703,453	41,625,245	36,445,117	34,774,636
Non-current assets					
Investments in equity instruments at fair value through other comprehensive income	429,933,581	367,949,647	349,124,409	292,954,645	288,386,838
Investments in associates - net	49,359,105	48,309,359	50,255,492	51,366,736	51,309,543
Property & equipment - net	57,203	59,310	11,101	9,048	10,551
Total non-current assets	479,349,889	416,318,316	399,391,002	344,330,729	339,706,932
Total assets	518,594,610	465,021,769	441,016,247	380,775,846	374,481,568
Liabilities and shareholders' equity					
Current liabilities					
Creditors Shareholders	3,860,902	3,985,260	3,836,891	3,725,771	3,753,776
Other accruals and current liabilities	5,462,974	5,389,559	5,468,757	7,999,471	8,115,903
Zakat provision	334,198	1,143,433	807,249	1,456,375	577,198
Total current liabilities	9,658,074	10,518,252	10,112,897	13,181,617	12,446,877
Non-current Liabilities					
End of service liabilities	612,259	541,546	377,280	313,809	511,075
Total non-current liabilities	612,259	541,546	377,280	313,809	511,075
Shareholders' equity					
Capital	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000
Statutory reserve	27,440,761	26,102,735	24,385,665	22,930,038	22,198,283
Investments in equity instruments valuation reserve at FVOCI	301,906,348	245,932,383	228,194,969	172,025,505	167,457,398
Retained earnings	28,977,168	31,926,853	27,945,436	14,824,875	21,867,935
Proposed dividends	-	-	-	7,500,000	-
Total shareholders' equity	508,324,277	453,961,971	430,526,070	367,280,420	361,523,935
Total liabilities and shareholders' equity	518,594,610	465,021,769	441,016,247	380,775,846	374,481,568



B: - Income statement for the last five years:

Income Statement (In SR)	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
Investment income	15,777,542	22,798,404	18,994,900	15,196,880	116,554
The company's share of business results of (Associates companies)	1,047,918	(1,814,678)	(768,175)	57,193	(1,599,191)
General and administrative expenses	(2,789,658)	(3,138,400)	(2,806,418)	(2,917,258)	(2,853,819)
Provision for doubtful debts	-	-	-	(3,869,066)	-
Provision for impairment of investment	-	-	(363,006)	-	-
Other revenues	303,060	467,462	306,197	301,500	865,984
Net profit before Zakat	14,338,862	18,312,788	15,363,498	8,769,249	(3,470,472)
Zakat – for the year	(334,198)	(1,142,089)	(807,249)	(1,451,681)	(572,507)
Zakat for previous years	(624,401)	-	-	-	-
Net profit for the year	13,380,263	17,170,699	14,556,249	7,317,568	(4,042,979)
Earnings per share	0,89	1,14	0,97	0,49	(0,27)

C: - The graph that shows the change in net profits during the last five years:



D: - Geographical analysis of 2020 revenues:

Statement	Profit	City
Dividends from the Saudi Group Company	15,194,480	Riyadh
Dividends from the Southern Province Cement Company	542,997	Abha
Dividends from the Saudi Aramco	40,065	Dhahran
Contribution profit of the Arab Tanks Company	1,047,918	Yanbu Al-Sinaiyah
Other revenues	303,060	Jeddah
Total	17,128,520	



E: - The following statement clarifies the fundamental differences in the operating results for this year compared to the results of the previous year:

Statement	Year 2020	Year 2019	Change	Change rate
Investment income	15,777,542	22,798,404	(7,020,862)	(31%)
Company's share of the business's results from associates & subsidiaries	1,047,918	(1,814,678)	2,862,596	158%
Other revenues	303,060	467,462	(164,402)	(35%)
Total revenue	17,128,520	21,451,188	(4,322,668)	(20%)
General and administrative expenses	(2,789,658)	(3,138,400)	(348,742)	(11%)
Operating profit	14,338,862	18,312,788	(3,973,926)	(22%)
Zakat for the year and differences in previous years zakat	(958,599)	(1,142,089)	(183,490)	(16%)
Net profit	13,380,263	17,170,699	(3,790,436)	(22%)
Earnings per share	0.89	1.14	(0.25)	(22%)

F: - The most important differences between 2020 and 2019 are the following:

- 1- A decrease in the investment income by 31% to a decrease in dividends payable from the Saudi Industrial Investment Group Company (an investee company).
- 2- An increase in the company's share of the results of the business of associates and affiliated companies (Arab Tanks Company Ltd.) by 158%.

G: - Expectations and risks that the company may face:

Since the profits of your company depend mainly on the results and profits achieved by the companies in which the company contributes, whether these contributions are in capital or in securities (shares), it is difficult to anticipate the results of the next fiscal year that ends on December 31, 2021 AD, and these risks in their entirety are represented in the risks that may face companies operating in the petrochemical field from the fluctuation of raw material prices, low demand for these products in some periods and intense competition in the markets. The year 2020 witnessed a noticeable fluctuation in the activities of associates, subsidiaries and investments companies, which positively affected the financial results of some companies in which your company contributes and affected others negatively.

Fourth: - Profit Distribution Policy:

According to the text of Article (51) of the Company's Articles of Association, which states (The annual net profits of the company shall be distributed after deducting all other expenses and costs, including the Zakat imposed by Sharia) 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 whenever the said reserve reaches (30%) of the paid capital.



2- The Ordinary General Assembly, based on the proposal of the Board of Directors, may avoid a certain percentage of the net profits to form a consensual reserve to be allocated for the purposes determined by the Assembly.

3- The Ordinary General Assembly may decide to create other reserves, to the extent that it serves the interest of the company or ensures that fixed profits are distributed as much as possible to the shareholders, and the aforementioned association may also deduct from the net profits amounts for the establishment of social institutions for the company's employees or to assist what may exist from these institutions.

4- From the remaining after that, a first payment shall be distributed to the shareholders, a percentage representing (5%) of the company's paid-up capital, and the Ordinary General Assembly may decide to distribute profits to the shareholders from the balance of the retained earnings.

5- Subject to the provisions stipulated in Article (thirty) of this Articles of Association, and Article 76 of the Companies Law, after the aforementioned, a (7.5%) percentage of the remaining shall be allocated to the remuneration of the Board of Directors, provided that the entitlement of this remuneration is proportional to the number of sessions that the member attends.

6- The remaining is then distributed to the shareholders as an additional share in the profits.

7. The Ordinary Assembly may decide to distribute interim dividends to its shareholders on a quarterly or semi-annual basis, and it may authorize the Board of Directors to do so in accordance with a decision determined annually.

• The company's board of directors, in its meeting held on Rajab 19, 1442 AH corresponding to March 3, 2021 AD, recommended to the fiftieth ordinary general assembly to distribute cash dividends for the fiscal year 2020 AD amounting to (11,250,000 riyals) at a rate of (7.5%) of the company's capital at a rate of (75 halalas) for every share owned by a shareholder at the end of trading on the day of holding the company's ordinary general assembly.

The following table shows an elaboration of dividends:

Statement	The amount in SR
The net profit after the provision of Zakat	13,380,263
Deducted: what is transferred to the statutory reserve	1,338,026
The remaining	12,042,237
Deducted: First share of the shareholders (7.5%) of the capital	(11,250,000)
The remaining	792,237
Deducted: Board of Directors' remuneration of 7.5% of the remaining after disbursement of profits	(59,418)
The remaining (carryover balance for the next year)	732,819



Fifth: - Fines or loans on the company:

- The company did not obtain any bank loans or facilities during the year 2020.
- No penalty or sanction was imposed on the company by the Capital Market Authority or any supervisory, regulatory or judicial authority until the end of the fiscal year 2020.
- We also refer to what will be reviewed in **clause (Eighth)** of the existence of bank guarantees granted to companies (associates and subsidiaries) in return for loans and banking facilities obtained by these companies with their independent legal personality, noting that all these guarantees are granted to local banks.

Sixth: Members of the Board of Directors of the Company:

A: - Board Membership:

Board members who have membership in the boards of other joint stock companies:

Name	Membership of the other joint stock companies' boards	Inside or outside the kingdom	The legal entity
Prince Muhammad bin Khalid bin Turki Al Saud	Al-Bouqri and Al-Saban Tourism Company	Inside the Kingdom	A closed joint stock company
Mr. Muhammad bin Sami Rafa	Jeddah Holding Company	Inside the Kingdom	A closed joint stock company
Mr. Khalid bin Ahmed Al-Hamdan	- United Cooperative Insurance Company - Al-Qassim Construction and Development Company	Inside the Kingdom	-A joint stock company -A closed joint stock company
Mr. Nasser bin Sharaf Al-Abdali	Al-Andalus Real Estate Company	Inside the Kingdom	A joint stock company

B: - Record of Board Meetings:

1- The Board of Directors of the company held two meetings during the fiscal year ending on December 31, 2020 AD, and the attendance of the members was as follows:

Name	Member classification	First meeting 11/3	Second meeting 09/12	Total
Prince Muhammad bin Khalid bin Turki Al Saud (Chairman)	Non-executive	Attended	Attended	2 of 2
Mr. Khalid bin Ahmed Al-Hamdan (Vice President)	Non-executive	Attended	Delegated	2 of 2
Mr. Omar bin Abdullah Al-Maliki	Independent	Attended	Attended	2 of 2
Mr. Muhammad bin Sami Rafah	Independent	Delegated	Attended	2 of 2
Eng/ Abdul Ghani bin Abdul Rahim	Independent	Attended	Attended	2 of 2
Mr. Abdullah bin Rashid Al-Rafiah	Independent	Attended	Attended	2 of 2
Mr. Ammar bin Muhammad Al-Abadi	Independent	Didn't Attend	Attended	2 of 2
Mr. Nasser bin Sharaf Al-Abdali (AWJ representative)	Non-executive	Delegated	Attended	2 of 2



2- The Ordinary General Assembly of shareholders held one meeting during the fiscal year ending on December 31, 2020 AD through modern technology means (remote voting), in accordance with the CMA circular requiring that the assemblies of listed joint-stock companies be held by means of modern technology remotely and suspending them in attendance until further notice and the attendance of the members was as follows:

Name	The Ordinary General Assembly meeting held on 21/04/2020
Prince Muhammad bin Khalid bin Turki Al Saud (Chairman)	Attended
Mr. Khalid bin Ahmed Al-Hamdan (Vice President)	Attended
Mr. Omar bin Abdullah Al-Maliki	Attended
Mr. Muhammad bin Sami Rafah	Attended
Eng/ Abdul Ghani bin Abdul Rahim	Attended
Mr. Abdullah bin Rashid Al-Rafiah	Attended
Mr. Ammar bin Muhammad Al-Abadi	Attended
Mr. Nasser bin Sharaf Al-Abdali (AWJ representative)	Attended

C: - The most important decisions taken by the company's board of directors for the year 2020:

1- Approval of the recommendation submitted by the Investment Committee regarding the investment opportunity to buy shares in the Southern Province Cement Company.

D: - Procedures taken by the Board of Directors to inform its members of shareholders 'proposals and comments about the company and its performance:

Members of the Board of Directors are informed of all shareholders 'inquiries and suggestions about the company and its performance, especially those received at the General Assembly meetings. All questions and inquiries have been answered and documented in the minutes of the General Assembly.

E: Remuneration for Board Members and Senior Executives:

- As approved by the Ordinary General Assembly (forty-fifth) held on 02/04/1439 AH corresponding to 20/12/2017 AD which approved the update of the remuneration policy regulation for the Board of Directors, its committees and the executive management.

First: Remuneration for the members of the board of directors

1. The remuneration of the members of the Board of Directors in the company consists of a certain amount or an attendance allowance for the sessions, an expenses allowance, in-kind benefits, or a percentage of the profits. It is permissible to combine two or more of these benefits in a way that does not exceed what is stipulated in the companies 'law and its regulations in accordance with the schedule included in this policy. Any subsequent modifications to this schedule will be approved in accordance with the system.



2. These remuneration may be varying in light of a policy issued by the Remuneration and Nominations Committee and approved by the Assembly. The annual report of the Board of Directors to the General Assembly of shareholders must include a comprehensive statement of all the remuneration, expenses, and other benefits obtained by members of the Board of Directors during the fiscal year. It also includes a statement of what members of the board have received as workers or administrators or in exchange for technical or administrative works or consultations (if any), it also includes a statement of the number of the board sessions and the number of sessions that each member attends from the date of the last meeting of the General Assembly.

3. In the event that the remuneration of the members of the Board of Directors is a percentage of the profits, the provisions of Paragraph (2) of Article (76) of the Companies Law (2) and Article (51) of the Company's Articles of Association must be observed provided that the total remuneration, financial and in-kind benefits that a single board member receives in all cases does not exceed the amount of (500,000) five hundred thousand Saudi riyals annually.

4. Taking into account that the remuneration of the independent members of the board of directors is not a percentage of the profits achieved by the company or that it is based directly or indirectly on the profitability of the company.

Second: - Remuneration for the Board Secretary:

The remuneration of the Board Secretary and the method of its disbursement shall be determined according to the applicable policy in this regard.

Third: Remuneration for committee members:

1. With the exception of the Audit Committee, the Board of Directors determines and approves the membership remuneration of its subsidiary committees, attendance allowances and other entitlements based on the recommendation of the Remuneration and Nominations Committee.

2. Membership remuneration for these committees consists of remuneration and allowances for attending meetings and other benefits as shown in this policy according to the schedule included therein.

3. As for the membership remuneration of the Audit Committee, it is approved by the General Assembly of shareholders based on the recommendation of the Board of Directors, according to the system.

4. When forming the memberships of the committees emanating from the board of directors, the number of committees that a board member can occupy shall be taken into consideration, so that the total remuneration that the member receives for his membership in the board and committees does not exceed the upper limit stipulated in the Companies Law.

5. A member of the board of directors participating in the committees emanating from it (including the audit committee) is entitled to the annual stipulated bonus, whether the member is a participant in one committee or several committees.



Fourth: Remuneration for the Executive Management:

The Remuneration and Nomination Committee reviews the salary scale set for all employees, senior executives and the incentives program and plans on an ongoing basis and approves them based on the recommendation of the executive management. The remuneration of the executive management includes the following:

(Basic salary - allowances - medical insurance - annual bonus - vacations - other benefits)

- The following table shows the allowances that the members of the Board of Directors received during the fiscal year 2020 AD (allowance for attending sessions and bonuses):

First: - Independent Members:

Name	Allowance for attending board sessions	Incentives plans	Annual rewards	Any compensation or other in-kind benefits	Total
MR. ABDULLAH BIN RASHID AL-RAFAH	6,000	-	5,040	-	11,040
MR. OMAR BIN ABDULLAH AL-MALKI	6,000	-	5,040	-	11,040
MR. MUHAMMAD BIN SAMI RAFAH	3,000	-	3,780	-	6,780
ENG/ ABDUL GHANI BIN ABDUL RAHIM	6,000	-	5,040	-	11,040
MR. AMMAR BIN MUHAMMAD AL-ABADI	3,000	-	2,520	-	5,520
TOTAL	24,000	-	21,420	-	45,420

Second: - Non-executive members:

Name	Allowance for attending board sessions	Incentives plans	Annual rewards	Any compensation or other in-kind benefits	Total
Prince Muhammad bin Khalid bin Turki Al Saud	6,000	-	3,780	-	9,780
Mr. Khalid bin Ahmed Al-Hamdan	3,000	-	3,780	-	6,780
Mr. Nasser bin Sharaf Al-Abdali/ AWJ Representative	3,000	-	5,040	-	8,040
Total	12,000	-	12,600	-	24,600



Third: Remuneration for Senior Executives:

Statement	Salaries & wages	Allowances	Allowance for attending sessions	Committees rewards	Annual rewards	Any compensation or other in-kind benefits	Total
Company Manager	263,626	92,269	-	-	24,778	8,000	388,673
Board of Directors' Secretary	-	-	3,000	50,000	-	2,000	55,000
Company accountant	150,268	52,594	750	15,000	12,720	2,500	233,832
Total	413,894	144,863	3,750	65,000	37,498	12,500	677,505

Bearing in mind that what is meant by five senior executives of the company are:

1- Managing Director of the Company 2- Secretary of the Board of Directors 3- The Company's Accountant

According to the instructions of the Capital Market Authority, as the company does not have a general manager in charge or a financial manager

Fourth: Remuneration for members of the committees:

Members of the committees	Annual committees remuneration	Allowance for attending sessions	Total
Members of the Investment Committee			
Prince Muhammad bin Khalid bin Turki Al Saud	50.000	-	50.000
Mr. Khalid bin Ahmed Al-Hamdan	50.000	-	50.000
Mr. Muhammad bin Sami Rafah	50.000	-	50.000
Mr. Abdullah bin Rashid Al-Rafiah	50.000	-	50.000
Mr. Ammar bin Muhammad Al-Abadi	50.000	-	50.000
Mr. Nasser bin Sharaf Al-Abdali (AWJ representative)	50.000	-	50.000
Members of the Audit Committee			
Eng/ Abdul-Ghani bin Abdul-Rahim Wali	50.000	1.500	51.500
Mr. Khalid bin Ahmed Al-Hamdan	in the Investment Committee	1.500	1.500
Mr. Ammar bin Muhammad Al-Abadi	in the Investment Committee	-	-
Members of the Nomination and Remuneration Committee			
Mr. Abdullah bin Rashid Al-Rafiah	in the Investment Committee	1.500	1.500
Mr. Omar bin Abdullah Al-Maliki	50.000	1.500	51.500
Mr. Muhammad bin Sami Rafah	50.000	1.500	51.500

• Clarification: A member of the board of directors participating in the committees emanating from the board is entitled to a one-time annual remuneration stipulated in the remuneration policy of the board of directors, its committees, and the executive management, whether the member is a participant in one or several committees.



E: - Ownership of shares for board members:

The following table shows a statement of the shares owned by the members of the Board of Directors:

Name	Statement	December 31, 2020	December 31, 2019	Change Percentage	Percentage of (%) his capital
Prince Muhammad bin Khalid bin Turki Al Saud	-	200,504	96,104	109%	1.34%
Mr. Khaled bin Ahmed Al-Hamdan	-	-	-	-	-
Mr. Muhammad bin Sami Rafah	-	3,750	3,750	-	0,025%
Eng/ Abdul Ghani Bin Abdul Rahim Wali	-	-	1,200	(100%)	-
Mr. Omar bin Abdullah Al-Maliki	-	1	1,000	(99.9%)	0.0000066%
Mr. Abdullah bin Rashid Al-Rafiah	-	1	1,000	(99.9%)	0.0000066%
Mr. Ammar bin Muhammad Al-Abadi	-	-	-	-	-
Mr. Nasser bin Sharaf Al-Abdali (AWJ Representative)	-	-	1,097,625	(100%)	-

- Mr. Nasser bin Sharaf Al-Abdali represents AWJ Company and does not own any of the company's shares.

Taking into account that there are no shares in the name of the wives or minor children neither of the members nor of the senior executives as on 31/12/2020

F: - Board of Directors Committees:

1) Audit Committee:

The audit committee is responsible for monitoring the company's business and verifying the integrity and correctness of the reports, financial statements, and internal control systems therein. The committee's duties include, in particular, the following:

A) The Financial Reports:

1- Study the initial and annual financial statements of the company before submitting them to the Board of Directors and expressing its opinion and recommendation in this regard; to ensure its fairness, correctness and transparency.

2- Expressing a technical opinion - upon the request of the Board of Directors - on whether the report of the Board of Directors and the financial statements of the company are fair, balanced and understandable, and include information that allows shareholders and investors to evaluate the financial position of the company, its performance, business model and strategy.

3- Study any important or unusual issues included in the financial reports.



- 4- Carefully researching any issues raised by the company's financial manager, whoever assumes his duties, the company's compliance officer, or the auditor.
- 5- Verifying the accounting estimates in the fundamental issues mentioned in the financial reports.
- 6- Study the accounting policies followed in the company and express opinion and recommendation to the Board of Directors in this regard.
- 7- Contacting the company's debtors and creditors or others for the purpose of confirming the balances or other purposes.
- 8- Adherence to the auditing standards approved in the Kingdom for the purpose of verifying that the financial statements as a whole are as the following:
 - The financial position of the company and the results of its business for the fiscal year ending on that date are shown fairly, in light of the presentation and disclosure of the information contained in the financial statements in accordance with generally accepted accounting standards and appropriate to the company's circumstances.
 - Complies with the requirements of the Companies Law and the Company's Articles of Association regarding the preparation and presentation of the financial statements.

B) Internal Audit:

- 1- Study and review the internal and financial control systems and risk management in the company and determine the effectiveness of its design in an appropriate manner that enables to reduce the occurrence of fraud and errors and discover them as soon as they occur and the effectiveness of implementing control activities in a manner that enables verification of the quality of implementation of control activities and consistency in their implementation, as well as supervising the operations of investigation related to fraud or errors that occur in the company, or any other matters that the committee deems important to investigate. The committee also evaluates the effectiveness of the company's assessment of the important risks that it may be exposed to and the steps taken by the company's management to monitor and confront these risks.
- 2- Approving the company's internal audit procedures.
- 3- Reviewing and approving the annual plan of the Internal Audit Department.
- 4- Studying the internal audit reports, drawing up a written report of its opinion and recommendations regarding it, and following up on the implementation of corrective measures for the received notes.
- 5- Control and supervise the performance and activities of the internal auditor and the internal audit department in the company, if any, to verify the availability of the necessary resources and their effectiveness in performing the work and tasks assigned to it.



- 6- Recommending to the Board of Directors to appoint a director of an internal audit unit or department or an internal auditor and suggesting his remuneration.
- 7- Verify the independence of the internal auditors.
- 8- The committee will be the link between the board of directors and the internal auditors.

C) The Auditor:

- 1- Recommending to the Board of Directors to nominate and dismiss auditors, determine their fees, evaluate their performance after verifying their independence, review the scope of their work and the terms of contracting with them.
- 2- Verifying the auditor's independence, objectivity, fairness and effectiveness of audit work, taking into account the relevant rules and standards.
- 3- Reviewing the company's auditor's plan and its work, verifying that no technical or administrative works are submitted outside the scope of the audit work, and expressing its opinion about this. The committee studies the accounting policies that the company adopts before its approval, any change in these policies and submits what the committee sees in terms of proposals for it, taking into consideration the appropriateness of the accounting policies to the nature of the establishment's business and their impact on the entity's financial position and its business results.
- 4- Answer the company's auditor's inquiries.
- 5- Studying the auditor's report, his notes on the financial statements and following up on what has been taken in their regard.

D) Commitment Guarantee:

- 1- Review the results of the reports of the supervisory authorities and verify that the company has taken the necessary measures in this regard.
- 2- Verify the company's compliance with the relevant laws, regulations, policies and instructions.
- 3- Reviewing the contracts and transactions proposed to be conducted by the company with related parties and submitting its opinions on this to the Board of Directors.
- 4- Raise whatever issues it deems necessary to take action in their regard to the Board of Directors and make recommendations on the measures to be taken.

The audit committee consists of (3) members, all of whom are non-executives, and among them is a specialist in the financial and accounting affairs. During the year 2020 AD, the committee held (5) meetings, this committee plays a fundamental and important role in helping the board of directors to fulfill its statutory duties. During the year 2020 AD, the committee supervised and coordinated the company's internal and external audit processes with the aim of verifying the effectiveness and efficiency of the internal control systems and procedures. The most prominent



achievements of the committee during the year were the review of the company's quarterly and final accounts for the year 2020 AD with the external auditor and the recommendation to the Board of Directors to approve them.

Committee members:

S	Name of the member	Current Positions	Qualifications	Experiences
1	Eng/ Abdul Ghani Bin Abdul Rahim Wali	Chairman	Master of Business Administration - Bachelor in Civil Engineering	- Member of the Board of Directors of Al-Nourin Company for Business and Import - Member of the Saudi Council of Engineers (formerly) - Director of Project Support and Development Department at the Saudi Economic and Development Company (SEDCO) (formerly)
2	Mr. Khalid bin Ahmed Al-Hamdan	Member	Bachelor of Financial and Commercial Transactions	-Member of the United Cooperative Insurance Company - Member of Onaiza Investment Company - Member of Al-Qassim Construction and Development Company
3	Mr. Ammar bin Muhammad Al-Abadi	Member	Bachelor of Accounting	- Executive at Future Services Marketing Company Ltd. - General Manager Assistant of Tagheez Real Estate Company - Formerly an employee of the Saudi British Bank (SABB)

Record of Audit Committee meetings during the year 2020 AD:

S	Meeting	Date
1	Studying the annual financial statements for 2019 and choose the chartered accountant office	03/03/2020
2	Studying the financial statements for the first quarter of 2020	14/05/2020
3	Studying the financial statements for the second quarter of 2020	27/07/2020
4	Studying the financial statements for the third quarter of 2020	25/10/2020
5	Studying the offers submitted by law firms	03/11/2020

Attendance record of audit committee members' meetings during the year 2020:

Name of the member	Current Positions	First meeting 3/3	Second meeting 14/5	Third meeting 27/7	Fourth meeting 25/10	Fifth meeting 03/11
Eng. Abdul Ghani bin Abdul Rahim Wali	Chairman	Attended	Delegated	Delegated	Delegated	Delegated
Mr. Khalid bin Ahmed Al-Hamdan	Member	Attended	Delegated	Delegated	Delegated	Delegated
Mr. Ammar bin Muhammad Al-Abadi	Member	Did not attend	Delegated	Delegated	Delegated	Delegated

• The audit committee's recommendation regarding the need to appoint an internal auditor in the company: -

The audit committee decided that there is no need to appoint an internal auditor for the company at the present time.



- The forty-fifth Ordinary General Assembly approved the updating of the Audit Committee's work bylaw, duration and method of work.

2) Investment Committee:

The Investment Committee searches for investment opportunities that are compatible with the company's articles of association to benefit from the company's cash money, whether by increasing the percentage of the company's ownership in companies that currently it invested in or entering as founders in new companies with economic feasibility of investment opportunities and projects that are presented to the company by specialized financial authorities and determine their feasibility and present them to the Board Management to take the appropriate decision regarding it.

Committee members:

S	Name of the member	Current Positions	Qualifications	Experiences
1	Prince Muhammad bin Khalid bin Turki Al Saud	Chairman	Bachelor of Commerce	- Chairman of the Board of Directors of Al-Bouqri and Al-Saban Tourism Company - A shareholder member of the Arab Reconstruction Investment Company in Cairo - Member of the Board of Directors of Tabuk Cement (formerly)
2	Mr. Khalid bin Ahmed Al-Hamdan	Member	Bachelor of Financial and Commercial Transactions	- Member of the United Cooperative Insurance Company - Member of Onaiza Investment Company - Member of Al-Qassim Construction and Development Company
3	Mr. Abdullah bin Rashid Al-Rafiah	Member	Diploma in Business Studies	- Director of the Dallah AFCO Gas site (formerly) - Director of the branch of the Chamber of Commerce and Industry in Bisha (formerly) General Secretary Assistant of the Abha Chamber of Commerce and Industry (formerly) - Administrative Director of Bisha Cement Factory (formerly) - Director of Southern Cement Office (formerly)
4	Mr. Ammar bin Muhammad Al-Abadi	Member	Bachelor of Accounting	- Executive in Future Services Marketing Company Ltd. Assistant General Manager of Tagheez Real Estate Company Formerly an employee of the Saudi British Bank (SABB)
5	Mr. Nasser bin Sharaf Al-Abdali (Representative of the company AWJ)	Certified member	CMA Bachelor of Financial and Economic Sciences	- CEO - AWJ Investment Company - Riyadh - Senior Manager - Invest Corp. - Riyadh - Head of Private Wealth Management and Institutional Asset Management - Goldman Sachs - Senior Vice President, Credit Suisse (formerly) Investment Analyst at Banque Saudi Fransi (Formerly)



Records of Investment Committee meetings during the year 2020 AD:

S	Meeting	Date
1	Recommendation for an investment of 6 million riyals to buy shares in Southern Province Cement	11/03/2020

Attendance record of investment committee members' meetings during the year 2020:

Name of the member	Current Positions	First meeting 11/03
Prince 3Muhammad bin Khalid bin Turki Al Saud	Chairman	Attended
Mr. Khalid bin Ahmed Al-Hamdan	Member	Attended
Mr. Abdullah bin Rashid Al-Rafiah	Member	Attended
Mr. Ammar bin Muhammad Al-Abadi	Member	Didn't Attend
Mr. Nasser bin Sharaf Al-Abdali (AWJ representative)	Member	Attended

3) Nomination and Remuneration Committee:

The Remuneration and Nominations Committee was formed on 02/01/2012 AD, and its functions and terms of reference were approved by the (thirty-ninth) General Assembly. The work bylaw of the Nominations and Remuneration Committee was updated according to the decision of the forty-fifth Ordinary General Assembly dated 02/04/1439 AH corresponding to 20/12/2017 AD. The tasks of the committee include:

A) Determine the remuneration policy:

1- Preparing a clear policy for the remuneration of members of the Board of Directors, the committees emanating from the Board and the Executive Management, and submitting them to the Board of Directors for consideration in preparation for approval by the General Assembly, taking into account in this policy the following standards related to performance, disclosure of them, and verification of their implementation.

2- Clarifying the relationship between the bonuses granted and the applicable remuneration policy, and indicating any material deviation from this policy.

3- Periodic review of the remuneration policy and evaluation of its effectiveness in achieving the objectives sought from it.

4- Recommending to the Board of Directors the remuneration of the members of the Board of Directors and the committees emanating from it and the senior executives of the company in accordance with the approved policy.

B) Determining the membership candidacy policy:

1- Proposing clear policies and standards for membership in the Board of Directors and executive management.



- 2- Recommending to the Board of Directors the nomination of its members and re-nominate them in accordance with the approved policies and standards, taking into account not to nominate any person previously convicted of a breach of trust.
- 3- Preparing a description of the capabilities and qualifications required for membership in the Board of Directors and occupying executive management positions.
- 4- Determine the time that the member should allocate to the work of the board of directors.
- 5- Annual review of the necessary needs of skills or appropriate expertise for board membership and executive management functions.
- 6- Reviewing the structure of the board of directors and executive management and making recommendations regarding the changes that can be made.
7. Checking on an annual basis the independence of the independent members and the absence of any conflict of interest if the member is a member of the board of directors of another company.
- 8- Establish job descriptions for executive members, non-executive members, independent members and senior executives.
- 9- Establishing special procedures in case the position of a member of the board of directors or a senior executive becomes vacant.
- 10- Identifying strengths and weaknesses in the board of directors, and proposing solutions to address them in line with the company's interest.

Committee members:

S	Name of the member	Current Positions	Qualifications	Experiences
1	Mr. Abdullah bin Rashid Al-Rafiah	Chairman	Diploma in Business Studies	-Director of Dallah AFCO Gas site (formerly) -Director of the branch of the Chamber of Commerce and Industry in Bisha (formerly) - Assistant Secretary General of the Abha Chamber of Commerce and Industry (formerly) -Administrative Director of Bisha Cement Factory (formerly) - Director of Southern Cement Office in Jeddah (formerly)
2	Mr. Muhammad Sami Rafah	Member	Master in Air Transportation Administration - University qualification in aviation sciences	-CEO of the Saudi Arabian Marketing and Agencies Company Ltd. - SAMACO - Member of Jeddah Holding Company
3	Mr. Omar bin Abdullah Al-Maliki	Member	diploma in aircraft maintenance	- Thirty-one years in Saudi Aramco



Record of the Nomination and Remuneration Committee meetings during the year 2020:

S	Meeting	Date
1	Approval of training courses for company employees	09/03/2020

Attendance record of Nomination and Remuneration Committee meetings during the year 2020:

Name of the member	Current Positions	First meeting 03/09
Mr. Abdullah Rashid Al-Rafiah	Chairman	Attended
Mr. Muhammad Sami Rafah	Member	Attended
Mr. Omar bin Abdullah Al-Maliki	Member	Attended

Seventh: Statement of receivables in favor of government agencies:

Your company does not have any financial dues to government agencies from loans or debts except for the following payments:

Type of payments	What was paid during the year	Movement of the provision		The balance of the provision at the end of the year
		formed provision	differences	
Zakat and income	1,767,834	334,198	-	334,198
The Public Institution for Social Security	46,587	-	-	-
Visa and passport costs	1,650	-	-	-
Labor Office Fee	9,615	-	-	-

Note that the company has submitted the zakat declaration for the year 2020.

Eighth: - Transactions with related parties:

The company provided a bank guarantee to the Saudi British Bank (SABB) in return for the bank facilities granted to the Arab Sulfonates Company Ltd. (an associate company) with a value of 5.1 million SR, which represents 34% of the total value of the bank facilities granted to the associate according to the company's share in the capital.

Due to the failure of the associate and its inability to pay the bank facilities according to their due date, the bank submitted a claim to the company to pay the debts of the Arab Company for Sulfonates Limited in addition to any fees not yet due on October 21, 2015, and on April 12, 2017. The Saudi British Bank (SABB) filed a lawsuit against the Arab Sulfonates Company Ltd. and the company as a guarantor of the facilities and required payment of the amounts due. On February 3, 2019, the Fourteenth Executive Circuit of the Execution Court in Jeddah governorate issued a ruling requesting the Arab Sulfonates Company Ltd. to pay the amount of the claim, and accordingly, the company's management, as a precaution, formed an allowance for the value of the company's share of the bank guarantee and did not make any additional provision resulting from any fees as a result of non-payment.

- We also point out that the auditor has made reservations on this item in the financial statements report for the year 2020 AD.



Ninth: Governance Regulations:

On 11/12/2006, the Board of the Capital Market Authority issued the guiding regulations for the governance of joint stock companies. The regulation includes the rules and standards governing the performance of joint stock companies. The company represented by the Board of Directors approved its own governance regulations that are commensurate with the nature and size of the company's activity. Abide by these regulations is currently supervised by the members of the Board of Directors.

A- Governance regulations that have been implemented:

- 1- Update policies, standards and procedures for membership in the Board of Directors (approved by the 45th General Assembly).
- 2- Update the remuneration policy for the Board of Directors, its committees and the executive management (approved by the 45th General Assembly).
- 3- The Investment Committee was formed and its terms of reference defined.
- 4- Updating the work list of the Nomination and Remuneration Committee (approved by the 45th General Assembly).
- 5- Updating the work list of the Audit Committee (approved by the 45th General Assembly).
- 6- Updating the list of disclosure and transparency (approved by the Board of Directors).
- 7- The company's auditor's work policy (approved by the Board of Directors).
- 8- Updating the regulation of conflict of interest (approved by the Board of Directors).
- 9- Update the internal control system (approved by the Board of Directors).
- 10- Update the list of shareholders' rights (approved by the Board of Directors).

B- What was not applied of the governance regulations and reasons for non-implementation:

The requirements mentioned in the regulation	Implementation
Paragraph (d) of Article VI of the Corporate Governance Regulations (Investors who are legal persons who act on behalf of others - such as investment funds - must disclose their voting policies and actual voting in their annual reports, as well as disclosing how to deal with any fundamental conflict of interest that may affect the exercise of the basic rights related to their investments)	Paragraph (d) of Article Six does not apply to the company, either directly or indirectly, because this article concerns the financial intermediation companies and the activity of our company is to contribute to other associate or subsidiary companies.

Tenth: - Lawsuits:

- On 28 Rajab 1428 AH, the company filed a lawsuit with the Board of Grievances against the Saudi Arabian Oil Company (Saudi Aramco) demanding revenues due from previous years in the



amount of 2.03 billion Saudi riyals. On 17 Shaaban 1435 AH corresponding to July 14, 2014 AD, a judgment was issued by the Administrative Court in Dammam (the Board of Grievances), and on Muharram 17, 1436 AH, this judgment was upheld by the Dammam Appeal Court and Al-Mudhail, with the seal of execution, that Saudi Aramco pays an amount of 137.1 million Saudi riyals to the company. The company filed a grievance with the High Commissioner on Jumada Al-Awwal 9, 1437 AH, corresponding to February 18, 2016 AD, to demand the implementation of the aforementioned ruling and obligating Saudi Aramco to pay. The case was referred from the High Court to the Supreme Administrative Court in Riyadh to reconsider the case and issue a final judgment in it.

The company was informed on Jumada al-Akhira 17, 1441 AH, corresponding to February 11, 2020 AD, from the Office of the Legal Counsel in charge of following up the case, of revoking the ruling and the ruling supporting it, and to rule again to reject the lawsuit against the Saudi Arabian Oil Company (Saudi Aramco).

Eleven: - Declarations of the Board of Directors:

* The Board of Directors acknowledges:

- 1- That the account records were prepared correctly.
- 2- That the internal control system was prepared on sound basis and was effectively implemented.
- 3- That there is no doubt about the ability of the company to continue its activity.

Twelve: - General Disclosures:

* No person or entity has informed the company of any interest he has in the class of eligible shares of voting during the fiscal year 2020 AD.

* The company did not issue or grant debt instruments that can be convertible into shares, any option rights, subscription right notes, transfer rights, or similar rights during the fiscal year 2020.

Thirteenth: - Results of the annual review of the effectiveness of internal control procedures:

The internal audit is an independent, objective assurance and advisory activity, with the aim of adding and improving the performance of the company's accounting work. The internal control assists the company in achieving its objectives by providing a regular basis for evaluating and improving the effectiveness of the control. The company has adopted an internal control system commensurate with the nature of its work

The company's activity which depends on separating the tasks and responsibilities, defining the functions of the company's executive management, and informing the audit committee of everything that contributes to improve the work of the company and contributing with it to review the initial and annual financial statements and implementing the recommendations issued by the audit committee in this regard.



The audit committee did not make any observations or submit any reports that indicate any fundamental defect or weakness in the company's internal control.

Fourteenth: - The company's requests for the shareholders 'register:

The number of the company's requests for the shareholders 'register	The date of submitting the request	Reasons for request
First	01/01/2020	Company Procedures
Second	23/01/2020	Company Procedures
Third	20/04/2020	The work of the General Assembly
Fourth	22/04/2020	Profits File
Fifth	23/04/2020	Profits file
Sixth	23/07/2020	Company Procedures
Seventh	24/08/2020	Company Procedures
Eighth	02/11/2020	Company Procedures
Ninth	10/12/2020	Company Procedures
Tenth	31/12/2020	Company Procedures

Fifteenth: - Recommendations to the (fifty) Ordinary General Assembly for the year 2020:

The Board of Directors recommends to the fiftieth ordinary general assembly the following:

- 1- Voting on the Board of Directors' report for the fiscal year ending on December 31, 2020.
- 2- Voting on the financial statements for the fiscal year ending on December 31, 2020.
- 3- Voting on the auditor's report for the fiscal year ending on December 31, 2020.
- 4- Voting to absolve the members of the Board of Directors from liability for the fiscal year ending December 31, 2020.
- 5- Voting on the Board of Directors 'recommendation to distribute cash dividends for the fiscal year 2020 amounting to (11,250,000 riyals) at a rate of (7.5%) of the company's capital at a rate of (75 halalas) for each share owned by the shareholder, provided that the shareholders who own the shares of the company have the priority at the end of the trading day of the day of holding the (fifty) Ordinary general assembly of the company and those who are registered in the company's shareholders 'register with the Securities Depository Center Company (Edaa) at the end of the second trading day following the maturity date, and the distribution date will be announced later.
- 6- Voting to appoint an external auditor from among the candidates based on the recommendation of the audit committee to examine, review and audit the financial statements for the second, third and the annual quarters of the fiscal year 2021, and the first quarter of the fiscal year 2022, and determine their fees.
- 7- Voting on renewing the authorization issued to the members of the Board regarding obtaining bank loans and the necessary banking facilities, holding mortgages and providing in-kind guarantees, whether movable or immovable owned by the company, in order to facilitate the



company's business and achieve its objectives according to the text of Article (24) of the company's articles of association.

8- Voting to pay a bonus to the members of the Board of Directors for the current year 2020, in an amount of (59,418 riyals)

9- Voting on the election of the members of the Board of Directors from among the candidates for the next period which starts on 01/05/2021 AD and lasts for three years and ends on 30/04/2024 AD.

In conclusion, the Board of Directors extends its sincere thanks and appreciation to the government of the Custodian of the Two Holy Mosques King Salman bin Abdul-Aziz Al Saud (may God protect him) for its continuous support for the advancement of all sectors of the state, including the national economy. The Board of Directors also extends its thanks and appreciation to all the shareholders for the confidence they have given to us, we hope that we will always be as good as they think.

God grants success,

Board of Directors

