



شركة الصناعات الكهربائية
ELECTRICAL INDUSTRIES CO.

Board of Directors Report for 2021

Board of Directors Annual Report Electrical Industries Company For the Company activities during 2021





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VISION

“To be recognized by our stakeholders as one of the leading and accomplished electrical distribution & Power products manufacturer in the MENA and Europe”

MISSION

- Pursue growth and business development opportunities in the Power Sector to maximize our market share and return on investment while committing to Corporate Social Responsibility.
- Provide high quality power solution with market competitive prices while implementing safe, healthy and environment friendly measures.
- Attract nationals and develop our human capital by providing them with training and sustainable growth opportunities.

The Board of Directors:

The Chairman of the Board:

Mr. Yousef Ali Zaid ALQuraishi

Vice Chairman of the Board:

Eng. Mahmoud Mohamad ALToukhi

The Members:

Mr. Faisal Saleh ALQuraishi

Mr. Fahad Saad ALTuwaijri

Mr. Bader Ibrahim ALSwaillem

Mr. Jameel Abdullah ALMolhem

Mr. Sattam Abdulaziz ALZamil

The Managing Director

Eng. Tariq Mohamad ALTahini



Chairman's Message

Dear shareholders of Electrical Industries Company,

The Board of directors of EIC is pleased to present to its shareholders' the Annual Report for the financial year ended in 31st of Dec.2021.The Report has been prepared as per the requirements of Corporate Governance regulations issued by CMA, Companies Law, and the bylaws of the Company.

The report presents information about the Company activities, its performance, future, efforts exerted to develop the shareholders' rights and to support the manufacturing of electrical equipment in Kingdom of Saudi Arabia as according to the final accounts and financial position for the fiscal year ended on 31 Dec 2021.

The board wishes to confirm its keenness to follow up and implement the company's strategic plans, monitor the market situation, and enhance the company's competitiveness to preserve the shareholders rights and to ensure the sustainability of the Company's operation.

I sincerely thank you for your trust in the board of directors, as well as my fellow board members for their directions and efforts. I also thank the executive management for the sincere efforts, looking forward to more achievement and success in 2022.

Yousef Ali ALQuraishi

Chairman of the Board



Managing Director's speech

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

During 2021, the market has improved due to increase in the local demand in most sectors due to infrastructure projects, which had a positive impact on national companies, in addition to the Government support for the national factories and local content which is one of the pillars of 2030 visions.

The company was able to achieve good results for the second consecutive year with total sales amounted to SR (770,7) Million compared to SR (648,7) Million in 2020 with an increase of (19%), the net profit amounted to SR(48,845) Million compared to SR (23,923) Million in year 2020 with an increase of (114%) .

As part of the company's strategic plan to diversify and expand its products base, the company has managed to finalize the acquisition of CG assets in Belgium and establish a new Company in Belgium Under "Pauwels Trafo" which will allow the company to provide the technical support for its subsidiaries and opening new markets.

The company will continue its efforts and plans to open new markets, increase exports, and increase the customer's base. The company is also working to optimize its resources and factories, to improve operating efficiency and rationalize costs to make its products more competitive.

In conclusion, I reiterate my thanks to everyone for their contribution, and we look forward to further success in 2022.

Tariq Mohammed Al-Tahini

Managing Director &CEO



1- Establishment and Activities

A- Establishment:

Electrical Industries Company was established as a Saudi joint stock company registered in the Kingdom of Saudi Arabia by the Ministerial Decree No. 198/Q dated 25/7/1428H corresponding to 7/8/2007G under the Commercial Register No. 2050056359 dated 22/8/1428H corresponding to 4/9/2007G issued in Dammam.

The current share capital of the Company is SR (450) Million consisting of (45) Million ordinary shares, with a nominal value of SR (10) each.

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

B- Activities

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

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

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

The following table shows the impact of the major activities in the volume of the company business and its contribution to the results.

Activities	Revenue	Percentage%
Transformers &Substations	536,009,520	69%
Switchgears	107,025,631	14%
Cable Trays	52,094,814	7%
Service& Automation	75,557,945	10%
Total	770,687,910	100%



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

Below are the main achievements during 2021:

- EIC was able to conclude the acquisition of CG Co in Belgium and establish a new company "Pauwels Transformers Co." in Belgium.
- EIC was able to maintain a backlog of more than SAR 1B for the coming years as end of Dec 2021.
- EIC was able to achieve 19% growth in revenue in 2021 compared with 2020.
- Achieved an increase in IKTVA (in Kingdom Total Value Add) ratio (47%).
- Executed first construction contract with Saudi Aramco as a contractor under one of its subsidiaries.
- Executed 230 KV GIS and Cables testing at the site by the company's machines and manpower for the first time.
- Manufactured and successfully type tested 8.6 MVA Inverter Transformer for Renewable Solar Application.

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

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

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

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



The main events during 2021.

Serial	The event	2021
1	EIC announcement of the Annual financial results for the period ending on 31 Dec 2020	16/3/2021
2	EIC announcement for Cash Dividends Distribution for year 2020	17/3/2021
3	EIC announcement to invite its shareholders to attend the General Assembly meeting.	5/4/2021
4	EIC announcement on the latest development of acquisition of CG Belgium and establishment of a limited Liability Co in Belgium.	18/4/2021
5	EIC announcement of the results of the General Assembly meeting	27/4/2021
6	EIC announcement on its Interim financial results for the period ending in 31 March 2021	4/5/2021
7	EIC announcement on opening the nomination for the board of directors' membership for the next term	16/6/2021
8	EIC announcement on its Interim financial results for the period ending on 30 June 2021	11/8/2021
9	EIC announcement to invite its shareholders to attend the General Assembly meeting.	15/8/2021
10	EIC announcement on the results of the General Assembly meeting	8/9/2021
11	EIC announcement on the formation of the Board of Directors and the committees for the new term.	13/9/2021
12	EIC announcement of its Interim financial results for the period ending on 30 Sept. 2021	26/10/2021



3- Risk Factors

1) Competition

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

2) Operational risks

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

3) Risks of raw material price fluctuations

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

4) Compliance risk

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

5) Zakat Risk

During 2020, the Group received additional zakat and withholding tax assessments for the years from 2015 to 2018 amounting to SR 6.4 million and SR 1.3 million, respectively. The Group filed appeals against such assessments with Zakat, Tax and Customs Authority ("ZATCA"), and as a result ZATCA accepted the appeals for 2015 and 2017 in full, with partial acceptance of 2016 and 2018 appeals. Accordingly, the Group has filed appeals against such revised assessments related to 2016 and 2018 with the General Secretariat of Tax Committees relating to additional zakat and withholding tax assessments of SR 6.2 million and SR 0.4 million, respectively.

During 2021 the Committee for Resolution of Tax Violations and Disputes of the General Secretariat of Tax Committees issued its decision reducing the Zakat and withholding tax due to SR 3.9 million and SR 0.08 million, respectively. The company appealed this decision in front of The Appeal Committee for Tax Violations and Disputes and a decision is yet to be issued.

The Group believes that their contentions are in accordance with the applicable ZATCA regulations, and no material liability will arise upon finalization of such assessments. Accordingly, no provision for such outstanding assessments has been made in the accompanying consolidated financial statements for the year ended 31 December 2021.



5) Financial Risk Factors

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

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

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

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

- **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are primarily in Saudi Riyals, United States Dollars (USD), United Arab Emirates Dirhams (AED) Euros (EUR), British pound sterling (GBP) and Kuwaiti Dinar (KWD). Since Saudi Riyal is pegged to United States Dollars, management of the Group believes that the currency risk for the financial instruments is not significant. The fluctuation in exchange rates against Euro are monitored on a continuous basis.

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

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

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

- **Price risk**

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



- **Credit risk**

Is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition, and therefore the ECL is estimated at an amount equal to the expected credit losses for a period of 12 months, as these financial instruments are determined to have low credit risk at the reporting date.

The Group has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry in which customers operate, has less of an influence on credit risk.

- **Liquidity risk**

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

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

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

- **Capital risk management**

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

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

- **Fair value estimation**

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

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

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

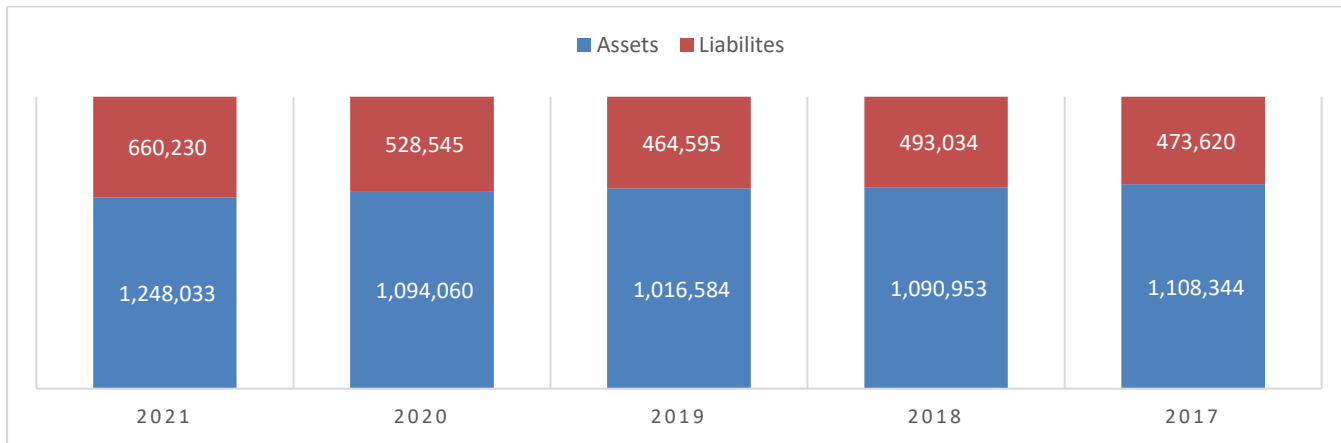


4- Summary of the company's assets, liabilities, and results

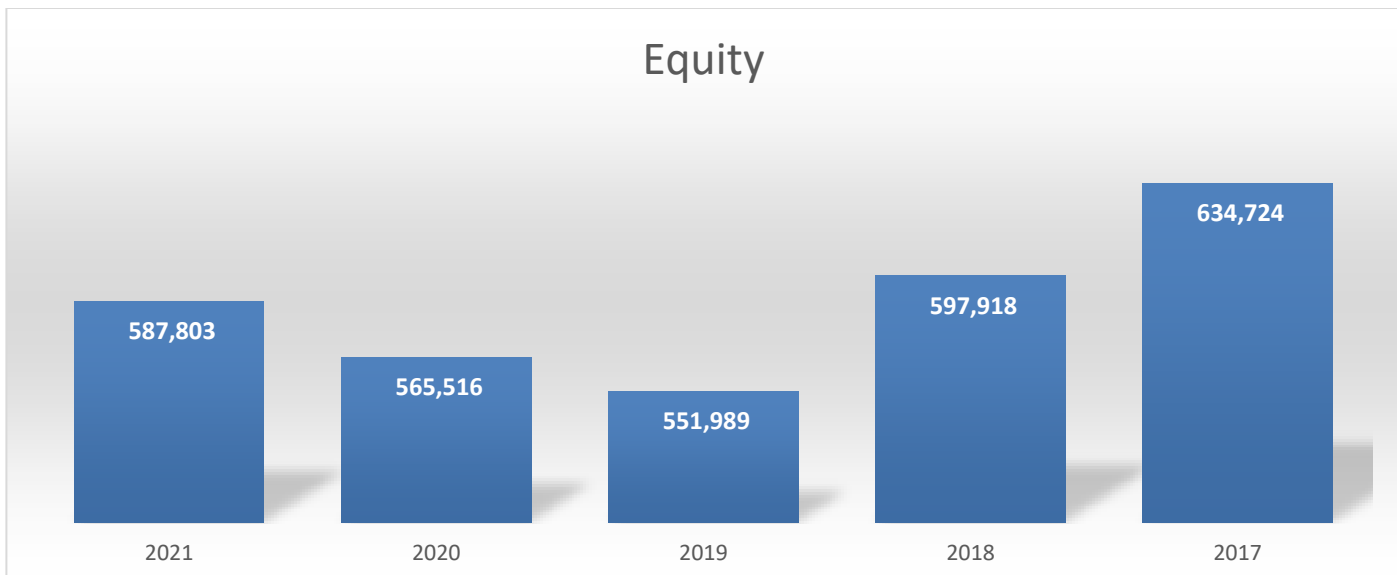
The following table shows the assets and liabilities for the last five fiscal years (in thousands)

Assets & Liabilities	2021	2020	2019	2018	2017
Current assets	925,149	788,064	705,600	775,403	790,658
Non - current assets	322,884	305,996	310,985	315,549	317,685
Total assets	1,248,033	1,094,060	1,016,584	1,090,953	1,108,344
Current liabilities	535,929	414,003	353,962	383,540	405,584
Non - current Liabilities	124,301	114,541	110,633	109,494	68,036
Total Liabilities	660,230	528,545	464,595	493,034	473,620
Equity	587,803	565,516	551,989	597,918	634,724

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



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



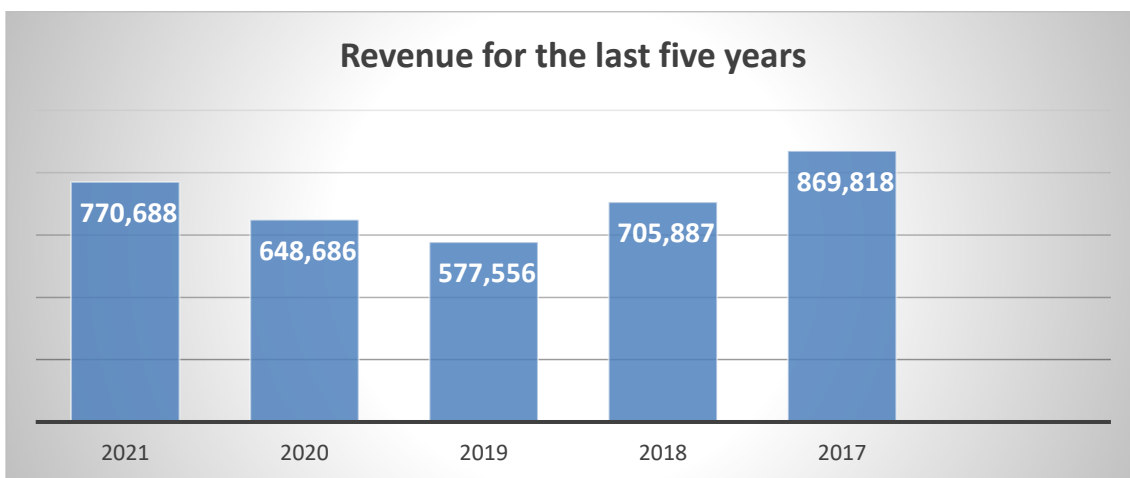


Comparing the results of business:

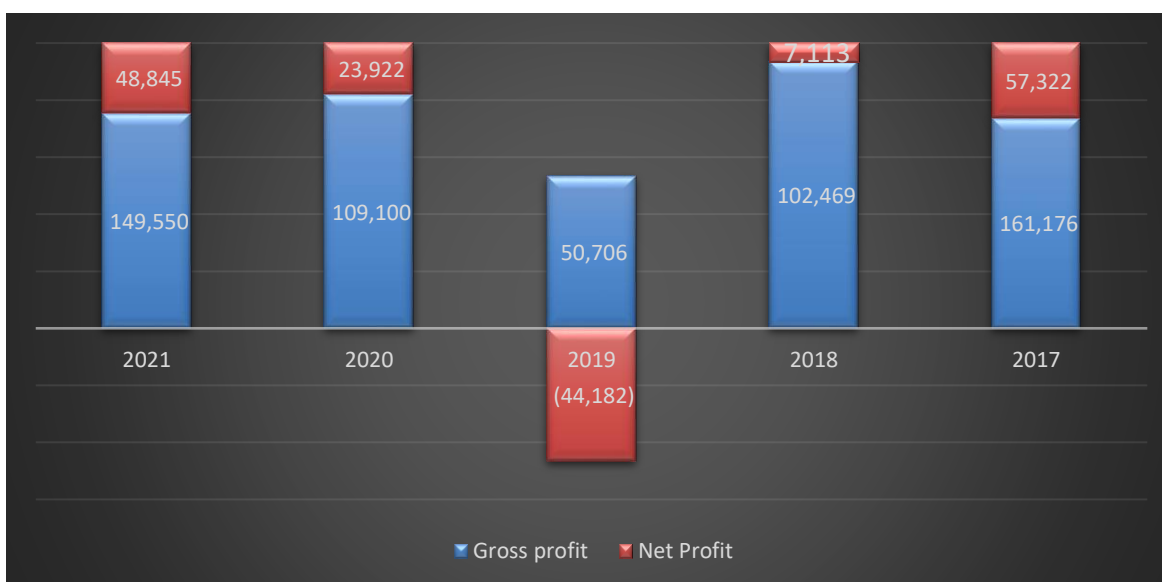
The following table shows the results for the last five fiscal years (the amounts in thousands, SR)

Profit & Loss	2021	2020	2019	2018	2017
Sales	770,688	648,686	577,556	705,556	869,818
Cost of sales	(621,138)	(539,585)	(526,849)	(603,418)	(708,642)
Gross profit	149,550	109,100	50,706	102,469	161,176
Net profit	48,485	23,923	(44,182)	7,113	57,322

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



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





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

The following table shows the geographical analysis of the company's revenue during 2021.

Region	Revenue
Easterner Region	422,095,323
Western Region	214,357,978
Central Region	35,125,920
Southern Region	25,110,103
Northern Region	7,505,231
Export	66,493,346
The total	770,687,910

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

Statement	2021	2020	Differences (+) , or (-)	Percentage
Sales	770,687	648,686	122,002	19%
Cost of Sales	(621,138)	(539,585)	(81,553)	15%
Gross Profit	149,550	109,100	(40,450)	37%
Other Operating Income	3,429	283	3,146	1112%
Other Operating Expenses	(82,721)	(67,215)	(15,506)	23%
Operating Profit	70,258	42,168	28,090	67%

The increase in net profit, gross profit & operating profit for the current year compared with last year is mainly attributed to increase of sales from SAR 648,7 Million to SAR 770,7 Million. In addition to the diversification of the sold products which include products with higher profitability and better gross margins.

The increase is offset by:

- Increase in selling and distribution expenses with amount of SR 5,1 Million due to increase of sales.
- Increase in General and Administration expenses with amount of SR 8,1 Million, mainly due to expenses related to investment in Pauwels Belgium which includes legal and consultation fees and Buildings leases.

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

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



8- List of the Company's Subsidiaries

S	Name of the Subsidiary	Location	Main activities	Ownership	Capital
1	Saudi Transformers Co.	First Industrial City Dammam - KSA	Manufacture of Distribution Transformers, Compact Substations, and LV Panels	100	SR 102,750,000
2	Waha Electric Supply Co of Saudi Arabia (WESCOSA)	First Industrial City Dammam - KSA	Manufacture of Distribution Transformers, Substations, Switchgears, Cable Trays, and service.	100	SR 64,000,000
3	Saudi Power Transformers Co.	2 ND Industrial City Dammam - KSA	Manufacture of Medium Power Transformers	100	SR 30,200,000
4	Gulf Electrical Equipment Co.	Dubai - UAE	Trading in Power Generation, Transmission and Distribution Equipment	100	DHS 100,000
5	Pauwels Transformers Co.	Mechelen - Belgium	Manufacture of Electrical Transformers, Engineering and Technical consultancy	100	Euro 5,000,000

- 1) Saudi Transformers Co. is a limited liability with a paid up capital of (SAR 102,750,000). STC is fully owned, directly and indirectly, by EIC. STC manufactures Distribution Transformers, Compact Substations and low voltage distribution panels/boards.
- 2) Waha Electric Supply Co. of Saudi Arabia is a limited liability, with a paid-up capital of (SAR 64,000,000). WESCOSA is fully owned, directly and indirectly, by EIC. WESCOSA manufactures transformers and substations, low and medium voltage switchgear, and provides services and technical support.
- 3) Saudi power transformers, is a limited liability, with a paid up capital of (SAR 30,200,000). SPTC is owned fully by EIC. SPTC manufactures medium capacity power transformers with a power capacity between 20 MVA and up to 100 MVA..
- 4) Gulf Electrical Equipment Co. is a limited liability, with paid up capital of (DHS 100,000). GEEC is fully owned by EIC. GEEC activities is trading in power generation, transmission, and distribution equipment.
- 5) Pauwels Transformers Co. is a public limited Liability, with paid up capital (Euro 5,00,000). Pauwels is fully owned by EIC. Pauwels activities is manufacture of electrical Transformers, Engineering, and technical consultancy.



9- Details of shares and debt instruments.

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

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

10- Description of dividends policy

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

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

The proposed cash dividends distribution for year 2021.

The Board of Directors has recommended in their meeting held on 17 March 2022 to the General Assembly to distribute cash dividends to the shareholders for the fiscal year 2021, amounting to SR (45) Million, estimated at SR (1) per share, representing (10%) of the nominal value per share. The eligibility of dividends shall be for company's shareholders who own the shares at the end of the trading day of General Assembly meeting and registered in the company's Share Registry at Securities Depository Center at the end of the second trading date following the due date.

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

The company did not receive any notice of any interests, or a change in the interests of person other than board members and senior executives in the class of voting shares during 2021.



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

Name	No of shares at the beginning of the year	%	No of shares at the end of the year	%	Net Change	Percentage Change
AJDA for Industrial and Technical Services	12,600,00	28	12,600,000	28	12,600,000	-
Sons of Saad Abdullah ALTuwaijri Holding Co.	10,265,850	22,81	10,265,850	22,81	12,600,000	-

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

A- Board of Directors

Name	No. of Shares at the beginning of the year	%	No. of shares at the end of the year	%	Net Change	Percentage change
Mr. Yousef Ali Z. ALQuraishi	-	-	-	-	-	-
Mr. Mahmoud M. ALToukhi	1,342,532	-	1,342,532	0	-	-
Mr. Faisal Saleh ALQuraishi	-	-	-	-	-	-
Mr. Fahad Saad A ALTuwaijri	1,000	-	1,000	-	-	-
Mr. Bader Ibrahim ALSwailem	1,000	-	-	100	(1,000)	100
Mr Jameel Abdulalh ALMulhem	-	-	-	-	-	-
Mr. Sattam Abdulaziz ALZamil	-	-	-	-	-	-
Eng. Tariq Mohamad ALTahini	3,000	-	2,000	-	(1,000)	33

B- Senior Executives

Name	No. of Shares at the beginning of the year	%	No. of shares at the end of the year	%	Net Change	Percentage change
Mr. Medhat Adham Ghaleb	-	-	6,000	-	(6,000)	100
Eng. Mohammed Yousef AbuSaada	-	-	-	-	-	-
Eng. Maher Abdulhai ALNajar	-	-	-	-	-	-
Mr. Abdulaziz Azzam ALDhafiari	-	-	-	-	-	-



14-Information on any Loans

The following table shows the details of loans and payment status as of 31 Dec 2021

Lender	Original amount	Loan period	Amount paid during the year	Balance at the end of the year
RAJHI	30,748,000	6 Months	-	30,748,000
BSF	33,274,000	6Months	-	33,274,000
NCB	51,999,000	6 Months	-	51,999,000
GIB	8,294,000	6 Months	-	8,294,000
ABC - Bahrain	49,875,000	3 Months	-	49,875,000
SIDF	56,900,000	10 Years	13,000,000	31,400,000
Total	231,090,000		13,000,000	205,590,000

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

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

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

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

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

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



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

According to the charter of the board of directors, the board is composed of (8) members, majority of them are None - executives. The board members have been elected by the General Assembly in its meeting held on 7th of Sept2021 for the current term which started on 10 Sept 2021.

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

Name	Membership Type	Position	Expiry of the term
Mr. Yousef Ali Z. ALQuraishi	Non-Executive	Chairman	10 th Sept.2024
Eng. Mahmoud M. ALToukhi	Non-Executive	Vice Chairman	10 th Sept.2024
Mr. Faisal Saleh Z. ALQuraishi	Non-Executive	Member	10 th Sept.2024
Mr. Fahad Saad A. ALTuwaijri	Non-Executive	Member	10 th Sept.2024
Mr. Bader Ibrahim I. ALSwailem	Independent	Member	10 th Sept.2024
Mr. Jameel Abdullah A. ALMulhem	Independent	Member	10 th Sept.2024
Mr. Sattam Abdulaziz ALZamil	Independent	Member	10 th Sept.2024
Eng. Tariq Mohamad A. ALTahini	Executive	Member	10 th Sept.2024

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

A- Board and Committee Members:

Name	Current positions	Previous positions and experience's	Qualifications
Mr. Yousef Ali Z. ALQuraishi Chairman of the board	Managing director Ali Zaid ALQuraishi & Brothers Co.	Vice Chairman of the board Ali Zaid ALQuraishi & Brothers Co. Managing director Ali Zaid ALQuraishi marketing Co.	High school
Eng. Mahmoud M. ALToukhi Vice Chairman of the board Member of Remuneration & Nomination Committee	Chairman of the Board ALToukhi Trading Group	Assistant Project Manager of KV 132 transfer station in Riyadh, for Al Toukhi Company for Industry, Trading and Contracting	Bachelor's Degree in Electrical Engineering, Northrop University - California, USA Master's Degree in Business Administration, San Diego University- California, USA
Mr. Faisal Saleh ALQuraihsi Board Member Member of Remuneration & Nomination Committee	Chairman of the board Ali Zaid ALQuraishi & Brothers' Co	Managing director Ali Zaid ALQuraishi & Brothers Co	Bachelor's Degree of science in Marketing, King Fahad University Master's Degree in Business Administration Pepperdine University USA



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Name	Current Positions	Previous Positions and Experiences	Qualifications
Mr. Fahad Saad ALTuwaijri Board Member	Chairman of the Board of Sons of Saad Abdullah ALTuwaijri Holding Co.	General Manager of the National Concrete Products Establishment	Bachelor's Degree in Military Science, King Khalid Military College Riyadh
Mr. Bader Ibrahim ALSwailem Board Member Chairman of Audit Committee	Chief Executive Officer YANAL Finance Co.	Deputy Chief Exe Officer Saudi Orix Leasing Co. Deputy Chief Exe Officer - Electronic Sector at ALFaisaliah Financial Controller at ALFaisaliah Finance Manager Saudi Chemicals Co. Accountant and Internal Auditor at SABIC.	Bachelor's Degree in Accounting, King Saud University - Riyadh Certified Public Accountant (CPA) from SOCPA. Certified Public Accountants (CPA) from the American Institute of Certified Public Accountants
Eng.Tariq Mohamad ALTahini Board Member	Executive President & Managing Director at EIC	More than 25 years' experience in leading positions at SEC	Bachelor of Science in Mechanical Engineering, King Fahad University of Petroleum & Minerals - Dhahran
Mr. Jameel Abdullah ALMolhem Board Member Chairman of Nomination & Remuneration Committee	Managing Director Takween Advanced Industries Co.	Executive President – Shaker Group Executive President for Operation Saudi Telecommunication Co. Senior Investment Manager- SABB	Bachelor's degree of Science in Marketing, King Fahad University
Mr. Sattam Abdulaziz ALZamil Board Member Audit Committee Member	Vice President for Finance ALZamil Group	Methanol Chemicals Co.	Bachelor's Degree of accounting, Kind Fahad University
Mr. Abdulaziz Saud ALSabeebi Audit Committee Member (Outside the board)	Founder of Maham Office for Zakat & Tax Consulting	Audit partner in Ernst & Young.	Bachelor's degree of accounting King Faisal University American Institute of certified public accountants Saudi Organization for certified public accountants



B- Executive Management

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



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

Member Name	Current Membership	Inside/ Outside	Previous Membership	Inside / Outside
Mr. Yousef Ali ALQuraishi	Ali Zaid ALQuraishi & Brothers Co. (Joint stock).	Inside KSA	Saudi Power TR Co. (Ltd)	Inside KSA
	Saudi Transformers Co. (Ltd).		United Motors Co. (Ltd)	Inside KSA
	WESCOSA (Ltd).	Inside KSA	AL Quraishi Marketing Co. (Ltd).	Inside KSA
	Saudi Nets Manufacturing Co. (Ltd).	Inside KSA		
	TICO Middle East (Ltd).	Inside KSA		
	Assayel Arabia for Real estate Co. (Ltd).	Inside KSA		
	Marketing& Distribution Co. (Ltd).	Inside KSA		
	Kalaam Telecom Co. (Ltd).	Outside KSA		
	Royal & Sun Alliance Middle East -Joint stock	Outside KSA		
	Sfar Holding Co. (Ltd).	Outside KSA		
	TILAD for Investment (Ltd).	Outside KSA		
	Himmah Capital (Ltd)	Outside KSA		
	Gulf net Solution Co. (Ltd).	Inside KSA		
	Automotive Distribution& Market Co. (Ltd).	Inside KSA		
Star Links Services (Ltd).	Inside KSA			
Remaal ALKhubar Real Estate Co (Ltd)	Inside KSA			
Eng. Mahmoud ALToukhi.	Amana Cooperative Insurance (public listed)	Inside KSA	Saudi Power TR Co. (Ltd)	Inside KSA
	ALToukhi Trading Group (Ltd).	Inside KSA		
	Saudi Transformers Co. (Ltd).	Inside KSA	WESCOSA (Ltd).	Inside KSA
	ALToukhi Company for Industry, Trading and Contracting (Ltd).	Inside KSA	ALToukhi Ozdil Co. (Ltd).	Inside KSA
	Advanced Electrical Industry Co (Ltd).	Inside KSA	Mona Cool Co. (Ltd).	Outside KSA
	International Industrial Tools (INDICO) Ltd	Inside KSA		
		Inside KSA		
Mr. Fahad Saad ALTuwaijri	Sons of Saad Abdullah ALTuwaijri Holding Co. (Closed Joint Stock).	Inside KSA	National Concrete Est (Ltd)	Inside KSA
	Saudi Transformers Co (Ltd).	Inside KSA		
	WESCOSA (Ltd).	Inside KSA		



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Member Name	Current Membership	Inside/ Outside	Previous Membership	Inside /Outside
Mr. Faisal Saleh ALQuraishi	Ali Zaid ALQuraishi & Brothers Co. (Closed Joint Stock) Tawkelat Co for Finance (Closed Joint stock) United Motors Co. (Ltd). WESCOA (Ltd). Automotive Distribution & Marketing Co. (Ltd) Canon Saudi Arabia (Ltd).	Inside KSA Inside KSA Inside KSA Inside KSA Inside KSA Inside KSA	Saudi Air Navigation Services Co. (Ltd). Saudi Power TR Co. (Ltd). Saudi Transformers Co. (Ltd) TECO Middle East (Ltd). Eastern province chamber (GOV Authority).	Inside KSA Inside KSA Inside KSA Inside KSA Inside KSA
Mr. Sattam AbdulAziz ALZamil	Electrical Industries Co.	Inside KSA		
Mr Bader Ibrahim ALSwaillem	YANAL Finance Co. (Closed Joint Stock). Amana Cooperative Insurance Co. (Listed) (Houloul Co. (A subsidiary of Takmoul Holding) - Semi GOVT.	Inside KSA Inside KSA Inside KSA	Arabian Co. for Internet & Communication (Awal Net) (Ltd). ALFaisaliah Group (Ltd). Saudi Chemicals Co (Ltd).	Inside KSA Inside KSA Inside KSA
Eng. Tariq Mohamad ALTahini	Saudi Power Transformers Co. (Ltd). Pauwels Transformers Co. (Ltd).	Inside KSA	CG Power Solutions of Saudi Arabia (Ltd).	Inside KSA
Mr. Jameel Abdullah ALMulhem	TAKAWEEN Advanced Industries (Listed) Walaa Cooperative Insurance Co. (Listed) Saudi Post (GOV Authority). Saudi Telecommunication Co.- STC (Listed). ALEssa for Industries (Closed Joint Stock) YANAL For Finance (Closed Joint Stock).	Inside KSA Inside KSA Inside KSA Inside KSA Inside KSA Inside KSA	CELCO Call Center Co. (Ltd). New Vision Co. (Ltd). SAKER Group (Public Listed Energy Services Co. (Ltd) VIVA – Bahrain (Ltd). VIVA-Kuwait (Public Stock) CELL CE(Ltd). AVEA (Ltd). Turk Telecom (Public Stock) INTEGRAL (Ltd).	Inside KSA Inside KSA Outside KSA Inside KSA Outside KSA Outside KSA Outside KSA Outside KSA Outside KSA Outside KSA Outside KSA



21- The Board meetings and the attendance record.

The Following table shows the number of meetings held during 2021, their dates and the attendance record:

Name	1 st Meeting 16/3/2021	2 nd Meeting 31/5/2021	3 rd Meeting 13/8/2021	4 th Meeting 26/10/2021	5 th Meeting 28/12/2021	Total
Mr. Yousef Ali ALQuraishi	✓	✓	✓	✓	✓	5
Eng. Mahmoud M. ALToukhi	✓	✓	✓	✓	✓	5
Eng. Talal Ahmed ALZamil	✓	✓	✓	His membership ended on 9 th Sept2021		3
Mr. Faisal Saleh ALQuraishi	✓	✓	✓	✓	✓	5
Mr. Fahad Saad ALTuwaijri	✓	✓	✓	✓	✓	5
Mr. Bader Ibrahim ALSwailem	✓	✓	✓	✓	✓	5
Eng. Tariq Mohamad ALTahini	✓	✓	✓	✓	✓	5
Mr. Jameel Abdullah ALMohem	✓	✓	✓	✓	✓	5
Mr. Sattam Abdulaziz ALZamil	His membership started on 10 th Sept 2021			✓	✓	2

22- General Assembly Meetings and the Board attendance

During 2021 the company held one meeting of the shareholders' General Assembly.

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

Name	Ordinary General Assembly Meeting on 26 th April 2021.	Ordinary General Assembly Meeting on 7 th Sept2021	Remarks
Mr. Yousef Ali ALQuraishi	✓	✓	
Eng. Mahmoud Mohamad ALToukhi	✓	✓	
Eng. Talal Ahmed ALZamil	✓	✓	His membership ended on 9 th Sept2021
Mr. Faisal Saleh ALQuraishi	✓	✓	
Mr. Fahad Saad ALTuwaijri	✓	✓	
Mr. Bader Ibrahim ALSwailem	✓	✓	
Eng. Tariq Mohamad ALTahini	✓	✓	
Mr. Jameel Abdullah ALMulhem	✓	✓	
Mr. Sattam Abdulaziz ALZamil	X	X	His membership started on 10 th Sept2021



23- Shareholders Register

During the fiscal year ended on 31 Dec 2021, the Company has requested the shareholders register (3) times.

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

No.	Date of the request	Reason of the request
1	26/02/2021	Company procedures
2	26/4/2021	Annual General Assembly meeting
3	28/4/2021	Dividends Distribution

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

According to the information available to the company, there is no transactions concluded between the company and any related party during 2021.

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

During 2021, the company concluded contracts and businesses with related parties. These businesses and contracts are normal trade, limited with specific period without special terms or preferences. The below table shows the related parties transactions during 2021:

Name of the related party	Member who has interest.	Nature of the business	Duration of Contract	Terms	Total amount (SR)
ALQuraish Electrical Services Company	Mr. Yousef A. ALQuraishi Mr. Faisal S. ALQuraishi	Sale of products	One year	Without Preferential terms	3,757,472
ALToukhi for Industry Trading and Contracting	Eng. Mahmoud M. ALToukhi	Sale of products.	One year	Without preferential terms	750,264
ALQuraish Electrical Services Company	Mr. Yousef A. ALQuraishi Mr. Faisal S. ALQuraishi	Purchase of products	One year	Without preferential terms	64,872



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

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

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

Principles of the Remunerations:

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

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

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

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

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

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



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

The relation between the paid remuneration and the approved remuneration policy

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

A- The remunerations and compensations paid to the board of directors during 2021 (in Thousand)

Members Of the board	Fixed remuneration							Variable remuneration						End of Service award	Total	Expenses Allowance
	Specific Amount	Attendance allowance for board meetings	Total attendance allowances for committee meetings	In-kind benefits	Remuneration for technical & Consultancy	Remuneration of the Chairman, MD or Secretary of Board	Total	Percentage of profits	Periodic Remuneration	Short term incentive plan	Long term incentive plan	Granted shares	Total			
Independent Members																
Eng. Talal Ahmed ALZamil	200	9	6	-	-	-	215	-	-	-	-	-	-	-	215	-
Mr. Bader Ibrahim ALSwailem	200	9	24	-	-	-	239	-	-	-	-	-	-	-	239	-
Mr. Jameel Abdullah ALMolhem	200	15	21	-	-	-	236	-	-	-	-	-	-	-	236	-
Mr Sattam Abdulaziz. ALZamil	0	6	24	-	-	-	30	-	-	-	-	-	-	-	30	-
Total	600	45	75	-	-	-	720	-	-	-	-	-	-	-	720	-
None - Executives Members																
Mr. Yousef Ali ALQuraishi	200	15	-	-	-	-	215	-	-	-	-	-	-	-	215	-
Eng. Mahmoud Mohamad ALToukhi	200	15	9	-	-	-	224	-	-	-	-	-	-	-	224	-
Mr. Faisal Saleh ALQuraishi	200	15	9	-	-	-	224	-	-	-	-	-	-	-	224	-
Mr. Fahad Saad ALTuwajri	200	15	-	-	-	-	215	-	-	-	-	-	-	-	215	-
Total	800	60	18	-	-	-	878	-	-	-	-	-	-	-	878	-
Executive Members																
Eng. Tariq Mohamad ALTahini	200	15	-	-	-	-	215	-	-	-	-	-	-	-	215	-
Total	200	15	-	-	-	-	215	-	-	-	-	-	-	-	215	-

- Mr. Talal ALZamil membership ended on 9th Sept 2021
- Mr. Sattam ALZamil membership started on 10th Sept 2021



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B- Remunerations and compensations paid to the Committees members during 2021.

Name	Fixed remunerations (Excluding session attendance allowances)	Session attendance allowance.	Total
Audit committee			
Mr. Bader Ibrahim ALSwailem	50,000	24,000	74,000
Mr. Sattam Abdulaziz ALZamil	50,000	24,000	74,000
*Mr. Jameel Abdullah ALMolhem	50,000	18,000	68,000
*Mr Abdulaziz Saud ALShabeebi	-	6,000	6,000
Total	150,000	72,000	222,000
Remuneration & Nomination Committee			
Eng. Talal Ahmed ALZamil	50,000	6,000	56,000
Eng. Mahmoud Mohamad ALToukhi	50,000	9,000	59,000
Mr. Faisal Saleh ALQuraishi	50,000	9,000	59,000
*Mr Jameel Abdullah ALMulhem	0	3,000	3,000
Total	150,000	27,000	177,000

* Mr. Jameel ALMolhem membership at Audit Committee ended on 9th of Sept2021

*Mr. Abdulaziz ALShabeebi membership at Audit Committee started on 10th Sept2021

* Mr. Talal ALZamil membership at Remuneration & Nomination Committee ended on 9th Sept2021

*Mr. Jameel ALMolhem membership at Remuneration & Nomination Committee started on 10th Sept2021

C- Remunerations of Senior executives during 2020.

The following table shows the remuneration paid to Senior Executives, including the CEO and CFO for the year ended in 31 December 2021 (amounts in thousands, SR):

Senior Executives	Fixed Remuneration				Variable Remuneration						End of services award	Total Remuneration For Board Executives If any	Total
	Salaries	Allowances	In-kind benefits	Total	Periodic Remuneration	Profits	Short Term Incentives Plan	Long term incentive plan	Shares granted	Total			
Five Senior Executives													
Total	4,263	1,363	-	5,626	929	-	-	-	-	929	-	200	6,755



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27- Waiver of Remuneration

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

28- Waiver of dividends

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

29- Paid and Outstanding Statutory Payment during 2021

The below table shows the values of the paid and outstanding statutory payments and a brief description:

Statement	2021		A brief description	Reasons
	Paid during the year	Due and not paid at the end of the year		
Zakat	12,007,452	13,496,451	ZAKAT provisions for 2021	The due sums will be paid during 2022.
VAT	56,128,831	10,214,409	VAT provisions for Dec 2021	The due sums were paid 2022
GOSI	7,383,134	731,238	GOSI Provision for Dec 2021	The due sums were paid during Jan. 2022
Labor Office & passport	928,728	-	Labor Office Fees and expenses for visa and Iqama renewal.	-
Custom Fees	7,823,855	720,000	Customs duties for the imported raw materials	Differences for Custom duties for previous years.



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

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

Statement	The amount
End of Service award	80,528,000
Bonus Shares program	13.,800,000

31- The Board of Directors declarations.

The Board of directors acknowledges the following:

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

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

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

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

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

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

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

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

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



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

A- Audit Committee

According to its charter, the Audit committee shall compromise from three to five none- executive members, at least one should be independent. The members are nominated by the board of directors and appointed by the general assembly of the shareholders. The General Assembly in its meeting held on 7th Sept 2021 has approved the formation of the Audit Committee for the current term which started on 10 Sept 2021.

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

Name	Position	1 st Meeting 15/3/2021	2 nd Meeting 30/3/2021	3 rd Meeting 3/5/2021	4 th Meeting 10/5/2021	5 th Meeting 18/5/2021	6 th Meeting 10/8/2021	7 th Meeting 20/10/2021	8 th Meeting 9/11/2021	Total
Mr. Bader ALSwailem	Chairman	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Sattam ALZamil	Member	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Jameel ALMolhem	Member	✓	✓	✓	✓	✓	✓	His membership ended on 9 th Sept 2021		6
Mr Abdulaziz ALShabeebi	Member	His membership started on 10 Sept 2021						✓	✓	2

Audit Committee's main tasks.

- Analyzing the Company's Interim and annual financial consolidated statements before presenting to the board and providing its opinion and recommendation to ensure their integrity, fairness, and transparency.
- Providing its technical opinion as per request from the board regarding whether the board's report and the company's financial statement are fair, balanced, and understandable.
- Investigate accurately any issues raised by the Company CFO or the External auditor.
- Reviewing the accounting estimates in respect of significant matters that are contained in the financial statements.
- Reviewing the accounting policies adopted by the Company and providing its opinion and recommendation to the board thereon.
- Study and review the Company's internal and financial control systems and risk management system.
- Analyzing the internal audit reports and following up the implementation of the corrective measures in respect of the remarks made in such reports.
- Monitoring and overseeing the performance and activities of the Internal auditor and internal audit department.
- Recommend to the board on the nomination or termination of services and fees of the external auditors,
- Ensuring the independence of the external auditor, its objectives, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards.
- Reviewing the plans of the External auditor and its activities and ensuring that it does not provide any technical or administrative works that are beyond its scope of work and provide its opinion thereon.
- Reviewing the external auditor's reports and its comments on financial statement and following up the procedure taken in connection therewith.
- Ensuring the company's compliance with the relevant laws and regulations, policies, and instructions.
- Reviewing the findings of reports of the supervisory authorities and ensuring that the company has taken the necessary action in connection therewith.
- Reviewing the contacts and transactions that company intends to conclude with the related parties and provide its recommendation to the board in connection therewith.



B- Remuneration and Nomination Committee:

According to its charter, Remuneration and nomination committee shall comprise three to five non – executive members of the board, at least one should be independent. The members are appointed by the board. The board has appointed the members of the committee for the current term which started on 10 Sept 2021.

The following table lists the committee members, their membership and their attendance in the meetings held during 2021.

Name	Membership	The attendance record			Total
		1 st Meeting 27/1/2021	2 nd Meeting 29/7/2021	3 rd Meeting 20/10/2021	
Eng. Talal Ahmad ALZamil	Chairman for the previous Term	✓	✓	x	2
Mr Jameel A. ALMohem	Chairman for the current term	x	x	✓	1
Eng. Mahmoud M. ALToukhi	Member	✓	✓	✓	3
Mr. Faisal Saleh ALQuraishi	Member	✓	✓	✓	3

*Mr. Talal AZamil membership ended on 9th Sept 2021

*Mr. Jameel ALMohem membership started on 10th of Sept 2021

Remuneration and Nomination committee's main task:

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



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

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

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

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

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

39- Communication with the shareholders'

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

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

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



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

No of treasury shares retained by the company	Value	Date of retaining	Details of usage
500,000	SR 13,800,000	15/10/2019	The shares will be allocated to the incentive's shares program

42- Governance of the Company

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

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



43- The Board recommendation to the General Assembly

- 1- Voting on the auditor's report for the fiscal year ending on 31/12/2021.
- 2- Voting on the Company's consolidated financial statements for the fiscal year ending on 31/12/2021
- 3- Voting on the Board of Directors' report for the fiscal year ending on 31/12/2021
- 4- Voting on the appointment of external auditors from among the candidates recommended by the Audit Committee to audit the company's annual financial statements for the second, third quarter, annual financial statements for the fiscal year 2022 and the first quarter of year 2023 along with determining their fees.
- 5- Voting on the Board of Directors recommendation to distribute cash dividends to shareholders for the fiscal year ended on 31 Dec 2021 amounting to SR (45) Million, at SR (1) per share, representing (10%) of the nominal value per share. The eligibility of dividends shall be for company's shareholders who own the shares at the end of the trading day of the General Assembly meeting and registered in the company's Share Registry at Securities Depository Center at the end of the second trading date following the date of General Assembly meeting.
- 6- Voting on the discharge of the Board of Directors members for the fiscal year ending on 31 December 2021
- 7- Voting on the disbursement of an amount of SAR (1,600,000) as a remuneration for the Board Members for the year ending on 31 Dec.2021
- 8- Voting on the contracts concluded between the Company and ALQuraishi Co. for Electrical Services, in which the Chairman of the Board, Mr. Yousef A. ALQuraishi and the board member Mr. Faisal S. ALQuraishi have an interest. The nature of these contracts is for sale of products, without special terms or preference. The total amount during 2021 has reached SR (3,757,472) .
- 9- Voting on the contracts concluded between the Company and ALToukhi Company for Industry Trading and Contracting, in which the vice chairman of the board, Eng. Mahmoud M. ALToukhi has indirect interest. The nature of the contracts is for sales of products, without special terms or preference. The total amount of the contracts during 2020 has reached SAR (750,264).
- 10- Voting on the contracts concluded between the Company and ALQuraishi Co. for Electrical Services, in which the Chairman of the Board, Mr. Yousef A. ALQuraishi and the board member Mr. Faisal S. ALQuraishi have indirect interest. The nature of the contracts are for purchase of products, without special terms or preference. The total amount of the contracts during 2021 has reached SR (64,872)
- 11- Voting on the participation of the Chairman of the Board, Mr. Yousef Ali ALQuraishi in a business that competes with the business of the company.
- 12- Voting on the participation of the board member, Mr. Faisal Saleh ALQuraishi in a business that competes with the business of the company.
- 13- Voting on the criteria of participating in a competing business of the Company.

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

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