

**FAWAZ ABDULAZIZ ALHOKAIR & Co. (Cenomi Retail) Invites its shareholders to attend the Ordinary General Assembly meeting (first meeting) by means of modern technology**

The Board of Directors of FAWAZ ABDULAZIZ AL HOKAIR & CO (Cenomi Retail) is pleased to invite its valued shareholders to share and vote in the Ordinary General Assembly meeting (the first meeting), which is scheduled to be held, God willing, at 8:00 pm on Thursday 04/12/1444 AH corresponding to June 22, 2023

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

**To vote on the following agenda:**

1. Reviewing the Board of Directors Report for the fiscal year ended on 31/12/2022, and discuss it.
2. Reviewing the Annual audited financial statements for the financial year ended on 31/12/2022, and discuss it.
3. Voting on the External Auditor Report for the financial year ended on 31/12/2022
4. Voting on releasing members of the Board of Directors from liabilities for their performance during the fiscal year ending on 31/12/2022
5. Voting on Paying an amount of 1,650,000 Saudi Riyals as remuneration to the members of the Board of Directors for the fiscal year ended on 31/12/2022
6. Voting on the appointment of the Company's 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 and third quarters as well as the annual financial statements for the fiscal year 2023G, And the first quarter for the fiscal year 2024G, and to determine the auditor's fees.
7. Voting on the participation of Board Member Abdul Majeed Bin Abdulaziz Al-Hokair in a competing activity. (Attached)
8. Voting on Business dealings and contracts that took place between the Company and Arabian Centres Company in which the following Board members have an indirect interest in: Fawaz Bin Abdulaziz Al-Hokair, Abdul Majeed Bin Abdulaziz Al-Hokair, Abdulmajid Bin Abdullah Albasri and Mohamad Rafic Mourad. These dealings and contracts relate to real estate rental payments, in the amount of 331,315.053 Saudi Riyals for the fiscal year ended on December 31, 2022. It should also be noted that these transactions are carried out on a commercial basis (there are no preferential terms). (Attached)
9. Voting on Business dealings and contracts that took place between the Company and Saudi FAS Holding Company in which the following Board members have an indirect interest in: Fawaz Bin Abdulaziz Al-Hokair, Abdul Majeed Bin Abdulaziz Al-Hokair, Abdul Majeed Bin Abdullah Al-Basri and Mohamad Rafic Mourad. These dealings and contracts relate to Debit Note relating to expenses paid on behalf of FAS Holding,

bearing in mind that the amount of transactions for the fiscal year ended on December 31, 2022 amounted to 1,945,727 Saudi Riyals, and it should also be noted that these transactions are carried out on a commercial basis. (There are no preferential terms). (Attached)

10. Voting on Business dealings and contracts that took place between the Company and Al Farida Commercial Agencies Company in which the following Board member have an indirect interest in: Abdul Majeed Bin Abdulaziz Al-Hokair. These dealings and contracts relate to Actual cash paid to Al Farida Company, in addition to Rentals and Expenses paid to 3rd party on behalf of Al Farida Company, in the amount of 10,880,896 Saudi Riyals for the fiscal year ended on December 31, 2022. It should also be noted that these transactions are carried out on a commercial basis (there are no preferential terms). (Attached)
11. Voting on Business dealings and contracts that took place between the Company and Al Farida Commercial Agencies Company in which the following Board member have an indirect interest in: Abdul Majeed Bin Abdulaziz Al-Hokair. These dealings and contracts relate to Actual cash received by Al Farida Company from the group, and salaries Paid by Al Farida Company to the group Employees, in the amount of 9,313,954 Saudi Riyals for the fiscal year ended on December 31, 2022. It should also be noted that these transactions are carried out on a commercial basis (there are no preferential terms). (Attached)
12. Voting on Business dealings and contracts that took place between the Company and the Egyptian Centers for Real Estate Development Company in which the following Board members have an indirect interest in: Fawaz Bin Abdulaziz Al-Hokair, Abdul Majeed Bin Abdulaziz Al-Hokair. These dealings and contracts relate to real estate rental payments, in the amount of 3,844,186 Saudi Riyals for the fiscal year ended on December 31, 2022. It should also be noted that these transactions are carried out on a commercial basis (there are no preferential terms). (Attached)
13. Voting on Business dealings and contracts that took place between the Company and Hagen Ltd in which the following Board members have an indirect interest in: Fawaz Bin Abdulaziz Al-Hokair, Abdul Majeed Bin Abdulaziz Al-Hokair. These dealings and contracts relate to printing and advertising services, in the amount of 2,983,050 Saudi Riyals for the fiscal year ended on December 31, 2022. It should also be noted that these transactions are carried out on a commercial basis (there are no preferential terms). (Attached)
14. Voting on Business dealings and contracts that took place between the Company and Food and Entertainment Company in which the following Board member have an indirect interest in: Fawaz Bin Abdulaziz Al-Hokair, Abdul Majeed Bin Abdulaziz Al-Hokair. These dealings and contracts relate to Debit notes related to sale of Investment (Azal Restaurant and First Pizza Company-Previously owned by Food and Entertainment Company) Sold in the year 2022, in the amount of 25,095,664 Saudi Riyals for the fiscal year ended on December 31, 2022. It should also be noted that these transactions are carried out on a commercial basis (there are no preferential terms) (Attached)

Each of the shareholders registered in the company's shareholder's register at a deposit center at the end of the trading session preceding the meeting of the assembly has the right to attend the ordinary general

assembly meeting in accordance with the rules and regulations. The right of registration to attend the assembly meeting ends at the time of the assembly meeting; Eligibility for Voting on the Business of the Meeting Agenda ends upon the Counting Committee Concludes Counting the Votes. The ordinary general assembly meeting is valid if the attended Shareholders representing at least half of the capital. Bearing in mind that the registered shareholders in the TADAWULATY services will be able to vote electronically on the assembly's items starting from 01:00 in the morning on Monday 01/12/1444 AH corresponding to June 19, 2023 AD until the end of the time of the Ordinary General Assembly Registration. Voting for TADAWULATY services will be free and available to all shareholders via the following link: [tadawulaty.com.sa](http://tadawulaty.com.sa).

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

**Phone:** 0114350000

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**Fawaz Abdulaziz Al-Hokair & Co.**

**(Cenomi Retail)**

**The annual report of the Audit Committee**

**For the fiscal year ending 31 December 2022**

**(for nine months period from 1 April 2022 to 31 December  
2022)**

**A- Audit Committee:**

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

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

- 1-** Supervising the Internal Audit Department in order to verify its effectiveness in carrying out the works and tasks designated by the accounting policies approved by the Board of Directors and related bodies.
- 2-** Studying the internal audit reports and following up the implementation of corrective actions for the observations contained therein .
- 3-** Raising recommendations to the General Assembly for the appointment of external auditors, termination of their assignment, determining their costs, ensuring their

independence and follow-up their work while studying and reviewing the audit plan with the external auditor and approving of the same.

- 4- Studying the external auditor's comments on the company's financial statements, following up what has been done about them and studying the quarterly and annual financial statements before submitting them to the Board of Directors and expressing opinion and recommendation thereon.
- 5- The responsibility for the validity of the financial statements rests entirely on the executive management, and the responsibility of the audit committee is limited to expressing an independent opinion based on what is presented to it by the company's management, the internal audit department, and the external auditor.
- 6- Evaluate the effectiveness of the company's assessment of significant risks and the steps taken by the company's management to monitor and respond to these risks, giving opinion and recommendation to the Board of Directors on this regard.
- 7- Issuing an annual report to the General Assembly that includes details of the committee's performance on its terms of reference and duties stipulated in the Companies Law and its implementing regulations, provided that the report includes the committee's recommendations and opinion on

the efficiency of the internal control systems, financial and risk management systems of the company.

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

**B- Audit Committee members:**

Name:

Position:

Mr. Eid Faleh Alshamri – Chairman of the Committee

Dr. Sulaiman Abdullah Al-Sakran - Member

Mr. Saad Ibrahim Almushawah – Member

**C- Audit committee meeting schedule:**

Audit Committee held eleven (11) meetings during 9 months period from 1 April 2022 to 31 December 2022, as follows:

Date	Mr. Eid	Dr. Suleiman	Mr. Saad
21 April 2022	√	√	√
31 May 2022	√	√	√
29 June 2022	√	√	√

07 July 2022	√	√	√
04 Aug 2022	√	√	√
11 Aug 2022	√	√	√
17 Sep 2022	√	√	√
27 Sep 2022	√	√	√
30 Oct 2022	√	√	√
01 Nov 2022	√	√	√
29 Dec 2022	√	√	√
Total meetings	11	11	11

- On 29/12/2022 the Extraordinary General Assembly of the Company's shareholders approved the amendment of Article 43 of the Company's Articles of Association to change the end of the company's fiscal year to the end of December of each calendar year instead of the end of March.

**D- Committee work done:**

- 1- Review the annual and quarterly financial statements of the company and submit recommendations to the Board of Directors for approval as per the recommendation of the external auditor

- 2- The continued appointment of the "Crowe" Auditing Firm to provide internal audit services in cooperation with the Internal Audit Department.
- 3- During the period Crowe issued (15) audit report that was presented and discussed with the concerned departments, senior management, the CEO and the Audit Committee. Given the importance of what was stated therein, the Audit Committee confirmed this by submitting these reports to the Board of Directors through several letters.
- 4- The Committee communicated with the Board of Directors to date through (15) reports on **very important issues for review and to take the necessary action**, as they were as follows:
  - 4-1 The first letter dated 21 April 2022  
  
(Regarding the results of the internal auditor "Crowe" reports on the weak efficiency and effectiveness of the internal control systems in 3 main sectors in the company, which are the inventory sector, the information technology sector and the human resources sector, and focusing on the most important observations and recommendations included in the reports)
  - 4-2 The second letter dated 2 June 2022  
  
(Regarding the results of the internal audit report on the proposed annual bonuses and increases for employees



during the period from 1 April 2021 to 31 March 2022, which indicated some violations by the former CEO of the company's salary structure policies, promotions and increases policy, performance evaluation policy regarding bonuses, and recommending that the necessary measures be taken to correct them)

4-3 The third letter dated 21 September 2022

(Concerning the follow-up of the procedures taken by the designated CEO regarding bonuses and annual increases approved for employees for the fiscal year ending on 31 March 2022, where some violations were observed between the increases and bonuses approved by the designated CEO and between the company's policies regarding salary structure, the promotion and increase policy, and the performance evaluation policy with rewards)

4-4. The fourth letter dated 21 September 2022

(Regarding the results of the internal audit report, which indicate the existence of some serious violations in the management of clearance inventory sales during the year)

4.5 The fifth letter dated 21 September 2022 (regarding the clarification of the statutory violation of the decision to appoint Mr. Muhammad Murad a "non-Saudi" as a member of the company's board of directors, which is contrary to the provisions of Article (1) of the Commercial Agencies Law)

4-6 The sixth letter dated 14 November 2022

(Concerning the violation of selling clearance stock during the two years 2020-21 and 2021-22 “two companies owned by the same person with two different commercial registrations)

4-7 The seventh letter dated 29 December 2022

(Concerning commenting on the clarifications of the Nominations and Remuneration Committee regarding the decision to appoint Mr. Muhammad Murad a “non-Saudi” as a member of the Board of Directors of the company and the statutory violation related to this decision of the text of Article (1) of the Commercial Agencies Law)

4-8 The eighth letter dated 8 January 2023

(Concerning the audit notes regarding the outstanding balances of amounts with related parties and the statement of the statutory violation resulting from non-payment of those amounts that have been outstanding for years)

4-9 The ninth letter dated 15 February 2023

(Regarding the non-updating of the Delegation of authority matrix since July 2017, despite the occurrence of many fundamental changes in the organization structure of the company and the Board of Directors during that period several times, which made it not compatible with these

changes, and also the failure to update the organization structure of the company)

4-10 The tenth letter dated 15 February 2023

(Concerning the observation of the formation of informal administrative committees with different names to supervise and interfere in the management decisions of Fawaz Abdulaziz Al Hokair Company and "Cenomy Retail" company, which is an independent public listed company. Some of the members of these committees are employees of Fawaz Abdulaziz Al Hokair Holding Group "Cenomy Group" without any formal agreement approved by the Board of Directors and the General Assembly of Cenomy Retail Company.

4-11 The eleventh letter dated 15 February 2023

(Regarding the results of the report of the internal auditor "Crowe" to review the sale of clearance stock and the serious violations contained therein)

4-12 The twelfth letter dated 15 February 2023

(Concerning the results of the report of the internal auditor "Crowe" to review the significant shrinkage in Inditex inventory which amounted to 355 million riyals at the end of December 2020.

4-13 The thirteenth letter dated 15 February 2023

(Regarding the results of the report of the internal auditor "Crowe" to review the balances of related party transactions and to clarify the statutory violation resulting from failure to pay those amounts till date of audit)

4-14 The fourteenth letter dated 15 February 2023

(Regarding the results of the report of the internal auditor "Crowe" to review the leasing operations and the weaknesses in the internal control that appeared regarding the management of lease operations and contracts)

4-15 The fifteenth letter dated 15 February 2023

(Concerning the results of the report of the internal auditor "Crowe" to review the decision to terminate the services of 117 employees in December 2022 and related procedures)

**5-** Sending a letter to the external auditor on 15 February 2023 to verify some of the essential procedures and decisions taken by the company during the year in relation to changing the fiscal year and the results of the Inditex shrinkage inventory, and verifying the validity of the followed procedures and their compatibility with accounting policies.

**6-** Holding several meetings with both the external auditor and the internal auditor of the company, and making sure that the company's management has made available to them all the data and information required to perform their work.

- 7- Reviewing and approving the annual plan, annual evaluation, increases and rewards for the Internal Audit Department.
- 8- Reviewing and approving the internal audit charter, manual and protocols.
- 9- Appointing Saudi fresh graduates in the Internal Audit Department to support Saudization and to transfer expertise.
- 10- Review the annual report of the internal audit and follow up on the implementation of the observations and recommendations of internal audit.

**E- Internal Audit Department:**

The Internal Audit Department works with Crowe Co. to perform the internal audit of the various departments of the company. Within the framework of the implementation of internal audit services department is committed to the following:

- 1- Audits are conducted in accordance with established professional standards set by the Association of Internal Auditors.
- 2- Maintain independence, objectivity and commitment to the highest degree of fairness and integrity, and comply with the rules of professional conduct setup by the Association of Internal Auditors.

- 3- Maintain good relationships with fellow auditors that are characterized by open communication, trust, mutual respect and professionalism as well as maintaining a high level of performance and time management.
- 4- Encourage teamwork and creativity, achieving continuous professional improvement through obtaining professional certificates and educational objectives in the professional field. Carry out a comprehensive review to provide a reasonable level of assurance.
- 5- Work on developing the administration professionally, in line with the company's business volume, and seriousness towards localizing the necessary expertise .

**F- The scope of the work of Internal Audit Department:**

- 1- Preparing the annual internal audit plan based on the risks identified during the risk assessment and validation by the department, prioritization of limited resources as the audit plan was organized for a period of three years, each year a combination of internal audit assignments based on risk assessment, compliance assistance, and necessary advisory services, continuous monitoring and follow-up.
- 2- Assisting the management to achieve its goals and objectives by providing positive impact on the efficiency and effectiveness of operations.

- 3- Continuing to recognize professionalism, competence and positive attitude.
- 4- Continuing to benefit from auditing methods and new technology in order to make the audit process more effective and efficient.
- 5- Working to be one of the pioneers of professional practice of internal auditing profession in the Kingdom of Saudi Arabia .
- 6- Preparing and implementing the principle of sampling and testing based on risk assessment to determine whether most important administrative controls are well designed and works as intended.

**G- Supervision of the Audit Committee :**

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

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

**H- The opinion of the Audit Committee on the internal control system:**

The annual review of internal control procedures which were selected for testing during the period from 1 April 2002 up to 31 Dec 2022 for the financial year ending at 31 Dec 2022 (for 9 months) by the Committee and the Internal Audit Department, as well as the reports of the external auditors confirm that there is a fundamental weakness in the control systems which was previously mentioned in the opinion of the Audit Committee for the previous fiscal year, ended on 31 March 2022. There was no improvement, weaknesses persisted, and no corrective action was taken. This reflects a fundamental weakness in the company's management that reaches to negligence. As far as we know, the Board did not take the necessary actions to address these weaknesses, despite the repeated letters from the Audit Committee.

The Board of Directors and the executive management have to work effectively to develop and improve internal



control procedures, risks, governance and activities related to a number of internal control objectives which are mainly related to inventory operations, especially, inventory count, clearance inventory sale, fixed assets, financial reports, balances of related party transactions, information systems and human resources. The Audit Committee also believes that there is a fundamental and serious weakness represented in the existence of a non-independent executive management to manage the company's operations, through the interference of a number of employees of the Fawaz Al Hokair Holding Group (FAS) "Cenomy Group" in the meetings and decisions of the company and its internal committees.

The reports of Crowe (internal audit service providers) during the financial period indicated that there are significant weaknesses in terms of control procedures and policies related to governance, inventory, human resources, information systems and sales operations.

The committee also would like to emphasize one of the important points that have been referred several times in the reports of the external auditor and the letters of the audit committee, which is the existence of a systematic violation regarding amounts owed by related parties and sister companies several years ago, as the balance of these amounts according to the company's accounting records on

31 December 2022 reached about 422.5 million Saudi riyals.

The company received 3 checks from Cenomi Group in the amounts of 150 million Saudi riyals, 117.5 million Saudi riyals, and 2 million Saudi riyals on 31 December 2022 (the total value of the checks is 269.5 million Saudi riyals). The check of 150 million Saudi riyals was deposited in the company's bank account on 2 February 2023. The remaining two checks amounting to 119.5 million Saudi riyals from Cenomy Group are still under collection, in addition to the amount of 153 million Saudi riyals due from Lynx company (Fawaz Al Hokair Real Estate "FARE", formerly).

The procedures for counting and managing inventory in stores and warehouses have a serious defect that requires reconsidering the policies and procedures on managing the entire inventory, appointing a qualified work team and activating an effective system for inventory management and control, as the value of the shrinkage in Inditex inventory, based on the Crowe report, amounted to (355 million Saudi riyals) on 31 December 2022, the company's management also sold the clearance stock of 95 million riyals, and it was sold with value of 20 million riyals during the past two years to two companies with different commercial registrations and owned by the same person, without detecting or disclosing that.

Finally, the Audit Committee previously recommended the Board to establish a risk committee, and so far there is no risk committee in the company.

Signature	Signature	Signature
Mr. Saad Ibrahim Almushawah, Committee Member	Mr. Eid Faleh Alshamri, Committee Chairman	Dr. Sulaiman Abdullah Al-Sakran, Committee Member