

**The Board of Directors of 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 8:20 pm on Thursday 24/12/1445 AH corresponding to June 30, 2024

**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 31/12/2023, and discuss it.
2. Reviewing the Annual audited financial statements for the financial year ended on 31/12/2023, and discuss it.
3. Voting on the External Auditor Report for the financial year ended on 31/12/2023 after discussed it.
4. Voting on releasing members of the Board of Directors from liabilities for their performance during the fiscal year ending on 31/12/2023
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 31/12/2023
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 2024G, And the first quarter for the fiscal year 2025G, 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 the participation of Board Member Ahmed Bin Saleh AlSultan in a competing activity. (Attached)
9. Voting on Business dealings and contracts that took place between the Company and Arabian Centers 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 Mohamed Rafiq Mourad. These dealings and contracts relate to real estate rental payments, in the amount of 428,433,452 Saudi Riyals for the fiscal year ended on December 31, 2023. It should also be noted that these transactions are carried out on a commercial basis (there are no preferential terms).
10. 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 Mohamed Rafiq Mourad. These dealings and contracts relate to Expenses paid on behalf of Company, bearing in mind that the amount of transactions for the fiscal year ended on December 31, 2023 amounted to 712,497 Saudi Riyals, and it should also be noted that these transactions are carried out on a commercial basis. (There are no preferential terms).

11. 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 Mohamed Rafiq Mourad. These dealings involved receiving a cash amount of 422,069,175 Saudi Riyals from Saudi FAS Holding Company during the fiscal year ending on December 31, 2023, as a settlement of the due balance. Following this settlement, there is no outstanding receivable balance from Saudi FAS Holding Company as of December 31, 2023. (There are no preferential terms).
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 2,935,280 Saudi Riyals for the fiscal year ended on December 31, 2023. It should also be noted that these transactions are carried out on a commercial basis (there are no preferential terms).
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 2,736,170 Saudi Riyals for the fiscal year ended on December 31, 2023. It should also be noted that these transactions are carried out on a commercial basis (there are no preferential terms).
14. Voting on These dealings and contracts relate to services and payments, in the amount of 14,752,626 Saudi Riyals for the fiscal year ended on December 31, 2023. It should also be noted that these transactions are carried out on a commercial basis (there are no preferential terms).

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 and Discussing the topics on the Assembly's agenda and asking questions accordingly 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 Wednesday 20/12/1445 AH corresponding to June 26, 2024 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](https://tadawulaty.com.sa).

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

**Phone:** 0114350000

**Email:** [ir.retail@cenomi.com](mailto:ir.retail@cenomi.com)

**Fawaz A. Alhokair & Co(SJSC)**

**(Cenomi Retail)**

**Audit Committee Annual Report**

**For the Fiscal Year ended December 31, 2023**

## **A- Audit Committee**

The Audit Committee was formed by a decision of the Board of Directors consisting of three (3) members, including a member specializing in financial and accounting affairs, and an independent board member.

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

1. Supervising the internal audit department to ensure its effectiveness in implementing the tasks and activities defined by the accounting policies approved by the Board of Directors and relevant authorities.
2. Studying internal audit reports and monitoring the implementation of corrective actions for the observations mentioned therein.
3. Presenting recommendations to the General Assembly for the appointment of external auditors, terminating their engagement, determining their fees, ensuring their independence, and monitoring their activities, including reviewing and approving the audit plan with the external auditor.
4. Studying the external auditor's observations on the company's financial statements and following up on actions taken, along with reviewing the quarterly and annual financial statements before presenting them to the Board of Directors, providing opinions, and making recommendations regarding them.
5. The full responsibility for the accuracy of the financial data lies with the executive management, while the responsibility of the Audit Committee is limited to providing an independent opinion based on the information presented to it by the company management, internal audit management, and external auditors.

6. Evaluating the effectiveness of the company's risk assessment of significant risks and the steps taken by the company management to monitor and address these risks, and providing opinions and recommendations to the Board of Directors regarding them.
7. Issuing an annual report to the General Assembly that includes details of the committee's performance regarding its duties and responsibilities as stipulated in the Company Law and its executive regulations. The report should include the committee's recommendations and opinions on the effectiveness of the company's internal control and financial systems, as well as its risk management systems.
8. Providing an annual report to the shareholders that clarify the role and responsibilities of the committee, along with any other information required by the relevant official authorities.

#### **B- Members of the Audit Committee**

During the period from January 1, 2023, to December 31, 2023, several changes occurred in the membership of the Audit Committee as follows:

- On March 14, 2023, the Board of Directors approved the resignation of the Chairman of the Audit Committee, Mr. Eid Faleh Al-Shamri, effective from March 14, 2023. The Board decided to appoint board member Mr. Ahmed Saleh Al-Sultan as the new Chairman of the Audit Committee.
- On August 11, 2023, the term of the Audit Committee ended concurrently with the term of the Board of Directors. Starting from September 5, 2023, the newly elected Board of Directors, whose term began on August 12, 2023, for a duration

of three years until August 11, 2026, decided to appoint Dr. Abdulrahman bin Mohammed Al-Anqari as the Chairman of the Audit Committee, Mr. Ahmed bin Saleh Al-Sultan as a member of the committee, and Mr. Zaki bin Abdullah Al-Awami as a member of the committee.

Name	Title
Dr. Abdulrahman Mohammed Al-Anqari	Chairman of the Committee (from 5/9/2023, until present)
Mr. Ahmed Saleh Al-Sultan	Committee Member (from 5/9/2023, until present)
	Chairman of the Committee (from 14/3/2023, until 11/8/2023)
Mr. Zaki Abdullah Al-Awami	Committee Member (from 5/9/2023, until present)
Mr. Eid Faleh Al-Shamri	Chairman of the Committee (from 12/8/2020, until 14/3/2023)
Dr. Suleiman Abdullah Al-Sakran	Committee Member (from 12/8/ 2020, until 11/8/ 2023)
Mr. Saad Ibrahim Al-Mushawah	Committee Member (from 12/8/ 2020, until 11/8/ 2023)

### C- Schedule of Meetings for Audit Committee Members

Sixteen (16) meetings of the Audit Committee were held during the period from January 1, 2023, to December 31, 2023, as follows:

Meeting Number	Date	Dr. Abdulrahman	Mr. Ahmed	Mr. Zaki	Mr. Eid	Dr. Suleiman	Mr. Saad
1	06 February 2023	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
2	26 March 2023	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
3	04 April 2023	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
4	08 April 2023	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
5	21 May 2023	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
6	25 May 2023		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
7	29 May 2023		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
8	12 June 2023		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
9	21 June 2023		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
10	02 August 2023		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
11	14 September 2023	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	08 October 2023	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	30 October 2023	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14	05 November 2023	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>15</b>	12 December 2023	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
<b>16</b>	19 December 2023	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
<b>Total attendance of meetings for each member</b>		<b>06</b>	<b>15</b>	<b>06</b>	<b>01</b>	<b>10</b>	<b>10</b>

#### **D- Completed Committee Tasks**

1. Reviewing the company's annual and quarterly financial statements and providing recommendations to the Board of Directors for approval based on the external auditor's recommendation.
2. Continuing to engage "Crowe" company for internal audit services in collaboration with the internal audit department.
3. Appointing Deloitte to conduct a Forensics Investigation in Inditex inventory shrinkage, which amounted to over 350 million riyals by the end of last year on December 31, 2022, to ascertain the reasons behind this shrinkage.
4. Following up with the management to collect overdue amounts from related parties, "Cenomi Group" and a sister company "Lynx (previously Fawaz Alhokair Real Estate)", where the balance of these amounts reached approximately 422.5 million Saudi riyals according to the company's accounting records as of December 31, 2022. The entire outstanding balance was collected during the year 2023.
5. Following up with the management to complete the project of preparing policies, procedures, organizational structure, and authority matrix. The project was contracted in June 2023 to be prepared by PwC, and all project deliverables were handed over to the executive management by the end of December 2023.



6. During the period, Crowe issued a total of 18 audit reports, in addition to annual follow-up reports. These reports were presented and discussed with the relevant departments, CEO, and the Audit Committee. Due to their significance, the Audit Committee confirmed this by forwarding the reports to the Board of Directors through several letters.
7. The committee continued its communication with the Board of Directors until the present date through (7) reports on highly important topics for review and necessary actions, as follows:
  1. The first letter dated March 26, 2023  
(Regarding the committee's follow-up on management responses and actions taken regarding the observations mentioned in previous Audit Committee letters sent to the Board of Directors).
  2. The second letter dated April 5, 2023  
(Regarding the discussion of the financial statements for the fiscal year ended December 31, 2022 (nine months), including the accompanying explanations and references to the external auditor's comments regarding the right-of-use assets and measurement of lease liabilities "ROU", and the Inditex inventory shrinkage).
  3. The third letter dated April 18, 2023  
(Regarding a summary of internal audit activities related to the logistics services sector, retail sector, food and beverage sector, retail company in Morocco, and sales operations in the central region).
  4. The fourth letter dated May 23, 2023

(Regarding the results of the review of the financial statements for the first quarter ended March 31, 2023, regarding the right-of-use assets and lease liabilities "ROU").

5. The fifth letter dated June 14, 2023  
(Regarding the inventory and follow-up on inventory count results and investigation into the causes of the Inditex inventory shrinkage).
6. The sixth letter dated November 6, 2023  
(Regarding the Audit Committee's decision to suspend payments due for projects and services provided by Alix Partners until Deloitte completes the review of those projects and services).
7. The seventh letter dated December 3, 2023  
(Regarding some observations regarding the termination/resignation status of the CEO of the Emerging Sectors "Gilles Ivan" during the probation period and the adequacy of the hiring/EOS termination procedures).
8. Conducting several meetings with both the external and internal auditors of the company, ensuring that the company's management has provided them with all the necessary data and information required to perform their duties.
9. Reviewing and approving the annual plan, annual evaluation, increases, and bonuses for the internal audit department.
10. Reviewing and approving the charter, manual, and protocols of internal audit.
11. Appointing recent Saudi graduates in internal audit department to support Saudization efforts and knowledge transfer.

12. Reviewing the annual report of internal audit and monitoring the implementation of internal audit findings and recommendations.

#### **E- Internal Audit Department**

The Internal Audit department, in collaboration with Crowe, is responsible for internal auditing tasks across various departments of the company. As part of the implementation of internal audit services, it adheres to the following:

1. Conducting audits in accordance with the professional standards established by the Institute of Internal Auditors.
2. Maintaining independence, objectivity, and adhering to the highest level of fairness, integrity, and compliance with the professional code of conduct set forth by the Institute of Internal Auditors.
3. Maintaining good relationships with fellow auditors characterized by open communication, trust, mutual respect, and professionalism, while maintaining a high level of performance and time management.
4. Encouraging teamwork and creativity. Achieving continuous professional improvement through obtaining professional certifications and educational goals in the professional field. Conducting comprehensive audits to provide a reasonable level of assurance.
5. Working on developing the department professionally according to the size of the company's operations and the seriousness towards localizing the necessary expertise for it.

#### **F- Scope of Work of Internal Audit Department:**

1. Developing the annual internal audit plan based on the risks identified during risk assessment, verifying the accuracy by management, and prioritizing the limited resources. The audit plan is organized over a three-year period, with a mix of internal audit tasks each year based on risk assessment, aiding compliance, providing necessary consulting services, and continuous monitoring and follow-up.
2. Assisting management in achieving its objectives and goals by striving to positively impact the efficiency and effectiveness of operations.
3. Continuing to affirm professionalism, competence, and a positive attitude.
4. Continuously leveraging evolving audit methodologies and technologies to make the audit process more effective and efficient.
5. Striving to be leaders in the professional practice of internal auditing in the Kingdom of Saudi Arabia.
6. Developing and implementing a risk-based sampling and testing approach to determine whether the most important internal controls are well-designed and operating as intended.

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

The Audit Committee periodically oversees the internal audit activities and regularly reviews its reports. To ensure the independence of the internal audit, the Head of Internal Audit submits technical, professional, and administrative reports to the Audit Committee, without any intervention from company managers in internal audit affairs. The Internal Audit department does not assume any direct operational responsibility in any of the areas or activities under review. It is the responsibility of the Head of Internal

Audit to annually confirm to the Audit Committee the independence of the Internal Audit management.

The Internal Audit department provides the Audit Committee with a summarized report on weaknesses in internal controls, limited scope, best practices, and areas for improvement on a quarterly basis, following the framework of international professional practices set by the Institute of Internal Auditors. This aims to enhance the existing internal control framework.

#### **H - Audit Committee Opinion on the Internal Control System**

As a result of the efforts of the Audit Committee at both the company level and its subsidiaries, the annual review of internal control procedures selected for testing during the fiscal year ended December 31, 2023, by the committee, internal audit, as well as external audit reports, indicate that the executive management has initiated a corrective plan for some important issues highlighted in the previous committee report, including the following:

- Collecting outstanding balances owed for years from related parties, Cenomi Group and Lynx Company.
- Working on implementing recommendations from the internal audit to enhance internal control systems as outlined in the periodic follow-up report provided by Crowe (the internal audit service provider).
- Developing the policies, procedures, organizational structure, and authority matrix by PwC to enhance internal control systems and governance within the company.

- Implementation of a Data Lake program to address issues related to data integration between Inditex brands' sales software and Oracle program implemented in the company.

The committee observes that the procedures of internal control, risks, governance, and activities related to some critical operations require further development, such as inventory operations (including inventory counting, allocation calculation, inventory write-off, and clearance inventory sales), fixed assets, financial reporting, information system applications, sales operations, and international subsidiaries outside the Kingdom.

The committee received the final report regarding the the forensics investigation in the reasons of Inditex inventory shrinkage (for the previous financial periods from March 31, 2015 to December 31, 2022) from Deloitte on February 3, 2024. The investigation results outlined in the report indicated that the shrinkage of Inditex inventory resulted from fundamental weaknesses in internal controls, information systems, and inventory management operations, which lead to four main issues: Firstly, inventory write-ons recorded and not reversed; Secondly, inadequate inventory write-off adjustments; Thirdly, manipulation of physical count records and the lack of sharing accurate inventory count results with the external auditor; Fourthly, impairment of stock transferred to 2GO, Iran and Iraq. The report was shared with the board of directors to direct the company's management in taking the necessary actions regarding the issues outlined in the report.

The committee recommended to the board of directors and the executive management to actively work on developing and improving internal controls, risks, and governance procedures in order to enhance performance, achieve company goals, and protect the rights of shareholders.

The committee also recommended establishing an independent risk committee.

<b>Mr. Ahmed Al-Sultan</b> <b>Committee Member</b>	<b>Dr. Abdulrahman Al-Anqari</b> <b>Chairman of the Committee</b>	<b>Mr. Zaki Al-Awami</b> <b>Committee Member</b>