2021 Audit Committee Report

1. Introduction

We are pleased to present our report for the financial year ended December 31, 2021, as per Article (104) of the Companies Law and as per paragraph 1 of Article 91 of the CMA's Corporate Governance Regulations.

2. Audit Committee Members and Attendance

A. Audit Committee Formation

As per the Audit Committee Charter, the Committee shall be comprised of not less than three (3) or more than five (5) members with non-executive authority as determined by the Board of Directors, each of whom shall satisfy the independence, financial literacy, and experience in order to be capable of making a valuable contribution to the Committee.

The Audit Committee was formed according to the companies' law and provisions in the corporate governance regulations through a resolution of the Company's ordinary general assembly convened on 7/9/2021. The Committee comprised of the following members:

SN	Name	Position	
1	Mr. Bader Ibrahim ALSwailem	Chairman	Independent
2	Mr. Sattam Abdulaziz ALZamil	Member	Independent
3	Mr. Abdulaziz Saud ALShabeebi	Member	Outside the Board

B. Audit Committee Meetings

The Audit Committee shall convene periodically, provided that at least four (4) meetings are held during the Company's financial year. During 2021, the Committee has held eight (8) meetings.

3. Audit Committee Duties and Responsibility

A. Financial

1. Analyze the company's interim and annual Financial Statements as per IFRS and provide its opinion and recommendation to the Board to ensure their integrity, fairness, and transparency.
2. Examine and review the accounting estimates in respect of significant matters that are contained in the financial reports.
3. Examine and review the accounting policies followed by the Company and providing its opinion and recommendation the Board thereon.

B. Internal Audit

1. Analyze the Internal Audit reports and following up the implementation of correct measures in respect of the remarks made in such reports.
2. Examine and review the Company's internal and financial control systems and risk management system.
3. Monitor and oversee the performance and activities of the Internal Auditor and the Internal Audit Department of the Company.

C. External Auditor

1. Provide recommendation to the Board to nominate external auditors and determine their remunerations and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts.
2. Review the external auditor's report and its comments on the financial statements and following up the procedures taken in connection therewith.

D. Compliance

1. Review the compliance report from compliance officer to ensure the Company's compliance with relevant laws, regulation, policies, and instructions.
2. Review the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith.
3. Review the contracts and transactions concluded with the related parties and providing its recommendation to the board in connection therewith.

4. Audit Committee's views on the adequacy of the internal control systems and risk management

The Audit Committee oversees the internal audit department, which periodically reviews the adequacy and effectiveness of the internal control system, to provide a continuous assessment of the internal control system and its effectiveness. The Committee also reviews the external auditor's reports and management letter, which might include any weakness of internal control noted by external auditor as part of their internal control assessment. The Committee also reviews the compliance report from the compliance officer. The management has created risk management committee for the management of the Company's risk.

Based on the above, the Audit Committee believes that the internal control systems and risk management within the Company is designed and effectively serves organizational objectives, efficiency, reporting reliability and compliance with no indicated material deficiency or material deviations therefrom.

Audit Committee

شركة الصناعات الكهربائية
ELECTRICAL INDUSTRIES CO.

Details of dividends to be distributed for the fiscal year 2021,

Item	Details
Date of Board resolution	17/3/2022
Total Cash dividends to be distributed	SAR 45 million
Number of shares eligible for distribution	45 million Shares
Dividends per share	SAR 1
Percentage of dividends to share nominal value	10%
Eligibility	The eligibly of dividend shall be to shareholders who own the company's share on the day of General Assembly meeting and registered at Securities Depository Center Company (EDAA) by the end of the second trading day following the day of the General Assembly meeting.
Distribution Date	Will be announced later

To the Shareholders
Electrical Industries Company

Limited assurance report on declaration submitted by the Chairman of the Board of Directors to the shareholders of Electrical Industries Company

We have undertaken a limited assurance engagement in respect of the accompanying declaration of statement of work and contracts concluded between Electrical Industries Company (the "Company") and related parties of the directors of the Company (the "Declaration") for the year ended December 31, 2021 to be submitted by the Chairman of the Board of Directors (the "Board") of the Company in accordance with the applicable criteria mentioned below so as to comply with the requirements of Article 71 of the Regulations for Companies.

Subject matter

The Subject Matter for our limited assurance engagement is the Declaration prepared by the management of the Company and approved by the Chairman of the Board as attached to this report and submitted to us.

Criteria

The applicable Criteria is the requirement of Article 71 of the Regulations for Companies issued by the Ministry of Commerce (2015-1437H) which states that any member of the Board with any interest, both directly or indirectly, in the work or contracts made for the account of the Company shall declare such interests for the approval of a general assembly of the Company. The Board member must notify the Board of such interest and refrain from voting in the vote by the Board to approve such work or contracts. The Chairman of the Board will notify the general assembly of work and contracts in which a member of the Board has a direct or indirect interest.

Management's responsibility

The management of the Company is responsible for the preparation of the Declaration in accordance with the Criteria and ensuring its completeness. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of the Declaration that is free from material misstatement, whether due to fraud or error.

Our Independence and Quality Control

We have complied with the independence requirements of the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, and the ethical requirements that are relevant to our limited assurance engagement in the Kingdom of Saudi Arabia, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies the International Standard on Quality Control 1, as endorsed in the Kingdom of Saudi Arabia, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Declaration based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised), 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' ("ISAE 3000"), as endorsed in the Kingdom of Saudi Arabia. This standard requires that we plan and perform this engagement to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Company has not complied with the applicable requirements of Article 71 of the Regulations for Companies in the preparation of the Declaration, for the year ended December 31, 2021.

The procedures selected depend on our judgment, including the assessment of risks such as failure of systems and controls, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's compliance with the requirements of Article 71 of the Regulations for Companies in the preparation of the Declaration. Our procedures included examining, on a test basis, evidence supporting systems and controls in respect of the preparation of the Declaration in accordance with the requirements of Article 71 of the Regulations for Companies.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Summary of work performed

We have planned and performed the following procedures to obtain limited assurance over the Company's compliance with the requirements of Article 71 of the Regulations for Companies in the preparation of the Declaration:

- Discussed with management the process for obtaining business and agreements by any of the Board members with the Company.

- Obtained the accompanying Declaration that includes the lists of all transactions and agreements entered into by any of the Board members of the Company, either directly or indirectly, with the Company during the year ended December 31, 2021.

- Reviewed the minutes of the Board meetings which indicate the Board member notified the Board on the transactions and agreement entered into by the Board member during the year ended December 31, 2021; and further that the concerned Board member did not vote on the resolution issued in this regard at the meetings of the Board, where applicable.

- Tested the consistency of the transactions and contracts included in the Declaration with the disclosure in Note 28 to the audited consolidated financial statements for the year ended December 31, 2021.

Inherent limitations

Our procedures regarding systems and controls relating to the preparation of the Declaration in accordance with the requirements of the Article 71 of the Regulations for Companies, are subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Furthermore, such procedures may not be relied upon as evidence of the effectiveness of the systems and controls against fraudulent collusion, especially on the part of those holding positions of authority or trust.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000, as endorsed in the Kingdom of Saudi Arabia. Consequently, the nature, timing and extent of the procedures outlined above for gathering sufficient appropriate evidence were deliberately limited relative to a reasonable assurance engagement, and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

Our procedures did not constitute either an audit or a review made in accordance with the International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia or the International Standards on Review Engagements, as endorsed in the Kingdom of Saudi Arabia, and accordingly we do not express an audit or a review opinion in relation to the adequacy of systems and controls.

This conclusion relates only to the Declaration for the year ended December 31, 2021, and should not be seen as providing assurance as to any future dates or periods, as changes to systems or controls may alter the validity of our conclusion.

Limited assurance conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with the applicable requirements of Article 71 of the Regulations for Companies in the preparation of the Declaration of related party transactions for the year ended December 31, 2021.

Restriction of use

This report, including our conclusion, has been prepared solely upon the request of the management of the Company, to assist the Company and its Chairman of the Board in fulfilling its reporting obligations to the general assembly in accordance with Article 71 of the Regulations for Companies. The report should not be used for any other purpose or to be distributed to or otherwise quoted or referred to, without our prior consent to any other parties other than the Ministry of Commerce, Capital Market Authority and the shareholders of the Company.

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

March 22, 2022

شـركـة الصـنـاعـات الكهربائيـة
ELECTRICAL INDUSTRIES CO.

20TH of March2022

Dear Shareholders of Electrical Industries Co.

Notification of the businesses and contracts in which the members of the board of directors have a direct or in direct interest with the company for the year ending in 31 Dec 2021

With reference to the requirements of Article (71) of the companies Law, which stipulates that a board member may not have direct or indirect interest in the business and contracts that are made for the company's account except with a prior authorization from the General Assembly renewed every year.

Therefore, we would like to inform you on the businesses and contracts in which EIC board members have direct or indirect interest, and the company is seeking to obtain General Assembly authorization for such businesses and contracts which are as follow:

1- Voting on the businesses and contracts concluded between EIC and ALQuraishi Co. for Electrical Services, in which the Chairman of the Board Mr Yousef A. ALQuraishi and Board member Mr Faisal S. ALQurahsi have indirect interest as they are Board Members at ALQurahsi Co. The nature of these businesses are contracts for sale of products, which are within the normal course of business of the Company without special terms or preferences. The total value of the contracts during 2021 has reached amount of SR (3,757,472).

2- Voting on the businesses and contracts concluded between EIC and ALToukhi Co. For Industry Trading and Contracting, in which the Vice Chairman of the Board, Eng. Mahmoud M. ALToukhi has indirect interest as he is board member at ALToukhi Co. The nature of these business are sales contracts which are within the normal course of business of the company without special terms or preferences. The total value of the contracts during 2021 has reached amount of SR (750,264).

3- Voting on the businesses and contracts concluded between EIC and ALQuraishi Co. for Electrical Services, in which the Chairman of the Board Mr Yousef A. ALQuraishi and Board member Mr Faisal S. ALQurahsi have indirect interest as they are Board Members at ALQurahsi Co For Electrical Services. The nature of these businesses are contracts for sale of products, which are within the normal course of business of the Company without special terms or preferences. The total value of the contracts during 2021 has reached amount of SR (64,872)

Name of the Related Party	Name of the Member who has interest.	Nature of business	Duration of Contracts	Terms	Amount
ALQuraishi Co. For Electrical Services	Mr. Yousef A. ALQuraishi Mr. Faisal S. ALQuraishi	Sales of products	One Year	No Special terms	SR 3.,757,472
ALToukhi Co. for Industry Trading and Contracting	Eng. Mahmoud ALToukhi	Sale of products.	One Year	No special terms	SR 750,264
ALQuraishi Co. For Electrical Services	Mr. Yousef A. ALQuraishi Mr. Faisal S. ALQuraishi	Purchase of Products	One Year	No special terms	SR 64,872

Mr. Yousef Ali Z. ALQuraishi
Chairman of the board

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EIC
Electrical Industries Company