

Saudi Economic and Development
Securities Company
(SEDCO Capital)

Board of Directors
2019 Annual Report

Introduction

The Board of Directors would like to provide the shareholders of Saudi Economic and Development Securities Company (SED CO Capital) with the annual report on the Company's performance and activities for the fiscal year ended 31 December 2019.



03 About SEDCO Capital

- Company Profile
- Description of the Company's Main Activities
- The Company's Main Services
- Subsidiaries and Controlled Funds
- Executive Management Team

06 Board of Directors

- Memberships and Classifications, Meetings, Rewards and Compensation

08 Important Plans and Decisions

08 Major Committees

- Audit Committee, Risk and Compliance Committee, Nominations and Compensation Committee

12 Results of the Annual Review Report on Regulatory Systems and Procedures

- Opinion of the Audit Committee on the Adequacy of the Internal Control System

13 Risk

- Risk Management

14 Related Persons and Relationship

- Deals Information
- Business Information and Contracts

16 Information Regarding the Interests of Board Members

16 Loans

17 Financial Results

- The Opinion of the Auditor

17 Core Differences in Operation

17 Sanctions and Penalties

18 Board of Directors Recommendations

18 Closing

Contents

Company Profile

SEDCO Capital is a global asset management firm that offers attractive investment opportunities across global and regional markets through carefully engineered public and private funds and special regional instruments. With its roots dated back to 1976, SEDCO Capital has crafted a three-decade long track record of robust performance combined with prudent investment strategies.

Capital was licensed by the CMA on April 19, 2009. The work was initiated on March 29, 2010 and activities (arrangement/management/advice/custody)

On April 23, 2012, the CMA granted permission to amend SEDCO Capital's business list by adding another new activity (Acting as a Principal and Underwriter) which was initiated on April 23, 2012. The paid-up capital is 200 million Saudi Riyals and there is no change to it. Saudi Economic and Development Holding Company (SEDCO Holding) is the sole direct controller, holding 96% of SEDCO Capital's shares.

Description of the Company's Main Activities

SEDCO Capital's activities, as licensed by the CMA 37-11157, are summarized as follows:

Dealing as a Principle and Underwriting to cover the Company dealings in securities as a principle, and includes the transaction of selling, buying or managing the underwriting of securities, or undertaking to cover them, as well as to achieve income from investments, which are mainly the profits generated from exits of investments and income from properties and other financial investments.

Arranging by providing persons in connection with the securities business or providing financial advisory services for mergers or acquisitions by acting as financial advisor to the seller or buyer, and negotiating with the seller or buyer until completion of the merger or the acquisition. Also, it includes arranging financings for companies whether it is related to project finance or real estate finance.

Managing: to perform management functions, represented through the asset management department to provide the following services to its clients:

- Management of public investment funds in various asset classes including public equity funds as well as public real estate funds.
- Management of private investment funds in various asset classes including money market funds and private real estate funds.

Advising The company works to achieve revenue through the fees from advisory services provided to clients regarding the risks and advantages of dealing with a financial security or exercising the right to deal for a security.

Custody To preserving another person's assets that include securities, or arranging for another person to do so, and the preservation includes the necessary administrative procedures.



The Company's Main Services

SEDCO Capital provides a range of services, including advisory services, portfolio discretionary management services, and asset allocation services that ensure high performance in terms of private equity and public equity, commodities, income funds and real estate assets.

Asset Management: SEDCO Capital is a global asset management company with a wide range of networks reaching global markets. It has a distinguished team of regional and international experts, with a proven track record of outstanding performance and the highest investment returns in the market.

Optional Portfolio Management: SEDCO Capital provides investment portfolio management services to its clients worldwide by allocating their investments and directing them to promising opportunities on their behalf. In response to market preferences, SEDCO Capital provides discretionary portfolio management services tailored to high-net-worth individuals rather than private offerings or public funds. The company adopts investment strategies tailored to clients, based on risk and expected returns, combining this with management and proactive portfolio management, and competitive fee structure. The team responsible for the management of investment portfolios has introduced several promising investment instruments to meet investors preferences across different global markets.

Advisory Services: SEDCO Capital provides specialized corporate investment consultancy, making it a trusted partner to meet clients' investment needs, both regionally and globally. Clients benefiting from SEDCO Capital Advisory Services are creating their own portfolios, choosing from SEDCO Capital's investment products, guided by the advice of the company's investment advisory team, its market studies, and its support. Our advisory team also advises clients on regional and global financial markets, the composition and management of clients' portfolios, and the distribution of assets in proportion to their ability to withstand investment risks. The team also provides investor relations with a comprehensive view of regional and global markets.

Subsidiaries and Controlled Funds

By the end of 2019, SEDCO Capital controls the following companies and funds:
SEDCO Capital Luxembourg SA, an international fund management company in Luxembourg, was established in Luxembourg with a capital of SAR 621,844 and is 100% owned by SEDCO Capital.

SEDCO Capital Cayman Ltd., which advises the management of Cayman Islands-based funds, was established in the Cayman Islands with a capital of US\$6,000,000 and is 100% owned by SEDCO Capital.

SEDCO Capital UK Ltd., a real estate investment services provider, was established in the UK with a capital of £175,000 and is 100% owned by SEDCO Capital.

Sentinel SC Ltd., which purchases and owns investments on behalf of SEDCO Capital Cayman Ltd., was established in the Cayman Islands with a capital of US\$6,000,000 and is 64% owned by SEDCO Capital.

SEDCO Capital Flexi Saudi Equities Fund, which invests in companies listed on the Saudi stock market and initial public offerings in the Middle East and North Africa, was established in Saudi Arabia and with a net asset value SAR 10,834,932 where SEDCO Capital owns 96.5% of its operations.

* SEDCO Capital has transferred ownership of the special purpose vehicles involved in the preservation of clients' assets to an independent custodian in accordance with regulations.



								
<p><u>Samer Abu Aker</u> CEO</p> <p>Mr. Abu Aker is the CEO of SEDCO Capital, and brings over 20 years of industry experience to his dual roles. His association with SEDCO Capital spans some 8 years. Apart from his responsibilities as CEO, Mr. Abu Aker chairs SEDCO Capital's Investment Committee and Management Committee, where he is involved with setting the direction on the firm's governance, investment and compliance operations. Prior to joining SEDCO Capital, Mr. Abu Aker has served in senior management positions for the Bank of New York New York, Alternative Investment services Bermuda and Royal Bank of Canada. He is a Certified Public Accountant (CPA), and holds a BA with an accounting major from Canada's Brock University...</p>	<p><u>Valerio Salvati</u> Chief Investments Officer</p> <p>Mr. Salvati has joined SEDCO Capital in the roles of Managing Director, Chief Investment Officer and Head of Asset Management. He brings almost 30 years of international asset and wealth management experience to his roles. Mr. Salvati started his banking career in the Fixed Income wing of Germany's Commerzbank before moving to the bank's Equities team. He later joined the Portfolio Management department at BCC in Rome before transitioning to JPMorgan Asset Management as Head of Portfolio Management. After a significant term at JPMorgan, Mr. Salvati moved on to head the Discretionary Portfolio Management department for Deutsche Bank Wealth Management in the UK. Mr. Salvati is a member of the CFA UK Society, and holds an MBA in Banking and Insurance complementing his Bachelor in Political and Economic Sciences.</p>	<p><u>Abdulwahhab Abed</u> Head of Regional Business Development, and Marketing and Communications</p> <p>Mr. Abed latest role in over a 12-year association with the firm. He chairs the firm's Product Development Committee and sits on the Investment Committee and the Management Committee.</p> <p>Mr. Abed's experience with SEDCO Capital makes him particularly skilled in due diligence, monitoring and divestment operations for co-investments.</p> <p>Previous roles at SEDCO Capital included Head of Corporate Finance, and Vice President and Director of Private Equity, where he was involved in a portfolio of 100 private equity investments around the world. He also previously sat on the Investment Committee for the SEDCO Capital Partners Group Co-Investment Fund, helping to set investment direction and strategy.</p> <p>Mr. Abed has earned his MBA with a focus on finance from Bentley College's McCallum School of Business in the US.</p>	<p><u>Ayman Al Bashir</u> Head of International Business Development and Client Advisory</p> <p>Mr. AlBashir serves as Head of International Business Development while also heading the advisory arm. He is a non-voting member of three investment committees within the firm, and also part of SEDCO Capital's Product Development Committee and Management Committee.</p> <p>Mr. Al Bashir joined SEDCO in 2008 through the firm's management training program and has established himself as an expert in asset management and allocation. He previously served in the firm's Asset Allocation Committee, led the International Liquid Assets team, and represented SEDCO Capital in the Investment Managers Committee supervised by the CMA.</p> <p>Prior to joining SEDCO Capital, Mr. Al Bashir worked with STC as planning engineer, and as a network engineer for Al Olayan. He graduated from King Abdulaziz University with a Master of Industrial Engineering with honors.</p>	<p><u>Christian Guckel</u> Chief Risk Officer</p> <p>As Chief Risk Officer, Mr. Guckel focuses on investment research, portfolio construction and portfolio analytics. He is a member of the Investment Committee, Asset Management Committee and Tactical Asset Allocation Committee. Mr. Guckel joined SEDCO Capital in 2014.</p> <p>Previously he was an Investment Director for a Swiss asset management and advisory services firm. He also served as Portfolio Manager at Man Investments' multi-manager business, and with HSBC Trinkaus & Burkhardt in the Structured Solutions Group. He started his career in risk control and management with Stadtsparkasse Magdeburg.</p> <p>Mr. Guckel has an MBA from Colorado State University and a Master's (equivalent) in Finance from Otto-von-Guericke University, Germany. He is a certified Chartered Financial Analyst, a Financial Risk Manager, a Chartered Alternative Investment Analyst, and an Energy Risk Professional.</p>	<p><u>Samer Shaaban</u> Head of Corporate Finance</p> <p>Mr. Shaaban currently serves as SEDCO Capital's Head of Corporate Finance. His association with the firm stretches back over a decade, where he has previously served as the firm's Head of International Real Estate – a role that saw him lead the acquisition and management of real estate transactions globally.</p> <p>Prior to joining the SEDCO Capital team in 2005, Mr. Shaaban has served in several managerial roles with Unilever across the UAE, UK and Saudi Arabia. He holds an MBA from the USA's Pepperdine University, and a BSc in Industrial Engineering from the California State University. He has also completed the Accelerated Development Programmed from the London Business School in the UK. Samer is both a Certified Professional Accountant (CFA) and a Certified Management Accountant (CMA).</p>	<p><u>Dr. Talal Al Jedaibi</u> Head of Finance and Operation</p> <p>Dr. Talal AlJedaibi is heading Finance, Operations and IT departments, catering for the support of asset management services provided by SEDCO Capital and the management of its proprietary investments. Dr. Talal has experience working with global, regional and semi-governmental financial institutions, providing financial, managerial and advisory services. His previous employers include PwC and NCB Capital. As a qualified accountant (Saudi SOCPA) and a control professional, Dr. Talal is continuously engaged with governance, productivity & operations in addition to prudent investing practices.</p> <p>Building on a PhD degree in "IFRS Reporting, Banks and Shariah Compliance" from the University of London – Royal Holloway UK, a Master degree from the American University – DC, USA and a Bachelor from KFUPM, Dr. Talal uses knowledge research and analytical skills to tackle strategic and day to day corporate problems. Dr. Talal is as an advocate of corporate culture change, and is also a practicing mentor and a weekly columnist.</p>	<p><u>Sultan Sukkar</u> Head of Compliance and AML</p> <p>Sultan Sukkar is the Head of Compliance & AML at SEDCO Capital. He joined SEDCO Capital in 2014. He has more than 15 years of experience in assurance, internal audit and compliance in PWC, Samba Financial Group and SEDCO Holding.</p> <p>Mr. Sukkar holds a bachelor's degree in Accounting from King Fahd University of Petroleum and Minerals, Dhahran, KSA and an MBA from the University of Scranton, Pennsylvania, USA.</p>	<p><u>Rakan Al Huthali</u> Head of Internal Audit Function</p> <p>He leverages eight years of experience in accounting and auditing to implement a system of financial reporting that bolster the company's performance and transparency. He is a member of many committees in SEDCO Capital.</p> <p>Prior to joining SEDCO Capital, he served with SEDCO Holding as Internal Audit Manager, served as Engagement Auditor at Ernst & Young Saudi Arabia. He has experience across diverse industries through his career and has held positions of responsibility in wealth management, hospitality, automotive, global financial investment, real estate, and retail.</p> <p>He holds a bachelor's degree in Accounting with honors from King Abdulaziz University and Master of Auditing and Accounting Information Systems with honors from Southern Illinois University, USA. He has continued his professional development and ability to manage people, structures and departments through courses in emotional intelligence leadership, corporate governance,</p>

Board Membership

SEDCO Capital's Board of Directors is responsible for creating and delivering strong, sustainable financial performance and long-term value to the company's shareholders and clients alike. Board members also play their role together as a team, to provide strategic leadership of the company's executive management and set the values and standards to be followed. SEDCO Capital's Board of Directors is made up of seven members, who are elected by the General Assembly for a maximum of three years with the possibility of being re-elected. The following table shows the Board members during 2019, their classification, and their directorships on the Boards of other companies.

Board Member	Membership in Other Companies
Ahmed Suleiman Banaja Chairman - Non-executive	<ul style="list-style-type: none"> Member of the Board of Directors at SEDCO Holding A member of the Nominations and Compensation Committee at SEDCO Holding
Abdullah Mubarak Baarmah Vice Chairman- Non-executive	<ul style="list-style-type: none"> Chairman of the Board of Directors of the Auto World Company Membership of both the board members of Lakemore Partners Ltd and Mobaar Holding Company
Savio Tung Non-executive	<ul style="list-style-type: none"> Board member at SEDCO Holdings Chairman of the Audit and Risk Committee of SEDCO Holding Chairman of the Board of Directors of Investcorp Group Board member of the Bank of China of Hong Kong Board member of Tech Data
Dr. Hani Findakly Director	<ul style="list-style-type: none"> Vice- Chairman of the Clinton Group
Abdulrazzak Mohammed Al Khraijy Director	<ul style="list-style-type: none"> Member of the Board of Trustees of the Islamic Accounting and Audit Authority
Abdelelah Salem bin Mahfouz* Non-executive	<ul style="list-style-type: none"> Member of the Board of Directors of SEDCO Holding Member of the Board of Directors of Al Nahdi Medical Company Member of the Board of Directors of Al Mahmal Trading Company Member of the Board of Directors of Methak Investment Holding Member of the Board of Directors of Al Mehwar Investment Holding Company
Tariq Jawad Al Saqa* Director	<ul style="list-style-type: none"> Member of the Board of leading independent investment management Ajeej Capital Member of the Board of Directors of Americana and Al Farabi Investment Company
Abdullah Bin Ibrahim Al Howaish** Director	<ul style="list-style-type: none"> Chairman of the Board of Directors and Chairman of the Executive Committee of Amlak International Mortgage Finance Company Member of the Board of Directors and a member of the Investment and Finance Committee of Assir Company Vice president of management at Halawani Brothers Member of the audit Committee of Emaar Al Madina Economic Company Chairman of the Board of Directors, Chairman of the Executive Committee and Chairman of the Rewards and Nominations. Committee of Al Issa Industry Company Board member of Al Afaq Iron Industries
Hashim Al Mihdar** Non-executive	-

*Due to the end of the Council session on June 17, 2019, the two members resigned Mr. Abdelelah Salem bin Mahfouz and Mr. Tariq Jawad Al Saqa.

** The Board was reappointed on June 20, 2019, including the appointment of the two new members, Mr. Abdullah Bin Ibrahim Al Howaish and Mr. Hashim Al Mihdar and the work of the previous council was approved until the appointment date.

Board Meetings

During 2019, SEDCO Capital's Board of Directors held four meetings, and the table below shows the dates and attendance record for these meetings

Name	12 MAR	25 JUN	15 OCT	11 DEC	Total
Ahmed Suleiman Banaja	✓	✓	✓	✓	4
Abdullah Mubarak Baarmah	✓	-	✓	✓	3
Savio Tung	✓	✓	✓	✓	4
Hashim Al Mihdar	-	-	✓	✓	2
Dr. Hani Findakly	✓	✓	✓	✓	4
Abdulrazzak Mohammed Al Khraijy	✓	✓	✓	✓	4
Abdullah Bin Ibrahim Al Howaish	-	✓	✓	✓	3
Tariq Jawad Al Saqa	✓	-	-	-	1
Abdelelah Salem bin Mahfouz	✓	-	-	-	1

Remunerations and Compensations of the Board Directors and Senior Executives During 2019

The table below describes the rewards and compensation paid to board members and five senior executives, including CEO and Chief Financial Officer:

Item	Executive Directors	Independent / Non-Executive Directors	Five Senior Executives who received top remunerations and compensations including the CEO and CFO
Salaries and Compensations	---	---	SAR 4,808,604
Allowances	---	---	SAR 1,869,720
Periodic and Annual Remunerations	---	SAR 1,568,889	SAR 6,495,000
Incentive Plans	---	---	---
Any Monthly or Annually Paid Compensations or Benefits in Kind	---	SAR 309,642	---

Arrangements or Waiver Agreements Under which a Member of the Board of Directors Waives any Rewards or Compensation

The board member, Mr. Abdelelah Bin Mahfouz, waived his annual remuneration of SAR 200,000 which is granted to each board member.

Important Plans and Decisions

During 2019, the management of the Company developed and presented its 2020 general business strategy. As a result of discussion and the implementation of all the remarks and requirements, the Board of Directors has:

- Approved the 2020 budget;
- Approved the updated policy and procedure manuals;
- Approved the updated organizational structure.
- Approved partnerships with some external parties;
- Approved expansion in regional real estate activities through (a) REIT Funds, (b) income-generating regional products, (c) building strategies as appropriate and (d) investment portfolios; and
- Approved the upgrading of the Luxembourg Investment Platform and the appointment of additional administrators.

A Brief Description of the Duties and Responsibilities of the Board's Main Committees

There are three Committees of the Company's Board, notably:

- Audit Committee;
- Risk and Compliance Committee; and
- Nominations and Compensations Committee.

Audit Committee

The Committee is made up of three non-executive members, whom are all independent and experienced in accounting and auditing. Members are selected by the Board of Directors and the Committee reports directly to the Board of Directors on a regular basis:

1. Abdulrazzak Mohammed Al Khraiyy - Chairman
2. Mohamed El Sayed El Ayouty - Member
3. Abdelilah Ajbar - Member

Attendance Record - Audit Committee Meetings

During 2019, the SEDCO Capital Audit Committee held four meetings. The table below shows the dates and attendance record of these meetings:

Name	10 MAR	18 JUN	17 SEP	03 DEC	Total
Abdulrazzak Mohammed Al Khraiyy	✓	✓	✓	✓	4
Mohamed El Sayed El Ayouty	✓	✓	✓	-	3
Abdelilah Ajbar	✓	✓	✓	✓	4

Responsibilities and Duties of the Audit Committee

- Supervise, monitor, direct and ensure implementation of the audit in accordance with the approved internal policies and procedures and the governance principles in line with CMA regulations,
- Develop the efficiency of the auditing process, monitor the corrective actions of the remarks contained therein;
- Oversee the assessment of the effectiveness of the company's internal control system, including information technology security and control;
- Submit substantive audit observations and the Committee's proposals to the Board of Directors;
- Evaluate the performance of external auditors and propose their appointment to the Board of Directors
- Resolve any disagreements between management and the external/internal auditors regarding financial reporting and/or any other matters;
- Ensure that financial statements are understandable, transparent, and reliable;
- Discuss the annual audited financial statements and oversee the process of preparing the interim financial statements with management and the external auditors, including SEDCO Capital's disclosures.
- Perform other activities related to this charter as requested by the Board of Directors.

Risk and Compliance Committee

The Committee consists of eight members, who are all the members of the audit Committee, in addition to the five members referred to in the table below, and the Committee reports directly to the Board of Directors.

1. Abdulrazzak Mohammed Al Khraijy - Chairman
2. Mohamed El Sayed El Ayouty - Member
3. Abdelilah Ajbar – Member
4. Samer Nayef Abu Aker – Member
5. Dr. Talal Al Judaibi – Member
6. Christian Guckel - Member
7. Sultan Sukkar - Member
8. Rakan Al Huthali - Member

Attendance Record - Risk and Compliance Committee

During 2019, the SEDCO Capital Risk and Compliance Committee held four meetings, and the table below shows the dates and attendance record of these meetings:

Name	10 MAR	18 JUN	17 SEP	03 DEC	Total
Abdulrazzak Al Khraijy	✓	✓	✓	✓	4
Mohamed El Ayouty	✓	✓	✓	-	3
Abdelilah Ajbar	✓	✓	✓	✓	4
Samer Abu Aker	✓	✓	✓	✓	4
Dr. Talal Al Judaibi	✓	✓	✓	✓	4
Christian Guckel	✓	✓	✓	✓	4
Sultan Sukkar	✓	✓	✓	✓	4
Rakan Al Huthali	✓	✓	✓	✓	4

Responsibilities and Duties of Risk and Compliance Committee

- Supervise, monitor and direct the works of Risk Management in accordance with the approved policies and procedures and the governance principles in line with CMA regulations;
- Supervise, monitor and direct the compliance activities regarding works of securities in accordance with CMA regulations and requirements;
- Improve the efficiency of the Risk and Compliance activities and ensure that their operations are correct;
- Assist the Management in understanding and controlling risks in order to protect and improve the value of shareholders' investments and returns;
- Ensure that the Company's business policies comply with CMA regulations and requirements and other relevant government laws to implement the best market practices;
- Review risk management policy and procedures, compliance management and anti-money laundering;
- Review the internal auditor's report on compliance management and anti-money laundering;
- Review compliance management, anti-money laundering and risk management reports;
- Review the Company's compliance with the CMA laws, regulations and requirements as well as other relevant government laws and corporate governance policies;
- Review the effectiveness of monitoring and control procedures;
- Monitor and follow-up the results of Management investigations into any act contrary to the laws and regulations as well as activities;
- Develop procedures to maintain confidentiality of complaints about suspicious practices related to accounting, audit or internal control procedures;
- Review the results of any Company inspection or examination made by CMA or any other government agency;

- Review core lawsuits and their impact on the Company's, business progress;
- Submit substantive remarks of the Audit and Compliance departments and the Committee's proposals to the Board of Directors.

Nominations and Compensations Committee

The Committee currently consists of four non-executive members, referred to in the table below, and reports directly to the Board of Directors.

1. Dr. Abdelraouf Manna - Chairman
2. Ahmed Sulaiman Banaja - Member
3. Rasha Al-Darwish - Member
4. Omar Hosny El Taher - Member

Record Attendance- Nominations and Compensations Committee

During 2019, the Nominations and Compensation Committee of SEDCO Capital held two meetings, and the table below shows the dates and attendance record of these meetings:

Name	26 JUN	04 DEC	Total
Dr. Abdelraouf Manna	✓	✓	2
Ahmed Sulaiman Banaja	✓	✓	2
Rasha Al Darwish	-	✓	1
Omar Hosny El Taher	✓	✓	2

Responsibilities and Duties of Nominations and Compensations Committee

- Submit its recommendations on the candidates of the Board directors to the General Assembly;
- Work on the development of the performance of the Board Directors and Senior Executives;
- Work on the recruitment of senior executives.
- Review and approve compensations (salaries and benefits) of the Board of Directors as well as Senior Executives and compensation policies for all employees and approve human capital plans including replacement and succession plans.

Results of the Annual Audit Report of Regulatory Procedures and Laws

SEDCO Capital's internal audit management is responsible for implementing and reviewing the effectiveness of the Company's internal control procedures. Therefore, the Board of Directors approved the establishment of an Internal Audit department at SEDCO Capital to conduct internal control and audit for the Company as an independent function directly linked to SEDCO Capital's Audit Committee. This Management is assigned to:

1. Conduct periodic inspection of the works of the departments;
2. Inspect the means and methods used to preserve information as well as tangible and intangible assets;
3. Ensuring the effective use of resources at a reasonable cost;
4. Reduce risk;
5. Provide advisory services at the request of the Board of Directors, the Audit Committee, or the Chief Executive Officer; and
6. Conduct fact-finding operations for fraud or corruption cases, or any special inspection at the request of the management.

During 2019, the Internal Audit department reviewed the Company's operations in accordance with its plan approved by the Audit Committee to ensure the effectiveness of the Company's internal control systems and protect its assets. As a result of the audit carried out, there were no significant weaknesses in the Company's internal control systems. The department has completed all the audit activities scheduled to be carried out according to the approved plan and is currently monitoring the closure of observations noted during the year.

Audit Committee's Opinion on the Internal Control System Adequacy

The Internal Audit department implements a review methodology based on risk assessment. The audit was carried out in 2019, and a report was issued to the Audit Committee on the remarks relating to the effectiveness of the followed procedures and systems. The internal audit plays an important role in evaluating the effectiveness and efficiency of internal controls through the implementation of an audit plan based on ongoing assessment to mitigate business risk in the Company by introducing a set of control procedures and methodologies. The Committee reviewed the appropriateness of the governance and internal control framework relating to 2019 internal audit. The sample-based audit also demonstrated the success of the controls related to the samples included in the audit in general. However, improvements were identified and are being implemented and constantly reviewed by the internal audit team.

SEDCO Capital's Risk Management

Risk is inherent in all businesses and is therefore present within SEDCO Capital's activities. SEDCO Capital's Risk Management process seeks to effectively identify, quantify, monitor and manage each of its risks and actively promotes a risk awareness culture throughout the organization.

Risk Governance Structure

The management of risk at SEDCO Capital lies with the Board of Directors through the Risk and Compliance Committee. The Risk and Compliance Committee assists the Board of Directors in exercising its oversight of the operational activities of SEDCO Capital and the timely identification, mitigation, and management of those risks that could have a material impact. SEDCO Capital has in place a formal risk management process to identify, evaluate and manage significant risks impacting the Company. The process is supported by policies as well as detailed procedures, methodologies, evaluation criteria and documentation requirements to ensure clarity and consistency

Risk Management Framework

SEDCO Capital's risk management framework defines the processes and management of the risks that the Company and its investment strategies and products are exposed to, in particular (but not limited to) the management of market, credit, interest/profit rate risk, liquidity risk as well as operational, strategic and reputational risks. The Company's risk management framework seeks to ensure that there is an effective process in place to manage risk across the Company. The Company also has processes and procedures in accordance with CMA guidelines related to the Risk management. The Risk Management Framework which SEDCO Capital relies on is a well-proven methodology wherein all activities giving rise to risk are identified, measured, managed and monitored.

The risk management framework thus supports the achievement of the Company's strategic objectives. The strategic objectives for 2019 included:

- Strengthen capital base internally by changes in asset mix to cater to its strategic growth;
- Grow asset under management with a focus on specific investment strategies such as local real estate strategies and discretionary portfolio mandates;
- Increasing SEDCO Capital's profile with KSA-based and regional investors;
- Strengthen SEDCO Capital's perception as an ESG (Environmental, Social and Governance) and Shariah-compliant investor.

Scope and Nature of Risk Reporting and Measurement Systems

The primary goal of risk management is to ensure that SEDCO Capital's asset and liability profile, its credit and operational activities do not expose it to losses that could threaten the viability of the Company. Internal control deficiencies, whether identified by the risk function self-review; an internal audit, compliance division or other personnel, are reported in a timely manner to the appropriate management and committee level and addressed accordingly.

SEDCO Capital periodically reviews their risk limitations to ensure that the overall effectiveness in risk management remains aligned to a changing organization. Risk management policies and procedures are constantly reviewed and updated. The review covers objectives and strategies, as well as, changes relating to products, people, processes and systems.

Risk Management Process and Major Risk Categories

SEDCO Capital can be exposed to various risks and to address these risks SEDCO Capital has a defined risk appetite, which facilitates the identification and management of both risks and opportunities. Setting a risk appetite at SEDCO Capital is not about elimination of all risks; rather it is about accepting risks in areas in which management has the appropriate skills, knowledge and experience to take advantage of the opportunities presented, whilst limiting risks in other areas. The risk appetite statement empowers SEDCO Capital which enables the decisive accumulation of risk in line with the strategic objectives of the organization while giving the board and management confidence to avoid risks that could deviate from the strategic objectives.

As part of the annual ICAAP process, SEDCO Capital performs detailed assessments of three major risks credit, market and operational risks and the same are monitored periodically. Following are the details of these risks:

1- Market Risk

Market risk refers to the risk to SEDCO Capital resulting from movements in market prices changes in interest rates, foreign exchange rates, and equity and commodity prices. Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

SEDCO Capital’s exposure to market risk is limited by the nature of its business, the fact that it manages assets on a fiduciary basis, does not trade securities on its own account and does not underwrite issues of financial instruments on a firm commitment basis.

Market risk is actively monitored through periodic analysis of the impacts from changes in market risks through stress tests. SEDCO Capital’s mitigates a fall in the value of clients’ asset under management by having a broad range of geographically diversified products and asset classes. SEDCO Capital also dynamically monitors foreign currency risk exposure

2- Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The credit risk that SEDCO Capital faces arises mainly from counterparty default and non-receipt of fees due from its clients. Credit Risk is mainly due to an adverse financial outcome arising from changes in level or volatility of third-party credit spreads. Credit spread moves can be caused by credit concerns (improving or worsening) on the issuer, or from market factors.

The Company’s risk management policies and processes are designed to identify and analyze risk, to set appropriate limits and controls, and to monitor the risks and adherence to limits by means of timely and reliable management information data.

SEDCO Capital Investment Committee (SCIC) is responsible for formulating, reviewing and monitoring adherence to the overall investment policies of the Company. Counterparty risk relating to SEDCO Capital’s deposited funds is mitigated by adherence to internal credit policy and limits frameworks governed by the SEDCO Capital Investment Policy Statement.

The Risk function regularly reviews and monitors counterparty exposure and management against limits, as well as concentrations of exposure by type, sector, geography and credit ratings. SEDCO Capital has control process in place to ensure prompt settlement of fees due from its clients.

3- Operational Risk

Operational Risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events, including changes in the regulatory environment. SEDCO Capital’s operational risk is its primary source of risk and arises mainly through the investment process, distribution channels, product development, information technology that includes cybersecurity and operations, including potential risks arising from business disruption and reliance on third party service providers and outsourcing partners.

The Company implements and maintains appropriate risk management principles and policies, internal controls and processes designed to assess risks as determined by the approved risk management framework. All identified risks are appropriately addressed according to the agreed process in a timely manner.



About Transactions with Related Persons:

There are no transactions concluded between the Company and its related persons during the annual period ended 31 December 2019.

About Businesses and Contracts with Related Persons:

Below is a breakdown of the businesses and contracts between the Company and its related persons for the year ended 31 December 2019:

Company / Entity Name	Nature of the Transaction	Contract Conditions	Contract Term	Transaction Amount during 2019 / SAR	Relationship
Board of Directors	Remunerations / other benefits	N/A	N/A	1,842,000	Senior Management Personnel
Company Executive Management	Remunerations / other benefits	N/A	N/A	13,173,324	
Saudi Economic and Development Holding Company	Advisory and management services	By Investment Agreement	3 years renewable	26,777,071	Shareholder
	Shared services costs	N/A	N/A	3,801,524	
	Payments on behalf of the company	N/A	N/A	45,233	
	Payments on behalf of the company	N/A	N/A	23,327,050	
Methak Investment Holding	Advisory and management services	By Investment Agreement	1 year renewable	4,097,863	Associate
	Payments on behalf of the company	N/A	N/A	118,999	
SEDCO Capital REIT Fund	Advisory and management services	By Memorandum of the Fund's Terms & Conditions	By Memorandum of the Fund's Terms & Conditions	7,920,678	A fund managed by the Company
	Received dividends	Based on the approval of the Fund's Board of Directors	N/A	1,517,783	
	Payments on behalf of the Fund	N/A	N/A	25,950	
SEDCO Capital Real Estate Income Fund I	Advisory and management services	By Memorandum of the Fund's Terms & Conditions	By Memorandum of the Fund's Terms & Conditions	249,075	A fund managed by the Company
	Received dividends	Based on the approval of the Fund's Board of Directors	N/A	23,821	
SEDCO Capital Real Estate Income Fund II	Advisory and management services	By Memorandum of the Fund's Terms & Conditions	By Memorandum of the Fund's Terms & Conditions	6,741,000	A fund managed by the Company
	Payments on behalf of the company	N/A	N/A	3,429	
SEDCO Capital Built-to-Suit- Real Estate Fund I	Advisory and management services	By Memorandum of the Fund's Terms & Conditions	By Memorandum of the Fund's Terms & Conditions	1,871,979	A fund managed by the Company
	Payments on behalf of the company	N/A	N/A	2,250	

Related Persons and Relationship

Company / Entity Name	Nature of the Transaction	Contract Conditions	Contract Term	Transaction Amount during 2019 / SAR	Relationship
BMF	Advisory and management services	By Investment Agreement	1 year renewable	368,220	Affiliate
Hagely Fund IC	Advisory and management services	By Investment Agreement	Undefined	827,162	A fund managed by the Company
	Received dividends	Based on the approval of the Fund's Board of Directors	Undefined	--	
Milltrust SEDCO MENA Fund	Advisory and management services	By Memorandum of the Fund's Terms & Conditions	Undefined	223,245	Fund investment management
SEDCO Capital Europe Fund I	Advisory and management services	By Memorandum of the Fund's Terms & Conditions	Undefined	--	
SEDCO Capital Treasury Money Market Fund	Advisory and management services	By Memorandum of the Fund's Terms & Conditions	Undefined	4,886,679	Funds managed by the Company
SEDCO Capital Saudi Equities Fund I	Advisory and management services	By Memorandum of the Fund's Terms & Conditions	Undefined	25,623	
SEDCO Capital Private Equity Global Fund IV	Advisory and management services	By Memorandum of the Fund's Terms & Conditions	Undefined	--	Fund investment management
SEDCO Capital Moderate Fund	Advisory and management services	By Memorandum of the Fund's Terms & Conditions	Undefined	2,894,022	Fund investment management
SEDCO Capital GCC Equities Fund	Advisory and management services	By Memorandum of the Fund's Terms & Conditions	Undefined	681,268	
Tazweid	Service fees	N/A	2 years	6,050	Associates
Elaf Hotels Company	Accommodation fees	N/A	Undefined	70,540	
Elaf for Travel and Tourism Company	Travel and tourism fees	N/A	Undefined	1,575,616	
Intimaa Real Estate Services Company	Office rent and other services	N/A	1 year	1,630,160	
Al Jazirah Equipment Company (Autoworld)	Transportation fees	N/A	Undefined	14,470	
Rushd International Real Estate Co., Ltd.	Payments on behalf of the company	N/A	Undefined	--	
Private investment portfolio	Advisory and management services	By Investment Agreement	Undefined	40,187	Affiliate

Information Relating to the Interests of Directors

Name	Position	Relation Type	No. of shares as of 01-01-2019	Ownership % as of 01-01-2019	No. of shares as of 31-12-2019	Ownership % as of 31-12-2019	Share Value
Abdullah Mubarak Baarmah	Vice Chairman Non-executive	Non-direct share	116,121.6	0.580608%	116,121.6	0.580608%	10
Hashim Al Mihdar	Non-executive	Non-direct share	1,238,707.2	6.193536%	1,238,707.2	6.193536%	10

Loan Information

During the financial year ended 31 December 2019, the Board of Directors acknowledges that there are no loans obtained by the Company, whether payable on demand or otherwise.

Information Relating to the Interests of Directors

Loans

Summary of SEDCO Capital's Financial Results

The table below shows the audited financial results of the Company for the year ended 31 December 2019 compared to the years from 2015 to 2019

Item	2019 SAR	2018 SAR	2017 SAR	2016 SAR	2015 SAR
Total Revenues	155,696,426	175,890,090	160,905,178	129,835,078	120,076,737
Total Operating Expenses	115,829,145	121,891,232	117,860,708	87,722,673	81,559,699
Operating Income	39,867,281	53,998,858	43,044,470	42,112,405	38,517,038
Net Income	31,959,710	46,008,579	35,973,278	34,102,543	30,350,318
Total Assets	395,649,078	430,453,986	372,987,160	326,786,873	301,422,459
Total Liabilities	74,701,674	89,530,697	66,743,118	55,141,148	53,946,372
Total Shareholders' Equity	304,279,191	340,923,289	306,244,042	271,645,725	247,476,087

Auditor's Opinion

The accompanying financial statements fairly present, in all material respects, the financial position of the Company as at 31 December 2019, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards endorsed in Saudi Arabia as well as other standards as well as, publications approved by SCOPA.

Reservations in the Auditor's Report on Financial Statements

There are no reservations about the 2019 financial statements

Core Differences in Operating Results

The differences in operating results from the previous financial year are driven by:

- Decrease in the market value of portfolios subject to advisory services.
- Fundamental decrease in the value of the performance fee compared with previous year.

Sanctions and Penalties

SEDCO Capital received three violation notices by the CMA. Two of which are related to the annual report of 2018 and one is related to the internal operations of the company. The violations were discussed with the Board of Directors and appropriate procedures were put in place to avoid repeating the violations in the future. The company also incurred a fine of SAR 2,000 by the Riyadh Municipality due to SEDCO Capital's Riyadh branch not meeting some municipal guidelines. The Company is improving its internal framework to avoid such fines in the future.

Except as noted above, SEDCO Capital was not, during 2019, subject to any fines, penalties or precautionary restrictions imposed by the CMA or any other supervisory, regulatory or judicial body.

Financial Results

The Opinion of the Auditor

Core Differences in Operation

Sanctions and Penalties

Board of Directors' Recommendation for Dividends for the Fiscal Year Ended 31 December 2019 for its Shareholders

The Board of Directors recommended a cash dividend of SAR 50,000,000 of (SAR 2.50 per share) to the shareholders for the year 2019, accounting for 25% of the Company's share capital. Below is a detailed table of the shareholders, percentages of their shareholding in the Company, along with their shares of the profits:

#	Shareholder Name	Shareholding Percentage	Value (SAR)
1	Saudi Economic and Development Holding Company	96%	48,000,000
2	Ehkam International Real Estate Company, Ltd	1%	500,000
3	Ta'aki International Real Estate Company, Ltd	1%	500,000
4	Ta'adiyah International Real Estate Company, Ltd	1%	500,000
5	Rushd International Real Estate Company, Ltd	1%	500,000
	Total	100%	50,000,000

Acknowledgements

At the end of this report, SEDCO Capital's Board of Directors is pleased to extend its sincere thanks and gratitude to the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud and to His Royal Highness, Prince Mohammed bin Salman bin Abdulaziz Al Saud, Crown Prince, Vice Prime Minister and Minister of Defense, and to the Government of the Custodian of the Two Holy Mosques for the facilities they all provide to create an attractive business community for investors and make the Kingdom a major destination for regional and foreign capital as well as investments.

The Board also extends its thanks and appreciation to the Capital Market Authority (CMA), which is exerting all efforts to support the financial services industry in the Kingdom and effectively contribute to the prosperity of the national financial sector despite the major challenges facing all the economies across the world.

Lastly, the Board of Directors extends its sincere gratitude to all the shareholders of the Company for their continued confidence and support to the business strategies set by the Company, and to the Company's clients constituting one of the most important and strongest assets in the Company's continued success. We thank all the employees of the Company for their dedication and efficiency, which were and remain the main engine to achieve outstanding results for the year of 2019.

SEDCO Capital Board of Directors

Board of Directors Recommendations

Closing