

**(Invitation)**

**Dar Alarkan Real Estate Development Co. announces to Invites its Shareholders to Attend the ( First Meeting ) Ordinary General Assembly Meeting using modern technology means**

The Board of Directors of Dar Al-Arkan Real Estate Development Company is pleased to invite the shareholders to participate and vote in the Ordinary General Assembly meeting (the first meeting), which is scheduled to be held at 19:00 on Tuesday 20/6/2023 corresponding to 2/12/1444H, using modern technology means through the Tadawulaty system.

City and Location of the General Assembly's Meeting: Head Office of the company, 12622 Makkah Road, Al Wizarat, Beside Riyadh Marriott Hotel, Riyadh, KSA through modern technology, Using Tadawulaty Platform only for electronic voting.

URL for the Meeting Location: [www.tadawulaty.com.sa](http://www.tadawulaty.com.sa)

The Meeting Agenda as follow:

1. Review and discuss the Board of Directors' report for the fiscal year ending on 31/12/2022 G.
2. Voting on the auditor/s report on the Company's accounts for the fiscal year ending on 31/12/2022 G after discussing the report.
3. Review and discuss on the financial statements for the fiscal year ending on 31/12/2022 G.
4. Voting on appointing the external auditor for the Company from among the candidates based on the Audit Committee's recommendation. The appointed auditor/s shall examine, review and audit the second, third quarters and annual financial statements, of the fiscal year 2023 G., and the first quarter of the fiscal year 2024 G., and the determination of the auditor's fees.
5. Voting on the business and contracts that will be concluded between the Company and the SHL Finance Company, in which the board member Mr. Youssef bin Abdullah Al-Shalash, has a direct and indirect interest in it. These businesses and contracts are financing some customers of Dar Al-Arkan Company to purchase houses. During 2022, there were sales of SAR 3.8 million which were paid off by SHL during the year and no outstanding balance to be paid or settled with this related party. These transactions are continuous, to be renewed annually, and carried out in the context of regular business and in accordance with the prevailing commercial terms and without any preferential conditions. (attached)
6. Voting on the business and contracts that will be concluded between the Company and Al-Khair Capital, in which each of the members of the Board of Directors: Mr. Youssef bin Abdullah Al-Shalash and Mr. Majid bin Abdul Rahman Al-Qasim, have an indirect interest in it. These businesses and contracts are to provide financial

consultations to Dar Al-Arkan. During 2022, there were no transactions made, and there is no outstanding or due balance. These services are continuous, to be renewed annually, and carried out in the context of regular business and in accordance with the prevailing commercial terms and without any preferential conditions. (attached)

7. Vote to provide clearance to the members of the Board of Directors for the fiscal year ended December 31, 2022.

8. Voting on paying an amount of one million and five hundred thousand Saudi Riyal as remuneration to the Board members for the fiscal year ending on 31/12/2022 G (attached)

9. Voting on delegating the Board of Directors to distribute interim dividends on a biannual / quarterly basis for the fiscal year 2023 G.

### **Attendance Eligibility**

Shareholders who are registered in the issuers shareholders record at the Depository Center by the end of the trade session prior to the general assembly meeting and in accordance with the laws and regulations. The shareholder has the right to delegate whomever other than the board of directors. The shareholder has the right to discuss the items on the agenda and ask questions.

### **Quorum for Convening the General Assembly's Meeting**

The annual general meeting shall be valid if shareholders representing at least one fourth of the capital are present. If the quorum required to hold this meeting is not available, the second meeting will be held an hour after the end of the period specified for the first meeting, and the second meeting shall be considered valid whatever the number of shares represented in it.

### **The shareholder right in discussing the assembly agenda topics, asking questions, and exercising the voting right.**

Horned shareholders can vote remotely on the items on the assembly's agenda, through the electronic voting service by visiting the Tadawulaty website [www.tadawulaty.com.sa](http://www.tadawulaty.com.sa) Note that the registration for the service and voting is freely available to all shareholders, starting at 1:00 AM on Saturday 28/11/1444H corresponding to 17/6/2023, until the end of assembly time.

### **Eligibility to register attendance and vote**

Note that the eligibility for registering the attendance of the general assembly's meeting ends upon the convenience of the general assembly's meeting, and the right to vote on the assembly items for the attendees, ends when the Counting committee finishes counting the votes.

### **Method of Communication**

For inquires, you can contact the company's management through the following means of communication: phone number 00966112069888, ext. 1641 or 1144, or via email [ir@alarkan.com](mailto:ir@alarkan.com)

DAR  
AL ARKAN  
دار الأركان

# **Dar Al-Arkan Real Estate Development Company**

Report of the Audit Committee for the ended  
fiscal year 31/12/2022

## Dear shareholders of Dar Al-Arkan Real Estate Development Company

### *Introduction*

The audit committee for Dar Al-Arkan Real Estate Development Company was formed according to the requirements of Articles No. (101) and No. (104) of the Companies Law, where Article (104) states: "The audit committee shall review the company's financial statements, and auditor's reports and notes, and shall provide its opinion thereon, if any. The committee shall also prepare a report of its opinion concerning the efficiency of internal control within the company, and about any other activities falling within its powers. The board shall deposit a sufficient number of copies of such report at the head office of the company at least 21 days prior to the general assembly meeting to be available for shareholders. Said report shall be read during the meeting of the general assembly".

We are pleased to share with you the annual audit committee report for the fiscal year ending on December 31, 2022, which was prepared in light of the Companies Law and the Capital Market Authority's rules and regulations. The report includes the opinion of the committee regarding the adequacy of the internal control system in the company, and the other work carried out by the committee within the scope of its competence, based on the relevant legal requirements.

### *Formation of the committee*

The general assembly of the company, at its meeting held on 23/6/2022, approved the formation of the membership of the audit committee, the functions of the committee, its work controls, and the remuneration of its members in accordance with the relevant legal requirements. Currently, the Audit Committee consists of (4) members, including three non-executive members and one independent member, and among its members shall be a member specialized in financial and accounting affairs.

### *Meetings of the committee*

In light of its regulations, the committee holds its meetings upon the invitation of its chairman. The audit committee meets at least 4 times a year, and it may increase when the need arises. The meetings of the committee are held when the legal quorum is complete, with the presence of most of its members, whether on behalf of other members if applicable. The audit committee held (5) meetings during the year 2022, with the completion of the quorum for that.

### *A summary of the most important tasks and responsibilities of the audit committee during the year 2022*

*First: The work carried out by the committee during the fiscal year ending on December 31, 2022*

#### *Financial Reports*

- Consider the results and the preliminary and annual financial statements for the fiscal year ending on December 31, 2022 with the company's management and the auditor's notes on the financial statements and following up on what has been done about them, and the results of the company's financial year review and related announcements to ensure that they meet the requirements of disclosure. The recommendation has been raised to the Board of Directors for consideration for approval and to approve its announcement on the Saudi Stock Exchange website "Tadawul".
- Verify the extent of the company's compliance with the unified accounting policies that are compatible with international financial reporting standards and the important accounting practices, including the consistency of these policies annually.
- Provide a technical opinion on the report of the board of directors regarding its preparation in accordance with the statutory requirements.

#### *Internal Audit Department*

- Review and approve the Internal Audit Plan for the year 2022.
- Follow up on the implementation of the approved audit plan for the year 2022.

- Supervise the work, scope, methodology and outcomes of the company's internal audit department, as well as to verify whether the department has the authority and resources necessary to carry out its work while preserving its independence.
- Follow-up of the company's commitment to implement appropriate control systems to measure and evaluate the risks faced by the company and to study the methods where the company's management deals with these risks, and verify the effectiveness and adequacy of the systems, and the extent of the company's management adherence to the acceptable level of risks approved by the BoD, and the committee makes appropriate recommendations to the BoD.
- Monitor the company's commitment to implement the company's corporate governance rules, verify their effectiveness, follow up on any issues regarding governance applications, and provide the BoD with recommendations.
- Study and review the company's internal and financial control and risk management systems, through studying the Internal Audit reports for the year 2022, and following up on the implementation of corrective actions.

#### *External Auditor*

- Verify the extent of the independence of the auditor, M/s Turki Abdul Mohsen Alluhaid & Saleh Abdullah Al Yahya Chartered Accountants his objectivity and fairness, and the effectiveness of the audit work, taking into account the relevant rules and standards.
- Raise the recommendation to the BoD to evaluate the performance of the auditors, after verifying their independence and reviewing the scope of work in light with the terms of contracts.
- Review the audit plan for Dar Al-Arkan for the year 2022 prepared by the auditor, reviewing its work and verifying that it does not present technical or administrative works that are outside the scope of the audit work.
- Review all important correspondences between the auditor and the management, such as a representative letter from the management regarding the validity of the financial statements issued to the auditor, as well as the auditor's remarks letter directed to the management, if any.
- Answer the inquiries of the company's auditor.
- Study the auditor's report and his notes on the financial statements and follow up on actions had been taken in this regard.

#### *Compliance*

- Study the reports of the supervisory authorities regarding the extent of the company's compliance with the relevant regulations and instructions, and follow up the implementation of the recommendations.
- Verify the company's compliance with the relevant laws, regulations, policies and instructions.
- Review the contracts and proposed transactions that the company conduct with related parties, and raising the opinion of the committee to the BoD.

#### *Transactions with related parties*

- The Audit committee reviewed the results of the limited examination process that was carried out by the external auditor of the transactions with related parties at Dar Al-Arkan Real Estate Development Company for the year 2022 included in the report on transactions with related parties prepared by the Chairman of the BoD indicating all the transactions with related parties that the company carried out during the year based on the results of the report to the company's board of directors.

#### *Second: Audit Committee's opinion on the adequacy of the internal control systems*

- The audit committee, within the its scope of work, examined the periodic reports prepared by the internal audit department in addition to discussing and reviewing the results of the auditor's work, and also discussing the company's management with the results of assessing the

adequacy and effectiveness of internal control. Also, the committee follows up on the implementation of the recommendations to address the observations made in those reports.

- It became clear to the committee that the company's management has designed an internal control system commensurate with the relative importance of the financial and non-financial risks inherent in the company's activities, and considering the balance between cost and benefit to give reasonable assurances to avoid material errors or losses.
- Based on the internal audit results and the external auditor's reports during 2022, the executive management of the company has maintained an effective system of financial, operational and administrative controls and there is no material weakness as a result of relying on the integrity of the financial and accounting systems and its financial reporting. Also the executive management implemented corrective actions, where those actions can reduce the possibility of the misuse of the company's assets and its activities, relating to all the observations and recommendations raised by the Internal Audit Department to the Audit Committee. Therefore, the Audit Committee provides a reasonable basis for the efficiency and effectiveness of the company's internal control systems, however, it is not possible to provide absolute assurance about the review and assessment of the internal control procedures.

Date 21/5/2023

**Audit Committee's Recommendation of External Auditor for Dar Al Arkan Real Estate Company**

The Audit Committee received proposals from external auditors to audit the annual financial statements for the year 2023 and review the financial statements for the second, third quarters for the year 2023 and the first quarter for the year 2024.

The evaluation of the proposals was based on many factors like the professional experience of each audit office, experience in Assurance Services with respect to the local and international standards, license approval by Capital Market Authority (CMA) and the cost of the service.

The list of received proposals are as below:

	The Audit Firm	Fees (SAR)
1	M/s Turki Abdul Mohsen Alluhaid & Saleh Abdullah Al Yahya Chartered Accountants	570,000
2	M/s Dr. Mohamed Al-Amri & Co.	800,000
3	M/s Ibrahim Ahmed Albassam & Co. (Albassam & Co.)	850,000

Based on the above, the Audit Committee has recommended M/s Turki Abdul Mohsen Alluhaid & Saleh Abdullah Al Yahya Chartered Accountants as the External Auditor of Dar Al Arkan Company to audit the annual financial statements for the year 2023 and review the financial statements for the second, third quarters for the year 2023 and the first quarter for the year 2024.

**Tariq Bin Mohammed Al Jarallah**

Audit Committee Chairman

التاريخ 2023/5/21

**توصية لجنة المراجعة بترشيح مراجع حسابات خارجي لشركة دار الأركان للتطوير العقاري**

السلام عليكم ورحمة الله وبركاته،

لقد استلمت لجنة المراجعة عروض من مراجعي الحسابات الخارجيين لتدقيق القوائم المالية السنوية لعام 2023م وفحص القوائم المالية للربع الثاني والثالث لعام 2023م والربع الأول لعام 2024م.

استند تقييم العروض إلى العديد من العوامل مثل الخبرة المهنية لكل مكتب تدقيق، والخبرة في خدمات المراجعة فيما يتعلق بالمعايير المحلية والدولية، ومكاتب المراجعة المسجلة لدى هيئة السوق المالية (CMA) وتكلفة الخدمة المقدمة.

وجاءت قائمة العروض كما يلي:

تسلسل	اسم المكتب	الاجمالي (بالريال السعودي)
1	السادة/ شركة تركي عبدالمحسن اللحيد وصالح عبدالله اليحيى محاسبون ومراجعون قانونيون	570,000
2	السادة/ شركة الدكتور محمد العمري وشركاه - محاسبون قانونيون	800,000
3	السادة/ شركة إبراهيم أحمد البسام وشركاؤه محاسبون قانونيون (البسام وشركاؤه)	850,000

بناء على ما ذكر اعلاه، توصي لجنة المراجعة بترشيح السادة/ شركة تركي عبدالمحسن اللحيد وصالح عبدالله اليحيى محاسبون ومراجعون قانونيون كمراجع حسابات خارجي لشركة دار الأركان للتطوير العقاري لتدقيق القوائم المالية السنوية لعام 2023م وفحص القوائم المالية للربع الثاني والثالث لعام 2023م والربع الأول لعام 2024م.

وتقبلوا وافر التحية والتقدير،

الاستاذ / طارق بن محمد الجارالله  
رئيس لجنة المراجعة

Date: 25 May 2023

To/ Honorable members of the general assembly of Dar Al Arkan Real Estate Development Company

Peace be upon you and God's mercy and blessings

In compliance with the article (71) of the Companies law issued by the Ministry of Commerce and the article (28) of the Corporate Governance Regulations issued by the Capital Market Authority, which require that a member of the Board of Directors inform the Board of his direct or indirect personal interest in the business and contracts that are made for the company. On behalf of the members of the Board of Directors, I confirm that the information provided below includes all business, contracts and other operations between the related parties of Dar Al-Arkan Company, which are subject to Article (71) of the Companies Law, for the fiscal year ending on December 31, 2022 AD, in which the company seeks to obtain a license from the association General assembly, as there are no preferential terms / benefits in these deals and contracts, which the members of the Board of Directors have, directly or indirectly.

Nature of the contract or business	Conditions of the contract or business	Business or contract to which the company is a party and in which a director of the company is or was interested	Description of the transaction
These businesses and contracts are financing some customers of Dar Al-Arkan Company to purchase houses.	These transactions are continuous, to be renewed annually, and carried out in the context of regular business and in accordance with the prevailing commercial terms and without any preferential conditions	Mr. Youssef bin Abdullah Al-Shalash	During 2022, there were sales of SAR 3.8 million which were paid off by SHL during the year and no outstanding balance to be paid or settled with this related party.
These businesses and contracts are to provide financial consultations to Dar Al-Arkan.	These services are continuous, to be renewed annually, and carried out in the context of regular business and in accordance with the prevailing commercial terms and without any preferential conditions.	Mr. Youssef bin Abdullah Al-Shalash and Mr. Majid bin Abdul Rahman Al-Qasim	During 2022, there were no transactions made, and there is no outstanding or due balance.

The Board of Directors confirms that the relevant directors who notified the BOD of actual or potential conflicts of direct or indirect interest did not vote on the resolution to recommend the related transaction and/or contract mentioned above.

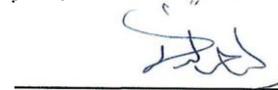
The Board of Directors recommends to your honorable general assembly to approve these businesses and contracts and authorize them for the next year. External Auditor of the company have been appointed to provide their special report regarding these businesses and contracts according to statutory requirements in accordance



Tariq Mohamed Al Jarallah



Majed Abdul Rahman Al Qasim



Yousuf Abdullah Al Shelash



Abdulrahman Saleh Abdulaziz Alsawi



Abdulaziz Ibrahim Mohammed Al Mana



Hathloul Saleh Al Hathloul

**LIMITED ASSURANCE REPORT  
TO THE SHAREHOLDERS OF DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

We were engaged by the management of Dar Al Arkan Real Estate Development Company (the "Company") to perform a "limited assurance engagement" as defined by the International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" endorsed in the Kingdom of Saudi Arabia hereafter referred as the engagement and report on the accompanying Chairman's declaration (Appendix A) prepared in accordance with the requirements of Article 71 of the Saudi Arabian Companies Law issued by the Ministry of Commerce ("MOC") and Article 28 of the Corporate Governance Regulations issued by the Capital Market Authority ("CMA"), which is presented by the Company's Board of Directors to the Extraordinary General Assembly and comprises the transactions and contracts carried out by the Company during the year ended 31 December 2022 in which any of the members of Board of Directors ("BOD") of the Company had direct or indirect personal interest ("Subject Matter").

**Criteria applied by the Company:**

In preparing the Subject Matter, the Company applied below criteria ("Applicable Criteria"). Such Criteria were specifically designed for the Declaration submitted by the Board of Directors to the extraordinary general meeting assembly (Appendix A), as a result, the Subject Matter information may not be suitable for any other purpose.

We have used the following as the Applicable Criteria:

1. Article 71 of the Saudi Arabian Companies' Law issued by the MOC;
2. Article 28 of the Corporate Governance Regulations issued by the CMA;
3. Declaration submitted by the Board of Directors of the Company dated 25 May 2023;
4. Declaration submitted by the Company's respective Board of Directors' members regarding the transaction and contracts in which any of the members of Board of Directors ("BOD") of the Company had direct or indirect personal interest for the year ended 31 December 2022.

**Management's Responsibility:**

The management of the Company is responsible for selecting the Applicable Criteria and for preparing and presenting the Subject Matter information in accordance with the Applicable Criteria in all material respects. This responsibility includes designing, implementing, maintaining internal control and maintaining adequate records relevant to the preparation and presentation of the Subject Matter such that the information included in the Subject Matter is free from material misstatement, whether due to fraud or error.

The management of the Company is also responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities. The management of the Company is responsible for ensuring that staff involved with the preparation of the Subject Matter information are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

**LIMITED ASSURANCE REPORT (continued)  
TO THE SHAREHOLDERS OF DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**Our Responsibility:**

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" endorsed in the Kingdom of Saudi Arabia and terms of reference for this limited assurance engagement as agreed with the Company. Those standards require that we plan and perform our limited assurance engagement to express a conclusion that any matter has come to our attention that causes us to believe that the Subject Matter information is not prepared, in all material respects, in accordance with the Applicable Criteria. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

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

**Our Independence and Quality Controls:**

We have maintained our independence and confirm that we have met the requirements of the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our limited assurance engagement and we have fulfilled our other ethical responsibilities in accordance with these requirements and have the required competencies and experience to conduct this assurance requirements.

Our firm applies International Standard on Quality Management 1, "Quality Management for Firms the performs audits and reviews of Financial Statements, and Other Assurance and Related Services Engagements" as endorsed in the Kingdom of Saudi Arabia and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Summary of Procedures:**

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal control when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing of controls or performing procedures relating to checking aggregation or calculation of data within IT system.

A limited assurance engagement consists of making inquiries, primarily of persons responsible for preparing the Subject Matter and the related information and applying analytical and other appropriate procedures.

**LIMITED ASSURANCE REPORT (continued)**  
**TO THE SHAREHOLDERS OF DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

Our procedures included:

- Obtaining the declaration from the Board of Directors to the extraordinary general assembly that includes the transactions and/or contracts during the year ended 31 December 2022 between the Company and any of the members of the Company's Board of Directors where the said member has either direct or indirect interest;
- Obtaining the notifications to the Board of Directors by the members of actual or potential conflicts of direct or indirect interest in relation to transactions and/or contracts involving the member of the Board of Directors for the year ended 31 December 2022;
- Checking that the declaration confirms that the relevant directors who notified the BOD of actual or potential conflicts of direct or indirect interest did not vote on the resolution to recommend the related transaction(s) and/or contract(s); and
- Obtaining the required approvals along with supporting documents in respect of the transactions and/or contracts included in the declaration.

**Limited Assurance Conclusion:**

Based on the procedures performed and evidence obtained, no matter has come to our attention that causes us to believe that the Subject Matter information is not prepared, in all material respects, in accordance with the Applicable Criteria.

**Other Matters:**

1. The attached appendix has been stamped by us for identification purposes.
2. Our report is issued solely for the Company's compliance with the requirements of MOC and CMA, and is not intended to be, and should not be used for any other purpose or to be distributed to any other parties.

for Alluhaid & Alyahya Chartered Accountants



Saleh A. Alyahya  
Certified Public Accountant  
License No. 473

Riyadh: 5 Dhu al'Qa-dah 1444H  
(25 May 2023)



To/ Honorable members of the general assembly of Dar Al Arkan Real Estate Development Company Peace be upon you and God's mercy and blessings

In compliance with the article (71) of the Companies law issued by the Ministry of Commerce and the article (28) of the Corporate Governance Regulations issued by Capital Market Authority (CMA), which requires the members of the board to inform the board of any direct or indirect personal interest in the company businesses and contracts, the Board of Directors would like to seek your distinguished general assembly of the following:

1- Voting on the business and contracts that will be concluded between the Company and the SHL Finance Company, in which the board member Mr. Youssef bin Abdullah Al-Shalash, has a direct and indirect interest in it. These businesses and contracts are financing some customers of Dar Al-Arkan Company to purchase houses. During 2022, there were sales of SAR 3.8 million which were paid off by SHL during the year and no outstanding balance to be paid or settled with this related party. These transactions are continuous, to be renewed annually, and carried out in the context of regular business and in accordance with the prevailing commercial terms and without any preferential conditions.

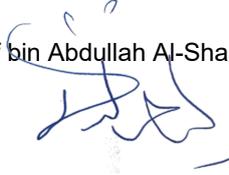
2- Voting on the business and contracts that will be concluded between the Company and Al-Khair Capital, in which each of the members of the Board of Directors: Mr. Youssef bin Abdullah Al-Shalash and Mr. Majid bin Abdul Rahman Al-Qasim, have an indirect interest in it. These businesses and contracts are to provide financial consultations to Dar Al-Arkan. During 2022, there were no transactions made, and there is no outstanding or due balance. These services are continuous, to be renewed annually, and carried out in the context of regular business and in accordance with the prevailing commercial terms and without any preferential conditions.

The Board of Directors confirms that the relevant directors who notified the BOD of actual or potential conflicts of direct or indirect interest did not vote on the resolution to recommend the related transaction and/or contract mentioned above.

The Board of Directors recommends to your honorable general assembly to approve these businesses and contracts and authorize them for the next year. External Auditor of the company have been appointed to provide their special report regarding these businesses and contracts according to statutory requirements in accordance to SOCPA standards.

Chairman

Youssef bin Abdullah Al-Shalash



Alluhaid and Alyahya Chartered Accountants  
for Identification Purposes Only

## **Remunerations Regulation for Members of the Board of Directors, Committees Emanating from the Board and Executive Management**

### **Introduction**

The remuneration regulation for the members of the Board of Directors and the committees emanating from the Board and the executive management of the company, has been prepared on the basis of what is stipulated in paragraph (1) of Article Sixty One of the Corporate Governance Regulations issued by the Board of the Capital Market Authority dated 2\2017\13 and based on the corporate system issued by Royal Decree No. (3\m) dated 28\01\1437H, and the guidance document for controls and procedures issued in implementation of the system of joint-stock companies.

### **1. Objectives of the policy**

The remuneration and compensation regulation for the members of the Board of Directors, committees and executive management, aims to define clear criteria for remuneration and compensation that are approved and disbursed according to performance, and ensure disclosure and verification of policy implementation. It also aims to attract professional competencies and maintain their motivation.

### **2. General criteria for remuneration**

- 1) Its consistency with the company's strategy and objectives.
- 2) To offer remuneration for the purpose of urging members of the Board of Directors and executive management to make the company successful on the long term, such as linking the changing part of the remuneration to long-term performance.
- 3) Remuneration are determined based on the level of post, tasks and responsibilities assigned to them, educational qualifications, work experience, skills and level of performance.
- 4) Its consistency with the scale, nature and degree of risk of the company.
- 5) Taking into account the practices of other companies in determining remunerations, while avoiding the unjustified rise in remuneration and compensation that may result from that.
- 6) To aim for attracting, maintaining and motivating professional competencies, without any exaggeration.
- 7) To be prepared, in coordination with the Remuneration and Nomination Committee, upon new appointments.
- 8) Cases of stopping the exchange of the remuneration or its refund if it is determined that it was decided on the basis of inaccurate information provided by a member of the

Board of Directors or executive management; This is to prevent the employment situation from being used to obtain unearned remuneration.

- 9) Regulating the company share granting applicable to the Board of Directors and executive management, whether it is a new issue or shares bought by the company.

### **3. Remuneration of the members of the Board of Directors**

- a) The Board of Directors must take into account in determining and disbursing remuneration obtained by each of its members, the relevant provisions mentioned in the Companies Law and the Corporate Governance Regulations, in addition to the following criteria:
  1. The remuneration should be fair and commensurate with the member's powers, actions, and responsibilities undertaken and assumed by the members of the Board of Directors, in addition to the objectives set by the Board of Directors to be achieved during the fiscal year.
  2. The remuneration should be based on the recommendation of the Remuneration and Nomination Committee.
  3. The remuneration should be commensurate with the company's activity and the skill needed to manage it.
  4. Taking into consideration the sector in which the company operates, its scale and the experience of the members of the Board of Directors.
  5. The remuneration is reasonably sufficient to attract, motivate and retain Board members with appropriate competence and experience.
- b) The members of the Board of Directors may not vote on the item of remuneration of the members of the Board of Directors at the General Assembly meeting.
- c) A member of the Board of Directors may obtain a remuneration for his membership in the audit committee formed by the General Assembly, or for any additional business, executive, technical, administrative, or advisory positions - under a professional license - assigned to him in the company. This is in addition to the remuneration that can be obtained as a member of the Board of Directors and in the committees formed by the Board of Directors, in accordance with the Companies Law and the Company's Articles of Association.
- d) The remuneration of the members of the Board of Directors may be of varying amount to reflect the member's experience, terms of reference, tasks assigned to him, his independence, the number of sessions he attends and other considerations.
- e) The remuneration of the independent members of the Board of Directors must not be a percentage of the profits achieved by the company or be based directly or indirectly on the profitability of the company.
- f) If the general assembly decides to terminate the membership of a member of the Board of Directors due to his absence from attending three consecutive meetings of the Board without a legitimate excuse, this member is not entitled to any remuneration for the period following the last meeting he attended, and he must return all the remunerations that were disbursed to him for that period.

- g) If the Audit Committee or the Commission found that the remuneration paid to any of the members of the Board of Directors is based on incorrect or misleading information that was presented to the General Assembly or included in the annual report of the Board of Directors, he must return it to the company, and the company has the right to ask for its refund.

#### **4. Remuneration of the Committees**

1. The Board of Directors determines and approves the membership remuneration of its committees emanating from it – except for the Audit Committee - attendance allowances and other entitlements upon the recommendation of the Remuneration and Nomination Committee.
2. The annual membership remuneration for the committees is a lump sum and meeting attendance allowances.
3. The membership remuneration for the Audit Committee is approved by the shareholders' General Assembly upon the recommendation of the Board of Directors.
4. When forming the committees, the number of membership that a member of the board of directors can occupy shall be taken into account, so that the total remuneration received by the member for his membership in the Board and the committees, does not exceed the upper limit stipulated in the corporate system, taking into account Paragraph (c) of Article (3) of this policy.

#### **5. Remuneration of the Executive Management**

The following criteria must be taken into account when determining executive management remuneration:

- a) The remuneration should be fair and commensurate with the powers, actions, and responsibilities of the members of the Executive Management, in addition to the objective set by the Executive Management to be achieved during the fiscal year.
- b) The Remuneration and Nomination Committee should evaluate the salary scale for executive management positions in accordance with the job description and the general market and comparison criteria for other similar companies.
- c) On the recommendation of the Remuneration and Nomination Committee, the Board of Directors determines the types of remuneration granted to the senior executives of the company - for example: fixed remuneration, performance-related remuneration, and incentive remuneration - in a manner that does not conflict with the controls and regulatory procedures issued to joint-stock companies.
- d) The remuneration of senior executives should be consistent with the company's strategic objectives and commensurate with the company's activity and the skills needed to manage it, taking into account the sector in which the company operates and its scale.

- e) The Remuneration and Nomination Committee reviews the incentives schemes of senior executives on an ongoing basis and submits the recommendation to the Board of Directors for approval.
- f) The Remunerations aim to provide the competitive situation required to attract and retain qualified employees and maintain the high level of skills the company needs.

## **6. General provisions**

- 1. The remuneration of the members of the Board of Directors, committees and the Secretary is paid annually after the approval of the (audited) Consolidated Annual Financial Statements, by the general assembly of the company's shareholders.
- 2. Attendance allowances may be paid after every session or quarterly or with annual bonuses.
- 3. Allowances and other expenses are paid only once if one or more meetings are held on the same day.
- 4. Executive management remuneration is paid annually upon approval by the Board of Directors in accordance with a recommendation from the Remuneration and Nomination Committee.

## **7. Amendment of the policy**

- a) The General Assembly has the right to amend this policy at any time.
- b) The Board of Directors has the right to modify this policy at any time after its issuance, provided that the General Assembly approves any amendment at its first meeting following the change.