



شركة المصافي العربية السعودية  
Saudi Arabian Refineries Company

## Governance Regulations of the Saudi Arabian Refineries Company (SARCO) approved by the Board of Directors of the company on 31/12/2024

Second Edition

Part One
Introduction
<p><b>Introduction</b></p> <p>The Corporate Governance Regulation (commonly referred to as the "Regulation") is a framework for the way in which corporate governance is carried out within SARCO (Saudi Arabian Refineries Company) (referred to as the Company).</p> <p>Corporate governance is the system through which a company is directed and monitored by its management to achieve the best interest of shareholders and investors. These policies are restricted in accordance with the regulations of the regulators in maintaining the SAARCO governance practice that reflects the needs of the market, the market regulator and the expectations of shareholders, investors and others dealing with SARCO. SARCO also invests the optimal and best investment of its capabilities and resources to create a fertile work environment based on responsibility, control, commitment, clarity and transparency in work. Therefore, SARCO maintains the rights of shareholders in the company through fair treatment and non-discrimination between anyone to obtain basic information that enables them to make their decisions to invest and protect them from any breach, as these regulations clarified the way the Board of Directors and the executive management work of their tasks and competencies. Therefore, the Board of Directors collaborates with the Sarco management team to achieve these Objectives.</p>
<p><b>Definitions</b></p> <p>The following terms and expressions shall have the meaning they bear as follows unless the contrary intention appears.</p> <p><b>Companies Law:</b> the Companies Law issued by Royal Decree No. (M/132) dated 1/12/1443 AH.</p> <p><b>Capital Market Law:</b> the Capital Market Law issued by Royal Decree No. (M/30) dated 2/6/1424 AH.</p> <p><b>Rules on the Offer of Securities and Continuing Obligations:</b> The Rules on the Offer of Securities and Continuing Obligations issued by the Board.</p> <p><b>Listing Rules:</b> The Listing Rules approved by the Board</p> <p><b>Authority:</b> the Capital Market Authority.</p> <p><b>The Exchange:</b> The Saudi Stock Exchange.</p> <p><b>Company:</b> the listed joint stock company. Saudi Arabian Refineries Company (SARCO) is a public shareholding company under the Council of Ministers Resolution No. 376 dated 14/08/1380H and ratified by Royal Decree No. (60) dated 14/08/1380H and amended by Royal Decree No. (86) dated 22/09/1380H.</p> <p>"Ministry" means the Ministry of Commerce.</p> <p>Internal Governance Regulations: Governance Regulations of the Saudi Arabian Refineries Company (SARCO).</p>

**Corporate Governance:** rules to lead and guide the Company that includes mechanisms to regulate the various relationships between the Board, Executive Directors, shareholders and Stakeholders, by establishing rules and procedures to facilitate the decision-making process and add transparency and credibility to it with the objective of protecting the rights of shareholders and Stakeholders and achieving fairness, competitiveness and transparency on the Exchange and the business environment.

**Shareholders Assembly:** an assembly consisting of the shareholders in the Company formed in accordance with the provisions of the Companies Law and the Company's bylaws.

**Executive Director:** a member of the Board who is a full-time member of the executive management team of the Company and participates in its daily activities.

**Non-Executive Director:** a member of the Board who is not a full-time member of the management team of the Company and does not participate in its daily activities.

**Independent Director:** a non-executive member of the Board who enjoys complete independence in his/her position and decisions and none of the independence affecting issues stipulated in Article 19 of these Regulations apply to him/her.

**Executive Management or Senior Executive:** persons responsible for managing the daily operations of the Company, and proposing and executing strategic decisions, such as the Chief Executive Officer (CEO) and his/her delegates and the Chief Financial Officer (CFO).

**Relatives:**

- Fathers, mothers, grandfathers and grandmothers (and their ancestors).
- Children and grandchildren and their descendants.
- Siblings, maternal and paternal half-siblings.
- Husbands and wives.

**Person:** any natural or legal person that is recognised as such under the laws of the Kingdom.

**Related Parties:**

1. affiliates of the Company except for wholly-owned companies;
2. substantial shareholders of the Company;
3. directors and senior executives of the Company;
4. directors of affiliates of the Company;
5. directors and senior executives of substantial shareholders of the Company;
6. any relatives of persons described at (1), (2), (3) or (5) above;
7. any company controlled by any person described at (1), (2), (3), (5) or (6) above.

For the purposes of paragraph (6) of this definition, the term "relatives" shall mean a parent, spouse, and children.

**The Group:** When referring to a person, means the person and his affiliates.

**Affiliate:** a person who controls another person or is controlled by that other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect.

**Stakeholder:** any person who has an interest in the Company, including employees, creditors, customers, suppliers and the community.

**Substantial Shareholders:** any person who owns (5%) or more of the shares of the Company or voting rights therein.

**Controlling Interest:** The ability to influence actions or decisions of another person directly, indirectly, individually or collectively with a relative or an affiliate through: (A) owning %30 or more of the voting rights in a company, (B) having the right to appoint %30 or more of the administrative team members.

**Administrative Team:** A group of individuals who make strategic decisions of the person. The Board is the Company's Administrative Team.

**Remunerations:** amounts, allowances, dividends and the like, periodic or annual bonuses linked to performance, long or short-term incentive plans and any other in-kind benefits except the actual reasonable expenses and fees incurred by the Company to enable the Board member to perform his duties. Calendar day: Any day, whether it is a business day or not.

**Committees:** The subcommittee emanating from the membership of the Board of Directors.

**Day:** Calendar day whether a business day or not.

**Leadership positions:** include membership of the Board of Directors and Executive Management.

**Cumulative voting:** A voting method for the selection of members of the Board of Directors that gives each shareholder voting power by the number of shares he owns, so that he has the right to vote for one candidate or divide them among the candidates he chooses without repeating these votes.

**Minority shareholders:** They are those who represent a category of shareholders who do not manage the company and are therefore unable to influence the company.

#### **Purpose**

The purpose of the SAARCO Governance Regulations is to be a guide for board members and members of the management team so that it helps the company's management in adhering to the corporate governance guidelines and applying best practices in disclosure and transparency.

This regulation also aims to establish detailed internal policies and procedures that must be adhered to, ensuring that shareholder value is supported in the long term through clear and confirmed disclosure and representation.

#### **Reviewing, updating and procedures for amending the regulation**

- 1- The regulation is a statement of SACO's current policies and these policies have been developed and are reviewed periodically in accordance with the company's philosophy.

- 2- This regulation is in line with the Corporate Governance Regulations issued by the Companies Law and the Capital Market Authority.
- 3- Amendments and revisions will take the form of modified policies and the amendments will be accompanied by an explanation indicating that previous policies are superseded and replaced by the new policy.
- 4- The Corporate Governance Regulations are reviewed by the Board on an annual basis and any proposals for amendment are recommended.

SARCO also lists any changes to the Regulations jointly and on an ongoing basis in the following cases:

- 1- Any change in statutory texts approved by regulators.
- 2- Any operating requirements as approved by the Sarco administration.
- 3- Amendments are appropriately documented and redrafted and then submitted to the SAARCO Board for approval.
- 4- This regulation and all amendments thereto must comply with the regulations of the Ministry, the Authority and other relevant regulations.

#### **Corporate Governance Framework**

##### **Public Policies**

- 1- SARCO is committed to maintaining the highest standards of corporate governance in its dealings with various shareholders.
- 2- Corporate governance standards are an integral part of SARCO's core values which include transparency, integrity, honesty, responsibility and compliance.
- 3- The Board should review the Remuneration and Remuneration Policy and the need to amend it at least annually.
- 4- Develop a Code of Conduct after being approved by the Board to ensure that SARCO's activities are carried out in a fair and ethical manner.
- 5- Ultimate responsibility for SAARCCO's performance, behaviors and statutory commitment lies with the Board. Delegating authority to Board committees or executive management does not relieve the Board of its responsibility. The Board is also responsible for the performance of other parties contracted to perform certain functions or manage functions.

##### **Principles of good management in corporate governance**

Sarco has identified the following points as the main principles of corporate governance: -

- 1- Transparency in the Council's work procedures and independence of its work.
- 2- Leadership, supervision, internal control and risk management.

- 3- Take responsibility to shareholders through strong communication with them and disclosure procedures.
- 4- Integrity with all shareholders.
- 5- Quality of products and services.

### Objectives

The overall objective and endeavor of the Board is to promote the company and the best way to invest and enhance long-term value. The following are the most important objectives achieved by the Corporate Governance Regulations with regard to shareholders:

- 1- Activating the role of shareholders in the company and facilitating the exercise of their rights.
- 2- Statement of the competencies and responsibilities of the Board and the Executive Management.
- 3- Activating the role of the Council and committees and developing their efficiency to enhance the decision-making mechanisms in SARCO.
- 4- Achieving transparency, integrity and justice in the financial market, its dealings and the business environment and enhancing its disclosure.
- 5- Provide effective and balanced tools to deal with conflicts of interest.
- 6- Strengthening the oversight and accountability mechanisms of SAARCO employees.
- 7- Setting the general framework for dealing with stakeholders and taking into account their rights.
- 8- Increase the efficiency of SAARCO supervision and provide the necessary tools for this.
- 9- Raising SARCO's awareness of the concept of professional conduct and urging it to adopt and develop it in a way that suits its nature

### Factors affecting the quality of SARCO's governance

The quality of governance depends mainly on the following factors: -

- 1- Management integration.
- 2- Board capacity.
- 3- The adequacy of procedures.
- 4- The level of commitment of the members of the Council.
- 5- The quality of Sarco's reports.
- 6- Participation of beneficiaries in management.

### Ways to achieve

Means of achievement are achieved by establishing and implementing SARCO's policies in the following subjects:

- 1- Organizing the work of the Council by clearly defining the powers, roles and responsibilities of the Council.

- 2- Organizing the work of the members of the Council by setting rules of professional conduct.
- 3- Regulating SAARCCO's Code of Professional Conduct and Ethics that all employees and members of SAARCO management must abide by.
- 4- Treat shareholders equally.
- 5- Principles of disclosure and reporting.
- 6- Risk management.
- 7- Monitor the compliance of the Internal Audit Committee.

## Part Two

### Shareholders' Rights and General Assembly

#### Purpose

SAARCO has established shareholders' rights on the basis of equal treatment in recognition of the importance of protecting their rights and interests in accordance with the SARCO Governance Regulation framework.

#### Fair treatment of shareholders

- 1- The Board is obliged to seek shareholders' rights protection to ensure fairness and equality among them.
- 2- The Board and the Executive Management of the Company is obliged not to discriminate among shareholders who own the same type or class of shares nor prevent them from accessing any of their rights.
- 3- The Company shall specify in its internal policies the procedures that are necessary to guarantee that all shareholders exercise their rights.

#### Rights associated with shares

All rights related to shares shall be guaranteed to the shareholder, and particularly the following:

- 1- To obtain his/her portion of the net profits which are to be distributed in cash or through the issuance of shares;
- 2- To obtain his/her share of the Company's assets upon liquidation;
- 3- To attend the General or Special Shareholders Assemblies, take part in their deliberations and vote on their decisions;
- 4- To dispose of his/her shares in accordance with the provisions of the Companies Law, The Capital Market Law and their implementing regulations;
- 5- To enquire and request viewing the books and documents of the Company, including the data and information related to the activities of the Company and its operational and investment strategy without prejudice to the interests of the Company or breach of the Companies Law and the Capital Market Law and their implementing regulations;

- 6- To monitor the performance of the Company and the activities of the Board;
- 7- To hold Board members accountable, to file liability lawsuits against them and appeal for nullification of the resolutions of the General and Special Shareholders Assemblies in accordance with the conditions and restrictions provided in the Companies Law and the bylaws of the Company;
- 8- Preemptive rights to subscribe for new shares issued in exchange for cash unless otherwise specified in the Company's bylaws or when the Extraordinary General Assembly suspends the pre-emptive rights as per Article (129) of the company's law.
- 9- To record his/her name in the Company's shareholders register;
- 10- To request to view a copy of the Company's articles of association and bylaws unless the Company publishes them on its website; and
- 11- To nominate and elect the Board members.

#### Shareholder access to information

- 1- The Board shall make available to the shareholder complete, clear, accurate and non-misleading information to enable him/her to properly exercise his/her rights. Such information shall be provided at the proper times and shall be updated regularly.
- 2- The method used to provide information to the shareholders shall be clear and detailed and shall include a list of the Company's information that the shareholders may obtain. This information shall be made available to all shareholders of the same type or class.
- 3- The Company shall use the most effective methods in communicating with shareholders and shall not discriminate among shareholders in respect of providing information.

#### Communication with shareholders

- 1- The Board shall ensure communication between the Company and the shareholders based on the common understanding of the strategic objectives and interests of the Company.
- 2- The chairman of the Board and the Chief Executive Officer shall inform the remaining Board members of the opinions of the shareholders and discuss these opinions with them.
- 3- No shareholder may intervene in the operations of the Board or the work of the Executive Management of the Company unless he/she is a member of its Board or works in its executive management; or unless his/her intervention is through the General Assembly according to its powers.
- 4- The Company shall appoint a person responsible for the tasks related to investor relations in the Company in order to achieve effective and fair communication between the Company and the shareholders.



<b>Election of the members of the Board of Directors</b>
SARCO shall announce on the Market's website information about candidates for Board membership when publishing or issuing invitations to convene the General Assembly. This information shall include a description of the candidates' experience, qualifications, skills, jobs, and previous and current memberships. SARCO shall make a copy of this information available at its headquarters and website. Voting at the General Assembly shall be limited to candidates for Board membership whose information SARCO has announced.
<b>Distribution of Dividends</b>
<ol style="list-style-type: none"> <li>1- The General Assembly shall determine the percentage of the net profits to be distributed to the shareholders and deduct the reserves if any.</li> <li>2- The Board shall establish a clear policy for the distribution of dividends to achieve the interests of the shareholders and the Company as per the Company's bylaw.</li> <li>3- The shareholder is entitled to receive his/her share of dividends as per the decision of the General Assembly in respect of the distribution of dividends to shareholders or the Board resolution on distributing interim dividends. The resolution shall specify the record date and the distribution date provided that the resolution shall be executed as per the Implementing Regulation of the Companies Law for Listed Joint Stock Companies.</li> </ol>
<b>Extraordinary General Assembly</b>
The extraordinary general assembly shall be held in the cases specified by the Companies Law, and each shareholder, regardless of the number of his shares, has the right to attend the extraordinary general assembly, and he may delegate another person other than the members of the board of directors or the company's employees to attend, and the general assembly meetings of the shareholders may be held, the shareholder may participate in their deliberations and vote on their decisions by means of modern technology according to the controls set by the competent authority. The extraordinary general assembly shall not be valid unless Shareholders representing at least (half) of the company's capital attended. The second meeting may also be held an hour after the end of the period specified for the first meeting, provided that the invitation to hold the first meeting includes an announcement of the possibility of holding this meeting, provided that shareholders representing (a quarter of the company's capital) attend, and if the quorum is not available, the third meeting shall be held, and in all cases, the third meeting shall be valid, regardless of the number of shares represented in it.
<b>Terms of reference of the Extraordinary General Assembly</b>
<p>The Extraordinary General Assembly shall have the following Competencies:</p> <ol style="list-style-type: none"> <li>1- Amending the Company's bylaws, except for amendments which are deemed null and void pursuant to the provisions of the Companies Law;</li> </ol>

- 2- Increasing the Company's share capital in accordance with the situations provided by the Companies Law and its implementing regulations;
- 3- Decreasing the Company's share capital if it exceeds the Company's needs or in the event the Company incurs financial losses, in accordance with the situations provided by the Companies Law and its implementing regulations;
- 4- Deciding the use of the reserve allocated for specific purposes in the Company's bylaws;
- 5- Resolving to maintain or liquidate the Company before the end of the term specified in its bylaws;
- 6- Approving the Company's shares buy-back;
- 7- Issuing preferred shares or redeemable shares or approving their buying, or converting a type or class of the Company's shares into another type or class of shares as per the Company's bylaws and the Implementing Regulation of the Companies Law for Listed Joint Stock Companies;
- 8- Issuing debt instruments or financing deeds convertible into shares, and stating the maximum number of shares that may be issued against these instruments or deeds;
- 9- Allocate Shares that are issued upon the capital increase or part of them for the employees of the Company, and its affiliates or some of them, or any of them; and
- 10- Suspending preemptive rights of shareholders in subscribing for the capital increase in exchange for cash or giving priority to non-shareholders in cases as deemed in the interest of the Company if so is provided for in the Company's bylaws.

The Extraordinary General Assembly may issue resolutions that fall within the powers of the Ordinary General Assembly, provided that such resolutions are issued in accordance with the issuance requirements of Ordinary General Assembly resolutions which is the majority of voting rights represented at the meeting.

#### **Ordinary General Assembly**

The SAARCO Articles of Association specified the terms of reference of the ordinary general assembly and the meeting of the properly constituted assembly, which is held in the city of Jeddah, that each shareholder, regardless of the number of his shares, has the right to attend the general assembly of shareholders and may delegate another person on his behalf other than the members of the board of directors or the company's employees to attend the general assembly, and the general assemblies of shareholders may be held and the shareholder participates in its deliberations and votes on its decisions by means of modern technology in accordance with the controls set by the competent authority. Nor The convening of the General Assembly shall be valid unless shareholders representing at least (half) of the company's capital attend. The second meeting may also be held one hour after the end of the period specified for the first meeting, provided that the invitation to hold the first meeting includes an announcement of the possibility of holding this meeting, and in all cases the second meeting shall be valid regardless of the number of shares represented therein.

#### Competencies of the Ordinary General Assembly

- 1- Electing and removing Board members;
- 2- Permitting a Board member to have direct or indirect interest in the business and contracts that are executed for the Company's account, in compliance with the provisions of the Companies Law and its implementing regulations;
- 3- Permitting a Board member to take part in any activities that may lead to competition with the Company, or competition in any of its activities, in compliance with the provisions of the Companies Law and its implementing regulations;
- 4- Monitoring the compliance of the Board members with the provisions of the Companies Law and its implementing regulations and other relevant laws and the Company's bylaws; inspecting any damage that may occur as a result of their violation of such provisions or mismanagement of the affairs of the Company; determine the liability resulting therefrom and undertaking the procedures it deems proper in this regard pursuant to the Companies Law and its implementing regulations;
- 5- Review and discuss the Company's financial statement;
- 6- Review and discuss the Board report;
- 7- Deciding on the proposals of the Board with respect to the method of distributing the net profits;
- 8- Appointing one or more external auditor of the Company, specifying his fees, reappointing him, dismissing him, discussing his report and making a decision in its regard;
- 9- Looking into the violations and errors committed by the external auditors of the Company when performing their duties and any difficulties, reported by the Company's external auditors, regarding their empowerment by the Company's Board or Management to review the books, records and other documents, statements and clarifications required to perform their duties, and respond to that as it deems appropriate in this regard;
- 10- Deciding the use of the Company's reserves, if such has not been set aside for a specific purpose in the Company's bylaws, provided that using such reserves shall be based on a proposal of the Board and used in ways that benefit the Company or the shareholders;
- 11- Forming the Company's reserves and determining their uses;
- 12- Setting aside amounts from the Company's net profits to achieve social purposes for the benefit of the Company's employees in accordance with Article (123) of the Companies Law; and
- 13- Approving the sale of more than (50%) of the assets of the Company, whether in one or several transactions within a period of 12 months from the date of the first selling transaction. In case selling these assets includes what falls within the powers of the Extraordinary General Assembly, the approval of the said Assembly is required.

### Shareholders' Assembly

- 1- The Ordinary General assembly shall convene in accordance with the situations and circumstances stated in the Companies Law and its implementing regulations and the Company's bylaws.
- 2- The annual Ordinary General Assembly shall convene at least once within the six months following the end of the Company's financial year.
- 3- The General and Special Shareholders' Assemblies shall convene upon an invitation from the Board in accordance with the situations stated in the Companies Law and its implementing regulations and the Company's bylaws. The Board shall invite the Ordinary General Assembly to convene within 30 days from the date of the external auditor request, the audit committee or a number of shareholders holding shares equal to at least (10%) of the company's shares that have voting rights. The external auditor may invite the Ordinary General Assembly to convene if the Board does not invite the assembly within thirty days from the date of the external auditor's request.
- 4- With regards of the provisions of the Companies Law and its implementing regulations, the date, place and agenda of the General Assembly shall be announced at least twenty-one days prior to the date thereof; the invitation shall be published on the website of the Exchange and the Company's website. In addition, the Company may invite the General and Special Shareholders' Assemblies to convene using contemporary technologies means.
- 5- The Company may amend the agenda of the General Assembly within a period between publishing the announcement referred to in paragraph (d) of this Article and the date of convening the General Assembly meeting, provided that the Company shall announce this as prescribed in paragraph (d) of this Article.
- 6- Shareholders shall be granted the opportunity to effectively participate and vote in the General Assembly meetings. The meetings of the General Assemblies of shareholders may be convened and shareholders may participate in their deliberations and vote on their resolutions using methods of contemporary technologies pursuant to the Implementing Regulation of the Companies Law for Listed Joint Stock Companies.
- 7- The Board shall work on facilitating the participation of the largest number of shareholders in the meetings of the General Assembly, including choosing the appropriate place and time of such meeting.
- 8- The Company shall ensure recording the details of the shareholders who desire to attend at the Company's head office prior to the specified time for convening the assembly, unless the Company's bylaw state other means.

### The Agenda of the General Assembly

1. When preparing the General Assembly's agenda, the Board shall take into consideration the matters that the shareholders wish to list; shareholders holding no less than (10%) of the Company's shares that have voting rights are entitled to add one or more items to the agenda upon its preparation.
2. The Board shall separate each of the matters listed in the agenda of the General Assembly meeting as an independent item, and not combine significantly different matters under one item, and not combine the businesses and contracts in which any Board member has a direct or indirect interest under one item, for the purpose of obtaining the shareholders' vote for the item as a whole.
3. The shareholders shall be allowed through the Company's website and the Exchange's website, when the invitation for the convention of the General Assembly is published, to obtain the information related to the items of the General Assembly's agenda, particularly the reports of the Board and the external auditor, the financial statements and the audit committee's report in order to enable them to make an informed decision in this regard. The Company shall update this information in case the General Assembly's agenda was amended.
4. The Authority may add any items it deems appropriate to the agenda of the General Assembly.

### Management of the Shareholders' Assembly

1. The Shareholders' General Assembly meetings shall be chaired by the chairman, his deputy (if the chairman is absent) or whom is delegated by the Board of directors of its members (when the chairman and his deputy are absent); and if not possible, the General Assembly shall be chaired by whom the shareholders delegates from the board members or others by voting.
2. The chairman of the Shareholders' Assembly shall commit to grant the shareholders the opportunity to effectively participate and vote in the meetings of the General Assembly, and avoid any procedure that may preventing their attendance to the assemblies or the exercise of the voting right. Shareholders shall be informed of the rules governing such meetings and the voting procedures.
3. Shareholders are entitled to discuss matters listed in the agenda of the General Assembly and raise relevant questions to the Board members and to the external auditor. The Board or the external auditor shall answer the questions raised by shareholders to the extent that does not jeopardize the Company's interest.
4. Shareholders shall be granted access to the minutes of the General Assembly meeting; and the Company shall provide the Authority with a copy of such minutes within (10) days of the date of any such meeting.

- 5- A Company shall announce to the public and inform the Authority and the Exchange, as per the rules prescribed by the Authority, of the results of a General Assembly meeting immediately following its conclusion.

#### **Voting Rights**

- 1- Voting is a fundamental shareholder right that cannot be revoked in any way, and the company must avoid putting in place any action that may impede the use of the voting right, and the shareholder's exercise of his right to vote must be facilitated and facilitated.
- 2- The shareholder may delegate in writing another shareholder who is not a member of the Board and who is not an employee of the Company to attend the General Assembly meeting.
- 3- Investors of legal status acting on behalf of others such as mutual funds must disclose their voting policies and actual voting in their annual reports, as well as how to deal with any material conflict of interest that may affect the exercise of fundamental rights of their investments.
- 4- The cumulative voting is followed regarding the nomination of the members of the Board of Directors.

#### **Shareholders' Rights in Dividends**

- 1- The Board of Directors shall establish a clear policy regarding the distribution of dividends in the interests of the shareholders and the Company, and inform the shareholders of this policy at the General Assembly meeting, and refer to it in the report of the Board of Directors.
- 2- The General Assembly approves the proposed dividends and the date of distribution. The eligibility for dividends, whether cash dividends or bonus shares, shall be for the shareholders registered in the records of the Securities Depository Center at the end of trading in the General Assembly.
- 3- The company distributes dividends after deducting all general and administrative expenses.
- 4- Zakat and the prescribed value of income must be set aside.

### **Part Three**

#### **Board of Directors**

#### **Composition of the Board**

The following shall be taken into consideration when composing the Board:

- 1- The number of its members shall be suitable for the size and nature of the Company's activities without prejudice to paragraph (a) of Article 17 of these Regulations.
- 2- The majority of the Board members shall be of Non-Executive Directors.
- 3- The number of Independent Directors shall not be less than two members or one-third of the Board members, whichever is greater.

#### Appointment of the Board members Board

- 1- The Company's bylaws shall specify the number of the Board members, provided that such number shall not be less than three.
- 2- The General Assembly shall elect the Board members for the term stated in the Company's bylaws, provided that such term shall not exceed four years. Board members may be re-elected, unless otherwise provided for in the Company's bylaws.
- 3- A Board member shall not be a member of the Boards of Directors of more than five listed joint stock companies at the same time.
- 4- The Company shall notify the Authority of the names of the Board members and description of their memberships within five business days from the commencement date of the Board term or from the date of their appointment, whichever is shorter, as well as any changes that may affect their membership within five business days from the occurrence of such changes.

#### Conditions for the membership of the Board

A member of the Board is required to be professionally capable and has the required experience, knowledge, skill and independence, which enable him/her to perform his/her duties efficiently. He/she shall have the following qualifications in particular:

- 1- **Ability to lead:** He/she shall enjoy leadership skills which enable him/her to delegate powers in order to enhance performance and apply best practices in effective management and compliance with professional ethics and values.
- 2- **Competency:** He/she shall have the academic qualifications and proper professional and personal skills as well as an appropriate level of training and practical experience related to the current and future businesses of the Company and the knowledge of management, economics, accounting, law or governance, as well as the desire to learn and receive training.
- 3- **Ability to guide:** He/she shall have the technical, leadership, and administrative competencies as well as the ability to take prompt decisions, and understand technical requirements and developments related to the job. He/she shall also be able to provide strategic guidance and long-term planning and have a clear future vision.
- 4- **Financial knowledge:** He/she shall have the ability to read and understand financial statements and reports.
- 5- **Physical fitness:** He/she shall not suffer from any health issue that may hinder him/her from performing his/her duties and responsibilities.



#### Issues Affecting Independence

- 1- An Independent Director shall be able to perform his/her duties, express his/her opinions and vote on decisions objectively with no bias in order to help the Board make correct decisions that contribute to achieving the interests of the Company.
- 2- The Board shall annually evaluate the extent of the member's independence and ensure that there are no relationships or circumstances that affect or may affect his/her independence.
- 3- By way of example, the following negate the independence requirement for an Independent Director:
  - a) If he/she holds five percent or more of the shares of the Company or any other company within its group; or is a relative of who owns such percentage.
  - b) If he/she is a relative of any member of the Board of the Company, or any other company within the Company's group;
  - c) If he/she is a relative of any Senior Executive of the Company, or of any other company within the Company's group;
  - d) If he/she is a Board member of any company within the group of the Company for which he/she is nominated to be a Board member.
  - e) If he/she is an employee or used to be an employee, during the preceding two years, of the Company or a company within its group, or if he/she held a controlling interest in the Company or any party dealing with the Company or any company within its group, such as external auditors or main suppliers during the preceding two years.
  - f) If he/she has a direct or indirect interest in the businesses and contracts executed for the Company's account.
  - g) If the member of the Board receives financial consideration from the Company in addition to the remuneration for his/her membership of the Board or any of its committees exceeding an amount of (SAR 200,000) or 50% of his/her remuneration of the last year for the membership of the board or any of its committees, whichever is less.
  - h) If he/she engages in a business where he competes with the Company, or conducting businesses in any of the company's activities.
  - i) If he/she served for more than nine years, consecutive or inconsecutive, as a Board member of the Company.<sup>3</sup>
- 4- Unless the Nominations Committee considers otherwise, the businesses and contracts with the board member to meet his/her personal needs shall not be deemed as an interest that affect the independence of the board member which require an authorisation from the ordinary general assembly, provided that such businesses and contracts are carried out in the same conditions and settings followed by the



Company with all contractors and dealers, and that such businesses and contracts must be within the normal course of the Company's activities.

#### **Procedures for nominating members of the Board of Directors**

- 1- The company's articles of association set the number of members of the board of directors at eight.
- 2- Provide sufficient time to receive applications for nomination for membership of the Board of Directors.
- 3- The Remuneration and Nomination Committee shall review the nomination applications and record their observations and recommendations.
- 4- The members of the Board are approved by the General Assembly of the Company after obtaining a No Objection from the relevant regulatory authorities.
- 5- The General Assembly shall be called and the item of election of the members of the Board of Directors shall be included in its agenda.
- 6- Provide shareholders with sufficient information on the candidates' qualifications and their relationship with the company before starting voting.
- 7- The company must have transparent policies, criteria and procedures for nomination to the Board of Directors approved by the General Assembly and submitted to the regulatory authorities.
- 8- The nominee for board membership must not have any relationship with another local competitor, nor any of the committees of those boards, nor any of the leadership positions in such companies.
- 9- The Board of Directors may seek the assistance of a specialized and independent external party to nominate additional candidates for membership of the Board in the event that the number of applicants is insufficient.
- 10- Voting in the General Assembly is limited to candidates for membership of the Board whose information has been announced by the Company.

#### **Candidate's Disclosure of Conflict of Interest**

Every shareholder wishing to run for membership of the Board at SARCO shall disclose any cases of conflict of interest in accordance with the procedures prescribed by the relevant authorities, including:

- 1- The existence of a direct or indirect interest in the business and contracts made for the company's account.
- 2- Any business that would compete with the company in its business or compete with it.
- 3- The company shall take the necessary measures in the event that the candidate discloses paragraph (1) or (2) and is included in the agenda item to obtain approval from the General Assembly, and the item must precede the election of the members of the Board of Directors, and if the Assembly does not approve the transaction in which the member has an interest, he shall be excluded from the list.

<b>Responsibility of the Board</b>
<ol style="list-style-type: none"> <li>1- The Board represents all shareholders; it shall perform its duties of care and loyalty in managing the Company's affairs and undertake all actions in the general interest of the Company and develop it and maximize its value.</li> <li>2- The Board is responsible for the Company's business even if it delegates some of its powers to committees, individuals or other third parties. In any case, the Board may not issue a general or an open-ended delegation.</li> </ol>
<b>Board of Directors Procedures</b>
<p>Without prejudice to the competencies of the General Assembly as per the Companies Law and its implementing regulations and the Company's bylaws, the Board shall have the broadest powers in managing the Company and guiding its activities to achieve its objectives. Among the main functions and competencies of the Board are the following:</p>
<ol style="list-style-type: none"> <li>1- laying down the plans, policies, strategies and main objectives of the Company, supervising their implementation and reviewing them periodically, and ensuring that the human and financial resources required to fulfill them are available, including: <ol style="list-style-type: none"> <li>a) Setting a comprehensive strategy for the Company, key business plans and policies and mechanisms of the risk management and review and guide them</li> <li>b) Determining the most appropriate capital structure for the Company, its strategies and financial objectives, and approving all kinds of estimated budgets;</li> <li>c) Overseeing the main capital expenditures of the Company and the acquisition or disposal of assets;</li> <li>d) Setting performance indicators, and monitoring the implementation thereof and the overall performance of the Company;</li> <li>e) Reviewing and approving the organisational and human resources structures of the Company on a periodic basis; and</li> <li>f) Ensuring that the financial and human resources required for achieving the objectives and main plans of the Company are available.</li> </ol> </li> <li>2- Setting rules and procedures for internal control and generally overseeing them, including: <ol style="list-style-type: none"> <li>a) Developing a written policy to remedy actual and potential conflicts of interest scenarios for each of the Board members, the Executive Management, and the shareholders. This includes misuse of the Company's assets and facilities and the mismanagement resulting from transactions with Related Parties;</li> <li>b) Ensuring the integrity of the financial and accounting rules, including rules relating to the preparation of financial reports;</li> </ol> </li> </ol>

- c) Ensuring the implementation of appropriate control procedures for risk assessment and management by generally forecasting the risks that the Company may encounter and creating an environment which is aware of the culture of risk management at the Company level and disclosing such risks transparently to the Stakeholders and parties related to the Company; and
- d) Reviewing the effectiveness of the Company's internal control procedures on an annual basis.
- 3- Setting forth specific and explicit policies, standards and procedures for membership in the Board, without prejudice to the mandatory provisions of these Regulations, and implementing them following approval by the General Assembly;
- 4- Developing a written policy that regulates the relationship with Stakeholders pursuant to the provisions of these Regulations;
- 5- Setting policies and procedures to ensure the Company's compliance with the laws and regulations and the Company's obligation to disclose material information to shareholders and Stakeholders, and ensuring the compliance of the Executive Management with these policies and procedures;
- 6- Supervising the management of the Company's finances, its cash flows as well as its financial and credit relationships with third parties;
- 7- Providing recommendations to the Extraordinary General Assembly as to what it deems appropriate regarding the following:
  - a) Increasing or decreasing the share capital of the Company; and
  - b) Dissolving the Company before the end of its term as specified in its bylaws or deciding the continuity of the Company.
- 8- Providing recommendation to the Ordinary General Assembly as to what it deems appropriate regarding:
  - a) Use of the company's reserves, if they are not allocated for a specific purpose in the Company's bylaws;
  - b) Forming additional financial allocations or reserves for the Company; and
  - c) The method of distributing the net profits of the Company.
- 9- Preparing the Company's interim and annual financial statements and approving them before publishing them;
- 10- Preparing the Board report and approving it before publishing it.
- 11- Ensuring the accuracy and integrity of the data and information which must be disclosed pursuant to the applicable policies and systems in respect of disclosure and transparency;
- 12- Developing effective communication channels allowing shareholders to continuously and periodically review the various aspects of the Company's businesses as well as any material developments;

- 13- Forming specialised committees of the Board pursuant to resolutions that shall specify the term, powers and responsibilities of such committees as well as the manner used by the Board to monitor such committees. Such resolutions shall also specify the names of the members and their duties, rights and obligations and shall evaluate the performance and activities of these committees and their members;
- 14- Specifying the types of remunerations granted to the Company's employees, such as fixed remunerations, remunerations linked to performance and remunerations in the form of shares without prejudice to the Implementing Regulation of the Companies Law for Listed Joint Stock Companies;
- 15- Notifying the Ordinary General Assembly when convened of the businesses and contracts in which any Board member has a direct or indirect interest; the notification shall include the information provided by the member of the Board as per paragraph (14) of Article (28) of these Regulations, and shall be accompanied by a special report of the Company's external auditor.
- 16- Setting the values and standards that govern the work at the Company;
- 17- Raising the level and standards of governance in the company and ensuring compliance with relevant rules and regulations at all times;
- 18- Establishing a governance system for the company that does not conflict with the provisions of the governance regulations issued by the Capital Market Authority, and providing general supervision over it, monitoring its effectiveness, and amending it when necessary.

#### **Distribution of Competencies and Duties**

The SARCO structure of the Company shall specify the competencies and distribute the duties between the Board and the Executive Management in accordance with the best practices in Corporate Governance, and to improve the efficiency of the Company's decision making and to achieve a balance of powers and authorities across the Board and the Executive Management, and to achieve this, the Board shall:

- 1- Approve and develop internal policies in respect of the Company's business, including specifying the duties, competencies and responsibilities assigned to the various organisational levels;
- 2- Approving a written and detailed policy that identifies the powers delegated to the Executive Management, a matrix stating these powers, means of implementation and the period of delegation\ The Board may request the Executive Management to submit periodic reports in respect of its exercise of such delegated powers; and
- 3- Identifying the matters on which the Board reserves the power to decide.

#### **Separation of Positions**

- 1- Without prejudice to the provisions of the Company's bylaws, The Board appoints, from its members, a chairman and a vice chairman, and may appoint from its members a managing director or a chief executive officer.

- 2- It is prohibited to hold, at the same time, the position of chairman of the Board and any other executive position in the Company, including the positions of the managing director, the CEO, or the general manager, even if the Company's bylaws provided for otherwise.
- 3- The Board shall define the competencies and specify the responsibilities of the chairman, the vice chairman, and the managing director or the chief executive officer explicitly and in writing if the Company's bylaws has no reference thereto.
- 4- In all cases, no person shall have the sole and absolute power to take decisions in the Company.

#### **Oversight over the Executive Management**

The Board shall form the Executive Management of the Company, regulate its operating procedures, monitor and oversee it and ensure that it performs the duties assigned to it, and to achieve this, the Board shall:

- 1- Develop the necessary administrative and financial policies;  
Ensure that the Executive Management operates in accordance with the policies approved by the Board;
- 2- Select and appoint the Chief Executive Officer of the Company, and oversee his/her work;
- 3- Appoint the manager of the internal audit unit or department, or the internal auditor and dismiss him and determine his remuneration;
- 4- Convene periodic meetings with the Executive Management to explore the work progress and any obstacles and problems in connection therewith, and review and discuss the important information in respect of the Company's business;
- 5- Develop standards for the performance of the Executive Management consistent with the objectives and strategy of the Company;
- 6- Review and evaluate the performance of the Executive Management; and
- 7- Develop succession plans for the management of the Company.

#### **Competencies and Duties of the Executive Management**

Without prejudice to the competencies entrusted to the Board pursuant to the provisions of the Companies Law and its implementing regulations, the Executive Management shall be responsible for implementing the plans, policies, strategies and main objectives of the Company in order to achieve its purposes. The competencies and duties of the Executive Management shall include the following:

- 1- Implementing the Company's internal policies and rules approved by the Board;
- 2- Suggesting the Company's comprehensive strategy as well as the principal and interim business plans and the policies and mechanisms for investment, financing, risk management and emergency administrative circumstances management plans and implementing them;

- 3- Proposing the most appropriate capital structure for the Company and its strategies and financial objectives;
- 4- Proposing the main capital expenditures of the Company and acquiring and disposing of assets;
- 5- Proposing the organisational and human resources structures of the Company and presenting them to the Board for approval;
- 6- Implementing internal control systems and procedures, and generally overseeing them, which include:
  - a. Implementing the conflicts of interest policy;
  - b. Correctly applying the financial and accounting procedures, including the procedures relating to the preparation of financial reports;
  - c. Applying appropriate control systems for measuring and managing risks by generally forecasting the risks that the Company may encounter and creating an environment which is aware of the culture of risk mitigation at the Company level, and transparently disclosing them to the Company's Board and other Stakeholders.
- 7- Implementing the Company's Corporate Governance rules effectively, to the extent they do not conflict with the provisions of these Regulations, and proposing amendments thereto if needed;
- 8- Implementing policies and procedures to ensure the Company's compliance with the laws and regulations and its obligation to disclose material information to shareholders and Stakeholders;
- 9- Providing the Board with the information required to exercise its competencies and provide recommendations regarding the following:
  - a. Increasing or decreasing the share capital of the Company;
  - b. Dissolving the Company before the end of its term as specified in its bylaws or deciding the continuity of the Company;
  - c. Use of the Company's reserves if they are not allocated for a specific purpose in the Company's bylaws;
  - d. Forming additional reserves for the Company; and
  - e. The method for distributing the net profits of the Company.
- 10- Proposing the policy and types of remunerations granted to employees, such as fixed remunerations, remunerations linked to performance and remunerations in the form of shares;
- 11- Preparing periodic financial and non-financial reports in respect of the progress achieved in the business of the Company in light of the strategic plans and objectives of the Company, and presenting such reports to the Board;
- 12- Managing the daily business and activity of the Company, in addition to managing its resources in the most appropriate form in accordance with the objectives and strategies of the Company;

- 13- Participating effectively in building and developing a culture of ethical values within the Company;
- 14- Implementing internal control and risk management systems and ensuring that they are effective and efficient, and ensuring compliance with the level of risks approved by the Board;
- 15- Proposing and developing internal policies related to the business of the Company, including specifying the duties, competencies and responsibilities assigned to the various organisational levels;
- 16- Proposing a clear policy to delegate tasks to the Executive Management and the method for implementing such policy; and
- 17- Proposing the powers to be delegated to the Executive Management, the procedures for decision making and the period of delegation, provided that it shall present periodic reports to the Board in respect of its exercise of such powers.

#### **Competencies and Duties of the Chairman of the Board**

Without prejudice to the competencies of the Board, the chairman of the Board shall be responsible for leading the Board and supervising its operations and the effective performance of its duties. The competencies and duties of the chairman of the Board shall in particular include the following:

- 1- Ensuring that the Board members obtain complete, clear, accurate and non-misleading information in due course;
- 2- Ensuring that the Board effectively discusses all fundamental issues in due course;
- 3- Representing the Company before third parties in accordance with the Companies Law and its implementing regulations and the Company's bylaws;
- 4- Encouraging the Board members to effectively perform their duties in order to achieve the interests of the Company;
- 5- Ensuring that there are actual communication channels with shareholders and conveying their opinions to the Board;
- 6- Encouraging constructive relationships and effective participation between the Board and the Executive Management on the one hand, and the Executive, Non-Executive and Independent Directors on the other hand, and creating a culture that encourages constructive criticism;
- 7- Preparing agendas of the Board meetings, taking into consideration any matters raised by Board members or the external auditor and consult with the Board members and the CEO upon preparing the Board's agenda; and
- 8- Convening periodic meetings with the Non-Executive Directors without the presence of any executive officers of the Company.



- 9- Organizing the Board's work, including setting meeting agendas in consultation with the CEO and Board members, chairing Board meetings, and supervising the provision of the Board with the information and reports it requires.
- 10- Supporting the Board's efforts to raise the level and standards of corporate governance within the Company and ensuring compliance with relevant rules and regulations at all times.
- 11- There should be no overlap between the responsibilities of the Chairman of the Board and the CEO. The Chairman of the Board must adhere to his supervisory role and refrain from performing executive duties that fall within the purview of the CEO.
- 12- The Chairman of the Board must ensure that the Board carries out its duties and discusses all key issues effectively, timely, and responsibly.
- 13- Informing the Ordinary General Assembly, when convened, of the transactions and contracts in which a Board member has a direct or indirect interest. This notification must include the information provided by the member to the Board of Directors and be accompanied by a special report from the Company's auditors.

#### **Appointing the Chief Executive Officer after the end of his/her services as Chairman of the Board**

It is prohibited to appoint the Chief Executive Officer, during the first year following the end of his/her service, as the chairman of the Board.

#### **Tasks and Duties of the Board Members**

Each member of the Board shall, being a Board member, perform the following tasks and duties:

- 1- Providing proposals to develop the strategy of the Company;
- 2- Monitoring the performance of the Executive Management and the extent to which it has achieved the objectives and purposes of the Company;
- 3- Reviewing reports related to the performance of the Company;
- 4- Ensuring the integrity and impartiality of the financial statements and information of the Company;
- 5- Ensuring that the financial control and risk management systems are sound;
- 6- Determining the appropriate level of remunerations of the members of the Executive Management;
- 7- Expressing opinions as to the appointment and dismissal of members of the Executive Management;
- 8- Participating in developing the succession and replacement plans of executive positions within the Company;
- 9- Complying fully with the provisions of the Companies Law, Capital Market Law, their implementing regulations, the relevant regulations and the bylaws when performing his/her duties as a member of the Board and abstaining from taking or participating in any action that constitute mismanagement of the Company's affairs;



- 10- Attending the Board and the General Assembly meetings, and not being absent except for legitimate excuse of which the chairman of the Board shall be notified by prior notice, or for emergency reasons;
- 11- Allocating sufficient time to fulfill his/her responsibilities and preparing for the Board and its committees' meetings and effectively participating therein, including raising relevant questions and carrying discussions with the Senior Executives;
- 12- Studying and analysing all information related to the matters looked into by the Board before expressing an opinion on the same;
- 13- Enabling other Board members to express their opinions freely, and encouraging the Board to deliberate on the subjects and obtain the views of the competent members of the Company's Executive Management and others, when necessary;
- 14- Notifying the Board fully and immediately of any interest, either direct or indirect, in the businesses and contracts that are executed for the Company's account, the notification shall include the nature and extent of such interest, the names of concerned persons, and the expected benefit to be obtained directly or indirectly from interest whether financial or non-financial. the concerned member shall abstain from voting on any decisions issued in connection therewith in compliance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations;
- 15- Notifying the Board fully and immediately of his/her participation, directly or indirectly, in any businesses that may compete with the Company or lead to competing with the Company, directly or indirectly, in respect of any of its activities, in compliance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations;
- 16- Refraining from disclosing or announcing any secrets he/she came across through his/her membership in the Board to any shareholder of the Company, unless such disclosure is made during the meetings of the General Assembly, or to a third party, in pursuance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations;
- 17- Working on the basis of complete information, in good faith and with the necessary care and diligence for the interest of the Company and all shareholders;
- 18- Recognising his/her duties, roles and responsibilities arising from the membership;
- 19- Developing his/her knowledge in the field of the Company's business and activities and in the related financial, commercial and industrial fields; and
- 20- Resigning from the membership of the Board if he/she is unable to fully fulfill his/her duties in the Board.

<b>Duties of the Independent Direct</b>
Without prejudice to Article (28) of these Regulations, an Independent Director of the Board shall effectively participate in the following duties:
<ol style="list-style-type: none"> <li>1- Expressing his/her independent opinion in respect of strategic issues and the Company's policies and performance and appointing members of the Executive Management;</li> <li>2- Ensuring that the interest of the Company and its shareholders are taken into account and given priority in case of any conflicts of interest;</li> <li>3- Overseeing the development of the Company's Corporate Governance rules, and monitoring the implementation of the rules by the Executive Management.</li> </ol>
<b>The Board Meetings</b>
<ol style="list-style-type: none"> <li>1- Without prejudice to the Companies Law and its implementing regulations, the Board shall convene regular meetings to perform its duties effectively, and also convene meetings whenever needed.</li> <li>2- The Board shall convene no less than four meetings per year, and no less than one meeting every three months.</li> <li>3- The Board shall meet upon the invitation of its chairman or upon a request from one of its members. The invitation to the meeting shall be sent to each of the Board members no less than five days prior to the date of the meeting accompanied by its agenda and the necessary documents and information, unless circumstance require convening an emergency meeting, the invitation accompanied with the agenda and necessary documents and information may be sent within a period less than the five days.</li> <li>4- The meeting shall not be valid unless attended by half of the Board members (by themselves or by proxy), provided that the number of attendees shall not be less than three, unless the Company's bylaws stated greater percentage or number.</li> </ol>
<b>Remarks of the Board Members</b>
<ol style="list-style-type: none"> <li>1- If any member of the Board has any remarks in respect of the performance of the Company or any of the matters presented and which was not resolved in the Board meeting, such remarks shall be recorded and the procedures taken or to be taken by the Board in connection therewith must be set forth in the minutes of the Board meeting.</li> <li>2- If a member of the Board expresses an opinion differs from the Board resolution, such opinion must be recorded in detail in the minutes of the Board meeting.</li> </ol>
<b>Organising the Attendance of the Board Meetings</b>
<ol style="list-style-type: none"> <li>1- The Attendance of Board meetings, and dealing with cases of irregular attendance by members of such meetings shall be organised.</li> </ol>

- 2- An Independent Director of the Board shall make every effort to attend all meetings in which important and material decisions affecting the position of the Company are made.

#### **The Agenda of Board Meetings**

- 1- The Board shall approve the agenda once the Board meeting is convened. Should any member of the Board raise any objection in respect of such agenda, such objection shall be recorded in the minutes of the meeting.
- 2- Each member of the Board is entitled to propose additional items to the agenda.

#### **Exercising the Competencies of the Board**

- 1- The Board shall exercise its competencies and duties to lead the Company within a framework of effective and prudent controls that allow assessing and managing risks and limiting and mitigating their effects.
- 2- Without prejudice to Paragraph (b) of Article (20) of these Regulations, the Board may, within the scope of its competencies, delegate to one or more of its members or committees or a third party the performance of a specific function or functions.
- 3- The Board shall develop an internal policy that explains the procedures of the Board activities and aims at encouraging its members to work effectively to fulfill their obligations towards the Company.
- 4- The Board shall organise its activities and allocate sufficient time to perform the duties and responsibilities assigned to it, including preparing for Board and committees' meetings and ensuring the coordination, recording and retaining of the minutes of its meetings.

#### **The Secretary of the Board**

- 1- The Board shall appoint a secretary among its members or a third party, whose competencies and wage shall be specified by a Board resolution, unless the Company's bylaws include provisions in connection therewith, provided that such powers shall include:
  - a) Documenting the Board meetings and preparing minutes therefor, which shall include the discussions and deliberations carried during such meetings, as well as the place, date, times on which such meetings commenced and concluded; and recording the decisions of the Board and voting results and retaining them in a special and organised register, and including the names of the attendees and any reservations they expressed (if any). Such minutes shall be signed by the chairman of the meeting, all of the attending members and the secretary;
  - b) Retaining the reports submitted to the Board and the reports prepared by it;
  - c) Providing the Board members with the agenda of the Board meeting and related worksheets, documents and information and any additional information, related to the topics included in the agenda items, requested by any Board member;

- d) Ensuring that the Board members comply with the procedures approved by the Board;
  - e) Notifying the Board members of the dates of the Board's meetings within sufficient time prior to the date specified for the meeting;
  - f) Presenting the draft minutes to the Board members to provide their opinions on them before signing the same;
  - g) Ensuring that the Board members receive, fully and promptly, a copy the minutes of the Board's meetings as well as the information and documents related to the Company;
  - h) Coordinating among the Board members;
  - i) Regulating the disclosure register of the Board and Executive Management as per Article (89) of these Regulations; and
  - j) Providing assistance and advice to the Board members.
- 2- The Secretary of the Board may not be relieved except pursuant to a decision of the Board.

#### **Qualifications of the Secretary**

The Board must specify the conditions that the secretary must meet, provided that they include at least one of the following:

- 1- He /she holds a bachelor degree in law, finance, accounting or administration or their equivalent, and has relevant practical experience of not less than three years; or
- 2- He/she has relevant practical experience of not less than five years.

#### **Remuneration of the Secretary of the Board of Directors**

The Board shall determine the remuneration to be granted to the Secretary.

#### **Confidentiality of information Secretary: -**

The Secretary of the Board may not disclose any information or secrets to any person, whether in the executive management or employees of the Company, about what took place in the meetings of the Board, whether directly or indirectly. Speak on behalf of the company unless during the general assembly or as required by the provisions of the Companies Law and the Authority's Law.

#### **Training**

The Company shall pay adequate attention to the training and preparation of the Board members, committee members, and the Executive Management, and shall develop the necessary programmes required for the same, taking the following into account:

- 1- Preparing programmes for the recently-appointed Board members, committee members, and Executive Management to familiarise them with the progress of the Company's business and activities, particularly the following:
  - a. The strategy and objectives of the Company;

- b. The financial and operational aspects of the Company's activities;
  - c. The obligations of the Board members and their duties, responsibilities and rights;
  - d. The duties and competencies of the committees of the Board.
- 2- Developing the necessary mechanisms for Board members, committee members, and the Executive Management to continuously enroll in training programmes and courses in order to develop their skills and knowledge in the fields related to the activities of the Company.

#### **Providing Members with Information**

The Executive Management of the Company shall provide the Board members, the Non-Executive Directors in particular, and the committees of the Company with all of the necessary information, details, documents and records, provided that they shall be complete, clear, correct and non-misleading, in due course to enable them to perform their duties and obligations.

#### **The Assessment**

The company shall pay sufficient attention to the training and qualification of board members, committee members and executive management, and develop the necessary programs for this, taking into account the following:

- 1- The Board shall develop, based on the proposal of the nomination committee, the necessary mechanisms to annually assess the performance of the Board, its members and committees and the Executive Management using key performance indicators linked to the extent to which the strategic objectives of the Company have been achieved, the quality of the risk management and the efficiency of the internal control systems, among others, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the Company.
- 2- The procedures of performance assessment shall be in writing and clearly stated and disclosed to the Board members and parties concerned with the assessment.
- 3- The performance assessment shall entail an assessment of the skills and experiences of the Board, identification of the weaknesses and strengths of the Board and shall attempt to resolve such weaknesses using the available methods, such as nominating competent professional staff able to improve the performance of the Board. The performance assessment shall also entail the assessment of the mechanisms of the Board's activities in general.
- 4- The individual assessment of the Board members shall take into account the extent of effective participation of the member and his/her commitment to performing his/her duties and responsibilities, including attending the Board and its committees' meetings and dedicating adequate time thereof.
- 5- The Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent third party every three years.

- 6- Non-Executive Directors shall carry out a periodic assessment of the performance of the chairman of the Board after getting the opinions of the Executive Directors, without the presence of the chairman of the Board in the discussion on this matter, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the Company.

#### **Removal of Board Members**

The Ordinary General Assembly may at any time dismiss all or some of the members of the Board, even if the Company's Articles of Incorporation provide otherwise, without prejudice to the right of the dismissed member to hold the Company accountable if the dismissal occurs for an unjustified or acceptable reason or at an inappropriate time.

#### **The membership of the Board of Directors shall be terminated in the following cases**

- 1- Expiry of the term of membership.
- 2- Resignation of a member of the Board of Directors.
- 3- Death of a member of the Board of Directors.
- 4- The occurrence of a physical or mental defect or injury that makes the member of the Council unable to perform his duties and duties as required.
- 5- Declaring the Board member bankrupt or insolvent, submitting a settlement request with creditors, or stopping paying debts.
- 6- Convicting a member of the Board of Directors with a final judgment for a moral or legal crime in the Kingdom or any other country.
- 7- Failure to fulfill the obligations of board membership in a way that harms the company.
- 8- A member of the Council is absent from three consecutive meetings or five meetings during the period of his session without providing a justified and acceptable excuse.
- 9- Inability to perform the role assigned to him in accordance with the laws or regulations in force in the Kingdom of Saudi Arabia.

In accordance with the disclosure requirements, the Authority shall be notified upon the resignation or dismissal of a Board member for any reason other than the expiry of the term within five working days of the Board Member leaving the Board.

#### **Vacancy of the position of the Board of Directors**

- 1- If the position of one of the members of the Board becomes vacant, the Board may temporarily appoint a member to the vacant position, provided that such appointment shall be submitted to the Ordinary General Assembly at its first meeting. The new member shall complete the term of office of his predecessor only.

- 2- If the number of members of the Board of Directors falls short of the quorum necessary for the validity of its meetings, the Ordinary General Assembly shall be convened as soon as possible to appoint the necessary number of members.

#### **Dealing with conflicts of interest and related party deals**

Subject to the provisions of the Companies Law and its Implementing Regulations, cases of conflicts of interest and related party transactions or transactions shall be dealt with in accordance with the provisions of the Corporate Governance Regulations issued by the Capital Market Authority.

#### **Conflicts of Interest Policy**

The Board shall develop an explicit and written policy to deal with actual and potential conflicts of interest situations which may affect the performance of Board members, a member of its committees, or the Executive Management or any other employees of the Company when dealing with the Company or other Stakeholders. This policy shall include the following in particular:

- 1- Informing members of the Board and its committees, Substantial Shareholders, Senior Executives and other employees of the Company of the importance of avoiding situations that may lead to a conflict between their interests and the interests of the Company, and dealing with them in accordance with the provisions of the Companies Law and its implementing regulations.
- 2- Providing examples of conflicts of interest situations that are relevant to the nature of the Company's activity.
- 3- Clear procedures for disclosing conflicts of interest in the activities that may lead to such conflicts and obtaining authorisation or the requisite approval.
- 4- The obligation to constantly disclose situations that may lead to conflicts of interest or upon the occurrence of such conflicts.
- 5- The obligation to abstain from voting or taking part in decision making when there is conflicts of interest.
- 6- Clear procedures when the Company contracts or enters into a transaction with a Related Party, this shall include notifying the Authority and the public without any delay of that contract or transaction if it equals to or exceeds 1% of the Company's total revenues according to the last annual audited financial statements.
- 7- Procedures to be taken by the Board when discovering that such policy is violated.

#### **Avoiding Conflicts of Interest**

- a) A member of the Board shall:

- 1- Perform his/her duties with honesty and integrity, and not prioritize his/her own interest over the interests of the Company and its shareholders, and not use his/her position to achieve personal interests;
  - 2- Avoid situations of conflicts of interest and notify the Board of situations of conflict which may affect his/her neutrality when looking into matters presented before the Board. The Board shall not allow such member to be involved in deliberations and shall not count his/her vote when voting on such matters in the Board and the Shareholders Assemblies meetings; and
  - 3- Protect the confidentiality of the information related to the Company and its activities, and not disclose any of such information to any person.
- b) Each Board member is prohibited from misusing or benefitting, directly or indirectly, from any of the Company's assets, information or investment opportunities presented to the Company or to him in his/her capacity as a member of the Board. This includes investment opportunities which are within the activities of the Company, or which the Company wishes to make use of. Such prohibition shall extend to Board member who resigns to, directly or indirectly, use investment opportunities that the Company wishes to use, which came to his/her knowledge during his/her membership in the Board.

#### **Disclosure of Conflicts of Interest by the Nominee**

A person who desires to nominate himself/herself for the membership of the Board shall disclose to the Board or the General Assembly any cases of conflicts of interest, including:

- 1- Having direct or indirect interest in the contracts and businesses entered into for the benefit of the Company in which he/she desires to be nominated to the Board.
- 2- Engaging in business that may compete with the Company or any of its activities.

#### **Rules of Competing with the Company**

Without prejudice to Article (27) of the Companies Law and other relevant provisions in these regulations, if a member of the Board, or a member of one of its committees, desires to engage in a business that may compete with the Company or any of its activities, the following shall be taken into account:

- 1- Notifying the Board of the competing businesses he/she desires to engage in and recording such notification in the minutes of the Board meeting.
- 2- The conflicted member shall abstain from voting on the related decision in the Board meeting, the meeting of its committees, and General Assemblies.
- 3- The chairman of the Board informing the Ordinary General Assembly, once convened, of the competing businesses that the member of the Board, or a member of one of its committees, is engaged in, after the Board assesses the board member's competition with the company's business or if he/she is in competition with one of the branch activities that it conducts in accordance with the standards issued



by the Ordinary General Assembly upon a proposal from the Board and published on the company's website, provided that such businesses are assessed on annual basis.

- 4- Obtaining an authorisation of the Ordinary General Assembly of the Company, or of the Board through a delegation of the Ordinary General Assembly, for the Board member to engage in the competing business.

#### Concept of the Competing Businesses

The following shall be deemed a participation in any business that may compete with the Company or any of its activities:

- 1- The Board members' establishing a company or a sole proprietorship or the ownership of a controlling percentage of shares or stakes in a company or any other entity engages in business activities that are similar to the activities of the Company or its group.
- 2- Accepting membership in the Board of a company, an entity that competing with the Company or its group, or managing the affairs of a competing sole proprietorship or any competing company of any form, except the company's affiliates.
- 3- The Board member's acting as an overt or covert commercial agent for another company or entity competing with the Company or its group.

#### Accepting Gifts

No member of the Board or a member of one of its committees or Senior Executives may accept gifts from any person who has entered into commercial transactions with the Company if such acceptance of gifts may lead to a conflict of interest.

### Part IV

#### Board Committees

##### Forming the Committees

Without prejudice to Article (51) of these Regulations, the Board shall form specialised committees as follows:

- 1- As may be needed depending on the Company's circumstances in order to enable it to effectively perform its duties.
- 2- The formation of the committees shall be made in accordance with general procedures developed by the Board, which shall determine the duties, duration and powers of each committee, and the manner in which the Board monitors the activities of each committee. The committee shall inform the Board of its findings or decisions with complete transparency. The Board shall regularly follow up the activities of such committees to ensure the performance of the duties delegated to them.
- 3- Each committee shall be responsible before the Board for its activities, this shall not relieve the Board of its responsibility for such activities, duties and powers that it has delegated to such committee.

- 4- The number of members of a committee shall not be less than three or more than five.
- 5- The chairmen or whom they delegate of each committee members, shall attend the General Assembly Meetings and answer any questions raised by the shareholders.
- 6- The Company shall provide the Authority with the names of the members and the types of their memberships in such Board's committees within five (5) days of their appointment, and shall notify the Authority of any changes thereto within five (5) days of the date of such changes.
- 7- Company may combine remuneration and nomination committees into one committee named remuneration and nomination committee. In such case, the remuneration and nomination committee must satisfy the requirements related to any of them as set forth in Chapter 3 and 4 of this Part, and exercise all the powers set forth in Article (58) and (62) of these Regulations, provided that the committee convenes periodically at least every six months.

#### **Committees Membership**

- 1- A sufficient number of Non-Executive Directors shall be appointed to the committees which perform duties that may involve a conflict of interest, such as ensuring the integrity of financial and non-financial reports, reviewing Related Party transactions, nomination to membership of the Board, appointment of Senior Executives and determining the remuneration. Chairmen and members of these committees shall comply with duties of care and loyalty and shall attend to the interests of the Company and its shareholders, and prioritise them over their personal interests.
- 2- The Company shall take into consideration while forming the remuneration and nomination committees that their members are of Independent Directors. The Board may appoint Non-Executive Directors or persons other than Board members either from shareholders or others, provided that the chairmen of committees mentioned in this paragraph are of the Independent Directors.
- 3- Chairman of the Board shall not be a member of the audit committee. He may be a member of other committees, provided that he is not the chairman of committees mentioned in these Regulations.

#### **Studying Subjects**

- 1- Each committee shall assess the matters that fall within its authority or those referred to it by the Board and shall communicate its recommendations to the Board to issue decisions in connection therewith. The committees shall take decisions in regards to these matters if delegated by the Board, in pursuance to paragraph (b) of Article (20) of these Regulations.
- 2- The committees may seek assistance from any experts or specialists, whether internal or external, within the scope of its powers. This shall be included in the minutes of the committee meeting; the minutes states the name of the expert and his relation to the Company or its Executive Management.

## Committees Meetings

- 1- No member of the Board or the Executive Management except the secretary or a member of the committee may attend the meetings of a committee unless such committee requests his/her opinion or advice.
- 2- Committee meetings are valid if attended by a majority of its members. Resolutions of the committees shall be issued by a majority of the votes present and, in case of a tie, the chairman of the relevant committee shall have the casting vote.
- 3- Board meetings shall be documented and minutes including the discussions and deliberations carried during such meetings shall be prepared. Recommendations of the committees and voting results shall be documented and retained in a special and organised register, including the names of the attendees and any reservations they expressed (if any). Such minutes shall be signed by all of the attending members.

## I- Audit Committee Formation

### Composition of the Committee

- 1- An audit committee shall be formed by a resolution of the Company's Board, and the members of the audit committee shall be from the shareholders or others, provided that no Executive Director is among its members. The number of the members of the audit committee shall not be less than three or more than five, provided that one of its members is specialised in finance and accounting.
- 2- The audit committee shall have at least one Independent Director among its members.
- 3- The chairman of the audit committee shall be an Independent Director.<sup>9</sup>
- 4- Half of the audit committee's members must be Independent Directors or from those on whom the issues affecting independence in Article (19) of this Regulation do not apply.<sup>10</sup>
- 5- The Company's General Assembly shall, upon a recommendation of the Board, issue a regulation for the audit committee which shall include the rules and procedures for the activities and duties of the committee, the rules for selecting its members, the means of their nomination, the term of their membership, their remunerations, and the mechanism of appointing temporary members in case a seat in the committee becomes vacant.
- 6- Any person who works or has worked in the Company's finance Department, the Executive Management or for the Company's external auditor during the preceding two years may not be a member of the audit committee.
- 7- A member of the audit committee shall not be a member of the audit committees of more than five listed joint stock companies at the same time.

<b>Scope of work of the Audit Committee</b>
The General Assembly shall vote on the Audit Committee's bylaws after being approved by the Board, which shall determine its function, scope of work, powers and tasks, and ensure the effectiveness of the regulations and compliance with them, provided that its reports are submitted directly to the Board.
<b>Members of the Audit Committee: -</b>
<ol style="list-style-type: none"> <li>1- The Audit Committee consists of at least three members and a maximum of five members and must have the necessary experience. Provided that they include a specialist in financial or accounting affairs.</li> <li>2- Most of them should be from outside the Council.</li> <li>3- Among them shall be at least an independent member of the Council.</li> <li>4- The member of the Council nominated for membership of the Committee must be independent.</li> <li>5- The Chairman of the Board of Directors may not be a member of the Audit Committee or its Chairman.</li> </ol>
<b>Term of Membership in the Audit Committee</b>
The membership of the Audit Committee shall commence from the date of selection of its members for a period of four years and shall extend until the end of the term of the Board of Directors determined in accordance with the Law. A member of the Audit Committee also has the right to resign, provided that he submits a request for resignation one month before the date of its entry into force to the Board. The company shall notify the Authority of the resignation of the Committee member and the reasons for the resignation and provide the Authority with a copy of the resignation request within five working days from the date of resignation.
<b>Renewal of Membership in the Audit Committee</b>
The Audit Committee or one of its members may be renewed for another four years only once. After obtaining the No Objection Authority and the General Assembly. Provided that its members retain independence.
<b>Vacancy of the Membership Seat on the Audit Committee</b>
If the seat of a member of the Audit Committee becomes vacant during the term of office, the Board of Directors, upon the recommendation of the Remuneration and Nomination Committee, shall appoint, within a maximum period of one month from the vacancy of such position, another member of the vacant position to complete the term of his predecessor.
<b>Dismissal of a member of the Audit Committee</b>
<p>The Board has the right to dismiss any of the members of the Audit Committee in one of the following cases:</p> <ol style="list-style-type: none"> <li>1- A member of the Audit Committee commits any violation of the relevant laws or regulations.</li> <li>2- Absence from meetings for three consecutive sessions or continuously without any excuse.</li> <li>3- In the event that any of them violates the provisions of these Regulations or takes the measures it deems appropriate against the company and the person concerned.</li> </ol>

<b>Secretary of the Audit Committee</b>
The Audit Committee shall appoint a secretary from the company's employees to carry out administrative tasks, prepare and document the minutes, take the signatures of the members on those minutes, and schedule the dates of the audit committee in coordination with the chairman of the committee, and the secretary of the audit committee must not be the secretary of the board. The secretary shall be entitled to a remuneration whose value shall be determined by a decision of the Council for the completion of his duties for each session.
<b>Competencies, powers and responsibilities of the Audit Committee</b>
The audit committee shall be competent in monitoring the Company's activities and ensuring the integrity and effectiveness of the reports, financial statements and internal control systems. The duties of the audit committee shall particularly include the following
<b>Financial Reports</b>
<ol style="list-style-type: none"> <li>1- Analysing the Company's interim and annual financial statements before presenting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness and transparency;</li> <li>2- Providing its technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model, and strategy;</li> <li>3- Analysing any important or non-familiar issues contained in the financial reports;</li> <li>4- Accurately investigating any issues raised by the Company's chief financial officer or any person assuming his/her duties or the Company's compliance officer or external auditor;</li> <li>5- Examining the accounting estimates in respect of significant matters that are contained in the financial reports; and</li> <li>6- Examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon.</li> </ol>
<b>Internal Audit</b>
<ol style="list-style-type: none"> <li>1- Examining and reviewing the Company's internal and financial control systems and risk management system;</li> <li>2- Analysing the internal audit reports and following up the implementation of the corrective measures in respect of the remarks made in such reports; and</li> <li>3- Monitoring and overseeing the performance and activities of the internal auditor and internal audit department of the Company to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties.</li> </ol>

- 4- Providing a recommendation to the Board on appointing the manager of the internal audit unit or department, or the internal auditor and suggest his/her remunerations.

#### **External Auditor**

- 1- Providing recommendations to the Board to nominate external auditors, dismiss them, 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- Verifying the independence of the external auditor, its objectivity, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards;
- 3- Reviewing the plan of the Company's external auditor and its activities, and ensuring that it does not provide any technical, administrative or consulting works that are beyond its scope of work, and provides its opinion thereon;
- 4- Responding to queries of the Company's external auditor; and
- 5- Reviewing the external auditor's reports and its comments on the financial statements, and following up the procedures taken in connection therewith.

#### **Ensuring Compliance**

- 1- Reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith;
- 2- Ensuring the Company's compliance with the relevant laws, regulations, policies and instructions;
- 3- Reviewing the contracts and proposed Related Party transactions, and providing its recommendations to the Board in connection therewith; and
- 4- Reporting to the Board any issues in connection with what it deems necessary to take action on, and providing recommendations as to the steps that should be taken.

#### **Conflict between the Audit Committee and the Board**

If a conflict arises between the recommendations of the audit committee and the Board resolutions, or if the Board refuses to put the committee's recommendations into action as to appointing or dismissal the company's external auditor or determining its remuneration, assessing its performance or appointing the internal auditor, the Board's report shall include the committee's recommendations and justifications, and the reasons for not following such recommendations.

#### **Audit Committee Meetings**

- 1- The audit committee shall convene periodically, provided that at least four meetings are held during the Company's financial year.
- 2- The audit committee shall convene periodically with the Company's external auditor and internal auditor.

- 3- The internal auditor and the external auditor may call for a meeting with the audit committee at any time as may be necessary.

#### Arrangements for Providing Remarks

The audit committee shall develop arrangements that enable the Company's employees to confidentially provide their remarks in respect of any inaccuracies in the financial or other reports. The audit committee shall ensure that such arrangements have been put into action through an adequate independent investigation in respect of the error or inaccuracy, and shall adopt appropriate follow-up procedures.

#### Powers of the Audit Committee

In order to perform its duties, the audit committee may:

- 1- Review the Company's records and documents.
- 2- Request any clarification or statement from the Board members or the Executive Management.
- 3- Request that the Board calls for a General Assembly Meeting if its activities have been impeded by the Board or if the Company has suffered significant losses and damages.

#### Other tasks

- 1- Prepare a report detailing the performance of its competencies and tasks stipulated in the Companies Law and its implementing regulations, including its recommendations and opinion on the adequacy of the company's internal and financial control systems and risk management.
- 2- Assess the level of efficiency, effectiveness and objectivity of the work of the external auditors, the internal audit department or the internal auditor, and the compliance department or compliance officer.
- 3- Studying the internal control system and evaluating the assets and solvency of the company.
- 4- Any modifications to the scope and reasons for the audit work.

#### Quorum of the Audit Committee

The meeting of the Audit Committee shall be held only in the presence of at least two members.

#### Confidentiality

All members of the Audit Committee must maintain the confidentiality of matters related to the work of the Committee even after they have left office.

#### Audit Committee Decisions

- 1- The decisions of the Audit Committee shall be issued by majority, and in the event of equality in the number of votes, the vote of the Chairman of the Audit Committee shall be considered weighted, provided that the Secretary of the Audit Committee shall prove the opinions of all parties to the meeting.
- 2- The decisions of the Audit Committee may not be voted on behalf or proxy of a member.

<b>Responsibility of the Audit Committee</b>
<ol style="list-style-type: none"> <li>1- The members of the Audit Committee shall be responsible to the shareholders and the Board for the implementation of the provisions of these Bylaws, and for the preparation and implementation of the Audit Committee's work plan approved by the Board.</li> <li>2- During the performance of their duties, the members of the Committee shall put the interest of the Company ahead of any other considerations that may affect their business and decisions.</li> </ol>
<b>Evaluation of the performance of the Audit Committee</b>
The Board shall annually evaluate the performance of the Audit Committee in general and the performance of the members of the Audit Committee in particular, and this evaluation shall be kept in the records of the Secretary of the Committee.
<b>Audit Committee Report</b>
<ol style="list-style-type: none"> <li>1- The report of the Audit Committee shall include details of its performance of its terms of reference and tasks stipulated in these Regulations, provided that it includes its recommendations and opinion on the adequacy of the company's internal and financial control and risk management systems.</li> <li>2- The Board shall deposit sufficient copies of the Audit Committee's report at the Company's head office and publish it on the Company's website and the Market website when the invitation to convene the General Assembly is published, to enable shareholders to obtain a copy thereof. The summary of the report shall be read out during the General Assembly.</li> </ol>
<b>II- <u>Investment Committee</u></b>
<b>Composition of the Committee:</b>
<ol style="list-style-type: none"> <li>1- The Board shall form a committee called the "Investment Committee".</li> <li>2- The Committee shall be chaired by a member of the Board selected by a decision issued by the Council, and in case of absence from the meeting of the Committee, the members present shall choose one of them to chair the meeting of the Committee.</li> <li>3- They must have the collective expertise necessary to accommodate important investment policy issues.</li> </ol>
<b>Scope of work of the Investment Committee</b>
The Board approves the work of the Investment Committee, which determines its function, scope of work, powers and tasks, and ensures the effectiveness of the regulations and compliance with them, provided that it reports directly to the Board. The work shall be carried out in good faith and constant diligence with the necessary professional care and compliance with the relevant laws and regulations for the benefit of shareholders, insured and other stakeholders.
<b>Members of the Investment Committee</b>
The Investment Committee shall consist of at least three members and five at most.



<b>Term of Membership in the Investment Committee</b>
The membership of the Investment Committee shall commence from the date of selection of its members by the Board of Directors for a period of four years and shall extend until the end of the term of the Board that has been determined in accordance with the Law.
<b>Secretary of the Investment Committee</b>
<ol style="list-style-type: none"> <li>1- The Investment Committee shall appoint a secretary within the period specified for it.</li> <li>2- The Secretary shall provide the members with advance notifications, send meeting schedules and related documents and ensure that they are received within 15 working days prior to the Committee meeting.</li> <li>3- Recording and documenting the minutes of the meetings, including the discussions, deliberations, recommendations and reservations that took place during the meeting, and keeping and archiving them with indicating the names of the attendees in original, authorized or remotely, and signing all the minutes from all members present and the signature of the secretary on them.</li> </ol>
<b>Tasks of the Investment Committee</b>
<ol style="list-style-type: none"> <li>1- Preparing the investment objectives and investment policies of the company, and making recommendations in this regard to the Board of Directors, including determining risk tolerances, asset diversity and diversification of investment operations.</li> <li>2- General oversight of the performance of investment operations, including evaluation of investment results to determine the success of investment strategies and ensure compliance with the company's investment policies.</li> <li>3- Undertakes other matters related to investment and monitors the general strategy of the company and its subsidiaries in the interest of the company.</li> <li>4- Formulate and develop the investment policy and review the progress of its implementation on a semi-annual basis.</li> <li>5- Monitor all investment policy risks.</li> <li>6- Submit semi-annual reports of all actions and procedures carried out by the Board</li> </ol>
<b>Investment Committee Meetings</b>
<ol style="list-style-type: none"> <li>1- The Investment Committee shall hold its meetings periodically, when necessary, provided that it is not less than twice during the fiscal year.</li> <li>2- The Chairman of the Committee has the right to hold other meetings by written invitation from him or whoever he delegates to one of its members or the Secretary in writing, before the date of the meeting, provided that it is not less than five working days attached to the supporting documents and agenda.</li> </ol>

- 3- The decisions of the Committee shall be issued by a majority of the votes present and represented at the meeting, and in the event of equality of votes, the side voted for by the Chairman of the Committee shall prevail.
- 4- The minutes of the committee's meetings and the signature of the chairman and secretary of the committee must be recorded in the official records.
- 5- The minutes of the committee's meeting shall indicate the attendance, the topics discussed, the important consultations, the voting process, its rejection and abstention (with reasons, if any), the decisions taken and the reservations thereto, with all documents reviewed or referred to attached to the minutes of the meeting.
- 6- One of the members of the Committee may participate in its meetings through modern technology means, and his participation in this case shall be considered as the one who attended authentically, in the event that he cannot attend for any emergency reason.
- 7- The minutes of the meeting must be distributed to the concerned persons within a maximum period of 15 days from the date of the meeting. For scheduled meetings.
- 8- A member of the Committee shall be deemed to have resigned if he is absent for more than three consecutive sessions or five meetings during his term of office without an acceptable excuse acceptable to the Chairman of the Committee.

### **III- Remuneration and Nomination Committee**

#### **Composition of the Committee**

- 1- The Company's Board shall, by resolution thereof, set up a committee to be named the "remuneration committee." Members of the committee shall not be Executive Directors, provided that there shall be at least one Independent Director among them.
- 2- The Company's General Assembly, as per the Board recommendation, issues a regulation for the remuneration committee including its procedure, duties and rules for selecting its members, the term of their membership and their remunerations.

#### **Scope of work of the Remuneration and Nomination Committee: -**

The Board approves the work of the Remuneration and Nomination Committee, which determines its function, scope of work, powers and tasks, and ensures the effectiveness of the regulations and compliance with them, provided that it submits its reports directly to the Board. The work shall be carried out in good faith and constant diligence with the necessary professional care and compliance with the relevant laws and regulations for the benefit of shareholders, insured and other stakeholders.

#### Members of the Remuneration and Nomination Committee

- 1- The Remuneration and Nomination Committee shall consist of at least three and not more than five members and one independent member, who shall not be executive members.
- 2- The Chairman of the Committee shall be chosen from among them, and in case of absence from the meeting of the Committee, the members present shall choose one of them to chair the meeting of the Committee.
- 3- The Chairman of the Board may not chair the meetings of the Nomination and Remuneration Committee.
- 4- Non-executive members or non-members of the Board may be sought at the written request of the Chairman of the Committee.
- 5- If the position of a member of the Committee becomes vacant during his term of office, the Board of Directors may appoint a member in his place to complete the term of his successor, and the Capital Market Authority shall be notified of such change.

#### Term of Membership in the Remuneration and Nomination Committee

The membership of the Remuneration and Nomination Committee shall commence from the date of selection of its members by the Board of Directors for a period of four years and extend until the end of the Board's term determined in accordance with the Law.

#### Secretary of the Remuneration and Nomination Committee

- 1- The Remuneration and Nomination Committee shall appoint a secretary within the period specified for it.
- 2- The Secretary shall provide the members with advance notifications, send meeting schedules and related documents and ensure that they are received within 15 working days prior to the Committee meeting.
- 3- Recording and documenting the minutes of the meetings, including the discussions, deliberations, recommendations and reservations that took place during the meeting, and keeping and archiving them with indicating the names of the attendees in original, authorized or remotely, and signing all the minutes from all members present and the signature of the secretary on them.

#### Competencies of the Remuneration Committee

The competencies of the remuneration committee are:

- 1- Preparing a clear policy for the remunerations of the Board members and its committees and the Executive Management, and presenting such policy to the Board in preparation for approval by the General Assembly, provided that such policy follows standards that linked to performance, and disclosing and ensuring the implementation of such policy;

- 2- Clarifying the relation between the paid remunerations and the adopted remuneration policy, and highlighting any material deviation from that policy.
- 3- Periodically reviewing the remuneration policy and assessing its effectiveness in achieving its objectives; and
- 4- Providing recommendations to the Board in respect of the remunerations of its members, the committees members and Senior Executives, in accordance with the approved policy.

#### Remuneration Policy

Without prejudice to the provisions of the Companies Law and the Capital Market Law and their implementing regulations, the remuneration policy shall:

- 1- Be consistent with the Company's strategy and objectives;
- 2- Provide remunerations with the aim of encouraging the Board members and Executive Management to achieve the success of the Company and its long-term development, by for example making the variable part of the remuneration linked to the long-term performance;
- 3- Determine remuneration based on job level, duties and responsibilities, educational qualifications, practical experience, skills and level of performance;
- 4- Be consistent with the magnitude, nature and level of risks faced by the Company;
- 5- Take into consideration the practices of other companies in respect of the determination of remunerations, and avoid the disadvantages of such comparisons in leading to unjustifiable increases in remunerations and compensations;
- 6- Attract talented professionals and retain and motivate them without exaggeration;
- 7- Be prepared in coordination with the nomination committee in respect of new appointments;
- 8- Take into consideration situations where remunerations should be suspended or reclaimed if it is determined that such remunerations were set based on inaccurate information provided by a member of the Board or the executive management, in order to prevent abuse of power to obtain unmerited remunerations; and
- 9- Regulating the grant of Company's shares to the Board members and the Executive Management, whether newly issued or purchased by the Company.

#### Nomination Procedure

The company shall publish the candidacy announcement on the company's website, the market's website and any other means determined by the Authority, in order to invite persons wishing to run for membership of the Board, provided that the candidacy door remains open for at least one month from the date of the announcement.

- 1- When nominating the members of the Board, the Nomination Committee shall take into account the terms and conditions contained in these Bylaws and the requirements decided by the Authority.
- 2- The number of candidates nominated by the Council whose names are submitted to the General Assembly shall exceed the number of seats available, so that the General Assembly shall have the opportunity to choose from among the candidates.

#### **The right of the shareholder to run**

The provisions of this Chapter shall not prejudice the provisions of the Corporate Governance Regulations issued by the Capital Market Authority, and each shareholder in the Company shall have the right to nominate himself or others for membership of the Board of Directors in accordance with the provisions of the Companies Law and its Implementing Regulations.

#### **Remuneration and Nomination Committee Meetings**

- 1- The Remuneration and Nomination Committee shall hold its meetings periodically every six months in the fiscal year at the written invitation of the Chairman of the Committee or his authorized representative, 15 days before the date of the meeting, provided that the necessary documents are attached to the agenda.
- 2- The minutes of the meetings of the Remuneration and Nominations Committee and the signature of the Chairman and Secretary of the Committee must be recorded in the official records.
- 3- The minutes of the meeting of the Remuneration and Nomination Committee shall indicate the attendance, the topics discussed, the important consultations, the voting process, its rejection and abstention (with reasons, if any), the decisions taken and the reservations thereto, with all documents reviewed or referred to be attached to the minutes of the meeting.
- 4- The decisions of the Remuneration and Nominations Committee shall be issued by a majority of the votes present and represented at the meeting, and in the event of equality of votes, the side voted for by the Chairman of the Committee shall prevail.
- 5- One of the members of the Remuneration and Nomination Committee may participate in its meetings through modern technology, and his participation in this case shall be considered as the one who attended authentically, in the event that he cannot attend for any emergency reason.
- 6- A member of the Remuneration and Nomination Committee shall be deemed to have resigned if he is absent for more than three consecutive sessions or five meetings during his term of office without an acceptable excuse acceptable to the Chairman of the Committee.

#### **Liability for fraud and negligence**

The members of the Board shall jointly liable for the compensation of the company, the shareholders or third parties for the damage resulting from their mismanagement of the company's affairs or their violation of the

provisions of these Bylaws or the provisions of the Articles of Association and any condition to the contrary shall be deemed null and void.
<b>Confidentiality of information</b>
Board members shall not disclose any information or secrets to any of the shareholders, Or the company's investors, or direct or indirect media appearances, unless during the company's general assembly and according to the powers vested in them and what is required by the Companies Law and the Authority. Or indirectly and speaking on behalf of the company unless during the general assembly or as required by the provisions of the Companies Law and the Authority's Law.
<b>Internal Control</b>
<b>Internal Control System</b>
The Board shall adopt an internal control system for the Company to evaluate policies and procedures related to risk management and the application of the provisions of the Company's corporate governance rules adopted by the Company, and comply with the relevant laws and regulations, and this system shall ensure that clear standards of responsibility are followed at all executive levels of the Company and that Related party transactions are carried out in accordance with their provisions and controls.
<b>Establishing independent units or departments of the company</b>
<ol style="list-style-type: none"> <li>1- In order to implement the approved internal control system, the Company establishes units or departments for risk assessment, management, and internal audit.</li> <li>2- The Company may outsource the exercise of the functions and competencies of the assessment and risk management units or departments, and internal audit, without prejudice to the Company's responsibility for such tasks and competencies.</li> </ol>
<b>Tasks of the Internal Audit Unit or Department</b>
The Internal Audit Unit or Department shall evaluate the internal control system, supervise its application, and verify the compliance of the company and its employees with the applicable laws, regulations, instructions and the company's policies and procedures.
<b>Composition of the Internal Audit Unit or Department</b>
The Internal Audit Unit or Department shall consist of at least one internal auditor who shall be appointed by the Audit Committee and shall be accountable to it. In the composition and functioning of the Internal Audit Unit or Department, the following shall be taken into account:
<ol style="list-style-type: none"> <li>1- Its employees shall have competence, independence and appropriate training, and shall not be assigned any other work that conflicts with the objectives of internal audit or violates its independence.</li> <li>2- The unit or department reports to the Audit Committee, is associated with it and is accountable to it.</li> </ol>

- 3- The remuneration of the director of the audit unit or department shall be determined upon the proposal of the audit committee in accordance with the company's policies.
- 4- Be able to access and obtain information, documents and documents without restriction.

#### Internal Audit Plan

The Internal Audit Unit or Department operates according to a comprehensive audit plan approved by the Audit Committee, which is updated annually and key activities and operations, including those related to risk management and compliance management, must be reviewed at least annually.

#### Internal Audit Report

- 1- The Internal Audit Unit or Department shall prepare a written report on its work and submit it to the Board and the Audit Committee at least on a quarterly basis. This report shall include an assessment of the company's internal control system and the findings and recommendations of the unit or management, and a statement of the actions taken by each department regarding the processing of the findings and recommendations of the previous audit and any observations thereon, especially in the event of lack of timely treatment and the reasons for this.
- 2- The Internal Audit Unit or Department shall prepare a written general report and submit it to the Board and the Audit Committee on the audits conducted during the fiscal year and compare them with the approved plan, indicating the reasons for any breach or deviation from the plan, if any, during the quarter following the end of the year. Finance in question.
- 3- The Board shall determine the scope of the report of the Internal Audit Unit or Department upon the recommendation of the Audit Committee and the Internal Audit Unit or Department, provided that the report shall include, in particular, the following:
  - a) Control and supervision procedures for financial affairs, investments and risk management.
  - b) Assess the evolution of risk factors in the company and existing systems to face drastic or unexpected changes.
  - c) Evaluate the performance of the Board and senior management in implementing the internal control system, including determining how often and how the Board has been notified of control issues (including risk management) and the manner in which these issues have been urged.
  - d) Failures in the application of internal controls, weaknesses in their application or emergencies that have affected or may affect the Company's financial performance, and the procedure followed by the Company in addressing such failure (in particular the problems disclosed in the Company's annual reports and financial statements).
  - e) The extent to which the company adheres to internal control systems when identifying and managing risks.

f) Information describing the company's risk management processes.

#### Keeping Internal Audit Reports

The Company shall keep audit reports and business documents clearly stating what has been achieved, its findings, recommendations and what has been taken in this regard.

#### Part Five

#### Senior Executive Management

Subject to the competencies prescribed for the Board under the provisions of the Companies Law and its Executive Regulations, the Executive Management shall be responsible for implementing the main plans, policies, strategies and objectives of the Company in order to achieve its objectives. The following shall be included in the terms of reference and functions of the Executive Directorate:

- 1- Implementation of the company's internal policies and regulations approved by the Board of Directors.
- 2- Propose the company's comprehensive strategy, master and interim business plans, investment policies and mechanisms, financing, risk management, and emergency administrative conditions management plans and their implementation.
- 3- Proposing the optimal capital structure of the company, its strategies and financial objectives.
- 4- Proposing the company's main capital expenditures and owning and disposing of assets.
- 5- Proposing the organizational and functional structures of the company and submitting them to the Board of Directors for consideration.
- 6- Implementation and general supervision of internal control systems and controls, including:
  - a) Implement a conflict-of-interest policy.
  - b) Proper application of financial and accounting systems, including those related to financial reporting.
  - c) Implement appropriate control systems to measure and manage risks by developing a general perception of the risks that the company may face, creating an environment familiar with the culture of risk reduction at the company level, and presenting them transparently with the Board of Directors and other stakeholders.
- 7- Implement the Company's corporate governance rules effectively – in a manner that does not conflict with the provisions of these Regulations – and propose amendments when needed.
- 8- Implement policies and procedures that ensure the company's compliance with the laws and regulations and its commitment to disclose material information to shareholders and stakeholders.
- 9- Provide the Council with the necessary information to exercise its competences and make recommendations on the following:
  - a) Increase or decrease the company's capital.



- b) Dissolution of the company before the period specified in its articles of association or the determination of its continuation.
- c) Use the company's reserves in the event that they are not allocated for a specific purpose in the company's articles of association.
- d) Formation of additional reserves for the company.
- e) The method of distributing the company's net profits.
- 10- Propose the policy and types of remuneration to be granted to employees, such as fixed bonuses, performance-related bonuses, and bonuses in the form of shares.
- 11- Prepare periodic financial and non-financial reports on the progress of the company's activities in light of the company's strategic plans and objectives, and present such reports to the Board.
- 12- Managing the day-to-day work of the company and conducting its activities, as well as managing its resources optimally and in line with the company's objectives and strategy.
- 13- Active participation in building and developing a culture of ethical values within the company.
- 14- Implement internal control and risk management systems, verify the effectiveness and adequacy of these systems, and ensure compliance with the level of risk approved by the Board.
- 15- Proposing internal policies related to the company's work and development, including defining the tasks, competencies and responsibilities entrusted to the various organizational levels.
- 16- Propose a clear policy to delegate work to it and the method of implementation.
- 17- Proposing the powers delegated to it, decision-making procedures and the duration of delegation, provided that periodic reports on the exercise of those powers are submitted to the Council.

#### Company Auditor

#### Assigning the Audit Function

The Company shall assign the function of auditing its annual accounts to an independent and competent external auditor who possesses the necessary expertise and qualifications to prepare an objective and independent report to the Board and the shareholders, setting out whether the Company's financial statements clearly and impartially express the financial position of the Company and its performance in the significant areas.

#### Appointment of the External Auditor

The Ordinary General Assembly shall appoint the Company's external auditor based on a recommendation from the Board, provided that the following requirements are met:

- 1- The nomination shall be based on a recommendation from the audit committee;
- 2- The external auditor shall be authorised by the Competent Authority;
- 3- The external auditor's interests shall not conflict with the interests of the Company; and

- 4- The number of nominees shall not be less than two.

#### **Duties of the External Auditor**

The external auditor shall:

- 1- Owe the duties of loyalty and care to the Company;
- 2- Notify the Authority if the Board fails to take appropriate actions in respect of suspicious issues it raises; and
- 3- Request the Board to call for a General Assembly meeting if the Board has not facilitated his mission; and shall be liable to compensate the Company, the shareholders or third parties for the damages resulted from errors it commits in the course of its engagement. If an error is attributable to more than one external auditor, they shall be jointly responsible therefor.

#### **Stakeholders**

##### **Regulating the Relationship with Stakeholders**

The Board shall establish clear and written policies and procedures regulating the relationship with Stakeholders with the aim of protecting them and safeguard their rights, which shall include the following, in particular:

- 1- Methods to compensate Stakeholders when their rights established by laws or protected by contracts are infringed;
- 2- Methods for resolving complaints or disputes that may arise between the Company and the Stakeholders;
- 3- Methods for building good relationships with customers and suppliers and maintaining the confidentiality of their information;
- 4- Rules of professional conduct for Company managers and employees that are prepared in compliance with the proper professional and ethical standards and regulate their relationship with Stakeholders, provided that the Board shall establish mechanisms for supervising the implementation of, and compliance with such rules;
- 5- The Company's social contributions;
- 6- Ensuring that the Company's transactions with Board members and Related Parties are entered into on terms identical to the terms of transactions with Stakeholders without any discrimination or bias;
- 7- Stakeholders obtaining of information relevant to their activities to enable them to perform their duties. Such information shall be correct and sufficient and shall be provided in timely manner and on a regular basis; and
- 8- Treating Company employees pursuant to the principles of justice and equality and without discrimination.

### Reporting Non-Compliant Practices

The Board shall, based upon a proposal from the audit committee, develop the necessary policies and procedures to be followed by Stakeholders when submitting complaints or reporting any violations, taking the following into consideration:

- 1- Facilitating the method by which Stakeholders (including Company employees) report to the Board conducts and practices of the Executive Management's that violate applicable laws, regulations and rules or raising doubts as to the financial statements or the internal audit controls or others, whether such conducts or practices are against them or not, and conducting the necessary investigation in that regard;
- 2- Maintaining the confidentiality of reporting procedures through facilitating direct contact with an independent member of the audit committee or other specialised committees;
- 3- Appointing an employee to receive and address complaints or reports sent by Stakeholders;
- 4- Dedicating a telephone number or an email address for receiving complaints; and
- 5- Providing the necessary protection to the Stakeholders.

### Employee Incentives

The Company shall establish programmes for developing and encouraging the participation and performance of the Company's employees. The programmes shall particularly include the following:

- 1- Forming committees or holding specialised workshops to hear the opinions of the Company's employees and discuss the issues and topics that are subject to important decisions;
- 2- Establishing a scheme for granting Company shares or a percentage of the Company profits and pension programmes for employees, and setting up an independent fund for such programme; and
- 3- Establishing social organisations for the benefit of the Company's employees.

### Professional Conduct Policy

#### Code of Conduct

The Board shall establish a policy for professional conduct and ethical values at the Company, which shall particularly take the following into consideration:

- 1- Ensuring that each member of the Board or the Executive Management and employees perform his/her duties of loyalty and care to the Company, and undertake the measures that may protect the Company's interests and contribute to its development and increase its value, and shall not, at all times, prioritise his/her own interests over the interests of the Company;
- 2- A Board member shall represent all shareholders of the Company and take all actions to achieve the best interests of the Company and its shareholders, while protecting the rights of the other Stakeholders rather than only the interests of the group that elected him;

- 3- Entrench among the Board members and Senior Executives the principle of compliance with all relevant laws, regulations and instructions;
- 4- Preventing the Board members or the Executive Management from abusing their positions with the aim of achieving benefits for himself/herself or a third party;
- 5- Ensuring that the Company's assets and resources are only used to achieve the Company's purposes and objectives, and not to achieve personal interests; and
- 6- Establishing accurate, well-formed, and clear rules regulating the authority to access the Company's internal information and timing to access it, in a way that prevents the Board members, the Executive Management and others from making personal use or disclosing the same to any person, except within the prescribed limits or as permitted by law.

#### **Social Responsibility**

The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community.

#### **Social Initiatives**

The Board shall establish programmes and determine the necessary methods for proposing social initiatives by the Company, which include:

- 1- Establishing indicators that link the Company's performance with its social initiatives and comparing it with other companies that engage in similar activities;
- 2- Disclosing the objectives of the Company's social responsibility to its employees and raising their awareness and knowledge of social responsibility;
- 3- Disclosing plans for achieving social responsibility in the periodical reports on the activities of the Company's; and
- 4- Establishing awareness programmes to the community to familiarise them with the Company's social responsibility.

### **Part VI - Disclosure and Transparency**

#### **Policies and Procedure of Disclosure**

Without prejudice to the Rules on the Offer of Securities and Continuing Obligations, the Board shall set forth in writing the policies, procedures and supervisory rules related to disclosure pursuant to the disclosure requirements provided for in the Companies Law and the Capital Market Law, as the case may be, and their implementing regulations, taking into consideration the following:

- 1- Such policies shall include proper disclosure methods that enable the shareholders and other Stakeholders to access the financial and non-financial information pertaining to the Company's

performance and information in respect of ownership of shares, and to obtain a comprehensive view of the Company's position;

- 2- Disclosure to shareholders and investors shall be made without discrimination in a clear, correct and non-misleading fashion, and in a timely, regular and accurate manner in order to enable shareholders and other Stakeholders to exercise their rights to the fullest extent;
- 3- The Company's website shall include all information required to be disclosed and any details or other information that may be published through other disclosure methods;<sup>24</sup>
- 4- Reporting rules shall be established and shall describe the information required to be disclosed and the method of its classification in terms of its nature, and the frequency of its disclosure; and
- 5- The disclosure policies shall be reviewed periodically and their compliance with the best practices and the provisions of the Capital Market Law and its implementing rules shall be verified.

#### **The Board's Report**

The Board's report shall include the Board's operations during the last fiscal year and all factors that affect the company's businesses, such report shall include the following:

- 1- Implemented and non-implemented provisions of these Regulations, and justifications therefor;
- 2- Names, qualifications, and experience of the Board and committees' members and Executive Management;
- 3- Names of the companies inside and outside the Kingdom in which a Board member is a member of their current or previous Board member or manager;
- 4- Composition of the Board and classification of its members, as follows: Executive Directors, Non-Executive Director, or Independent Director;
- 5- Procedure taken to the Board to inform its members, Non-Executive Directors in particular, of the shareholders' suggestions and remarks on the Company and its performance.
- 6- A brief description of the competencies and duties of the committees, such as the audit committee, the nomination committee and the remuneration committee indicating their names, names of their chairmen, names of their members, the number of their respective meetings, dates of those meetings and the members' attendance details of each meeting;
- 7- Where applicable, the means used by the Board to assess its performance, the performance of its committees and members and the external body which conducted the assessment and its relation with the Company, if any;
- 8- Disclose the remuneration of the Board members and Executive Management as stated in Article (90) of these Regulations;

- 9- Any punishment, penalty, precautionary procedure or preventive measure imposed on the Company by the Authority or any other supervisory, regulatory or judiciary authority, describing the reasons for non-compliance, the imposing authority and the measures undertaken to remedy and avoid such non-compliance in the future;
- 10- Results of the annual review of the effectiveness of the internal control procedures of the Company and the opinion of the audit committee with respect to the adequacy of the Company's internal control system;
- 11- The audit committee's recommendation on appointing an internal auditor for the Company, if it has made such recommendation in the last financial year.
- 12- The audit committee's recommendation with conflict with Board resolution or those which the Board disregards relating to the appointment, dismissal, assessment or determining the remuneration of an external auditor, as well as justifications for those recommendations and reasons for disregarding them.
- 13- Details of the Company's social contributions, if any;
- 14- A list of the dates of the General Assembly meetings held during the last fiscal year and the names of the Board members who attended them.
- 15- A description of the main scope of business of the Company and its affiliates. If there are two or more, a statement showing each activity and how it affects the Company businesses and results shall be attached.
- 16- A description of the company's significant plans and decisions (including changes to the structure, expanding the Company's operations or halting them) and the future expectations.
- 17- Information on any risks facing the Company (operational, financial or market related) and the policy of managing and monitoring these risks.
- 18- A summary in a form of table or graph showing the company's assets, liabilities and results of the last five fiscal year or since the incorporation date, whichever is shorter.
- 19- Geographical analysis of the company's and its affiliates' revenues.
- 20- Any material differences in the operational results compared to the preceding year's results, along with any expectations announced by the company.
- 21- Any inconsistency with the standards approved by the Saudi Organization for Chartered and Professional Accountants.
- 22- Name of each affiliate company, its capital, the company's ownership percentage, the main scope of business, country of operation and country of incorporation.
- 23- Details of shares and debt instruments issued for each affiliate company.

- 24- A description of the dividends distribution policy.
- 25- A description of any interest in a class of voting shares held by persons (other than the company's directors, Senior Executives and their relatives) who have notified the Company of their holdings pursuant to Article 85 of the Rules on the Offer of Securities and Continuing Obligations, together with any change to such interests during the last fiscal year;
- 26- A description of any interest, contractual securities or rights issue of the Board members, Senior Executives and their relatives on shares or debt instruments of the Company or its affiliates, and any change on these interest or rights during the last fiscal year.
- 27- Information on any loans (payable upon request or not), a statement of the total indebtedness of the Company and its affiliates, any amounts paid by the Company in repayments of loans during the year, the amount of the principal debts, the creditor name, the loan term and remaining amount. In case there is no debts, a declaration thereof shall be presented.
- 28- A description of the class and number of any convertible debt instruments, contractual securities, preemptive right or similar rights issued or granted by the Company during the fiscal year, as well as stating any compensation obtained by the Company in this regard.
- 29- A description of any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted by the company.
- 30- Description of any redemption, purchase or cancellation by the Company of any redeemable debt instruments and the value of such securities outstanding, distinguishing between those listed securities purchased by the Company and those purchased by its affiliates.
- 31- The number of Board meetings held during the last financial year, their dates and the attendance record of each meeting listing the names of the attendees.
- 32- Numbers of company's requests of shareholders records, dates and reasons thereof.
- 33- A description of any transaction between the Company and any Related Party.
- 34- Information relating to any business or contract to which the Company is a party and in which a director of the Company, a Senior Executive or any person related to any of them is or was interested, including the names of persons in relation, the nature, conditions, durations and the amount of the business or contract. If there are no such businesses or contracts, the Company must submit a statement thereof.
- 35- A description of any arrangement or agreement under which a director or a Senior Executive of the Company has waived any remuneration.
- 36- A description of any arrangement or agreement under which a shareholder of the Company has waived any rights to dividends.

- 37- A statement of the value of any paid and outstanding statutory payment on account of any zakat, taxes, fees or any other charges that have not been paid until the end of the annual financial period with a brief description and the reasons therefor.
- 38- A statement as to the value of any investments made or any reserves set up for the benefit of the employees of the company.
- 39- Declarations that:
  - a. Proper books of account have been maintained;
  - b. The system of internal control is sound in design and has been effectively implemented; and
  - c. There are no significant doubts concerning the company's ability to continue its activity.
- 40- The external auditor's report contains reservations on the annual financial statements, the Board report shall highlight this mentioning the reasons and any relevant information.
- 41- If the Board recommended replacing the external auditor before the end of its term, the report shall indicate this mentioning the reasons for the replacement recommendation.
- 42- Information relating to any competing business with the Company or any of its activities that any member of the Board is engaging in or was engaging in such competing businesses, including the names of persons in relation, the nature, conditions of such competing businesses. If there are no such competing businesses, the Company must submit a statement thereof.

#### Disclosure by the Board

The Board shall regulate the disclosures of each of its members and the members of the Executive Management, observing the following:

- 1- Maintaining a register for the disclosures of the Board members and the Executive Management and updating it regularly based on disclosures required as per the Companies Law, the Capital Market Law and their implementing regulations; and
- 2- Making such register available for review by the Company's shareholders free of charge.

#### Disclosure of Remunerations

The Board shall

- 1- Disclose the remuneration policy and the method by which remunerations of the Board and executive management are determined;
- 2- Provide an accurate, transparent and detailed disclosure in the Board report on the remunerations granted to the Board members and Executive Management, directly or indirectly, without any omission or misleading information, and whether these were in cash or other benefits of any nature. In case they were shares of the Company, the value of the shares is the market value on the due date;



- 3- Explain the relationship between remunerations granted and applicable remuneration policy, highlighting any significant deviation from such policy;
- 4- A description of the necessary details with respect to the remunerations and compensations granted to each of the following, separately:
  - a) Board members;
  - b) Five Senior Executives who have received the highest remuneration from the Company, provided that the chief executive officer and chief financial officer are among them.
  - c) Members of committees.
- 5- The disclosures in this article and in the Board, report shall be pursuant to the appended schedule.

#### **Implementation of Effective Governance**

The Board shall establish governance rules for the Company in accordance with the provisions of these Regulations, and shall monitor their implementation, verify their effectiveness, and amend them as necessary. To that end, the Board shall:

- 1- Verify that the Company is in compliance with these rules;
- 2- Review and update the rules pursuant to statutory requirements and best practices;
- 3- Review and develop codes of professional conduct representing the Company's values and other internal policies and procedures in order to fulfill the Company's requirements and in accordance with best practices; and
- 4- Regularly inform the Board members of the developments in corporate governance and best practices, or authorise the audit committee or any other committee or department to undertake this task.

#### **Formation of a Corporate Governance Committee**

If the Board forms a corporate governance committee, it shall assign to it the competencies stipulated in Article (91) of these Regulations. Such committee shall oversee any matters relating to the implementation of governance, and shall provide the Board with its reports and recommendations at least annually.

#### **Retaining of Documents**

A Company shall retain all minutes, documents, reports and other papers required to be maintained in the company's head office for at least ten years as per these Regulations. This shall include the Board report and audit committee report. Without prejudice to this period, a company, in case of any lawsuit (filed or threatened to be filed) or ongoing claim or any investigation relating to those minutes, documents, reports and other papers, shall maintain them until the end of the ongoing lawsuit, claim or investigation.

#### **Chapter Seven**

#### **Final provisions**

#### **Providing the Additional data and Information**

The Authority may request from the Company any additional information or details it deems necessary to verify the extent of its compliance with the provisions of these Regulations
<b>Publication and Entry into Force</b>
These Regulations shall be effective as per its approval resolution.

#### Board of Directors Approval of the Company's Corporate Governance Regulations

Signature	Board Member Name	M
	Dr. Obaid Saad Al-Subaie Chairman of the Board of Directors	1
	Mr. Abdulaziz Abdul Mohsen Al-Bakr Vice Chairman	2
	Mr. Ahmed Abdullah Abdulrahman Almohsen Board Member	3
	Mr. Khalid Ahmed Al-Hamdan Board Member	4
	Mr. Khaled Mohammed Al-Hinaki Board Member	5
	Dr. Abdul Rahman Ahmed Al-Mufarreh Board Member – Chief Executive Officer	6
	Mr. Meshaal Abdul Rahman Al-Aqla Board Member	7



شركة المصافي العربية السعودية  
Saudi Arabian Refineries Company

	Mr. Nael Samir Fayeze Board Member	8
--	---------------------------------------	---