



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

## التحديث على نظام الحوكمة للشركة لعام 2021م

Corporate Governance Regulations	Corporate Governance Regulations
<b>Part 1 Preliminary Provisions</b>	
<p><b><u>Article 1: Objectives of the Regulations</u></b></p> <p>This regulation aims to establish clear, robust and effective governance practices to form the basis of The Arab Pipe Company's future leadership to ensure its long-term continuity. The document also specifically establishes the highest standards and best practices in corporate governance with a special focus on the requirements of relevant regulators and global best practices in corporate governance.</p> <p>This regulation deals with the governance mechanisms of The Arab Pipe Company and its entities and subsidiaries in Saudi Arabia and abroad.</p> <p>More specifically, this regulation includes a comprehensive and detailed record of the governance framework of The Arab Pipe Company, the governance structure of the Board of Directors and executive management governance, as well as the clarification of the most important policies, and the tools and functions of the company's control and control. The governance regulation also aims to:</p> <ol style="list-style-type: none"><li>1) enhancing the role of the Company's shareholders and facilitating the exercise of their rights;</li><li>2) Stating the competencies and responsibilities of the Board and the Executive Management;</li><li>3) enhancing the role of the Board and the committees and developing their capabilities to enhance the Company's decision making mechanisms;</li><li>4) achieving transparency, impartiality and equity in the Exchange, its transactions, and the business environment and enhance disclosure therein;</li><li>5) providing effective and balanced tools to deal with conflicts of interest;</li><li>6) enhancing accountability and control mechanisms for the Company's employees;</li><li>7) establishing the general framework for dealing with Stakeholders and protecting their rights;</li><li>8) supporting the effectiveness of the system for overseeing Companies and the tools thereof; and</li><li>9) Raising the awareness of Companies in respect of the concept of professional conduct and encouraging them to adopt and develop such concept in accordance with their nature.</li></ol>	<p><b><u>Article (1): Introduction</u></b></p> <p>- This regulation aims to highlight the policies ,rules and standards that the Arabian Pipes Company follows in its practice of the concepts of good governance and the principles of governance, which ensure the protection of the rights of its shareholders and the rights of the stakeholders. Pipes in light of the regulations and instructions of the competent authorities, guided by the regulation issued by the Capital Market Authority for corporate governance in the Kingdom of Saudi Arabia.</p>



**Article 2: Definitions**

The following terms in this list mean the meanings described in the system and the list of terms used in the CMA regulations and for the purpose of applying the provisions of the governance system of The Arab Pipe Company means the words and phrases below the meanings described in front of each of them unless the context of the text requires otherwise:

Independent member	A non-executive member of the Board who enjoys complete independence in his position and decisions and none of the independence affecting issues stipulated in Article 20 of these Regulations apply to him.
--------------------	--

**Article (2): Definitions:**

-The purpose of implementing the provisions of these regulations. The words and expressions set forth below have the meanings shown opposite each of them, unless the context of the text stipulates otherwise.

Independent member	<ul style="list-style-type: none"><li>• A member of the board of directors who enjoys complete independence. Among the things that are contrary to independence, for example, but not limited to, any of the following:<ul style="list-style-type: none"><li>❖ To be the owner of five percent or more of the company's shares or any company in its groups.</li><li>❖ To be a representative of a legal person who owns five percent or more of the company's shares or any company in its groups.</li><li>❖ He has been a senior executive during the past two years of the Arabian Pipes Company or any company in its groups.</li><li>❖ He has a first-degree relative relationship with any of the board members of the Arabian Pipes Company or any company in its groups.</li><li>❖ To be a first-degree relative of any of the senior executives of the Arabian Pipes Company or any company in its groups.</li><li>❖ To be a member of the board of directors of any company within the group of the company nominated for membership in its board of directors</li></ul></li></ul>
--------------------	--



			❖ To be an employee during the past two years with any of the parties associated with the Arabian Pipes Company, such as chartered accountants and major suppliers, or to be the owner of controlling shares with any of those parties during the past two years.
Non-executive member	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.	Non-executive member	A member of the board of directors who is not dedicated to managing the company, or who does not receive a monthly or annual salary from it.
<b>Relatives</b>	<ul style="list-style-type: none"> <li>Fathers, mothers, grandfathers and grandmothers (and their ancestors).</li> <li>Children, grandchildren, and their descendants.</li> <li>Siblings, maternal and paternal half-siblings.</li> <li>Husbands and wives.</li> </ul>	First-degree relatives	Father, mother, husband, wife and children.
Stakeholder	Any person who has an interest in the Company, including employees, creditors, customers, suppliers and the community.	Stakeholder	Every person who has an interest with the company, such as shareholders, employees, creditors, customers, suppliers, and society
Cumulative voting	A voting method for selecting members of the Board of Directors that gives each shareholder a voting power according to the number of shares he owns, so that he is entitled to vote in it for one candidate or divide it among the candidates he chooses without any repetition of these votes. This method increases the chances of minority shareholders obtaining representation on the board of directors through the cumulative votes of one candidate.	Cumulative voting	A voting method for selecting members of the Board of Directors that gives each shareholder a voting power according to the number of shares he owns, so that he is entitled to vote in it for one candidate or divide it among the candidates he chooses without any repetition of these votes. This method increases the chances of minority shareholders obtaining representation on the board of directors through the cumulative votes of one candidate.
It has been canceled		Minority shareholders	<ul style="list-style-type: none"> <li>Shareholders who represent a class that does not control the company and is unable to influence it.</li> </ul>



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

Company	Arabian Pipes Company
Companies Law	The Companies Law issued by Royal Decree No. (M/3) dated 28/1/1437 AH.
Capital Market Law	The Capital Market Law issued by Royal Decree No. (M/30) dated 2/6/1424 AH.
Listing Rules	The Listing Rules approved by the board of the Capital Market.
Authority:	The Capital Market Authority.
The Exchange	The Saudi Stock Exchange.
Board	The Arabian Pipes Board of Directors.
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.
Administrative Team	A group of individuals who make strategic decisions of the person. The Board is the Company's Administrative Team.
The Group	When referring to a person, means the person and his affiliates.



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

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.
Substantial Shareholders	Any person who owns (5%) or more of the shares of the Company or voting rights therein.
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 delegates and the Chief Financial Officer (CFO).
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.
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.
Related Parties	<ol style="list-style-type: none"><li>1. Substantial Shareholders of the company.</li><li>2. Board members of the Company or any of its affiliates and their relatives.</li><li>3. Senior Executives of the Company or any of its affiliates and their relatives.</li><li>4. Board members and Senior Executives of Substantial Shareholders of the company.</li><li>5. Entities, other than companies, owned by a Board member or any Senior Executive or their relatives.</li><li>6. Companies in which a Board member or a Senior Executive or any</li></ol>



	<p>of their relatives is a partner.</p> <p>7. Companies in which a Board member or a Senior Executive or any of their relatives is a member of its Board of directors or is one of its Senior Executives.</p> <p>8. Joint stock companies in which a member of the Board or a Senior Executive or any of their relatives owns (5%) or more, subject to the provisions of paragraph (4) of this definition.</p> <p>9. Companies in which a Board member or a Senior Executive or any of their relatives has influence on their decisions even if only by giving advice or guidance.</p> <p>10. Any person whose advice or guidance influence the decisions of the Company, the Board and the Senior Executives.</p> <p>11. Holding companies or affiliates.</p> <p>Advice or guidance that is provided on a professional basis by a person licensed to provide such advice shall be excluded from the provisions of paragraphs (I) and (J) of this definition.</p>	
Remunerations	<p>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.</p>	
<p><b><u>Article 3: Governance framework and structure</u></b> The Governance Regulation of The Arab Pipe Company is based on the following principles: <b><u>Accountability:</u></b> The governance system allows all shareholders to question the company and provide advice to the company's board of directors on how to develop</p>		



the company's strategy and control management.

**Justice:** The company undertakes to protect the interests of shareholders and emphasizes equality among them, including minority shareholders.

**Transparency:** The Company affirms its commitment to the time and accuracy of disclosure of all information related to its performance, financial position and ownership structure as well as other information imposed by the relevant regulations and regulations, including substantial developments in the company's business through specific disclosure channels that enable the relevant parties, shareholders, the public and regulators to easily access it.

**Responsibility:** The Company understands that the rights of all stakeholders associated with the company may be guaranteed by this governance system. The Company considers that the existence of a specialized and qualified board of directors to manage its affairs is the basis of a good system of corporate governance, and that the Board of Directors through its supervision, guidance and control of the executive management of the company has a great impact on protecting the interests of its shareholders. The company's governing body also plays an important role in implementing the provisions of this governance system, so effective joint cooperation between all internal organs of the company and the clear separation of powers among them is one of the most important elements of the success of the governance system.

**Article 4: 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), 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.

**Part 2: Rights of Shareholders**

**Chapter Two Shareholders' rights and the general assembly**



**Article 5: Fair Treatment of Shareholders**

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

**Article 6: Rights related to shares**

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

- 1) to obtain his portion of the net profits which are to be distributed in cash or through the issuance of shares;
- 2) to obtain his 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 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 are per Article (140) of the Company's

**Article (3): General Rights of Shareholders**

It proves to the shareholders all rights related to the share, and in particular the right to receive a share of the profits to be distributed, the right to obtain a share of the company's assets upon liquidation, the right to attend shareholders' assemblies, participate in its deliberations and vote on its decisions, including amending the company's articles of association and electing Members of the Board of Directors and approval of the selection of the auditor, the right to dispose of the shares and transfer their ownership and the right to contribute to the increase of the capital, the right to monitor the work of the board of directors and to file a liability lawsuit against the members of the board if the mistake made by them would cause special harm to him and the shareholder may not file a lawsuit The aforementioned unless the company's right to file it is still valid, and the shareholder must notify the company of his intention to file the lawsuit. If the shareholder filed the aforementioned lawsuit, he shall not be adjudged except to the extent of the harm he suffered, and the right to inquire and request information in a manner that does not harm the interests of the company, and the shareholders who represent at least 5% of the capital may request the Commercial Companies Dispute Resolution Authority to order the inspection of the company if Find out to them from the behavior of the members of the board of directors or the account auditors in the affairs of the company that calls for suspicion.





العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

<p>Law.</p> <p>9) to record his name in the Company's shareholders register;</p> <p>10) to request to view a copy of the Company's articles of association and bylaws unless the Company publishes them on its website;</p> <p>11) To nominate and elect the Board members.</p>	
<p><b><u>Article 7: Shareholder access to information</u></b></p> <p>a) The Board shall make available to the shareholder complete, clear, accurate and non-misleading information to enable him to properly exercise his rights. Such information shall be provided at the proper times and shall be updated regularly.</p> <p>b) 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 class.</p> <p>c) The Company shall use the most effective methods in communicating with shareholders and shall not discriminate among shareholders in respect of providing information</p>	<p><b><u>Article (4): Facilitating shareholders 'exercise of their rights and access to information</u></b></p> <p>1-The Arabian Pipes Company is committed to preparing all necessary means and precautions to ensure that all shareholders can exercise their statutory rights on an equal basis without discrimination.</p> <p>2-All information that enables shareholders to fully exercise their rights must be provided, so that this information is complete and accurate, and to be presented and updated in a regular manner and within the specified dates, and the company must use the most effective method of communicating with shareholders, and it is not permissible to distinguish between shareholders with regard to By providing information.</p> <p>3-The Arabian Pipes Company is obligated to answer the questions and inquiries of all its shareholders without discrimination to the extent that does not compromise the interest of the company</p>
<p><b><u>Article 8: Communicating with Shareholders</u></b></p> <p>a) 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.</p> <p>b) 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.</p> <p>c) No shareholder may intervene in the operations of the Board or the work of the Executive Management of the Company unless he is a member of its Board or its management team; or unless his intervention is through the Ordinary General Assembly according to its powers or within the limits and situations permitted by the Board.</p>	



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

#### **Article 9: Electing the Board Members**

- a) Upon calling for the General Assembly, the Company shall announce on the Exchange's website information about the nominees for the membership of the Board which shall include the nominees' experience, qualifications, skills and their previous and current jobs and memberships. The Company shall make a copy of the mentioned information available in the Company's head office and its website.
- b) Cumulative voting shall be used in electing the Board, in which it is not allowed to use the voting right of a single share more than once.
- c) Voting in the General Assembly shall be confined to the Board nominees whose information has been announced as per paragraph (a) of this Article.

#### **Article 10: Distribution of Dividends**

- 1) The Company's bylaws shall prescribe the percentage of the net profits to be distributed to the shareholders after setting aside the statutory reserve and the other reserves.
- 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.
- 3) The shareholder is entitled to receive his 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 Regulatory Rules and Procedures issued pursuant to the Companies Law related to Listed Joint Stock Companies.

#### **Article 10: Shareholders' equity in dividends**

##### **a. Profit Distribution Policy:**

The policy of distributing profits in the Arab Pipes Company is based on achieving lucrative returns and gains for the investors in the shares of the Arabian pipes Company, so that the impact of those returns and gains extends to include:

1. Distribute a rewarding cash dividends to the shareholders, after taking into account the various factors that existing at the time of distribution, including the financial position of the Arabian pipes Company, working capital requirements, distributable profits, the credit limits available to the company, in addition to the general economic situation
2. Increasing and maximizing the value of the share by increasing the positive factors that affecting the value of the share, including:
  - 2/1 Working to increase shareholders' equity and thus increase the book value of the share.
  - 2/2 Disclosure, at appropriate times, in a manner that meets the requirements of the Financial Market Authority's system about news, data and information that affect the value of shares



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

3. Granting of free shares to shareholders in the event that the conditions and requirements for that related to the retained earnings and the components of shareholders' equity in the centers and the financial statements of the Arab pipes Company

4. Eligibility for profits, whether in cash dividends or bonus shares, is for shareholders registered in the records of the securities depository center at the end of trading on the day of the meeting of the general assembly.

b. Distribution of profits: (Article 42)

Based on the decision of the General Assembly to distribute profits to shareholders, the net annual profits of the company shall be distributed after deducting all public expenses and other costs, including zakat imposed by Sharia as follows:

- (10%) of the net profits are set aside to form a statutory reserve, and the Ordinary General Assembly may stop this set-aside whenever the aforementioned reserve reaches half of the capital.

-The company may set aside 30% of the net profits to form an agreement reserve that allocated to support the financial position of the company

-From the remainder, a first payment is distributed to the shareholders equivalent to (5%) of the paid capital.

-After the aforementioned, (5%) of the remainder shall be allocated to the remuneration of the Board of Directors, up to a maximum of two hundred thousand riyals for each member, and the remainder shall be distributed after that to the shareholders as an additional share in the profits.

The company pays the dividends to be distributed to the shareholders at the place and dates specified by the Board of Directors.



**Article 10: Rights Related to the Meeting of the General Assembly**

General Shareholders Assemblies of the Company are competent in all of its affairs. A duly-constituted General Assembly represents all shareholders in exercising their powers in respect of the Company. The General Assembly shall exercise its role in accordance with the provisions of the Companies Law and Its Implementing Regulations and the Company's bylaws.

**Article 12: Competencies of the Extraordinary General Assembly**

The Extraordinary General Assembly shall have the following Competencies:

- 1) amending the Company's bylaws, except for amendments which are deemed null and void pursuant to the provisions of the Companies Law;
- 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) resolving to form a consensual reserve for the Company as provided for in its bylaws to be set aside for a specific purpose, and the disposal thereof;
- 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 approving their buying, or converting ordinary shares into preferred shares or converting preferred shares into ordinary shares as per the Company's bylaws and the Regulatory Rules and Procedures issued pursuant to the Companies Law related to 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

**- Article (7): The General Assembly Voting Powers (Article 28):**

**(A) Ordinary General Assembly**

Specializes in all matters related to the company, including the following:

- 1-Approval of the annual report of the Board of Directors.
- 2-Approval of the company's balance sheet.
- 3-Discharge the members of the board of directors of liability for their period of administration.
- 4- Election and dismissal of members of the Board of Directors.
- 5- Approval of the selection of the auditing committee nominated by the auditing committee.
- 6-Approval of the proposal of the Board of Directors regarding the distribution of profits.
- 7-Approving the controls for selecting the Audit Committee and the Remuneration and Nominations Committee.

**(B) The Extraordinary General Assembly:**

- It is concerned with amending the company's bylaw with the exception of provisions that it is forbidden to amend by law. In addition, it has the right to issue decisions on internal matters in the jurisdiction of the Ordinary General Assembly with the same conditions and conditions for the Ordinary Assembly, Article (29)
- When the term of the company expires and if it is dissolved before the specified term, the extraordinary general assembly decides on the proposal of the board of directors the method of liquidation and appoints one or more liquidators and their powers and fees are determined and the authority of the board of directors ends with the termination of the company (Article 46)
- It is permissible by a decision of the extraordinary general assembly to increase the



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

deemed in the interest of the Company if so is provided for in the Company's bylaws.

11) 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 require that the absolute majority of shares be represented at the meeting.

capital of the company one or more times by issuing new shares, provided that the original capital has been paid in full, and the decision specifies the method of increasing the capital (Article 14)

- It is permissible, by a decision of the third general assembly, to reduce the capital if it exceeds its need or if it suffers losses (Article 15)



### **Article 13: Competencies of the Ordinary General Assembly**

Except for the competencies reserved to the Extraordinary General Assembly, the Ordinary General Assembly shall have competencies in all affairs of the Company, and particularly the following:

- 1) appointing and dismissing 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) forming the audit committee pursuant to the provisions of the Companies Law and Its Implementing Regulations;
- 6) approving the Company's financial statement ;
- 7) approving the Board report;
- 8) deciding on the proposals of the Board with respect to the method of distributing the net profits;
- 9) appointing the external auditors of the Company, specifying their remunerations, reappointing them, replacing them and approving their reports;
- 10) 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;

11) resolving to withhold from setting aside statutory reserve when it reaches an amount equal to (30%) of the Company's paid share capital, and resolving to distribute the surplus of such percentage to the Company's shareholders in financial years where the Company does not generate net profits;

12) using the Company's consensual reserve, if such has not been set aside for a specific purpose, provided that using such reserve shall be based on a proposal submitted by the Board and used in ways that benefit the Company or the shareholders;

13) forming other reserves besides the statutory reserve and consensual reserve and disposal of the same;

14) setting aside amounts from the Company's net profits to set up social organisations for the benefit of the Company's employees or to assist any such existing establishments in accordance with Article (129) of the Companies Law; and

15) 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.

**Article 14: 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 Ordinary General Assembly shall convene at least once per year 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 upon the request of the external auditor, the audit committee or a number of shareholders holding shares equal to at least (5%) of the share capital of the Company. The external auditor may invite the assembly to convene if the Board does not invite the assembly within thirty days from

**Article (5): Shareholders' rights related to the general assembly meeting**

1-The general assembly convenes at the invitation of the board of directors at least once a year during the months of the year following the end of the company's fiscal year, and other ordinary assemblies may be called whenever the need arises (Article 28)

2- The general assemblies shall convene at the invitation of the board of directors, and the board of directors must call the ordinary general assembly to a meeting upon the request of the auditor or a number of partners whose ownership represents (5%) of the capital at least (Article 30).

3- The meeting, location and agenda of the general assembly shall be announced before



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

the date of the external auditor's request.

4) 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, the Company's website and in a daily newspaper distributed in the province where the Company's head office is located. The Company may invite the General and Special Shareholders' Assemblies to convene using methods of contemporary technologies.

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 Regulatory Rules and Procedures issued pursuant to the Companies Law related to 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 date (at least twenty-five days), and the invitation is published on the company's website and in two widely circulated newspapers in the Kingdom of Saudi Arabia and on the website of the Capital Market Authority, and modern technology means should be used to contact the shareholders (Article 30)

4-For the validity of the ordinary general assembly meeting, the attendance of a number of shareholders representing at least half of the capital, and if this majority is not available, an invitation will be issued for a second meeting to be held at least thirty days after the invitation is issued, and this meeting is valid regardless of the number of partners (Article 32)

5-The Arabian Pipes Company provides its shareholders, regardless of the number of shares they own, the opportunity to actively participate and vote in the shareholders' general assembly meetings, and inform them of the rules governing those meetings and voting procedures.

6-The Arabian Pipes Company works to facilitate the participation of the largest number of shareholders in the General Assembly meeting, including choosing the appropriate place and time.

7- When preparing the agenda for the general assembly meeting, the board of directors takes into consideration the topics that the shareholders wish to include on the meeting agenda. The shareholders who own at least 5% of the company's shares may add one or more subjects to the agenda of the general assembly when preparing it.

8-Shareholders have the right to discuss topics on the agenda of the general assembly and to direct questions about them to members of the board of directors and the chartered accountant. The board of directors or the chartered accountant must answer the





العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

shareholders' questions to the extent that it does not expose the interest of the company to harm, and if the shareholder believes that the response to the question is unconvincing, he applies to the association and its decision in this regard is effective (Article 36)

9-The topics presented to the General Assembly must be accompanied by sufficient information to enable shareholders to take their decisions.

10-The Arabian Pipes Company enables its shareholders to view the minutes of the general assembly meeting, and the company also provides the Authority with a copy of the meeting minutes within ten days from the date of its meeting (Article 31)

11-The Arabian Pipes Company informs the Capital Market Authority of the results of the associations upon their completion.

12- Decisions in the Ordinary General Assembly shall be issued by an absolute majority of the shares represented in the meeting. The decisions of the Extraordinary General Assembly shall also be issued by a majority of two-thirds of the shares represented in the meeting, unless the decision is related to an increase or decrease in the capital, prolonging the company's term or dissolution of the company before the expiry of the specified period in By its statute or the merger of the company, the decision will not be valid unless it is issued by a majority of three quarters of the shares represented at the meeting (Article 35).

13-The General Assembly shall be chaired by the Chairman of the Board of Directors or the member who acts on his behalf in the event of his absence. The President shall appoint a secretary for the meeting and gather the votes. At the meeting of the Assembly he shall draw up a report that includes the names of the present shareholders or their representatives, the number of shares in their possession by original or proxy, the number of votes decided for it, the decisions taken and the number of votes Which you agreed to

	<p>or disagreed with and a full summary of the discussions that took place in the meeting and the recording of minutes on a regular basis after each meeting in a special record signed by the president of the association and its secretary and the collector (Article 37)</p>
	<p><b><u>Article (6): Voting methods and rights</u></b></p> <p>1-Voting is a basic right for a shareholder that cannot be canceled in any way, and the company must avoid setting any procedure that may impede the use of the right to vote, and the shareholder's exercise of his right to vote must be facilitated and facilitated, and the equal treatment of shareholders is achieved.</p> <p>2-The votes in the ordinary and extraordinary general assemblies are calculated on the basis of one vote per share. Nevertheless, members of the board of directors may not vote on the assembly's decisions related to absolving them of their liability for the term of their administration.</p> <p>3- The voting process is carried out using the ballot method through the voting card that is distributed to the shareholders present or their representatives at the meeting. The company must prepare this card well in advance of the meeting and include the names of the candidates for membership of the Board of Directors and the items on the agenda.</p> <p>4- The Arabian Pipes Company follows the method of cumulative voting when voting for members of the board of directors in the general assembly by granting each shareholder a voting power with the number of shares he owns to give minority shareholders a chance to be represented in the board of directors through the cumulative votes.</p>



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

	<p>5-The company must review the annual reports of investors from legal persons who act on behalf of others, such as - investment funds - to learn about their voting policies and their actual vote and how they deal with any fundamental conflict of interest that may affect the exercise of the basic rights related to their investments</p>
	<p><b>Article 8 - Controls of attendance by proxy</b></p> <p>The shareholder may delegate - in writing - another shareholder to attend the General Assembly meeting according to the following controls:</p> <p>First: The power of attorney must include the following basic information:</p> <ol style="list-style-type: none"><li>1. The name of the shareholder in quarter, the name of the company or the institution according to what is recorded in the commercial registry</li><li>2. Number of shares</li><li>3. Civil registry / commercial registration number for the shareholder.</li><li>4. The name of the agent in quarter.</li><li>5. The agent's civil registry number.</li><li>6. The name and description of the location of the agency - provided that a copy of the legitimate agency is attached in case the location of the agency is a legitimate agent.</li><li>7. Date of authorization.</li></ol> <p>Second: To accept the power of attorney, the following elements are required:</p>



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

1. Sharia agencies must explicitly stipulate the right of the agent to attend the general assemblies of joint-stock companies and vote on the items of their agenda, provided that the agent is one of the shareholders of the company.
2. The power of attorney should be issued by a shareholder or his legal agent who is not the company's employees or members of its board of directors, and that the power of attorney is certified by one of the following authorities:
  - The Chamber of Commerce and Industry when the shareholder is affiliated with one of them, and also the case if the shareholder is a company or legal institution.
  - Saudi banks provided that the client has an account with the certified bank.
  - The entity in which the shareholder wishing to authorize works.
  - A government agency.

Third: That the value of shares in power of attorneys issued to one shareholder does not exceed (5)% of the company's capital, unless the power of attorneys issued by one shareholder and his family members.

Fourth: That the power of attorney be for a specific meeting.

Fifth: That the power of attorney is for non-members of the board of directors, company employees, or those assigned to carry out in a permanent capacity technical or



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

	<p>administrative work for its account.</p> <p>Sixth: The company may not designate a specific shareholder to receive the power of attorneys.</p> <p>Seventh: The original certified power of attorney must be submitted, and the copy is not accepted.</p> <p>Eighth: The power of attorneys to the company must arrive at least three days before the date of the assembly, and a committee of the company's employees shall be formed with the participation of the representative of the Ministry of Trade and Industry in the meeting to sort out the submitted proxies and ensure their validity and completion of their statements.</p> <p>Ninth: The power of attorneys that violating these rules will be excluded.</p>
	<p><b>Article9-The legal quorum for the general assembly meetings of the shareholders</b></p> <p>The ordinary general assembly meeting is not valid unless attended by shareholders representing at least half of the capital, and if this quorum is not available at the first meeting The invitation has been issued to a second meeting to be held during the thirty days following the previous meeting, and the invitation will be published on the Market website and the Arab Company for Electronic Pipes website and in two newspapers</p>



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

widely circulated in the Kingdom, and the second meeting is considered valid regardless of the number of shares represented in it. (Article 32)

An extraordinary general meeting will not be valid unless attended by shareholders that representing at least half of the capital. If this quorum is not available at the first meeting, an invitation is called for a second meeting to be held during the thirty days following the previous meeting, and the invitation will be published on the market website, the Arabian pipes, and in two newspapers widely spread in the Kingdom, and the second meeting will be valid if it is attended by a number of shareholders representing a quarter of the capital at least (Article 33)



**Article 15: The Agenda of the General Assembly**

- a) 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 (5%) of the Company's shares are entitled to add one or more items to the agenda upon its preparation.
- b) 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 Board members have a direct or indirect interest under one item, for the purpose of obtaining the shareholders' vote for the item as a whole.
- c) 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.
- d) The Authority may add any items it deems appropriate to the agenda of the General Assembly.

**Article 16: 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).
- 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 jeopardise the Company's interest.
- 4) Shareholders shall be granted access to the minutes of the General Assembly



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

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.

### Part 3 :The Board of Directors

#### Article 17: Formation 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 19 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.

#### Article 18: Composition of the Board of Directors

- A- The management of the company - in accordance with Article (8) of the founding contract of the Arab Company for Pipes - shall be managed by a board of directors consisting of seven members appointed by the General Assembly for a period of three years.
- B- The majority of the members of the Board of Directors must be non-executive members.
- C- The number of independent board members must not be less than two or one-third of the board members, whichever is more.
- D- A member of the board of directors must be the owner of a number of company shares whose value is not less than ten thousand riyals.
- E- Membership in the Board of Directors in accordance with Article (18) of the Articles of Association of the Arab Company for Pipes shall be terminated for one of the following reasons:
  - 1- The expiring date
  - 2- According to any system or instructions in effect in the Kingdom of Saudi Arabia.
- F- If the position of one of the members becomes vacant during the year, the Board shall appoint a member of the vacant position, provided that this appointment is





العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

submitted to the first ordinary general assembly for approval and the appointed member completes the term of his predecessor, and if the number of members of the Board of Directors falls below the quorum necessary for the validity of its meetings - which is half of the members - an invitation must be made. The Ordinary General Assembly as soon as possible to appoint the necessary number of members.

H- Upon the termination of membership of a member of the Board of Directors by any of the methods of termination of membership, the company must promptly notify the CMA, stating the reasons for this.

I- It is not permissible for a member to occupy the board of directors of more than five joint stock companies simultaneously.

J- A person with a legal capacity who is entitled according to the company's bylaw to appoint representatives to the board of directors may not vote on selecting the other members of the board of directors.

K- It is prohibited to combine the chairman of the board of directors with any executive position in the company, such as the managing director, the CEO, or the general manager.

L - The general assembly may dismiss all or some of the members of the board of directors at all times, even if the company's articles of association stipulate otherwise.



**Article 18: Appointment of the Board members Board**

1. The Board of Directors of The Arab Pipe Company is made up of eight members appointed by the General Assembly for a three-year ad session.b) The General Assembly shall elect the Board members for the term stated in the Company's bylaws, provided that such term shall not exceed three years. Board members may be re-elected, unless otherwise provided for in the Company's bylaws.
2. 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.
3. 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.

**Article 19: Conditions for the membership of the Board1**

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

- 1) **Ability to lead:** He shall enjoy leadership skills, which enable him 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 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 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 shall also be able to provide strategic guidance and long-term planning and have a clear future vision.
- 4) **Financial knowledge:** He shall have the ability to read and understand financial statements and reports.
- 5) **Physical fitness:** He shall not suffer from any health issue that may hinder him



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

<p>from performing his duties and responsibilities.</p> <p>The General Assembly shall take into account, when electing members to the Board, the recommendations of the nomination committee and the availability of the personal and professional capabilities required to perform their duties effectively pursuant to this Article.</p>	
	<p><b>Article 13: Objectives of Board of Directors</b></p> <p>The objectives of the Board of Directors of Arabian Pipes Company are based on the mission and vision of Arabian Pipes Company as follows:</p> <p><b><u>Mission of Arabian Pipes Company:</u></b></p> <p>Arabian Pipes Company applies the highest quality systems and seeks to localize the latest technologies and pipe industry solutions through the development of human resources</p> <p><b><u>Vision of Arabian Pipes Company:</u></b></p> <p>To be the pioneer in pipe industry and services in the Middle East and North Africa and to participate with our customers in the development of their business.</p>
	<p><b>Article Twenty-Three External Consultations of the Board of Directors</b></p> <p>Taking into account what was referred to in Article Twenty-Three related to the Audit Committee and its role in selecting the auditor, the Board may directly seek the expertise of independent specialized bodies from outside the executive management to provide advice on issues that the Board or committees emanating from the Board wish to obtain an independent opinion on. In this way, the Board may, at the expense of the company, contract with them directly, and in this case the management of the Arab Company for Pipelines is to enable the independent specialized body to view partial information related to the subject or to provide them with the required documents regarding it.</p>
	<p><b>Article Twenty-One: Remuneration and compensation for members of the Board of</b></p>



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

	<p><b>Directors</b></p> <p>Board members 'remuneration consists of:</p> <ul style="list-style-type: none"><li>A- The percentage established in the fifth paragraph of Article 42, paragraph 4 of the articles of association of the Arab Pipelines Company.</li><li>B- The remuneration of a member of the board of directors shall be in accordance with Article (20) of the company's articles of association</li></ul>
	<p><b>Article Twenty: Evaluation of Board Performance</b></p> <p>Taking into account the tasks of Paragraph (4) of Article Twenty Four of the duties of the Nominations and Remuneration Committee related to identifying weaknesses and strengths in the Board of Directors and proposing to address them in accordance with the interest of the company, the Chairman of the Board of Directors shall lead the evaluation process for members of the Board with the participation of independent members and the Chairman presents the evaluation results, including Evaluation criteria for each member include the following:</p> <ul style="list-style-type: none"><li>- Commitment to attend the sessions of the Board of Directors and the general assemblies of shareholders, and the member's ability to participate effectively in the meeting.</li><li>- Excellence and initiative to present ideas and creativity by presenting new investment ideas and neutral management and proposals that contribute to raising the company's financial and administrative performance.</li><li>- Good dealing with members and the executive management.</li><li>- Completing the tasks assigned to it by the council and its committees on time.</li><li>- Not to divulge company secrets.</li></ul>



	<ul style="list-style-type: none"><li>- The primacy of the public interest over the personal interest.</li><li>- Accept constructive criticism.</li><li>- Adherence to the council's bylaws and official regulations and instructions, especially those related to the principles of transparency and the conflict of interest regime.</li></ul> <p>In light of this evaluation, the chairperson may act as he deems necessary and inform the members thereof.</p>
<p><b>Article 20: Termination of a Board Membership</b></p> <p>1) The Company's bylaws shall specify the manner by which membership of the Board may be terminated. At all times, the Ordinary General Assembly may dismiss all or any of the Board members, even if the Company's bylaws provides for otherwise, without prejudice to the dismissed member's right for compensation if the dismissal was on an unacceptable reason or at inappropriate time. The General Assembly may also, s per a recommendation of the Board; terminate the membership of the member who missed three consecutive meetings without a legitimate excuse.</p> <p>2) Upon the termination of the membership of a Board member by any termination method, the Company shall promptly notify the Authority and the Exchange and shall specify the reasons for such termination.</p> <p>3) If a member of the Board resigns and has comments on the performance of the Company, he shall submit a written statement explaining such comments to the chairman of the Board and such statement shall be presented to the Board members.</p>	
<p><b>Article 21: Issues Affecting Independence</b></p> <p>1) An Independent Director shall be able to perform his duties, express his 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.</p> <p>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 independence.</p> <p>3) By way of example, the following negate the independence requirement for an Independent Director:</p>	



- a. If he 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 is a representative of a legal person that holds five percent or more of the shares of the Company or any company within its group;
- c. If he is a relative of any member of the Board of the Company, or any other company within the Company's group;
- d. If he is a relative of any Senior Executive of the Company, or of any other company within the Company's group;
- e. If he is a Board member of any company within the group of the Company, for which he is nominated to be a Board member.
- f. If he is an employee or used to be an employee, during the preceding two years, of the Company, of any party dealing with the Company or any company within its group, such as external auditors or main suppliers; or if he , during the preceding two years, held a controlling interest in any such parties;
- g. If he has a direct or indirect interest in the businesses and contracts executed for the Company's account;
- h. If the member of the Board receives financial consideration from the Company in addition to the remuneration for his membership of the Board or any of its committees exceeding an amount of (SAR 200,000) or 50% of his remuneration of the last year for the membership of the board or any of its committees, whichever is less.
- i. If he engages in a business where he competes with the Company, or conducting businesses in any of the company's activities.
- j. if he served for more than nine years, consecutive or inconsecutive, as a Board member of the Company.<sup>2</sup>

4) Unless the Nominations Committee considers otherwise, the businesses and contracts with the board member to meet his 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.



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

#### **Article 22: Responsibility of the Board**

1) The Board represents all shareholders; it shall perform its duties of care and loyalty in managing the Company's affairs, undertake all actions in the general interest of the Company, develop it, and maximise its value.

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

#### **Article 15: Responsibilities of the Board of Directors**

A) Subject to the terms of reference of the general assembly, the board of directors of the company assumes all the powers and authorities necessary to manage it, and the final responsibility for the company remains on the board even if it forms committees or authorizes other bodies or individuals to carry out some of its work, and the board should avoid issuing general or indefinite authorizations, taking into account the following:

- The meeting of the Board of Directors was properly convened in the presence of the minimum number of members stipulated in the articles of association, which is at least half of the members.
- The decision must obtain the required majority of the present members, which is the majority of the votes, and if the votes are equal, the side in which the Chairman shall prevail.
- Ensure that delegation is included in the powers of the board of directors and is not among the powers of the general assembly, or the regulations or company's articles of association prohibit the board of directors from doing it.
- The decision includes permission for the authorized person to obtain the instrument of legal power of attorney through the notary public.
- The delegation is within the limits of a specific work or works, the delegation ends after the end of the task or work assigned to the agent, and the board is informed of the results of the agent at the first next meeting.

B) The board of directors must perform its duties with responsibility, good faith, seriousness and concern, and its decisions must be based on adequate information



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

	<p>from the executive management or any other reliable source.</p> <p>C) A member of the board of directors represents all the shareholders, and he must be committed to doing what is in the interest of the company in general, and not in the interests of the group he represents or that voted to appoint him to the board of directors.</p> <p>D) The Board of Directors defines the powers that it delegates to the executive management, the decision-making procedures and the duration of the delegation, and determines the issues that it retains the authority to decide on, and the executive management submits periodic reports on its exercise of the delegated powers.</p> <p>E) The board of directors must ensure that procedures are in place to familiarize new board members with the company's work, especially the financial and legal aspects, as well as training them if necessary, including preparing an induction program for new board members as well as enabling them to conduct visits to the company's facilities and projects.</p> <p>The board of directors must ensure that the company provides adequate information about its affairs to all members of the board of directors in general and to non-executive board members in particular, in order to enable them to carry out their duties and tasks adequately.</p>
<p><b>Article 23: Main Functions of the Board</b> 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: 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:</p>	<p><b>Article 14: Basic Functions of Board of Directors</b> <u>Among the most important basic functions of the board of directors are the following:</u> A) Approving the strategic directions and main objectives of the company and supervising their implementation, including: 1- Developing, reviewing and directing the company's comprehensive strategy, main</p>





- a. setting a comprehensive strategy for the Company, key business plans and policies and mechanisms of the risk management and review and guide them
  - b. determining the most appropriate capital structure for the Company, its strategies and financial objectives, and approving all kinds of estimated budgets;
  - c. overseeing the main capital expenditures of the Company and the acquisition or disposal of assets;
  - d. setting performance indicators, and monitoring the implementation thereof and the overall performance of the Company;
  - e. reviewing and approving the organisational and human resources structures of the Company on a periodic basis; and
  - f. ensuring that the financial and human resources required for achieving the objectives and main plans of the Company are available.
- 2) setting rules and procedures for internal control and generally overseeing them, including:
- 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;
  - b. ensuring the integrity of the financial and accounting rules, including rules relating to the preparation of financial reports;
  - 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;

- business plans, and risk management policy.
- 2- Determining the optimal capital structure for the company, its strategy and financial objectives, and approving annual budgets.
  - 3- Overseeing the main capital expenditures of the company, and owning and disposing of assets.
  - 4- Review performance objectives and monitor implementation and overall performance in the company.
  - 5- Periodic review and approval of the company's organizational and functional structures.
  - 6- Formulating the future vision, mission and values of the company.
- B) Establishing regulations and controls for internal control and general supervision over them, including:
- 1- Ensure the implementation of policies governing conflicts of interest and address potential conflict situations for each of the members of the board of directors, executive management, shareholders and employees, including misuse of company assets and facilities, and misconduct resulting from dealings with related persons.
  - 2- Ensuring the integrity of the financial and accounting systems, including the systems related to the preparation of financial reports.
  - 3- Ensure the application of appropriate control regulations to manage risks, by defining the general perception of the risks that the company may face and presenting them transparently.
  - 4- Annual review of the effectiveness of the company's internal control procedures.



- 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. using the consensual reserve of the Company, if such has been formed by the Extraordinary General Assembly and has not been allocated to a specific purpose;
  - 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

- C) Ensure the implementation of policies that regulate the relationship with stakeholders in order to protect them and preserve their rights, as this policy covers in particular the following:
  - 1- Mechanisms for compensation of stakeholders in the event of violation of their rights recognized by the regulations and protected by contracts.
  - 2- Mechanisms for settling complaints or disputes that may arise between the company and stakeholders.
  - 3- Appropriate mechanisms for establishing good relationships with customers and suppliers and maintaining the confidentiality of information related to them.
  - 4- Rules of professional conduct for managers and employees of the company, in a manner that is consistent with sound professional and ethical standards and regulating the relationship between them and stakeholders, provided that the Board of Directors establishes mechanisms to monitor the implementation of these rules and adhere to them.
  - 5- The company's social contribution by actively participating in economic, environmental and social activities.
- D) Ensure the implementation of policies and procedures that ensure the company's respect for laws and regulations and its commitment to disclose essential information to shareholders, creditors and other stakeholders.
- E) Enabling the company's employees to transfer and communicate the information they have that indicates the existence of illegal or unethical practices in the company's work that lead to prejudice to the interests and reputation of the company.
- F) Ensure that the policies and procedures related to disclosure and transparency are

<p>as fixed remunerations, remunerations linked to performance and remunerations in the form of shares without prejudice to the Regulatory Rules and Procedures issued pursuant to the Companies Law related to Listed Joint Stock Companies;</p> <p>15) setting the values and standards that govern the work at the Company;</p>	<p>implemented and upheld.</p> <p>G) Overseeing acquisitions and mergers in subsidiary companies.</p> <p>H) Ensure that the company applies advanced technical systems and quality applications.</p> <p>I) Ensure that the company applies the corporate governance regulation.</p> <p>J) Selection and appointment of executive officials through the approved mechanisms and procedures.</p> <p>K) Reviewing and evaluating the performance of the Chairman and CEO.</p> <p>L) Inviting the company's ordinary and extraordinary general assemblies and approving its agenda.</p> <p>M) Approving the accounting policies and final accounts of the company.</p> <p>N) Preparing the annual report of Board of Directors.</p> <p>O) Approval of the audit committee's recommendation for selecting and nominating the auditor, fixing his fees, and recommending to the ordinary general assembly that.</p>
<p><b>Article 24: Distribution of Competencies and Duties</b></p> <p>The organisational 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:</p> <p>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;</p> <p>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</p> <p>3) Identifying the matters on which the Board reserves the power to decide.</p>	<p><b>Article 16: Powers of the Board of Directors</b></p> <p>According to the provisions of Article (19) of the articles of association of Arabian Pipes Company, it is:</p> <p>19-1: Subject to the terms of reference set for the General Assembly, the Board of Directors shall have the broadest powers in managing the company, conducting its affairs inside and outside the Kingdom, and supervising all its business, funds and all its transactions, for example, but not limited to, the approval of the company's budgets, all the financial and administrative regulations necessary to run the affairs of the company, sign on behalf of the company, represent it in its relationship with others, governmental and private entities and bodies, before Sharia courts, judicial bodies, the Board of</p>



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

Grievances, labor offices, the higher and primary labor committees, commercial paper committees, all other judicial committees, civil rights and arbitration bodies, and police departments, and to buy, sell and mortgage lands, homes, buildings, farms and all types of real estate for employees or for the company's various factories and purposes, including investment, litigation, reconciliation, pleading, acceptance of decrease, increase, demand, defense, pleading, reconciliation, acceptance of judgments and their denial, requesting the implementation of judgments and opposing them, and the board has the right to sign all types of contracts, documents and papers, including, for example, signing before a notary public the contracts for the establishment of companies in which the company participates with all its amendments and annexes, amendment decisions, and signing of agreements, Sharia deeds and delegation on behalf of the company, selling, buying, transferring the ownership, receiving, delivery, renting, leasing, collecting, paying, opening accounts and credits, withdrawing and depositing with banks, issuing bank guarantees, disposing of the company's assets, property and real estate, and has the right to buy, pay the price, mortgage, redeem the pledge, sell, transfer the ownership, collect the price and deliver the appraised item. However, the Board of Directors may not sell or mortgage the company except with the approval of the ordinary general assembly, subject to the following conditions:

- 1) The board specifies in the sale decision the reasons and justifications.
- 2) The sale is fair and close to the same price.
- 3) The sale is present except in cases determined by the board and with adequate guarantees.
- 4) This behavior does not result in stopping some of the company's activities or charging



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

it with other obligations.

19-2: The Board of Directors may contract loans with government financing funds and institutions, regardless of their duration, and commercial loans, musharakah and murabaha contracts, treasury agreements and guarantees from banks, financial institutions and credit companies, whatever their amounts and for any period, including loans that exceed three years.

Provided that the following conditions are observed with respect to commercial loans whose term exceeds three (3) years:

- 1) Take into account the terms of the loan and the guarantees provided to it not to harm the company and its shareholders and the general guarantees for creditors.
- 2) The Board of Directors determines in its decision the uses of the loan and the method of repayment.

19-3: The board of directors shall have the right to conciliate, assign, contract, commit and link to the name of the company and on its behalf, and the board of directors shall undertake all actions and acts that would achieve the objectives of the company.

19-4: The board of directors, and in the cases it determines, has the right to absolve the company's debtors from their liabilities according to what is in its interest, provided that the minutes of the board of directors and the reasons for its decision shall include the observance of the following conditions:

- 1) The discharge of liability shall be after the lapse of one full year since the origin of the debt, as a minimum.
- 2) The discharge is a right of the board of directors and may not be delegated.
- 3) The discharge shall be for a specified amount, as a maximum, for each year, for



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

one debtor.

19-5: The board of directors may make donations, provided that they do not exceed the designated item in each annual budget of the company.

19-6: Approval of the company's internal regulations and laws, including the employee savings system.

19-7: The board of directors may delegate or authorize within the limits of its powers to one or more of its members or third parties to take a specific action or conduct or perform a specific work or works.

19-8: The board of directors appoints a secretary to the board from among its members or others, and the board of directors defines his terms of reference and remuneration, and the term of membership of the chairman, his deputy and the board secretary - if he is a member of the board of directors - does not exceed the term of membership of each of them in the board, and they may be re-appointed.

If he was a member of the board of directors - for the term of their membership in the board, and they may be reappointed.

The board appoints the CEO and his deputies, and relieves him of his position, and the board of directors determines, in a decision appointed by him, the powers, authorities, tasks and remuneration of the CEO and the period of his tenure.

The council has the right to entrust one or more of its members or third parties to conduct a specific act or actions for the period that the council deems appropriate, according to deeds of agencies or delegates, and his agent has the right to delegate others in all or part of what he is entrusted with, and the council has the right to exercise all these powers Inside and outside the Kingdom of Saudi Arabia.



**Article 24: Separation of Positions**

- 1) Without prejudice to the provisions of the Company's bylaws, The Board appoints a chairman, a vice chairman and may appoint a managing director of its members.
- 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 Chief Executive Officer, 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 (if any) 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.

**Article 26: 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;
- 2) Ensure that the Executive Management operates in accordance with the policies approved by the Board.
- 3) select and appoint the Chief Executive Officer of the Company, and oversee his work;
- 4) appoint the manager of the internal audit unit or department, or the internal auditor and dismiss him and determine his remuneration, if any;
- 5) 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;
- 6) develop standards for the performance of the Executive Management consistent with the objectives and strategy of the Company;
- 7) review and evaluate the performance of the Executive Management; and
- 8) Develop succession plans for the management of the Company.

**Article 27: 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



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

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. using the consensual reserve of the Company;
  - 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;
- 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.

**Article 28: 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:

Article 17: Powers of the Chairman of the Board of Directors

In accordance with the provisions of Article (21) of the Articles of Association of the Arab Company for Pipelines, the chairman of the board shall be designated to chair the



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

- 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 Chief Executive Officer 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) notifying the Ordinary General Assembly while convening of the businesses and contracts in which any Board member has direct or indirect interest, the notification shall include the information provided by the member to the Board as per paragraph (14) of Article (31) of these Regulations; this notification shall be accompanied by a special report of the Company's external auditor.

All general assemblies of shareholders and presiding over board meetings. The company represents the company before all government agencies, companies, institutions, courts, bodies, judicial committees, and a notary public and has the right to sign on behalf of the company in front of all these entities. Or others in all or some of the above. Provided that it exercises all these powers in accordance with the decisions of the Board of Directors in accordance with Article (9) of the Articles of Association.



**Article 29: Appointing the Chief Executive Officer after the end of his services as Chairman of the Board**

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

**Article 30: Principles of truthfulness, honesty and loyalty**

Each member of the Board shall comply with the principles of truthfulness, honesty, loyalty, and care of the interests of the Company and its shareholders, and prioritise their interests over his personal interests. This shall include, in particular, the following:

- 1) **Truthfulness:** is achieved when the relationship between the Board member and the Company is an honest professional relationship, and he discloses to the Company any significant information before entering into any transaction or contract with the Company or any of its affiliates.
- 2) **Loyalty:** is achieved when the Board member avoids transactions that may entail conflicts of interest and ensures fairness of dealing, in compliance with the provisions relating to conflicts of interest in these Regulations.
- 3) **Care:** is achieved by performing the duties and responsibilities set forth in the Companies Law, the Capital Market Law and their implementing regulations and the Company's bylaws and other relevant laws.

**Article 31: 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 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 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 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 came across through his 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



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

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 duties, roles and responsibilities arising from the membership;

19) developing his 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 is unable to fully fulfill his duties in the Board.

**Article 32: Duties of the Independent Director**

Without prejudice to Article (31) of these Regulations, an Independent Director of the Board shall effectively participate in the following duties:

1) expressing his independent opinion in respect of strategic issues and the Company's policies and performance and appointing members of the Executive Management;

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;

3) Overseeing the development of the Company's Corporate Governance rules, and monitoring the implementation of the rules by the Executive Management.

**Article Nineteen: Independence**

In light of the definition of the Capital Market Authority in the Governance Guidance in Article 2 of these Regulations for an independent member, the independent member who is a member of the board of directors who enjoys complete independence that leads to his decision being taken without being affected by any direct or indirect personal interests. Consequently, it affects the general interest of the company, which is contrary to independence, for example, but not limited to, any of the following:

- To be the owner of five percent or more of the shares of the company or any company in its groups.
- To be a representative of a legal person who owns five percent or more of the shares of the company or any company in its groups.
- To be a senior executive during the past two years in the Arab Pipe Company or any company in its groups.
- To be a first degree kinship relationship with any of the board members in

	<p>the Arab Pipe Company or any company in its groups.</p> <ul style="list-style-type: none"> <li>- To be a first-degree relative of any of the senior executives of the Arab Pipe Company or any company in its groups.</li> <li>- To be a member of the board of directors of any company within the group of the company nominated for membership in its board of directors</li> <li>- To be an employee during the past two years with any of the parties associated with the Arab Pipeline Company, such as chartered accountants and major suppliers, or to have owned controlling shares with any of those parties during the past two years.</li> </ul>
<p><b>Article 33: The Board Meetings</b></p> <p>1) Without prejudice to the Companies Law and Its Implementing Regulations, the Board shall convene regular meetings to perform its duties effectively, and convene meetings whenever needed.</p> <p>2) The Board shall convene no less than four meetings per year, and no less than one meeting every three months.<sup>4</sup></p> <p>3) The Board shall meet upon the invitation of its chairman or upon a request from two 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.</p> <p>4) The meeting shall not be valid unless attended by half of the Board members, provided that the number of attendees shall not be less than three, unless the Company's bylaws stated greater percentage or number.</p>	<p><b>Article Twenty Two: Meetings of the Board of Directors, the agenda and the flow of information and documents submitted to the Board</b></p> <p>A) Members of the Board of Directors should allocate sufficient time to carry out their responsibilities, including preparing for the meetings of the Board and the permanent and temporary committees, and ensure their attendance.</p> <p>B) The chairman of the board of directors shall consult with other members and the CEO when preparing a specific schedule for the topics that will be presented to the board, and he shall send the agenda with documents to the members in sufficient time, provided that the documents are accompanied by sufficient and accurate information and include reference to the basics and backgrounds of the topic, especially in the case of the topic being linked to presentations or decisions A precedent for the board, so that they can study the topics and prepare well for the meeting, and the member may request additional information about the topics</p>



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

raised in the agenda during the two-week period, and the board of directors approves the agenda as soon as it convenes, and in the event that any member objects to this schedule, the details of this objection shall be recorded in the minutes of the meeting.

- C) The board of directors must document its meetings and prepare minutes of discussions and deliberations, including the voting operations that have taken place, classifying and keeping them with all available documentation methods approved by the Board in a manner that is easy to refer to.
- D) The board meets on a regular basis at the headquarters of the Arab Pipelines Company or in any other place if the interest requires that, based on a written invitation from the Chairman of the Board. The board is at the beginning of each session, provided that it is not less than three meetings per year, and any additional meetings are held whenever the interest of the Arab Company for Pipelines calls for that. At the start of the meeting.
- E) The meeting is not valid unless attended by at least half of the members, provided that among them is the chairman or his deputy, and the decisions of the council are issued by the majority of votes, and if the votes are equal, then the side in which the chairperson shall prevail.
- F) The Board of Directors appoints a secretary from among its members or others, and is specialized in the following:
- Preparing the agenda for the meetings that the board of directors or any of the board committees or the management of the Arab Pipelines Company requests to hold, and the distribution of invitations to the meeting and the



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

agenda according to the instructions issued to him in this regard.

- Record the proceedings of board meetings with the summary of decisions and sign it by the attending members, so that the minutes of these meetings are drafted and signed by him and by the chairman of the board, and the members are provided with copies of them, and an original copy of those minutes is extracted for the special annual periodic record prepared for this purpose, as well as the minutes of the council's committees prepared for this purpose and signed by the members.
- Follow up the implementation of the decisions of the Board and its committees at the Arab Company for Pipes Management.
- Supervising the preparation of the meeting place and providing the supplies required by the meeting.
- Maintain the confidentiality of all information, documents and meetings related to the work of the Council and its committees.
- Providing the Chairman of the Board and the members with the information they need, the bylaws and regulations according to their issuance, subordinate, and everything that would help the members to make their decisions in a systematic, effective and accurate manner.
- Keeping the records and documents of the council meetings in a safe place where protection controls are available and in an easy way to refer to them when needed, including an inventory of files and records.
- His remuneration shall be determined in accordance with the decision issued to appoint him, and his period does not exceed the term of





العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

membership of the Council, and he may be reappointed.

- G) A member of the board may request proof of his observations and point of view, whether it is a conservative opinion or contrary to any of the board decisions in the body of the meeting minutes.
- H) The council's deliberations and decisions are recorded in minutes signed by the council's chairman and the secretary, and these minutes are recorded in a special register signed by the council chairman and the secretary, taking into account that the council's decisions are reasoned and transparent and include the terms of the decision.
- I) Board meetings are confidential, and the council has the right to invite any of the experienced employees of the Arab Pipeline Company or outside it to attend one of its meetings in order to provide the statements or clarifications requested by the Board, provided that it does not participate in the rest of the issues and does not have the right to vote on the Board's decisions.

A- Periodical information and topics.

The following are presented to the Board of Directors periodically:

- The minutes of the previous meeting for approval.
- The results of the work of the committees emanating from the council.
- Financial reports, marketing and periodic information on aspects of the activities of the Arab Company for Main Pipelines and its sister and subsidiary companies.
- Complete information on exceptional, unusual or exchanged dealings with entities that should be informed of the Board.

**Article 34: Remarks of the Board Members**

1) If any member of the Board has any remarks in respect of the performance of the



<p>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.</p> <p>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.</p>	
<p><b>Article 35: Organising the Attendance of the Board Meetings.</b></p> <p>1) The Attendance of Board meetings, and dealing with cases of irregular attendance by members of such meetings shall be organised.</p> <p>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.</p>	
<p><b>Article 36: The Agenda of Board Meetings</b></p> <p>a) 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.</p> <p>b) Each member of the Board is entitled to propose additional items to the agenda.</p>	
<p><b>Article 37: Exercising the Competencies of the Board</b></p> <p>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.</p> <p>2) Without prejudice to Paragraph (b) of Article (21) 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.</p> <p>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.</p> <p>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.</p>	



**Article 38: The Secretary of the Board**

1) The Board shall appoints a secretary of the secret among its members or others, and determines the terms of reference and remuneration of the secretary by decision of the Board of Directors unless the company's statute contains provisions in this regard, to include the following:

- 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 all of the attending members;
- 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;
- j) Organizing the record of disclosures of board members and executive management.
- i) providing assistance and advice to the Board members.

2) The Secretary of the Board of Directors may not be removed except by a decision of the Board of Directors.

3) Have a university degree in law, finance, accounting, management or equivalent, and have relevant practical experience of at least three years.

4) Have relevant practical experience of at least five years.



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

**Article 39: 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.

**Article 40: Dealing with Conflicts of Interest and Related Parties Transactions**

Without prejudice to the provisions of the Companies Law and Its Implementing Regulations, conflicts of interest situations and Related Parties transactions shall be dealt with in accordance with the provisions of this Chapter.

Article 29 - Conflict of Interest Regulation for the employees of the Arab Pipelines Company

The company's conflict of interest system requires that employees and their family members avoid any situations in which their personal interests conflict with regard to their dealings with contractors, suppliers, subscribers, merchants, and any individuals, companies, or other institutions that deal with the company's interests or other establishments. About any positions they occupy outside the company, or any interest that links them or their family members with companies or commercial establishments or any other party that deals with the company or seeks to deal with it, and the following are some illustrative examples of some conflict of interest cases:

- 1- The employee's use or exploitation of his functional power or influence in the company for his personal interest or for the benefit of others.
- 2- Disclosing secrets or giving information that is considered the private property of the company, which he becomes aware of by virtue of his job, even after leaving the service, whether with the intention of achieving material gains, directly or indirectly, of any of his family members or without direct accountability to him.
- 3- Carrying out state or agency business with or without pay, whenever the subject of trust, guardianship, or agency has a direct or indirect interest with any party that deals or seeks to deal with the company.

	<p>4- Purchasing any materials, tools, equipment, or property based on information from within the company for the purpose of selling or renting them to the company for profit.</p> <p>5- Doing any word or action that has an impact on the company's shares in the market.</p> <p>6- Accepting gifts or services from any party that deals with or seeks to deal with the company, With a person who has a relationship with that party, examples of this include:</p> <ul style="list-style-type: none"> <li>- Repairing or establishing properties for the worker or one of his family members at the expense of any party that deals with the company or seeks to deal with it.</li> <li>- The worker or one of his family members received from any party amounts or items of value due to that party's dealings with the largest company to deal with.</li> <li>- The worker or one of his family members using facilities owned by any party that deals or seeks to deal with the company, such as apartments, cars, offices, etc.</li> </ul> <p>The worker or one of his family members received interest-free or low interest loans.</p> <ul style="list-style-type: none"> <li>- Personal services provided by any party dealing with the company to the worker or one of his family members, such as providing services, etc.</li> <li>- Any party dealing or seeking to deal with the company pays the bills required of the worker or one of his family members.</li> </ul>
<p><b>Article 41: Conflicts of Interest Policy</b> 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, 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:</p> <p>1) informing Board members, 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</p>	<p><b>Chapter Three</b> Disclosure and transparency</p> <p>a. It includes but is not limited to basic information related to the following:</p> <ol style="list-style-type: none"> <li>1. The financial results of the company according to the accounting standards that issued by the Saudi Organization for Certified Public Accountants.</li> <li>2. Operational results of the Arab pipes Company according to the generally accepted standards</li> </ol>



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.

3. Company's goals
4. Majority ownership.
5. Names, salaries, and incentives of board members and senior executives.
6. Information that related to potential future risks.
7. Information relating to personnel, human resource policies, and other stakeholders which may materially affect the company's performance
8. How and to what extent governance policies and practices are implemented.
9. Material events that affecting the company's business activity.
- b. Disclosure shall be made through press reports and news via the mass media, the market's website and the company's website in an accurate, sufficient and clear manner that is not ambiguous or misleading in accordance with the approved controls
- c. Important developments and financial information shall be announced, in implementation of Articles (twenty-five and twenty-six) of the registration and listing rules, in the following form:
  1. Meetings of the company's board of directors or any other committees will be discussed during which a topic must be announced related to important developments and financial information during a period that enables the company to publish the announcement on the financial market website (Tadawul) no less than two hours before the start of the trading period following the meeting.
  2. In the event that any of the important developments take place according to Article (25) of the registration and listing rules within less than two hours from the beginning of the trading period or during the trading period, so we wait until



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

the end of the trading period and then publish a notice about it on the stock exchange website (Tadawul), with the necessity to take all necessary precautions to ensure that the news about these developments does not leak out before publishing the announcement. Either if the news about an important development is of a type that the company cannot guarantee that it will not be leaked, such as if it is related to other parties that the company does not guarantee its commitment to maintaining confidentiality, or if the event is the subject of news, such as a free media article as soon as it occurs.

- d. Any announcement of news or material event that has occurred or is expected to occur must include the following information:
1. The title of the advertisement must be clear and reflect the material event to be announced
  2. Providing a detailed description of the material event, explaining all the related information
  3. Clarify the factors and justifications that led to the event.
  4. If the event has a financial impact on the financial statements, the financial impact of the event must be stated, and if this is not possible, the reason must be stated
  5. The company must take the necessary care to ensure that any facts or information related to this event are correct and not misleading.
  6. The company shall not exclude, delete or conceal any information that could affect the content or results of the material event.
  7. In the event that the material event arises from any financial obligation on the company, the declaration must include the terms, duration and value of this



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

commitment, the parties that represent a party to it, and its financial impact on the financial statements.

8. In the event that the company announces a future material event, the company must announce any new developments that occur on that event.
- e. The following persons are prohibited from being:
  1. That any of them disclose internal information affecting the share price in the market at a certain time to any other person and he knows or should know that this other person is able to trade in the same information in the paper.
  2. It is prohibited for any informed person to disclose to any other person any information obtained from within the Arab Pipeline Company from an informed person, directly or indirectly and we knew that that person or should have known that this person, to whom the disclosure was made, could trade in the security paper related to the internal information.
  3. An insider person is prohibited from trading in the shares of the Arab Pipes Company based on internal or external information.
  4. A person who is not informed of internal information based on internal information obtained from an insider inside the Arab Pipes Company is prohibited from trading in the shares of the Arab Pipes Company while he knows or should know that this information is internal.
- f. It is prohibited for any person within the Arab Pipes Company who are employees or stakeholders of the company to make orally or in writing an incorrect statement related to a material fact or omit the statement to make a statement requiring the



	<p>declaration or the statement or the rules of the market or the depository center, if the statement made the statement or the person's negligence to declare the required statement with the aim of influencing the price and value of the Arab Pipes Company's share in the market or inducing another person to refrain from exercising a piece of money or even the rights to buy a paper.</p> <p>g. It is prohibited for any person in the Arab Pipes Company to directly or indirectly promote an incorrect statement related to a material fact or opinion with the aim of influencing the price or value of a security, or any other target that involves manipulation, and it is also prohibited to promote a statement made by the person himself or to promote a statement declared another person.</p> <p>It is prohibited for any person in the Arab company to directly or indirectly promote an untrue statement relating to an intrinsic fact or opinion with the aim of influencing the price or value of a paper, or any other objective involving manipulation.</p>
<p><b>Article 42: Avoiding Conflicts of Interest</b></p> <p>1) A member of the Board shall:</p> <p>a) perform his duties with honesty and integrity, and prioritise the interests of the Company over his own interest, and not use his position to achieve personal interests;</p> <p>b) avoid situations of conflicts of interest and notify the Board of situations of conflict which may affect his 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 vote when voting on such matters in the Board and the Shareholders Assemblies meetings; and</p> <p>c) Protect the confidentiality of the information related to the Company and its activities, and not disclose any of such information to any person.</p> <p>2) Each Board member is prohibited from:</p> <p>a) Voting on a decision taken by the Board or the General Assembly with respect to</p>	<p>Article Twenty Eight - Conflict of Interest in the Board of Directors</p> <p>A- It is not permissible for a member of the board to have any direct or indirect interest in the business and contracts that are made for the account of the Arab Pipeline Company, except with permission from the Ordinary General Assembly, and the council is renewed every year.</p> <p>The member of the board must inform the council of his personal interest in the business and contracts that are made for the account of the Arab Pipes Company. This notification shall be recorded in the minutes of the board meeting. The member must also inform the Council about the competing business and about</p>



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

transactions and contracts that are executed for the Company's account, if he has a direct or indirect interest therein.

b) 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 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 knowledge during his membership in the Board.

trading in one of the company's activities and prove it in the minutes of the Board's meeting. Ordinary assembly when it is held by competing business carried out by him or any of the board members and by his trading in any of the company's activity branches and obtaining the normal approval of the association member shall carry out this business, and this approval is renewed annually.

(B) prohibit the members of the Board of trading in the company's shares in proper time short with a view to speculation, either daily or weekly, as they are prohibited from trading these shares with a view to convince the rest of the investors and the impact on the company's prices, either directly done or indirectly, as they are prohibited from trading in The shares of the company When information comes to their attention during the course of any important events or decisions that affect the price of the company's shares.

1- A period of ten days prior to the end of the financial quarter and until the date of the announcement and publication of the initial results of the company.

2- A period of twenty days before the end of the fiscal year and until the date of the initial announcement of the annual results of the company, or the final announcement of the annual results of the company, whichever is shorter.

C- A member of the board of directors must notify the company and the CMA at the end of the trading day in which any of the following cases are realized:

1- When a person becomes an owner or has an interest in what is (5%) and more than any class of shares with voting rights, or debt instruments convertible into



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

shares.

2- When there is an increase or decrease in the ownership of the interest of the person referred to in Paragraph (1) aforementioned, with a ratio of (1%) or more of the shares or debt instruments of the company.

3- When a member of the board of directors or one of the chief executives of the company (or any of his affiliates) becomes the owner or has an interest in any equity rights or debt instruments of the company.

4- When there is any increase or decrease in the ownership or interest of any member of the board of directors in the company, or one of his senior executives, by 50% or more of the shares or debt instruments that he or she owns in the company (or any of them). (1%) or more of the shares or debt instruments of the company (or any of its affiliates), whichever is less.

When calculating the total number of shares in which any person has an interest, the person considers that he has an interest in any shares owned or controlled by any of the following persons:

- That person's spouse or minor children.
- A company controlled by that person (when he owns 30% of the right to vote or more, or when the company or its board members usually act on the direction of the person.)
- Any other persons that person has agreed with to obtain an interest in the company's shares. The aforementioned notice shall be according to the form



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

prepared by the authority.

The person related to the event in the event of a change in the purpose of the ownership - which was previously disclosed - shall immediately notify the company and the Capital Market Authority of this change, and he shall not dispose of any of the shares or debt instruments of that company until ten days later.

Without prejudice to the aforementioned provisions, the person who becomes owner or has an interest in 10% or more of any class of shares with voting rights, or the instruments of voting rights, shall not be permitted to convert shares;

Dispose of any of them without the approval of the Capital Market Authority.

D- The Board is informed of the instructions and decisions issued by the competent authorities that lead to an increase in the burdens of the Arab Pipeline Company or affect its economies.

E- Members of the Board of Directors are not permitted to disclose to anyone else the secrets of the Arab Pipelines Company that they have seized. He may request in writing to view it, and that is only at the headquarters of the Arab Company for Pipes.

(F) are considered all of the documents that are provided with members of the Kjdol work of the meetings of the Council and its committees, letters, memoranda, periodic reports and studies the property of the Arab Company for pipes are governed by the status of temporary acquisition of the user and may not be Board member photographed not to inform third parties it and the Member shall be



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

	<p>returned to the company for Arab TUBES through no later than One week from the end of his membership term in each session separately.</p> <p>G- A member of the Board of Directors is prohibited from accepting any power of attorney on behalf of the shareholders to attend the general assembly meetings of the shareholders.</p> <p>H-The company is not permitted to extend cash loans of any kind to members of its board of directors, or to guarantee any loan made by one of them with others.</p>
<p><b>Article 43: Disclosure of Conflicts of Interest by the Nominee</b> 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:</p> <ol style="list-style-type: none"><li>1) Having direct or indirect interest in the contracts and businesses entered into for the benefit of the Company in which he desires to be nominated to the Board.</li><li>2) Engaging in business that may compete with the Company or any of its activities.</li></ol>	
<p><b>Article 44: Rules of Competing with the Company</b> Without prejudice to Article (72) of the Companies Law and other relevant provisions in these regulations, if a member of the Board desires to engage in a business that may compete with the Company or any of its activities, the following shall be taken into account:</p> <ol style="list-style-type: none"><li>1) Notifying the Board of the competing businesses he desires to engage in and recording such notification in the minutes of the Board meeting.</li><li>2) The conflicted member shall abstain from voting on the related decision in the Board meeting and General Assemblies.</li><li>3) The chairman of the Board informing the Ordinary General Assembly, once convened, of the competing businesses that the member of the Board is engaged in, after the Board assesses the board member's competition with the company's business or if he 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.</li></ol>	



<p>4) Obtaining an authorisation of the Ordinary General Assembly of the Company for the member to engage in the competing business.</p>	
<p><b>Article 45: Concept of the Competing Businesses</b> 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.</p>	
<p><b>Article 46: Rejection to Grant Authorisation</b> If the General Assembly rejects granting the authorisation pursuant to Article(72) of the Companies Law and Article (46) of these Regulations, the member of the Board shall resign within a period specified by the General Assembly; otherwise, his membership in the Board shall be deemed terminated, unless he decides to withdraw from competing the company or regularise his situation in accordance with the Companies Law and its Implementing Regulations prior to the end of the period set by the General Assembly.</p>	
<p><b>Article 47: Accepting Gifts</b> No member of the Board 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 conflicts of interest.</p>	
<p><b>PART 4 : Company Committees</b></p>	
<p><b>Article 48 : Forming the Committees</b> Without prejudice to Article (64) of the Companies Law and Article (54) 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</p>	<p><b>Article Twenty Four Board Committees and their Independence</b> The Board of Directors of the Arab Company for Pipes shall form an appropriate number of committees according to the company's need and conditions, in order for the Board of</p>



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. A 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 (55) and (59) of these Regulations, provided that the committee convenes periodically at least every six months.

#### **Article 49: Committees Membership**

1) A sufficient number of Non-Executive Directors shall be appointed to the committees which perform duties that may involve a conflicts 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 principles of truthfulness, honesty, loyalty, and care and shall attend to the interests of the Company and its shareholders, and prioritise them over their personal interests.

Directors to perform its duties effectively.

- A- The committees of the Board of Directors are formed in accordance with the controls approved by the Board of Directors, including the determination of the committee's mission, the duration of its work, the powers granted to it during this period, and how the Board of Directors will monitor it, and the committee should inform the Board of Directors with knowledge of the results it does or arrives at or takes decisions with absolute transparency And the board of directors should monitor the work of the committees periodically to verify that they are doing the work assigned to them.
- B- The Board of Directors shall approve the work regulations of all the permanent committees emanating from it, including the Audit Committee and the Nomination and Remuneration Committee.
- C- A sufficient number of non-executive board members shall be appointed in the committees concerned with the tasks that may result in conflict of interests, such as ensuring the integrity of financial and non-financial reports, reviewing the deals of related persons, nominating its members to the board of directors, appointing executive directors and determining remuneration.



<p>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.</p> <p>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.</p>	
<p><b>Article 50: Committees Meetings</b></p> <p>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 opinion or advice.</p> <p>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.</p> <p>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.</p>	
<p><b>Article 51: Study subjects</b></p> <p>a. The committees study the subjects that are specific to them or referred to them by the Board of Directors, and submit their recommendations to the Board for decision, or to take decisions if authorized by the Board, subject to consideration of paragraph (b) of article 21 of this regulation.</p> <p>B. The committees may use the experts and specialists from within the company or from outside within the limits of its powers, to be guaranteed in the minutes of the committee meeting, with the name of the expert and the relationship of the company or the executive management.</p>	
<p><b>Article 52: The Executive Committee</b></p> <p>The main purpose of the Executive Committee to take responsibility for the</p>	<p>Article Twenty Seven - The Executive Committee:</p> <p>A- Forming the Committee:</p>





العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

operations of The Arab Pipe Company and to make quick decisions regarding urgent issues and matters related to the company's business. The Executive Committee is responsible for reviewing, monitoring and approving the main financial, non-financial, commercial, investment and operational decisions related to the company .within the limits of the powers established by the Company's Board of Directors

The board of directors shall form an executive committee from among its members, the number of which is not less than three persons, according to the provisions of Article (22) of the company's articles of association. They elect from among them an executive committee.

B- The end of the term of the committee:

The term of the committee expires and the board of directors will reconstitute it in the following cases:

- 1- When the number of members of the committee falls to less than three persons.
- 2- When the Council deems it necessary.
- 3- Upon electing a new Board of Directors.

C- Duties and responsibilities of the committee:

- 1- The committee performs all the tasks assigned to it by the board of directors, and for that purpose it has the authority to exercise the powers for which the committee is delegated according to the decisions of the board of directors.
- 2- Studying and discussing the implementation plans for capital and investment projects that are conducive to achieving the company's objectives, following up on their implementation and evaluating their results by submitting to the Board of Directors the proposals and recommendations it deems appropriate in their regard.

**Article 53: Composition of the Remuneration 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

**Article Twenty-Sixth Nominations and Remuneration Committee**

The Board of Directors shall form a nomination and remuneration committee consisting of at least three members that shall exercise its duties during the period of the current sessions of the Board of Directors.

regulation for the remuneration committee including its procedure, duties and rules for selecting its members, the term of their membership and their remunerations.

**Article 54 : Competencies of the Remuneration Committee**

The competences 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.

**Article 55: 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

1. Rules for selecting the Nomination and Remuneration Committee

A- Forming the committee

- 1- The Board of Directors shall form the Nomination and Remuneration Committee from at least three members of the Board of Directors
- 2- The members of the committee should not have any relationship that might conflict with their independence, and the applicable rules and regulations shall be complied with to assess the independence of the members.
- 3- In line with Article (15) of the Corporate Governance Regulations issued by the Capital Market Authority, the Ordinary General Assembly, upon the proposal of the Board of Directors, approves the rules for selecting the members of the Nomination Committee, their term of membership, and the method of work of the committee.
- 4- The board of directors shall appoint the members of the committee and also terminate their services.
- 5- Only members of the committee have the right to attend its meetings, and other people may be invited to attend all or part of the meeting, as needed.
- 6- The members attending the committee meeting elect one of them to chair the meeting in case the committee chairperson is absent from attending the meeting.

B- Chairman of the Committee

- 1- The Board of Directors appoints the Chairman of the Committee

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.

**Article 56: Meetings of the Remuneration Committee**

The remuneration committee shall convene periodically at least once a year, and as may be necessary.

**Article 57: Composition of the Nomination Committee**

a) The Company's Board shall, by resolution thereof, form a committee to be named the "nomination committee,". Members of the committee shall not be Executive Directors, provided that there shall be at least one Independent Director among them.

b) The Company's General Assembly, as per the Board recommendation, issues a regulation for the nomination committee including its procedures, duties and rules for selecting its members, the term of their membership and their remunerations.

**Article 58: competences of the Nomination Committee**

The competences of the nomination committee shall include the following:

a) Suggesting clear policies and standards for membership of the Board and the Executive Management;

b) Providing recommendations to the Board for the nomination or re-nomination of its members in accordance with approved policies and standards, taking into account that nomination shall not include any person convicted of a crime involving moral turpitude or dishonesty;

c) Preparing a description of the capabilities and qualifications required for membership of the Board and Executive Management positions;

d) Determining the amount of time that the member shall allocate to the activities of the Board;

e) Annually reviewing the skills and expertise required of the Board members and the Executive Management;

2- The chairperson of the Nomination and Remuneration Committee organizes the committee's meetings, determines the agenda of its meetings, and reviews all information and documents necessary to implement its responsibilities.

3- The chairperson has the right to set other rules from time to time as appropriate and necessary for the functioning of the committee.

C- Secretary of the committee

1- The committee may appoint a secretary for it who is not its members, and his duties and responsibilities are related to documenting and keeping all meeting minutes in order to submit reports on the committee's activities to the Board of Directors, and to perform all other tasks that may be entrusted to him from time to time by the committee.

2. Remuneration of committee members

A-Each member of the committee is entitled to receive compensation below:

1- Annual remuneration according to Article (42) of the articles of association of the company for one time as a member of the Board of Directors.

2- An attendance allowance for each session equivalent to the attendance allowance for members of the Board of Directors.

B- Committee members residing outside Riyadh are entitled to compensation for travel costs in exchange for attending the meeting, these costs include a first-class airfare to and fro from his place of residence to the company's main location or the meeting venue, in addition to any other costs related to accommodation and transportation.

- f) Reviewing the structure of the Board and the Executive Management and providing recommendations regarding changes that may be made to such structure;
- g) Annually ensuring the independence of Independent Directors and the absence of any conflicts of interest if a Board member also acts as a member of the Board of directors of another company;
- h) Providing job descriptions for the Executive, Non-Executive and Independent Directors and the Senior Executive Management;
- i) Setting procedures to be followed if the position of a member of the Board or a Senior Executive becomes vacant; and
- j) Determining the strengths and weaknesses of the Board and recommending remedy solutions that serve the Company's interests.

**Article 59: the Nomination Procedures**

- 1) When nominating a Board member, the nomination committee shall take into consideration the provisions of these Regulations and the requirements set by the Authorities; and
- 2) The number of nominees to the Board whose names are presented to the General Assembly shall be more than the number of available seats to give a chance to the General Assembly to select the Board members among those nominees.9

**Article 60: Meetings of the Nomination Committee**

The nomination committee shall convene periodically at least once a year, and as may be necessary.

**Article 61: Publishing the Nomination Announcement**

The Company shall publish the nomination announcement on the websites of the Company and the Exchange and through any other medium specified by the Authority; to invite persons wishing to be nominated to the membership of the Board, provided that the nomination period shall remain open for at least a month from the date of the announcement.

**Article 62: Nomination Rights of Shareholders**

None of the provisions of this Chapter shall prejudice the right of any shareholder to nominate him/herself or others to the membership of the Board in accordance with the provisions of the Companies Law and Its Implementing Regulations.

- C- Board of Directors reports submitted to the General Assembly must disclose compensation and other amounts paid to members of the committee, including travel expenses. This will be added and applied to all members of the committee in the event that the meeting is held outside Riyadh.

3. Duration of membership

Duration of the Committee's work

- A- The term of membership of the committee must coincide with the term of membership of the board of directors of the company.

Termination of the committee's services

- A- It is permissible, by a decision voted by the majority of the company's board of directors, to completely terminate the services of the members of the committee or one of its members, and the minimum number of committee members shall be at least two.
- B- Any member of the committee can resign by submitting a written notice to the chairperson and the chairperson of the committee, and the resignation shall be effective at the time of the notification, unless the notice specifies a date for implementation.
- C- In the event that the date of the resignation takes effect at a later time, the Board may choose an alternate member for the resigning member once the resignation period has come into effect.

4. Duties and responsibilities of the committee

- A. Recommending to the Board of Directors the nomination for Board membership with candidates who are able to enhance the ability of the Board



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

to manage and direct the affairs of the company effectively in accordance with the approved policies and standards.

- B. The annual review of the required needs of appropriate skills for membership of the Board of Directors and the preparation of a description of the capabilities and qualifications required for membership in the Board of Directors, including but not limited to the following:
- A- Integrity, credibility and responsibility.
  - B- Successful leadership experience.
  - C- Administrative and operational acumen.
  - D- Independence and no conflict of interest.
  - E- The ability to allocate the necessary time to fulfill the responsibilities dictated by his membership in the Council.
- C. Reviewing the structure of the board of directors and raising recommendations regarding changes that can be made.
- D. Determine the strengths and weaknesses of the board of directors, and propose remedying them in accordance with the company's interest.
- E. Ensure, on an annual basis, the independence of the independent members, and the absence of any conflict of interest if the member is a member of the board of directors of another company.
- F. Establish clear policies for compensation and bonuses for members of the Board of Directors and senior executives, and take into account when developing these policies the use of performance-related standards.
- G- Recommendation to the Board of Directors regarding the candidates for membership



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

	<p>in the various committees emanating from the board</p> <p>Taking into account the following:</p> <p>A- The necessary qualifications for membership in each of the committees, especially the audit committee, whose members should be specialized in financial and accounting affairs.</p> <p>B- The limited number of consecutive years in which a member may occupy a membership in a board committee, and the committee makes sure that the membership term of the member does not exceed the maximum limit of the general corporate governance regulations stipulated in the regulations.</p> <p>C- Requirements of the Capital Market Authority.</p> <p>H- Ensure that there is an introductory program on the company's business for new members of the Board.</p> <p>I- Recommending the appointment of the company's executive management (the executive management is represented by the CEO, his deputies, and the financial director).</p> <p>J- The committee must perform other tasks or responsibilities assigned to it by the Board of Directors from time to time.</p>
<p><b>Article 63 : Audit Committee Formation</b></p> <p>1) An audit committee shall be formed by a resolution of the Company's Ordinary General Assembly, and the members of the audit committee shall be from the shareholders or others, provided that at least one of its members is an Independent Director and 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 member is specialised in finance and accounting.</p> <p>2) The Company's General Assembly shall, upon a recommendation of the Board,</p>	<p><b>Article Twenty-fifth Audit Committee</b></p> <p>The company's board of directors shall form a committee to review non-executive members of the board of directors whose number of members shall not be less than three members, including those specialized in financial and accounting affairs. The members of the audit committee, their term of membership, and the committee's work style, and in light of the issuance of the governance regulation, the committee's internal regulations</p>

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.

3) 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.

**Article 64: Competencies, powers and responsibilities of the Audit Committee**

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:

**a) Financial Reports:**

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;

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;

3) analysing any important or non-familiar issues contained in the financial reports;

4) accurately investigating any issues raised by the Company's chief financial officer or any person assuming his duties or the Company's compliance officer or external auditor;

5) examining the accounting estimates in respect of significant matters that are contained in the financial reports; and

6) examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon.

**b) Internal Audit:**

1) examining and reviewing the Company's internal and financial control systems and risk management system;

2) analysing the internal audit reports and following up the implementation of the

will be drawn up in line with the new tasks of the audit committee to include its duties and responsibilities:

- 1- Supervising the company's internal audit department; In order to verify its effectiveness in carrying out the tasks and tasks set for it by the Board of Directors.
- 2- Study the internal control system and draw up a written report on its opinion and recommendations regarding it.
- 3- Studying the internal audit reports and following up on the implementation of corrective actions for the notes contained therein.
- 4- Recommending to the Board of Directors the appointment of statutory accountants, their dismissal and the determination of their fees, and taking into account when recommending the appointment to ensure their independence, provided that the company estimates the audit cost by it before requesting audit proposals and that the closest estimate is the one that is chosen.
- 5- Follow up on the work of the chartered accountants, and approve any work outside the scope of the audit work that they are assigned to during their audit work.
- 6- Study the audit plan with the chartered accountant and make her comments on it.
- 7- Study the chartered accountant's notes on the financial statements and follow up on what has been done about them.
- 8- Study the interim and annual financial statements before submitting them to the Board of Directors and express opinions and recommendations regarding them.
- 9- Study the accounting policies used and express opinion and recommendation to



corrective measures in respect of the remarks made in such reports; and  
3) monitoring and overseeing the performance and activities of the internal auditor and internal audit department of the company, if any, to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties. If the Company has no internal auditor, the committee shall provide a recommendation to the Board on whether there is a need to appoint an internal auditor.

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 remunerations.

**c) 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 or administrative 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.

**d) 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

the Board of Directors in this regard.





take action on, and providing recommendations as to the steps that should be taken.

**Article 65: 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.

**Article 66: 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, if any.
- 3) The internal auditor and the external auditor may call for a meeting with the audit committee at any time as may be necessary.

**Article 67: 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.

**Article 68: Powers of the Audit Committee**

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

- review the Company's records and documents.
- request any clarification or statement from the Board members or the Executive Management.
- 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.

**Article 69: Composition of the Risk Management Committee<sup>10</sup>**

The Company's Board shall, by resolution therefrom, form a committee to be named the "risk management committee.". Chairman and majority of its members shall be Non-Executive Directors. The members of that committee shall possess an adequate



level of knowledge in risk management and finance.

**Article 70: Competencies of the Risk Management Committee<sup>11</sup>**

The competences of the risk management committee shall include the following:

- 1) developing a strategy and comprehensive policies for risk management that are consistent with the nature and volume of the Company's activities, monitoring their implementation, and reviewing and updating them based on the Company's internal and external changing factors;
- 2) determining and maintaining an acceptable level of risk that may be faced by the Company and ensuring that the Company does not go beyond such level;
- 3) Ensuring the feasibility of the Company continuation, the successful continuity of its activities and determining the risks that threaten its existence during the following twelve (12) months;
- 4) overseeing the Company's risk management system and assessing the effectiveness of the systems and mechanisms for determining and monitoring the risks that threaten the Company in order to determine areas of inadequacy therein;
- 5) Regularly reassessing the Company's ability to take risks and be exposed to such risks (through stress tests as an example);
- 6) preparing detailed reports on the exposure to risks and the recommended measures to manage such risks, and presenting them to the Board;
- 7) providing recommendations to the Board on matters related to risk management;
- 8) ensuring the availability of adequate resources and systems for risk management;
- 9) reviewing the organisational structure for risk management and providing recommendations regarding the same before approval by the Board;
- 10) verifying the independence of the risk management employees from activities that may expose the Company to risk;
- 11) ensuring that the risk management employees understand the risks threatening the Company and seeking to raise awareness of the culture of risk; and
- 12) reviewing any issues raised by the audit committee that may affect the Company's risk management.

**Article 71: Meetings of the Risk Management Committee<sup>12</sup>**

The risk management committee shall convene periodically at least once every six months, and as may be necessary.



Part 5 Internal Control	
<p><b>Article 72: Internal Control System</b> The Board shall approve an internal control system for the Company in order to assess the policies and procedures relating to risk management, implementation of the provisions of the Company's governance rules approved by the Company and compliance with the relevant laws and regulations. Such system shall ensure compliance with clear accountability standards at all executive levels in the Company, and that Related Party transactions are implemented in accordance with the relevant provisions and controls.</p> <p><b>Article 73: Establishing Independent Units or Departments within the Company</b> 1) For purposes of implementing the approved internal control system, the Company shall establish units or departments for the assessment and management of risks and for internal auditing. 2) The Company may utilise external entities to perform the duties and competencies of the units or departments of risks assessments and management and internal control without prejudice to the Company's responsibility for those duties and competencies.</p> <p><b>Article 74: Duties of the Internal Audit Unit or Department</b> An internal audit unit or department assesses and monitors the implementation of the internal control system, and verifies that the Company and its employees comply with the applicable laws, regulations and instructions, and the Company's policies and procedures.</p> <p><b>Article 75: Composing An Internal Audit Unit or Department</b> The internal audit unit or department shall be composed of at least one internal auditor whose appointment is recommended by the audit committee. Such internal auditor shall be responsible before the audit committee. The formation and operation of the internal audit unit or department shall take into consideration the following: 1) employees of such department shall be competent, independent and adequately trained, and shall not be entrusted with any other functions other than internal audit duties and internal control system; 2) the department shall report to the audit committee, and shall be subordinate and accountable to it; 3) the remunerations of the manager of the audit unit or department shall be determined by the a recommendation of the audit committee as per Company's</p>	<p>Chapter IV Internal audit work bylaw Article Thirty Two A- Introduction: This regulation aims to reach to achieve internal audit of the objectives of the evaluation of the internal control system and the effectiveness and adequacy of internal control systems of the Arab Company for pipes and determine the effectiveness and the results of the implementation of the responsibilities entrusted to reach the results, goals and strategy and this is providing the results of the evaluation to the Board of Directors to assist him to carry out his duties the Executive. B- Scope of the internal audit work: The purpose of the internal audit is to ensure that the internal control systems achieve the objectives required of them in an efficient manner and at the lowest economic cost. They are represented in the foundations of internal control to ensure the following: 1- The reasonableness and compatibility of the information and data. 2- The extent of compliance with the policies, plans, procedures, regulations, laws and instructions. 3- The extent of protection of the company's assets and property. 4- The extent to which the activities, processes and programs set are in line with the objectives, objectives, and strategy, and to ensure the extent to which the supervisory bodies implement them in accordance with the set plans and specified goals. 5- Emphasizing preventive control in order to prevent the occurrence of unwanted events</p>



policies; and

4) the department or unit shall be given access to information and documents, and shall be able to obtain the same without any restrictions.

#### **Article 76: Internal Audit Plan**

The internal audit unit or department shall operate pursuant to a comprehensive audit plan approved by the audit committee. Such plan shall be updated annually. Key activities and operations, including the activities of risk management and compliance departments, shall be reviewed at least annually.

#### **Article 77: Internal Audit Report<sup>15</sup>**

a) The internal audit unit or department shall prepare and submit a written report on its activities at least quarterly to the Board and the audit committee. Such report shall include an assessment of the Company's internal control system and the final opinion and recommendations of the unit or department. Such report shall also specify the procedures taken by each department for addressing the findings and recommendations from the previous audit, and any remarks thereon, particularly failures to promptly address such findings and recommendations and the reasons for such failure;

b) The internal audit unit or department shall prepare a general written report to be submitted to the Board and the audit committee on the audit activities it carried during the fiscal year compared to the approved plan. Such report shall explain the reasons for any deviation from the plan, if any, during the quarter following the end of the relevant financial year;

c) The Board shall specify the scope of the report of the internal audit unit or department, based on recommendations from the audit committee and the internal audit unit or department. The report shall include the following in particular:

- 1) procedures for monitoring and overseeing the financial affairs, investments and risk management;
- 2) assessing the development of risk factors threatening the Company and the existing systems, in order to confront radical or unexpected changes in the Exchange;
- 3) an assessment of the performance of the Board and the Senior Management with respect to the implementation of internal control systems, including specifying the number of times the Board has been informed of control issues (including risk

and correct unhealthy actions that are directed towards desired accomplishments and encourage their repetition.

6- Emphasizing the integrity and efficiency of the elements of internal control represented in the following

#### The control environment:

1/1/6 honesty and ethical values.

6/1/2 The evaluation and vision of the Arab Company for Pipes.

3/1/6 Job description of employees, responsibilities and authorities.

4/1/6 The organizational structure

5/1/6 The appropriateness and adequacy of the policies, procedures and instructions.

6/1/6 The Role of the Board of Directors and Audit Committees.

#### Risk assessment:

6/1/1 Clarity of the general strategy and objectives.

2/6 clarity of objectives of operations and programs.

3/2/6 Defining, analyzing and reducing the severity of risks to achieve the objectives.

2/4/6 administrative processes to address deviations and cope with changes.

#### Internal control activities:

1/4/6 Procedures that assist in the implementation and completion of operations.

2/4/6 The procedure followed and the naming of the risks.

3/4/6 Steps that confirm the size and accuracy of information auditing.

#### Information and Communication:

6/1/1 The availability of information required to perform the job tasks.

2/4/6 The extent of information flow from top to bottom through the organizational



management) and a description of the method followed to address such issues;  
4) failures or weaknesses in the implementation of internal control, or emergency situations that have affected or may affect the Company's financial performance, and the measures taken by the Company to address such failures (particularly the issues disclosed in the Company's annual reports and its financial statements);  
5) the extent to which the Company has complied with the internal controls when determining and managing risks; and  
6) information describing the Company's risk management operations.

#### **Article 78: Maintaining Internal Audit Reports**

The Company shall keep records of the audit reports and business documents, which shall clarify its accomplishments, findings and recommendations, and all actions taken in their regard.

structure of the Arab Pipeline Company.

#### Control and inspection:

1/5/6 The effectiveness of the inspection control in the Arab Company for Pipes and the effectiveness of Administrative dealing with it.  
2/5/6 The extent of the independence of evaluating the internal control system of the Arab Company for Pipes.  
5/3/6 Preparing reports and addressing gaps and changes in the internal control system of the Arab Company for Pipes.

#### C- Independence of the Internal Audit Department:

1- The Audit Committee Regulations of the Arab Company for Pipes insures the independence of the internal audit work, as it is affiliated to the audit committee and submits its reports to the internal audit committee, as well as the independence of the internal audit system.

#### 2- Planning the internal audit work:

The internal audit department updates its objectives by setting standard limits for its objectives and setting a timeframe for the completion of the plan and completing it through schedules and programs of the internal audit work to review its work and complete the audit work in accordance with the audit work.

The internal audit completes the internal auditors' job descriptions and the selection processes for experienced individuals and provides continuous training.

#### D- Standards of internal audit:

The Arabian Pipes Company adopts the international standards for internal auditing issued by the American Institute of Internal Auditors (IIA), guided by the requirements of



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

COSO for internal control, as well as the management of internal control:

Standard No. (100): Independence

1- The internal auditors must be independent from the work they are reviewing, so that they perform their work freely and objectively when they are able to impartiality and objectivity to judge the performance of the work that is the subject of the internal review.

Interventions whereby the audit committee's regulations ensure that the internal audit director is subordinate to the audit committee in appointing, dismissing, and promoting him.

2- The internal audit manager must submit detailed reports to the audit committee on evaluating the internal control system, showing observations and making proposals to fill the gaps in the internal control system, periodically and as necessary, according to the necessity.

Standard No. (200): Professional business professionalism for internal review

1- The professionalism of the internal audit work in accordance with this standard requires the selection of qualified persons with experience, knowledge and scientific competence to perform this professional and advisory work with the availability of all elements of discipline, commitment, trust and confidence.

And piety.

2- This requires that internal auditors be selected or hired consultants with full knowledge and knowledge in the fields of accounting - economics - administration - statistics - information technology and engineering - law - taxes and internal work according to the requirements of the audit work.

3. The success of the audit requires that supervisors on internal audit work are well versed



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

on the work of supervision, including program implementation and follow-up and identify relevant topics and to update the information and knowledge of the full working procedures and the overall quality, and identify audit trails and adjusted according to the objectivity and neutrality goals.

4- Working in accordance with internal auditing standards and other professional standards such as accounting and auditing standards, laws and regulations, as well as requiring full compliance with the behavioral and ethical standards of the internal audit profession.

5- The ability to understand and implement decisions, and to know the deviations resulting from the application of financial, accounting and economic standards and measures and their components.

6. internal audit handling professional requires a good deal with people that is reviewed and lack of domination, intimidation or intimidation and to differentiate between objective review of neutrality and not compromising the character of auditor and evaluate the performance of the auditor, but help him to complete the work in partnership to achieve continuous improvement with his consent and gain his cooperation and encouragement down to improve and achieve the goals set.

5- Continuing Education:

Is the development of training programs are continuing to develop a culture of internal auditors and get updated on internal audit, accounting, management, economics and areas associated with the audit so that the internal auditors at the scientific level and academic training appropriate to the burdens of internal audit high level and superior and the latest methods applied scientific available.



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

6- Knowing and knowing the means of fraud and fraud:

Requires internal auditors knowledge of the means of fraud, deception and fraud in all transactions in respect of income and expenses during the conduct of operations and circumventing laws and through contracts, implementation and not neglected personalities dealers in revealing these methods also requires knowledge and applied technical methods of fraud and fraud through records and processes and revolves outside The company has a suspicious dealings, and this is achieved through knowledge of the internal control environment within the company, knowledge of the factors and components of internal control, their implementation, and the close follow-up of the implementation of COSO elements of internal control.

Standard No. (300): The scope of the internal audit work:

The purpose of internal audit is to ensure the adequacy of the internal control system for the system that has been developed to give reasonable assurance that the work being carried out is going according to the goals set efficiently and cost-but targets a loose, what is required is what has been chosen by the company of interim targets placed across Planning, set programs, and interim goals are part of the company's strategy, and those goals should be quantified and digitized for ease of measurement, access to them, and the identification of risks that prevent the achievement of those goals.

The internal audit ensures the integrity of the information and determine the degree of confidence in which the use of methods of analysis and measurement of the extent of compliance with the standards through reports that prove this information and ensure internal audit of the extent of compliance with regulations and laws, plans and procedures for such acts as the internal audit by ensuring the integrity of the protection of assets and





العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

that those The means are appropriate, as well as to ensure the existence of those assets, and to ensure the efficient delivery of programs and plans to efficiently reach the target numbers and the overall goals of the company.

Standard No. (400): Performing the internal audit work

It requires the performance of internal audit planning for internal audit and should be written in the plan by identifying pre-audit and identify the objectives of the information available on those that will be reviewed, and identify possibilities required human and material revisions field required, and identify reporting programs and the results of the audit and how to access and reporting, and processes to investigate the substantive through the knowledge and experience that must be provided, as should the internal audit to complete inspections through documents and ensure that the approved information on those observations and adequate and sufficient and relevant and it is useful to rely on the registration of internal audit through working papers and determine how to manage and track regulatory and must The internal audit informs the audit committee, through reports, the results of the audit, and that is following the processes of Share, and should be discussed proposals and recommendations with management before they are issued to ensure the reasonableness and the absence of a clear contradiction in or other information available has not been introduced, which may affect the validity of the results that have been reached, as required on the internal audit follow-up and address the observations and implementation of approved recommendations to reach to fill internal control gaps and address errors on time.

Standard No. (500): The Internal Audit Department

Internal Audit is responsible management of the work of the Department of Internal Audit



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

is determined objectives, planning and regulation ideal for the management review of the identification of the authorities and responsibilities in accordance with the organizational structure approved and define policies required and procedures implemented in accordance with the programs and rehabilitation and training for their employees and determine the relationship with the external auditor and confirm the application of quality system of internal audit in management Safe and effective.

E) The rules and conduct of the internal review of the Arabian Pipes Company.

1- The profession of internal auditing requires that its employees be described with integrity and that they be The auditor is honest, courteous, sincere, objective, serious, and diligent in bearing the responsibilities of Performing his work and taking complete alignment with the objective matters in any location in which he performs these responsibilities, and the auditor must not engage in any unethical or illegal act or act has any suspicion.

2- The auditor should not engage while he is aware of shameful and corrupt activities that harm the reputation of the profession.

3- The internal auditor shall not engage in activities that may lead to his involvement or that may lead to injustice or prejudice, and he must be objective when performing his work.

4- The auditor's commitment to complete integrity and not benefiting from the employees who are audited, clients, customers, financiers, companies, institutions, consultants or contractors as bribery, spoilage, gifts, or benefits.

5- The auditor's commitment to conducting business to which the profession rules and behaviors and international requirements apply.



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

	<p>6- The auditor's obligation to maintain the confidentiality of the information obtained during the performance of his business, so that the information is not leaked to competitors or opponents who benefit from this information, which may cause harm to pipes, and that he does not bear witness to the validity of misleading or false information that has not been proven to him to confirm its authenticity, and that shall be fully committed to the governance regulations of the Arab Company for Pipes.</p> <p>7- The auditor's commitment to write in his report the facts and not to hide any basic and necessary information, as this is considered a betrayal of the trust.</p> <p>8- The auditor shall work on the development of the profession, its advancement, the efficiency of performance, and the maintenance of quality assurance when performing his work.</p> <p>9- The auditor has the necessary awareness to perform the duties with integrity and responsibility in a manner that they conform to the requirements, rules and conduct of the profession.</p>
<b>PART 6: The Company's External Auditor</b>	
<b>Article 79: Assigning the Audit Function</b> 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.	
<b>Article 80: Appointment of the External Auditor</b> 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;	



<p>2) the external auditor shall be authorised by the Competent Authority;</p> <p>3) the external auditor's interests shall not conflict with the interests of the Company; and</p> <p>4) the number of nominees shall not be less than two.</p>	
<p><b>Article 81: Duties of the External Auditor</b> The external auditor shall:</p> <p>1) owe the duties of loyalty and care to the Company;</p> <p>2) notify the Authority if the Board fails to take appropriate actions in respect of suspicious issues it raises; and</p> <p>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.</p>	
<p><b>PART 7 : Stakeholders</b></p>	
<p><b>Article 82: Regulating the Relationship with Stakeholders<sup>16</sup></b> 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:</p> <p>1) methods to compensate Stakeholders when their rights established by laws or protected by contracts are infringed;</p> <p>2) methods for resolving complaints or disputes that may arise between the Company and the Stakeholders;</p> <p>3) methods for building good relationships with customers and suppliers and maintaining the confidentiality of their information;</p> <p>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;</p> <p>5) the Company's social contributions;</p>	<p>Article 30 - Policy regulating the relationship with stakeholders</p> <p>The Arab Company for Pipelines seeks to resolve all disputes and problems that may arise with the parties with whom it deals in amicable, consensual ways that do not contradict its laws, regulations and interests, as far as possible, while the interests of the parties are compensated with him as much as possible. And the judicial committees of decisions and judgments, after the Arab Company for Pipes has exhausted all legal and legal procedures in its regard, as for the aspect of friendly treatment, it is done according to the following:</p> <p>First: the workers</p> <p>Complaints of employees affiliated with the Arab Company for Pipes should be directed to any of:</p> <p>1- The immediate superior.</p>



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

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.

2- Department of Personnel Affairs.

3- The owner of the authority directly or through the Complaints and Suggestions Fund of the Arab Company For pipes.

Employees' complaints are classified as follows:

1- Complaints related to work violations.

2- Complaints related to the management and implementation of the Arab Pipes Company.

3- Complaints regarding violations of the governance regulation.

How to review complaints:

1- The employee's complaints related to the workers' affairs in matters pertaining to the terms of service shall be considered by the Director of Personnel Affairs after consulting the legal advisor, and the proposed solution shall be submitted to the authority holder for approval.

2- Consider issues related to business administration and execution.

N.3 - Complaints regarding violations of the governance regulation of the Arab Pipeline Company: They are considered by the Internal Audit Department

Second: Shareholders

A- Shareholders' complaints are received by:

1- Post, telephone, or telegraph letters.

2- Messages through the e-mail of the Arab Company for Pipes.

3- The Complaints and Suggestions Fund of the Arab Pipe Company.

4- Complaints of shareholders who come to the Arab Company for Pipes in the Stocks or Financial Department.



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

5- Complaints through the questionnaires provided to the shareholders.

B- How to handle shareholder complaints:

1- The complaint number is registered by the stock department or the financial department.

2- The complaint will be considered and the opinion expressed by each of:  
Head of Equity Department.

- Financial Director.

- Legal Counsel.

3- The mechanism for handling the complaint and responding to the authority shall be approved.

4- The response will be made within three working days from the date of receiving the complaint.

5- The processing is recorded in the relevant register and followed up through follow-up meetings with the financial manager.

6- The complaint is summarized and placed in the system of experiences gained through the Arab Company for Pipeline Models program, and its results are published to all employees, to benefit from them and avoid their recurrence in the future.

Third: Suppliers

A- Supplier complaints are received by:

1- Post, telephone, or telegraph letters.

2- Messages through the e-mail of the Arab Company for Pipes.

3- The supplier's representative who attends in person to the Arab Pipe Company.

B- Looking into suppliers' complaints:



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

- 1- The Procurement Department registers suppliers' complaints in the Supplier Complaints Register and submits the complaint and its solution proposal to the General Director and the Financial Affairs Director.
  - 2- In the case of complaints that require solving an internal problem with the supplier through
    - Violations of delivery and receipt.
    - Offenses for delaying the supply or breaching the terms of the contract.
    - Any other violations.The Director of the Procurement Department and the Financial Director, in consultation with the Director General, resolve the matter or resort to the courts if necessary.
- Fourth: Clients
- A- Affiliate and subsidiary companies:
- 1- Sister companies' complaints are received through the Financial Department of the Arab Company for Pipes.
  - 2- Complaints are recorded, classified and analyzed for transfer to the competent authority of the Arab Pipes Company.
  - 3- The Director of the Financial Department and the head of the department concerned with the complaint shall consider it within three working days and submit proposals for its resolution to the General Manager to respond to the sister company.
- B- Clients of sister companies associated with contracts with the Arab Pipe Company:
- 1- In the event that no complaint was considered by the affiliate or subsidiary companies management, and the person concerned submits them to the management of the Arab Pipe Company.

	<p>2- The financial department receives the complaint, records it and then transfers it to the competent authority of the Arab Pipes Company, after making sure that it was not responded to by these companies.</p> <p>3- Complaints will be considered and responded to within three working days from the date they are received.</p> <p>4- The competent person shall be informed of the results of handling the complaint.</p>
<p><b>Article 83: Reporting Non-Compliant Practices</b> 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:</p> <p>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;</p> <p>2) maintaining the confidentiality of reporting procedures through facilitating direct contact with an independent member of the audit committee or other specialised committees;</p> <p>3) appointing an employee to receive and address complaints or reports sent by Stakeholders;</p> <p>4) dedicating a telephone number or an email address for receiving complaints; and</p> <p>5) providing the necessary protection to the Stakeholders.</p>	<p>Article 31 - Bylaw to regulate whistleblowers from inside and outside the company about unlawful behavior inside the company</p> <p>In addition to what is stated in Article 28 of this regulation regarding the policy of organizing the relationship with stakeholders and the mechanism for receiving complaints from employees, shareholders, suppliers, customers and clients of the Arab subsidiary and sister company.</p> <p>(E) From Article Fourteen of these Regulations, the Board of Directors can enable the company's employees to transfer and communicate the information they have that indicates the existence of illegal, moral or ethical practices that lead to the company's business.</p> <p>A- The Secretary of the Board of Directors receives the employees 'and others' notifications submitted to the council or to one of the members or the board committees and records the report number and provides the reporter with this number as a reference for the author of the report.</p> <p>B- After recording the report containing the observation, complaint or suggestion, the board secretary shall deliver it to the chairman of the board for consideration during the first session of the board.</p>





العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

	<p>C- The council secretary shall inform the reporter of the results of the consideration of his complaint within a week of submitting it to the chairman.</p> <p>D- The employee may not be held accountable for his complaint from the line manager or by the general manager, or for investigation with him unless it is proven by conclusive evidence that his complaint or communication is false.</p> <p>The names, addresses and phone numbers of the members of the Board of Directors and the committees are announced in the contacts directory within the company.</p>
<p><b>Article 84: Employee Incentives<sup>17</sup></b> 17 Guiding Article 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.</p>	
<p><b>PART 8 :Professional and Ethical Standards</b></p>	
<p><b>Article 85: Professional Conduct Policy</b> 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 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, at all times, prioritise the Company's interests over his own interests; 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</p>	



<p>group that elected him;</p> <p>3) entrench among the Board members and Senior Executives the principle of compliance with all relevant laws, regulations and instructions;</p> <p>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;</p> <p>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</p> <p>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.</p>	
<p><b>Article 86: Social Responsibility<sup>18</sup></b> 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.</p> <p><b>Article 87: Social Initiatives<sup>19</sup></b> The Board shall establish programmes and determine the necessary methods for proposing social initiatives by the Company, which include:</p> <p>1) establishing indicators that link the Company's performance with its social initiatives and comparing it with other companies that engage in similar activities;</p> <p>2) disclosing the objectives of the Company's social responsibility to its employees and raising their awareness and knowledge of social responsibility;</p> <p>3) disclosing plans for achieving social responsibility in the periodical reports on the activities of the Company's; and</p> <p>4) establishing awareness programmes to the community to familiarise them with the Company's social responsibility.</p>	
<p><b>PART 9 :Disclosure and Transparency</b></p>	
<p><b>Article 88: Policies and Procedure of Disclosure</b> Without prejudice to the Rules on the Offer of Securities and Continuing Obligations</p>	



and the Listing Rules, 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) 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
- 4) 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.

**Article 89: 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

**Article 12: Disclosure in the Board Report**

The report of the board of directors according to the indicative form issued by the Capital Market Authority shall contain the following:

- 1- A description of the main types of activity of the Arab Company for Pipes and its group, and in the event that two or more types of activity are described, a statement must be attached to each activity and its impact on the volume of the work of the Arab Company for pipelines and the results.
- 2- Description of the important plan and decisions of the Arab Company for Pipelines (including the restructuring of the company, or Expanding its business, or stopping its operations) and the future business expectations of the Arabian



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

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 (93) 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 committees recommendation on the need for appointing an internal auditor for the Company, if there is no internal auditor.

12) the audit committees 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

Pipes Company and any risks it faces.

3- A summary in the form of tables or a graph of the assets and liabilities of the Arab Pipeline Company and the results of its business for the last five fiscal years or since its establishment, whichever is shorter.

4- A geographical analysis of the total revenues of the Arab Pipelines Company and the total revenues of its subsidiaries outside the Kingdom (if any)...

5- Any material differences in the operational results compared to the results of the previous year or any expectations announced by the Arab Pipe Company are clarified.

6- Clarification of any difference from the accounting standards issued by the Saudi Organization for Certified Public Accountants.

7- The name of each subsidiary company, its principal activity, the state, the principal place of its operations, and the state in which it is established.

8- Details of shares and debt instruments issued for each subsidiary company.

9- A description of the Arab Pipe Company's policy for distributing profits.

10- Description of any interest in the voting-eligible shares category belongs to persons (except the members of the board of directors of the Arab Company for Pipes and Senior Executives and their spouses and minor children) who informed the Arab Company for Pipes of those rights and any change in those rights during the last fiscal year.

11- A description of any interest and choice and subscription rights of the members of the board of directors of Arab Pipe Company and the major executives, and their spouses and minor children in the shares or debt instruments of the Arab Pipe



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

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 Organisations for Certified Public Accountant.

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 descriptions 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 68 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 or any of their subsidiaries, and any change in that interest or those rights during the last financial year.

12- Information concerning any loans made by the Arab pipeline company (whether the obligation to repay on order or otherwise) and the disclosure of the total indebtedness of the Arab pipeline company and its total amount and of the amounts paid by the Arab pipeline company in repayment of its loans during the year; in the event that there are no such loans, the Arab pipeline company must submit a statement to that effect.

13- A description of the classes and numbers of any equity transferable debt instruments and any option, subscription notes or similar rights issued or granted by the Arab pipeline company during the financial year, and an explanation of any compensation received by the Arab pipeline company in return.

14- A description of any transfer or subscription rights under debt instruments convertible into shares, option rights, subscription rights notes, or similar rights issued or granted by the Arab Company for Pipes.

15- description of any redemption, purchase or cancellation by the Arab Pipeline Company of any recoverable debt instruments, and the value of the remaining securities, with a distinction between the listed securities purchased by the Arab Pipeline Company and those purchased by the Arab Pipeline Company.

16- The number of board meetings that were held during the last fiscal year and the attendance record for each meeting.

17- Information relating to any contract in which one member of the Board of Directors of the Arab Pipe Company, the executive head, the financial manager or



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

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:

- proper books of account have been maintained;
- the system of internal control is sound in design and has been effectively implemented; and
- there are no significant doubts concerning the company's ability to continue its activity.

any person in connection with any of them may be a party. The Arab Pipe Company must acknowledge that.

18- Statement of any arrangements or agreement under which a member of the board of directors of the Arab Company for Pipes or a senior executive waived any salary or compensation.

19- A statement of any arrangements or agreement under which a shareholder of the Arab Pipes Company waived any rights to profits.

20- A statement of the value of the regular payments due for payment of any zakat, taxes, fees or any other dues, with a brief description of it and a statement of its reasons.

21. A statement of the value of any investments or other reserves that have been established for the benefit of the employees of the Arabian Pipes Company.

22. Submission of declarations of the following:

- That the account records have been properly prepared.
- That the internal control system was prepared on a sound basis and has been effectively implemented.
- That there is no doubt about the ability of the Arab Pipes Company to continue its activity.
- If none of the above is issued, the report must contain an acknowledgment of the reasons.

23. If the chartered accountant's report contains reservations about the annual financial statements, and the authority requests additional information, the board of directors' report must clarify that information as it was submitted to the commission.



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

40) if 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.

24. In the event that the Board of Directors recommends replacing the chartered accountant before the expiry of three consecutive fiscal years, the report must contain that along with stating the reasons for the recommendation for the replacement.

25. The provisions of the Corporate Governance Regulations issued by the Capital Market Authority that have been applied, and what has not been implemented, along with a statement of the reason for that.

26. Names of companies for which a member of the company's board of directors is a member of its boards of directors.

27. Formation of the Board of Directors and classification of its members as follows:

28. An executive board member, a non-executive board member, or an independent board member.

29. A brief description of the competencies and tasks of the main board committees, such as the audit committee, the nomination and remuneration committee, with mentioning the names of these committees, their chairmen, their members, and the number of their meetings.

30. A breakdown of the bonuses and compensations paid for each of the following separately:

Board of Directors.

Five of the chief executives who received the highest rewards and compensation from the company, in addition to the CEO and the financial manager if they were not among them.

31. Any penalty, penalty or precautionary restriction imposed on the company by the Capital Market Authority or from any other supervisory, regulatory or judicial authority.

32 - Results of the annual review of the effectiveness of the company's internal control



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

	procedures.
<p><b>Article 90: The Audit Committee's Report</b></p> <p>1) The report of the audit shall include details of its performance of its competencies and duties stated in the Companies Law and Its Implementing Regulations, provided that the report contains its recommendations and opinion on the adequacy of the internal and financial control systems and risk management systems in the Company.</p> <p>2) The Board shall make available sufficient copies of the audit committees' report at the Company's head office, and publish them on the Company's and the Exchange's websites when publishing the invitation to convene the General Assembly, to enable shareholders to get a copy thereof. Summary of the report shall be read at the General Assembly.</p>	
<p><b>Article 91: Disclosure by the Board</b></p> <p>The Board shall regulate the disclosures of each of its members and the members of the Executive Management, observing the following:</p> <p>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</p> <p>2) making such register available for review by the Company's shareholders free of charge.</p>	
<p><b>Article 92: Disclosure of Remunerations</b></p> <p>1) The Board shall:</p> <p>a) disclose the remuneration policy and the method by which remunerations of the Board and executive management are determined;</p> <p>b) 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;</p> <p>c) explain the relationship between remunerations granted and applicable remuneration policy, highlighting any significant deviation from such policy; Board</p> <p>d) a description of the necessary details with respect to the remunerations and</p>	





<p>compensations granted to each of the following, separately:</p> <ol style="list-style-type: none"><li>1. Board members;</li><li>2. 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.</li><li>3. members of committees.</li></ol> <p>d) The disclosures in this article and in the Board report shall be pursuant to the appended schedule.</p>	
<p><b>Part 10: Implementation of Corporate Governance</b></p>	
<p><b>Article 93: Implementation of Effective Governance</b> 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:</p> <ol style="list-style-type: none"><li>1) verify that the Company is in compliance with these rules;</li><li>2) review and update the rules pursuant to statutory requirements and best practices;</li><li>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</li><li>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.</li></ol>	
<p><b>Article 94: Formation of a Corporate Governance Committee</b> If the Board forms a corporate governance committee, it shall assign to it the competences stipulated in Article (94) 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.</p>	
<p><b>Part 11: Closing Provisions</b></p>	
<p><b>Article 95: Providing the Additional data and Information</b> 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.</p>	<p>Chapter five Article 33: Final Provisions A- This bylaw shall be effective from the date of its approval by the Board of Directors.</p>



العربية للأنابيب  
ARABIAN PIPES

الشركة العربية للأنابيب شركة سعودية مساهمة

	<p>B- The provisions of these bylaws shall cancel the company's internal procedures or regulations that contradict it.</p> <p>C- These bylaws are considered an integral part of the articles of association of the company, and Regarding what is not provided for a text, reference is made to the Saudi Companies Law, the Capital Market Authority, and any future decisions issued by Competent authorities.</p>
<p><b>Article 96: Publication and Entry into Force</b> These Regulations shall be effective as per its approval resolution.</p>	
<p>Appendix (1) <b>Board Remuneration</b> Schedule</p>	
<p>Appendix (2) <b>Committees Members Remuneration</b></p>	
<p>Appendix (3) <b>Remunerations of Senior Executives</b></p>	