

**Articles of Association**  
**Tourism Enterprises Company**  
**Saudi Joint Stock Company (SHAMS)**

Ministry of Commerce and Investment General Department of Corporate Governance And Compliance	Articles of Association	Company name Tourism Enterprises Company (SHAMS)
	Date 12/09/2022	Commercial Register: (2050021572)

\* A copy of the Law was issued pursuant to the resolution of the Extraordinary Assembly on 09/12/2021.

## **Articles of Association**

### **Tourism Enterprises Company**

### **Saudi Joint Stock Company (SHAMS)**

#### **Section I**

#### **Company Incorporation**

##### **Article one: Company Incorporation**

This Company was incorporated pursuant to the provisions of the Saudi Companies Articles of Association and amendments thereof, and this Article of Association is a Saudi Joint Stock Company among the owners of the shares shown in accordance with the following:

##### **Article Two: Company Name**

Tourism Enterprises Company - SHAMS

##### **Article Three: Company Objectives**

Resorts and tourist facilities establishment and management, including chalets, motels, hotels, parks, restaurants, entertainment cities, sports stadiums, swimming pools, rest houses, service stations and central markets, and all the services needed by tourist resorts, yacht harbors, boat docks, owning of yachts and boats for tourism purposes, fishing and diving enthusiasts, trading in fishing and sea tools and equipment, training therein, holding competitions, obtaining commercial agencies from tourism companies, and organizing tourism activities inside and outside the Kingdom. The Company shall conduct its activities in accordance with the applicable Regulations and after obtaining the necessary licenses from the Competent Authorities, if any.

##### **Article Four: Ownership and Participation in Companies**

The Company may establish companies solely (with limited liability or closed joint stock, and it may also own stocks and shares in other existing companies or merge therewith, and it shall have the right to participate with others in the incorporation of joint stock or limited liability companies, after fulfilling the requirements of the regulations and instructions followed in this regard. The Company may also dispose of these stocks or shares, provided that this shall not include intermediation in exchange.

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### **Article Five: Company Head Office**

The Company head office is located in the city of Dammam, Kingdom of Saudi Arabia, and it may establish branches, offices or agencies inside or outside the Kingdom by a resolution of the Board of Directors (BOD).

### **Article Six: Company Duration**

The Company duration shall be ninety-nine calendar years starting as of the date of registration thereof in the commercial registry. This duration may always be extended by a resolution issued by the Extraordinary General Assembly at least one year before the expiry of its term.

## **Section II**

### **Company Capital and Shares**

#### **Article Seven: Company Capital**

The Company capital was set at SAR 578,236,230 (five hundred seventy-eight million two hundred thirty-six thousand two hundred thirty Saudi riyals only) divided into 57,823,623 shares (fifty-seven million eight hundred twenty-three thousand six hundred twenty-three) shares of equal value, the value of each of which is (SAR 10) ten Saudi riyals and all are common cash shares.

#### **Article Eight: Subscription of Shares**

The founders subscribed to the entire capital stock, with a nominal value of SAR 578,236,230 (five hundred seventy-eight million two hundred thirty-six thousand two hundred thirty Saudi riyals only), all of which are common cash shares and their value has been paid in full.

#### **Article Nine: Preference Shares**

The Extraordinary General Assembly of the Company may, in accordance with the provisions of Islamic Sharia and in accordance with the principles set by the Competent Authority, shall issue preference shares or decide to purchase them, convert common shares into preference shares, or convert preference shares into common ones. It shall not give preference shares the right to vote in the general assemblies of shareholders, and the shares arrange for their owners the right to obtain a percentage more than the Shareholders common shares of the Company net profits after setting aside the statutory reserve.

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### **Article Ten: Selling Undervalued Shares**

The shareholder shall pay the value of the share on the specified dates, and if the shareholder fails to pay the due date, the Board of Directors (BOD) may, after being notified by mail registered to his address recorded in the shareholder register, sell the share in the public auction or the stock market, as the case may be, in accordance with the Regulations set by the Capital Market Authority (The Competent Authority). The Company shall collect the amounts due thereto from the sale proceeds and return the remain to the shareholder. If the proceeds of the sale did not meet these amounts, the Company may collect the remaining of all the shareholder money. However, the shareholder who defaulted on payment until the day of the sale may pay the value owed by him in addition to the expenses incurred by the Company in this regard. The Company shall cancel the sold share in accordance with the provisions of this Article, and shall give the buyer a new share with the number of the canceled share and indicates in the shares register that the sale took place with the name of the new owner.

### **Article Eleven: Issuance of Shares**

The shares shall be nominal shares and may not be issued for less than their nominal value. Rather, they may be issued for a higher than this value. In this last case, the difference in value shall be added in a separate item within the shareholders' rights. It may not be distributed as dividends to shareholders. The share shall be indivisible in the face of the Company. If it is owned by several people, they shall choose one of them to act on their behalf in using the rights related thereto, and these people shall be jointly responsible for the obligations arising from the share ownership.

### **Article Twelve: Exchange Shares**

The shares subscribed by the founders may not be exchanged except after publishing the financial statements for two fiscal years, each of which shall not be less than (12) twelve months as of the date of the Company incorporation. The bonds of these shares shall be marked with an indication of their type, date of Company incorporation, and the duration during which exchange is prohibited. However, during the prohibition period, the shares ownership may be transferred in accordance with the provisions of the rights sale from one of the founders to another founder or from the heirs of one of the founders in the event of his death to third parties or in the event of execution on the money of another founder or from the heirs of one of the founders in the event of his death to a third party or in the event of execution on the money of the insolvent or bankrupt founder. The priority of owning those shares shall be given to the other founders. The provisions of this Article shall apply to what the founders subscribe to in the event of an increase in the capital before the prohibition period expiry.

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### **Article Thirteen: Shareholders Register**

The Company shares shall be exchanged in accordance with the provisions of the Capital Market Law and Executive Regulations thereof.

### **Article Fourteen: Capital Increase**

1. The Extraordinary General Assembly may decide to increase the Company capital after the Capital Market Authority approval and provided that the original capital shall have been paid in full, and it is not required that the capital has been paid in full if the unpaid part of the capital belongs to shares issued in exchange for a transfer debt instruments or financing bonds into shares and the duration for converting them into shares has not yet expired.
2. The Extraordinary General Assembly may, in all cases, allocate the shares issued upon the capital increase, or part thereof, to the employees of the Company and its subsidiaries or some or any of them. Shareholders may not exercise the right of priority when the Company issues the shares allocated to the employees.
3. The shareholder, who owns the share at the time of the issuance of the Extraordinary General Assembly resolution approving the capital increase, shall have priority in subscribing to the new shares issued in exchange for cash shares, and informs them of their priority – if any – by publishing in a daily newspaper or by notifying them by registered mail of the resolution to increase the capital, the terms of subscription, duration thereof, and the date of its beginning and end.
4. The Extraordinary General Assembly shall have the right to suspend the priority right of the shareholders to subscribe to the capital increase in exchange for cash shares, or to give priority to non-shareholders in the cases it deems appropriate for the interest of the Company.
5. The shareholder shall have the right to sell or relinquish the priority right during the period as of the time of the issuance of the General Assembly resolution approving the capital increase until the last day of subscription for the new shares associated with these rights, in accordance with the Regulations set by the Capital Market Authority.
6. Taking into account what was mentioned in paragraph (4) above, the new shares shall be distributed to the priority rights holders who requested to subscribe in proportion to the priority rights they own out of the total priority rights resulting from the capital increase. Provided that they shall not exceed what they request for from the new shares. The remaining of the new shares shall be distributed to the priority rights holders who have requested more than their share, in proportion to the priority rights they own from the total priority

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rights resulting from the capital increase. Provided that what they obtain shall not exceed what they have requested from the new shares, and the remaining shares are offered to others, unless the Extraordinary General Assembly decides or the Financial Market Law and the Regulations set by the Capital Market Authority stipulate otherwise.

### **Article Fifteen: Capital Reduction**

Upon a resolution issued by the extraordinary general assembly, the Company capital may be reduced if it exceeds its needs or if the Company suffers losses after the Competent Authority approval. In the latter case only, the capital may be reduced below the limit stipulated in Article (54) of the Company Articles of Association. The resolution to reduce shall not be issued except after reciting the Auditor report on the reasons for it and on the obligations of the Company. The creditors' claim shall be required to express their objections to it within (60) sixty days as of the date of publishing the reduction resolution in a daily newspaper distributed in the area in which the Company head office is located. If one of them objected and submitted documents to the Company on the aforementioned date, and the Company shall pay him his debt if it is due, or shall provide a sufficient guarantee to pay it if it is a deferred one.

## **Section III**

### **Company Management**

#### **Article Sixteen Company Management**

The Company shall be managed by a BOD consisting of seven (7) members elected by the Ordinary General Assembly of shareholders for a period not exceeding three years, and the composition of the BOD shall reflect an appropriate representation of the independent members. In all cases, the number of independent council members may not be less than two members or a third of the council members, whichever is more. An exception to this is the appointment of the Constituent Assembly members of the BOD for a period not exceeding (5) five years as of the date of the publication of the Ministry of Commerce resolution to establish the Company.

#### **Article Seventeen: Termination of Board Membership**

The membership of the Board shall expire upon the expiry of its duration or upon the expiry of the member term of office according to any law or instructions in force in the Kingdom of Saudi Arabia, nevertheless, the Ordinary General Assembly may at

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any time dismiss all or some of the members of the BOD, without prejudice to the right of the dismissed member towards the Company to claim compensation if the dismissal occurred for an unacceptable reason or at an inappropriate time. A BOD member may retire, provided that this shall be done at an appropriate time, otherwise he will be liable on the part of the company for the damages resulting from the retirement.

**Article Eighteen: Vacant Position in the Board**

If the position of a member of the Board becomes vacant, the Board may appoint a temporary member in the vacant position, according to what the BOD deems appropriate from qualified persons, provided that he shall be among those who have the experience and competence stipulated in the nomination criteria for membership of the BOD approved in the Company corporate governance bylaw. The Ministry and the Capital Market Authority shall be informed within five working days as of the date of appointment. The appointment shall be presented to the Ordinary General Assembly in its first meeting, and the new member shall complete the term of his predecessor. If the necessary conditions for the meeting of the BOD are not met due to the lack of its members from the minimum stipulated in the Company's Articles of Association or this bylaw, the rest of the members shall invite the Ordinary General Assembly to convene within sixty days to elect the necessary number of members.

**Article Nineteen: Board Powers**

Without prejudice to the Competences established for the General Assembly, the BOD shall have the widest powers and authorities to manage the Company business in order to achieve its purposes, supervise and manage its affairs, and formulate policies and general rules for its work, programs and its financial and administrative affairs to run its affairs inside and outside the Kingdom of Saudi Arabia. In order to carry out its duties, the Board shall have the right to exercise all the powers and to carry out all the works and dispositions that the Company may carry out under its Articles or Memorandum of Association. The BOD may, for example, but not be limited to, contract offers and guarantees, regardless of their amounts and for any period, including loans with a period exceeding three years, and borrowing; It shall have the right to buy, sell, mortgage and redeem real estate, movables, and Company property, release the Company debtors from their obligations, conclude clearances, sign contracts for the establishment and incorporation of companies in which companies participate, and amend contracts; enter into auctions and tenders of all kinds; cash the Company money and deposit it with banks, open documentary credits and accounts, operate and close them signing and endorsement of documents and checks, and representing the Company before government departments and companies; contract loans with government financing funds and institutions,

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regardless of their value and duration; represent them with individuals, banks, notaries, and all judicial departments of all kinds and degrees, the arbitration board, chambers of commerce and industry, and committees for settling disputes of all kinds, appointing employees and representatives, determining their salaries, bonuses, and dismissing them; authorize the Company executive managers to sign on its behalf in accordance with the regulations and controls set by the Board, approve the Company work plans and operations, and approve its annual budget. The Board may entrust, delegate or authorize within the limits of its competence to one or more of its members or from a third party to carry out certain work or works for the period that the Board deems appropriate according to the bonds of power of attorney or delegation, and exercise all these powers inside and outside the Kingdom of Saudi Arabia.

**Article Twenty: Remuneration of Board Members**

The remuneration of the BOD shall consist of the percentage stipulated in Article (46) of this Articles of Association and within the limits stipulated in the Companies Law and Regulations. The BOD report to the Ordinary General Assembly shall include a comprehensive statement of all the remunerations, expenses and other benefits received by the Board members during the financial year, bonuses, expense allowances and other benefits. The aforementioned report also includes a statement of what the members of the Board received in their capacity as employees or administrators, or what they received in return for technical, administrative or consultative work. It also includes a statement of the number of sessions attended by each member as of the date of the last meeting of the General Assembly.

**Article Twenty-first: Powers of the Chairman, Deputy, Managing Director and Secretary**

The BOD shall appoint from among its members a chairman and a deputy, and it may appoint a managing member. Combining the position of the BOD Chairman with an executive position in the Company may not be permitted. The BOD Chairman shall be responsible for representing the Company in its relations with third parties and before the courts, in pleading, defending, claiming, litigating, accepting judgment and negation, reconciliation, disclaiming, acquittal, assignment of rights, arbitration award, appointing expert arbitrators, requesting seizure of civilians and their release, acknowledgment of the fulfillment of debts, releasing the Company debtors from their obligations, signing contracts and agreements of all kinds, and signing the memorandum of incorporation of the companies in which the Company participates, as well as the appendix of the Articles of Association; delegate third parties in accordance with what the BOD decides and in accordance with what is stated in the Company’s Articles of Association; issue the necessary legal powers of attorney on

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behalf of the Company to plead and defend and to appoint a member of the BOD or others to plead and defend the Company; and represent the company before the courts. The Managing Director shall be also responsible for the execution of the resolution of the Board, and the remunerations obtained by each of them in addition to the remuneration determined for the members of the BOD as shall be decided by it in this regard. The BOD shall appoint a secretary to be chosen by it from among its members or from others, and his competences and remunerations shall be determined by the BOD. The Board chairman duration, the delegated member, and the secretary (BOD member) shall not exceed the duration of their membership in the Board, and it is always permissible for all of them to be reappointed. The Board may, at any time, dismiss them or any of them without prejudice to the right of the dismissed person to be compensated if the dismissal occurred for an unlawful reason or at an inappropriate time.

**Article Twenty-Two: Board Meetings**

The BOD shall meet at least four times a year at the invitation of its chairman. The invitation shall be in writing or sent by fax or e-mail attached by the agenda sufficient time before the date of the meeting to enable the members to attend unless the circumstances require holding the meeting in an emergency. The Board Chairman shall call for a meeting whenever two of the members request him to do so.

**Article Twenty-Three: Quorum of the BOD Meeting**

The meeting shall not be valid unless half of the BOD members are present, provided that the number of attendees shall be not less than four (4), including the Chairman or Vice-Chairman, and at least one independent member shall be among them. The meeting shall not be valid unless half of the members of the BOD attend, provided that the number of attendees shall be not less than four (4), including the president or the vice president, and among them at least an independent member. The Board may issue resolutions in a manner that shall be presented to the members separately, unless one of the member's requests in writing the meeting of the Board for deliberation, and these resolutions shall be presented to the BOD in the first following meeting.

**Article Twenty-four: Board Deliberations**

The deliberations and resolutions of the Board shall be recorded in minutes signed by the Chairman of the Board, the members of the BOD present and the Secretary. These minutes shall be recorded in a special register signed by the Chairman and the Secretary.

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## Section IV

### General Assemblies of Shareholders

#### Article Twenty-five:

General Assembly of Shareholders shall be convened in such a city where the head office of Company is based. Each Shareholder may, regardless of the number of shares owned thereby, attend General Assembly and may give proxy to another Shareholder or any employee of Company, other than a member of the Board, to attend General Assembly.

#### Article Twenty-six: Constituent Assembly

The Founders shall call upon all subscribers to convene the Constituent Assembly within forty-five days from the date of the Ministry's decision to license the establishment of Company, or from the date of closing the subscription of shares in the joint-stock company with the subscription. The Constituent Assembly shall be duly held only if attended by subscribers representing at least one-half of Company's share capital. If the quorum is not present, a second meeting shall be convened one hour after the lapse of time set for the first meeting, provided that the call for the first meeting shall indicate the possibility of holding such a meeting. In all cases, the second meeting shall be valid regardless of the number of the represented subscribers.

#### Article Twenty-seven: Powers of the Constituent Assembly

The Constituent Assembly shall have the following powers:

1. Ensure that all Company's shares have been subscribed and that the minimum capital is paid to the extent of the due amount of the share value under Companies Law.
2. Approve the final version of Company's articles of association, provided that no material amendments are made thereto except with the approval of all represented subscribers.
3. Discuss and approve the Founders' report on such activities and expenses required for the incorporation of Company.
4. Appoint the first auditor of Company and determine the fees thereof.
5. Appoint members of the first board of directors for a term not exceeding 5 years. The meeting shall be valid only if attended by subscribers representing at least one-half of Company's capital. If such quorum is not achieved, a call shall be made for a second meeting. The second meeting may, however, be held one hour after the lapse of time set for the first meeting. The call for the first meeting shall indicate the possibility of holding a second meeting. In all cases, the second meeting shall be valid regardless of the number of represented subscribers. Each subscriber shall have a voice on each subscribed or represented share.

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### **Article Twenty-eight: Powers of Ordinary General Assembly**

Except for matters falling within the powers of Extraordinary General Assembly, Ordinary General Assembly shall have powers to deal with all matters regarding Company. The meeting shall be held at least once a year within six months following the end of Company's financial year. Other ordinary General Assemblies may be convened whenever needed. Ordinary General Assembly shall have the power to form an audit committee and determine the fees thereof.

### **Article Twenty-nine: Powers of Extraordinary General Assembly**

Extraordinary General Assembly shall have the power to amend Company's articles of association, except for such provisions as stated in the Law. In addition, Extraordinary General Assembly may issue resolutions on such matters falling within the powers of Ordinary General Assembly with the same terms and conditions prescribed for the latest meeting.

### **Article Thirty: Call Upon General Assemblies**

General Assemblies of Shareholders shall convene at the call of the Board of Directors. The Board of Directors shall call Ordinary General Assembly to convene if so requested by the Auditor, the Audit Committee, or Shareholders representing at least 5% of the capital. Shareholders representing at least 2% of the capital may submit a request to Competent Authority to call for an Ordinary General Assembly if any of such requirements as provided for in paragraph 2 of Article 90 of Companies Law are met. Call for General Assembly shall be published in a daily newspaper circulated in the region where the head office of Company is based, at least 21 days before the date set for the meeting. The Call shall have the agenda of the meeting. A copy of the call and the agenda shall be submitted to the Ministry of Commerce and Investment and the Capital Market Authority (CMA) during the period of the publication. The second meeting may be held one hour after the elapse of the time set for holding the first meeting. The call for the first meeting shall indicate the possibility of holding a second meeting one hour after the elapse of the time set for holding the first meeting.

### **Article Thirty- one: Register of Attendance**

At the meeting of the Assembly, a register shall be prepared with the names of the attending Shareholders and representatives, their place of residence, the number of their shares, whether held in person or by proxy, and the number of allocated votes. Every stockholder shall have access to this register, at the head office of Company or such place where the meeting is held before the time set for holding the meeting.

### **Article Thirty- two: Quorum of Ordinary General Assembly**

Meeting of Ordinary General Assembly may not be valid unless attended by Shareholders representing at least one-quarter (25%) of Company's capital. If such quorum is not present in the first meeting, a call shall be sent for a second meeting to be held within the thirty days following the preceding meeting. The second meeting may be held one hour after the elapse of the time set for holding the first meeting. The

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call for the first meeting shall indicate the possibility of holding a second meeting. The call shall be served in such a manner as stipulated in Article 30 herein. The second meeting shall be valid regardless of the number of represented shares.

**Article Thirty- three: Quorum of Extraordinary General Assembly**

Extraordinary General Assembly shall be valid only if attended by Shareholders representing at least one-half of the share capital. If this quorum is not attained at the first meeting, a second meeting shall be called upon and held one hour after the elapse of the time set for holding the first meeting. The call for the first meeting shall indicate the possibility of holding a second meeting. In all cases, the meeting may be valid if attended by Shareholders representing at least one-quarter (25%) of Company’s capital. If such quorum is not present in the second meeting, a call shall be sent for a third meeting to be held in such a manner as stipulated in Article 30 herein. The third meeting may be valid regardless of the number of subscribers represented therein, after obtaining approval of the CMA. The Board shall notarize Extraordinary General Assembly resolutions if they included amendments to the articles of association under Article 65 of Companies Law.

**Article Thirty- four: Voting in Assemblies**

Each Shareholder shall have one vote for every share represented thereby in Constituent Assembly, Ordinary General Assembly, and Extraordinary General Assembly. Cumulative voting shall be used when electing the Board of Directors. Board members may not use the voting right of one share more than once. Board members may not participate in voting on resolutions related to discharging their liability for their office or any direct or indirect interest therein.

**Article Thirty- five: Resolutions of Assemblies**

Resolutions of the Constituent Assembly and Ordinary General Assembly shall be passed by the absolute majority of the shares represented at the meetings. However, if such resolutions relate to providing special benefits, such resolutions shall be passed by the absolute majority of the subscribers representing two-thirds of the said shares after excluding the special benefits subscribed by beneficiaries. Resolutions of Extraordinary General Assembly shall be passed by a majority of two-thirds of the shares represented at the meeting unless the resolution relates to the increase or decrease of the capital, extension of Company’s term, dissolution of Company before termination of the term set in the articles of association or merger with another company, such resolution shall only be valid if passed by a majority of three-quarters of the shares represented at the meeting.

**Article Thirty- six: Discussions at Assemblies**

Each Shareholder has the right to discuss the matters listed on the agenda of the Assembly and address questions in respect thereof to the Board members and the auditor. Any provision in Company’s articles of association deprives the Shareholder of that right shall be invalid. The Board or the auditor shall answer questions of the Shareholders to the extent that does not put Company’s interest at risk. If a

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Shareholder deems the answer to the question unsatisfactory, they may raise the issue with General Assembly which resolution in that regard shall be final and enforceable.

**Article Thirty- seven: Chairing Assemblies and Preparation of Minutes**

Meetings of the Shareholder General Assembly shall be headed by the Chairman, or Vice-chairman in case of absence of the Chairman, or any member designated by the board in the absence of both the Chairman and Vice-chairman. The Chairman shall appoint a secretary of the assembly and a vote counter. At the meeting, minutes including the names of the Shareholders present in person or by proxy, the number of shares held in person or by proxy, the number of votes, whether approved or disapproved and a summary and adequate to the deliberations that took place at the meeting, to be signed by the Chairman, secretary and voice counter. Copies of such documents to the competent authorities and the CMA within such time as set by the competent authorities from the date of the meeting.

**Section V**

**Audit Committee**

**Article Thirty- eight: Committee formation**

The Board of Directors may form committees from the Board to assist in the Board's duties under the applicable laws and regulations. An Audit Committee shall be formed by a resolution of Ordinary General Assembly. The Audit Committee shall comprise three (3) members rather than from among non-executive Directors, Shareholders, or others. Resolution of Ordinary General Assembly shall specify such duties, operation guidelines, and member remuneration of the Audit Committee members.

**Article Thirty- nine: Committee formation**

A meeting of the Audit Committee shall only be valid if attended by the majority of its members. Committee's resolutions will be taken by the majority of members present. The Chairman of the Audit Committee shall have a casting vote in the event of a tie.

**Article Forty: Powers of Committee**

Audit Committee shall have the power to supervise Company's business and activities, access Company's books and records, and request information and clarification from Directors or executive management. Also, it may request the Board of Directors to call upon General Assembly to convene if the Board obstructs its duty or if Company incurs serious losses or damage.

**Article Forty -one: Reports of Committee**

The Audit Committee shall review Company's financial statements, and auditor's reports and notes, and shall provide its opinion thereon if any. The committee shall also prepare a report of its opinion concerning the efficiency of internal controls of

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Company, and about any other activities falling within its powers. The Board shall make available to Shareholders a sufficient number of copies of the report at Company's head office at least twenty days (21) before General Assembly. The Report shall be read out during General Assembly.

## **Section VI** **Auditor**

### **Article Forty -two: Appointment of Auditor**

Company shall have two auditors licensed to operate in the Kingdom. Ordinary General Assembly shall appoint such auditors annually and determine their remuneration and term of office. General Assembly may also change such auditors at any time without prejudice to the right to compensation if the change occurs at an inappropriate time or for an illegal reason.

### **Article Forty -three: Powers of Auditor**

The Auditor may, at all times, have access to Company's accounting books, records and any other documents. Also, he may request any clarifications or data it deems necessary to verify the assets and liabilities of Company and perform any other functions and duties within the scope of its work. The Chairman of the Board shall empower the auditor to perform his duties. If the Auditor faces any difficulties in this regard, it shall state the same in a report to be submitted to the Board. If the Board fails to facilitate the task of the auditor, the auditor shall ask the Board to call for an Ordinary General Assembly to consider the issue. The auditor shall submit a report to the annual Ordinary General Assembly in accordance with recognized auditing standards, including the extent to which Company's management was cooperative in providing the required requested data and explanations, and any detected violations of the applicable laws and regulations, Company's articles of association, and his opinion on the integrity of Company's financial statements. The auditor shall read out his report at General Assembly. If General Assembly decides to approve the report of the Board and the financial statements without hearing the auditor's report, its decision thereon shall be null and void.

## **Section VII** **Accounts and Dividends**

### **Article Forty-four: Fiscal Year**

The Company's financial year shall commence on the Ministerial Resolution declaring Company's incorporation and shall end on 25.06.1412 AH corresponding to 31.12.1991. Thereafter, Company's fiscal year shall run within twelve months starting from the first of January and ending at the end of December of each year.

### **Article forty-five: Financial Documents**

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1. By the end of each financial year, the Board of Directors shall prepare Company's financial statements, a report on its activities and financial position for the previous financial year. The report shall include the method proposed for the distribution of dividends. The Board shall make such documents available to the auditor at least 45 days prior to General Assembly.
2. The Chairman of the Board of Directors, the Managing Director and the Financial Manager shall sign the documents referred to in this Article. Copies of such documents shall be maintained at Company's head office and made available to the Shareholders at least twenty days (21) before the date set for General Assembly.
3. The Chairman of the Board of Directors shall publish Company's financial statements, the Board's report, and the auditor's report, in a daily newspaper to be circulated at Company's head office. Also, the Chairman shall send a copy of these documents to the Ministry of Commerce and Investment and the CMA at least twenty days (21) days before the date set for General Assembly.
4. The classification of the financial statements for each fiscal year shall match that of previous years. The basics for assets and liabilities valuation shall remain unchanged, without prejudice to recognized accounting standards. The Board shall, within 30 days from the date of General Assembly's approval of the financial statements, and the reports of the Board, the auditor and the audit committee, file copies of said documents with the Ministry of Commerce and Investment and the CMA.

**Article Forty-six: Dividends:**

Company's net profits shall be distributed annually after deducting all general expenses and other costs as follows:

1. 10% of the net profit shall be set aside on an annual basis to allocate Company's statutory reserve. Ordinary General Assembly may discontinue setting aside such reserve when reaches 30% of paid-in capital.
2. From the residual profit, 20% shall be set aside as a consensual reserve to support the financial position of Company, as proposed by the Board of Directors to Ordinary General Assembly.
3. Ordinary General Assembly may, when determining dividends, decide to create other reserves to serve Company's interest or ensure distribution of fixed dividends, as much as possible, to Shareholders. General Assembly may also deduct amounts from the net profit to establish social programs for Company's staff or to assist with existing programs.
4. From the residual profit, a down payment shall be made to Shareholders equal to 5% of the paid-up capital.
5. Subject to the provisions of Article (Twenty) hereof, and Article (Seventy-six) of Companies Law, after deducting the above amounts, not more than 10% of the residual profit shall be allocated as a remuneration to the Board of Directors. The remuneration of a director shall be estimated in proportionate to his commitment to attending meetings of the Board and Committees.

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6. The residual profit shall then be distributed to Shareholders as an additional profit share as decided by the Assembly, or it shall be carried over to the following years.
7. Board Members shall be entitled to meeting attendance, .i.e., SAR 5,000 (five thousand Riyals) for each attendance of the Board's meetings. This is in addition to accommodation and transportation allowance for the non-resident member.
8. Committee Members shall be entitled to meeting attendance pay for each attendance of the Committee's meetings, in addition to accommodation and transportation allowance for the non-resident member, under the remuneration policy as approved by Company's General Assembly.
9. Remunerations for technical, administrative and advisory activities, as well as incentive plans for the Chairman of the Board, chairmen of the committees, members of the Board, Vice-chairman of the Board, members of the committees, and secretaries, shall be paid under the remuneration policy as approved by Company's General Assembly.
10. The payment to be made to a member may not exceed SAR 500,000 (five hundred thousand Riyals) for each member, including financial and in-kind benefits.
11. The Board's report during the year shall include remunerations, allowances, expenses, benefits, the Board Members' salaries as employees or administrators, or for technical, administrative or consultative duties. It shall also include the number of meetings attended by each member from the date of the last meeting of General Assembly.

**Article Forty-seven: Entitlement to Dividends**

A Shareholder shall be entitled to their share of profits according to General Assembly's resolution adopted in this regard. Such resolution shall specify the entitlement date and distribution date. Shareholders registered at the Shareholders register at the end of the payment due date, shall be entitled to profits. The Competent Authority shall determine the maximum period during which the Board of Directors shall implement the resolution of Ordinary General Assembly regarding dividends paid to Shareholders.

**Article Forty-eight: Dividends of Preferred Shares**

1. If dividends have not been distributed for any fiscal year, dividends may be distributed for the following years only after payment of such ratio as specified as per Article (114) of Companies Law for Preferred Shareholders for this year.
2. In the event that Company fails to pay such profit share as stipulated in Article 114 of Companies Law for three consecutive years, the special assembly of holders of such shares, held in accordance with the provisions of Article 89 of Companies Law, may decide either to attend Company's general assemblies and participate in the voting or appoint representatives in Company's Board of

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Directors in proportion to their shares of the capital, until profits designated for preferred shares for previous years are fully paid by Company to the holders of such shares.

**Article Forty-nine: Losses of Company**

1. If the losses of Company exceed half of the paid capital, at any time during the fiscal year, any Company's official or auditor shall immediately inform the Chairman of the Board of the same. The Chairman shall promptly inform the Board member of the same. The Board of Directors shall, within fifteen days from notice, inform Extraordinary General Assembly to convene within forty-five days from the date of their notice of such losses, to enable it to resolve either to increase the capital of Company, to reduce it to the extent that the loss ratio falls below half of the paid capital or to dissolve Company prior to such specified term as specified in Article 6 hereof. In all cases, General Assembly's resolution shall be published on the Ministry of Commerce and Investment's website.
2. Company shall be deemed dissolved by operation of Companies Law if General Assembly failed to convene within the time specified in this Article, if General Assembly convened and failed to pass a resolution in this regard, or if it decided to increase the capital according to such conditions stipulated in this Article but not all of the capital increase shares have been subscribed to within ninety (90) days from the date the Assembly's resolution to increase the capital is passed.

**Section VIII**  
**Disputes**

**Article Fifty: Liability Action**

Each Shareholder shall have the right to file a liability action, which is vested in Company, against Board members if they committed a fault causing damage thereto, provided that Company's right to file such action is still valid. A Shareholder shall inform Company of its intention to file such an action.

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**Section IX**  
**Dissolution and Liquidation**

**Article Fifty-one : Termination of Term**

Company, once terminated, shall be liquidated and shall retain the legal entity of liquidation as necessary. The voluntary liquidation resolution shall be issued by Extraordinary General Assembly, after obtaining approval of CMA. The liquidation resolution shall appoint a liquidator and determine its powers, fees, restrictions of powers and the period of liquidation. However, the voluntary liquidation period may not exceed five years and may not be extended without a court order. The powers of the Board of Directors shall cease upon Company's liquidation. However, the Board of Directors shall remain responsible for the management of Company while its members shall act as liquidators when dealing with third parties until a liquidator is appointed. General Assembly shall continue to exist during the liquidation period and its role shall be limited to exercising its competencies to the extent they do not conflict with the powers of the liquidator.

**Section X:**  
**Final Provisions**

**Article Fifty-two:**

Companies Law and the regulations thereof shall apply to all other matters not specifically provided for herein.

**Article Fifty-three:**

These Articles of Association shall be filed and published in accordance with Companies Law and the regulations thereof.

**Yours Sincerely,**

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