



The National Agricultural Development Company

# Corporate Governance Charter

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## Chapter (1): Introductory Provisions

### 1. Introduction

#### 1.1 Purpose of the Charter

This charter sets out the rules and standards regulating the Company's management to ensure compliance with the best corporate governance practices that ensure the protection of the rights of shareholders and stakeholders, without prejudice to the regulations and instructions issued by the regulatory authorities and provide them with the opportunity to carry out their work in a more efficient manner, as a result of distributing responsibilities in a more clear and accurate manner, and achieving reassurance sufficient for the Council by providing it with effective information and supervision.

#### 1.2 Scope of Implementation

Notwithstanding the applicable laws and regulations in force in the Kingdom of Saudi Arabia, the Company's Bylaw, internal policies, this policy shall be complementary thereto, read and interpreted therewith without replacing them. This Charter shall apply to:

- 1.2.1 Company's Board of Directors.
- 1.2.2 The Board Secretary and its Committees.
- 1.2.3 Company's Substantial Shareholders
- 1.2.4 Members of the Company's Board Committees or any of its affiliates and their relatives.
- 1.2.5 Executive Management of the Company or any of its affiliates/subsidiaries.
- 1.2.6 Board Members and the Executive Management at the Substantial Shareholders at the Company.
- 1.2.7 Nominees for the Board membership.
- 1.2.8 All Company's employees.
- 1.2.9 Anyone represents the Company before third parties.
- 1.2.10 Contractors, suppliers, vendors and subcontractors dealing with the Company.
- 1.2.11 Independent External Auditors
- 1.2.12 Entities, other than Companies, owned by a Board members or executive directors or their relatives.
- 1.2.13 Companies in which any Board member or the executive management or their relatives is a partner or owns 5% or more.
- 1.2.14 Companies in which any Board member or the Executive Management or their relatives is a member of the Board or the Executive Management.
- 1.2.15 The Governance Department shall be responsible for developing, updating and revising this charter.
- 1.2.16 The Investor's Relations Department
- 1.2.17 The Nominations & Remuneration Committee.
- 1.2.18 The General Assembly of the Company.
- 1.2.19 Finance Department.

- 1.2.20 Company's Shareholders eligible on the date of dividends
- 1.2.21 All concerned departments in the Company that contribute to social investment, whether financially or in kind, with the available resources.
- 1.2.22 All heads of departments.
- 1.2.23 Human Resources Department.
- 1.2.24 Internal Audit Department
- 1.2.25 Members of the Audit Committee and Secretary
- 1.2.26 Members of the Investment Committee and Secretary

### **1.3 Charter Objectives**

This policy aims at establishing an effective legal framework for corporate governance, and particularly aim at the following:

- 1.3.1 Enhancing the role of the Company's shareholders and facilitating the exercise of their rights.
- 1.3.2 Stating the competencies and responsibilities of the Board and the Executive Management.
- 1.3.3 Enhancing the role of the Board and the committees and developing their capabilities to enhance the Company's decision making mechanisms.
- 1.3.4 Achieving transparency, impartiality and equity in the Saudi Exchange, its transactions, and the business environment and enhance disclosure therein.
- 1.3.5 Providing effective and balanced tools to deal with conflicts of interest.
- 1.3.6 Enhancing accountability and control mechanisms for the Company's employees.
- 1.3.7 Establishing the general framework for dealing with Stakeholders and protecting their rights.
- 1.3.8 Supporting the effectiveness of the system for overseeing Companies and the tools thereof; and
- 1.3.9 Raising the awareness of Company's employees in respect of the concept of professional conduct and encouraging them to approve and develop such concept in accordance with their nature.

## **Chapter (2): Shareholders' Rights**

### **Part (1): General Rights**

#### **2. Fair Treatment of Shareholders**

- 2.1 The Board is obliged to seek shareholders' rights protection to ensure fairness and equality among them.
- 2.2 The Board and the Executive Management of the Company is obliged not to discriminate among shareholders who own the same class and type of shares nor prevent them from accessing any of their rights.

- 2.3 The Company shall specify in its internal policies & procedures that are necessary to guarantee that all shareholders exercise their rights.

### **3. Rights Related to Shares**

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

- 3.1 To obtain their portion of the net profits which are to be distributed in cash (dividend) or through the issuance of shares.
- 3.2 To obtain their share of the Company's assets upon liquidation.
- 3.3 To attend the General or Special Shareholders Assemblies, take part in their deliberations and vote on their decisions if the type of shares allows the shareholder to vote.
- 3.4 To dispose of their shares in accordance with the provisions of the Companies Law, The Capital Market Law and their implementing regulations.
- 3.5 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.
- 3.6 To monitor the performance of the Company and the activities of the Board.
- 3.7 To hold Board members accountable, to file liability lawsuits against them and appeal for nullification of the resolutions of the **ordinary and extraordinary general assembly** in accordance with the conditions and restrictions provided in the Companies Law and the Company's bylaws.
- 3.8 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.
- 3.9 To record their name in the Company's shareholders register.
- 3.10 To request viewing a copy of the Company's Bylaws unless the Company publishes them on its website.
- 3.11 To nominate and elect the Board members.

### **4. Shareholder Access to Information**

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

### **5. Communicating with Shareholders**

- 5.1 The Board shall ensure communication between the Company and the shareholders based on the common understanding of the strategic objectives and interests of the Company.

- 5.2 The Board Chairman and the Chief Executive Officer shall inform the remaining Board members of the opinions of the shareholders and discuss these opinions with them.
- 5.3 No shareholder may intervene in the operations of the Board or the work of the Executive Management of the Company unless the member is a member of its Board or its management team; or unless their intervention is through the Ordinary General Assembly according to its powers.
- 5.4 The Company shall appoint a person responsible for the tasks related to investor relations in the Company in order to achieve effective and fair communication between the Company and the shareholders.

## **6. Electing the Board Members**

- 6.1 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.
- 6.2 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, and the votes may be divided among more than one candidate.
- 6.3 Voting in the General Assembly shall be confined to the Board nominees whose information has been announced as per paragraph (7.1) of this Article.

## **7. Distribution of Dividends**

- 7.1 The Company's bylaws shall prescribe the percentage of the net profits to be distributed to the shareholders after setting aside the reserves, if any.
- 7.2 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.
- 7.3 The shareholder is entitled to receive their share of dividends as per the decision of the General Assembly in respect of the distribution of dividends to shareholders or the Board resolution on distributing interim dividends. The resolution shall specify the record date and the distribution date provided that the resolution shall be executed as per the Implementing Regulations for the Companies Law related to Listed Joint Stock Companies.

## **Part (2): 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.

## **8. Competencies of the Extraordinary General Assembly**

The Extraordinary General Assembly shall have the following Competencies:

- 8.1 Amending the Company's bylaws, except for amendments which are deemed null and void pursuant to the provisions of the Companies Law.

- 8.2 Increasing the Company's share capital in accordance with the situations provided by the Companies Law and Its Implementing Regulations.
- 8.3 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.
- 8.4 Deciding the use of the reserve allocated for specific purposes in the Company's bylaws.
- 8.5 Resolving to maintain or liquidate the Company before the end of the term specified in its bylaws.
- 8.6 Approving the Company's shares buy-back.
- 8.7 Issuing preferred or redeemable shares or approving their buying or converting a type or class of the Company's shares to another class or type, as per the Company's bylaws and the Implementing Regulations for Companies Law related to Listed Joint Stock Companies.
- 8.8 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.
- 8.9 Allocating 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
- 8.10 Suspending preemptive rights of shareholders in subscribing for the capital increase in exchange for cash or giving priority to non-shareholders in cases as deemed in the interest of the Company.
- 8.11 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 requires majority of voting rights represented at the meeting.

## **9. 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:

- 9.1 Electing and dismissing Board members.
- 9.2 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.
- 9.3 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.
- 9.4 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.
- 9.5 Reviewing the Company's financial statements, and discussing it.

- 9.6 Reviewing the Board report, and discussing it.
- 9.7 Deciding on the proposals of the Board with respect to the method of distributing the net profits.
- 9.8 Appointing the external auditors of the Company, specifying their remunerations, reappointing them, replacing them and discussing their reports and taking a decision in relation to it.
- 9.9 looking into the violations and errors committed by the external auditors of the Company when performing their duties and any difficulties, reported by the Company's external auditors, regarding their empowerment by the Company's Board or Management to review the books, records and other documents, statements and clarifications required to perform their duties, and respond to that as it deems appropriate in this regard.
- 9.10 Deciding the use of the Company's reserves, if such has not been set aside for a specific purpose in the Company's bylaws, provided that using such reserves shall be based on a proposal of the Board and used in ways that benefit the Company or the shareholders.
- 9.11 Forming Company's reserves and determining their uses.
- 9.12 Setting aside amounts from the Company's net profits to set up social organizations for the benefit of the Company's employees or to assist any such existing establishments in accordance with the Companies Law; and
- 9.13 Approving the sale of more than (50%) of the assets of the Company, whether in one or several transactions within a period of 12 months from the date of the first selling transaction. In case selling these assets includes what falls within the powers of the Extraordinary General Assembly, the approval of the said General Assembly is required.

#### **10. Convening the Shareholders' General Assembly**

- 10.1 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.
- 10.2 The Annual Ordinary General Assembly shall convene at least once per year within the six months following the end of the Company's financial year.
- 10.3 The General Ordinary and Extraordinary Shareholders' Assemblies shall convene upon an invitation from the Board in accordance with the situations stated in the Companies Law and its Implementing Regulations and the Company's bylaws. The Board shall invite the Ordinary General Assembly to convene within thirty (30) days at the request of the external auditor, the audit committee or a number of shareholders holding shares equal to at least (10%) of the Company's voting share. The external auditor may invite the General Assembly to convene if the Board does not invite the General Assembly within thirty (30) days from the date of the external auditor's request.
- 10.4 Without prejudice to the Companies Law and its implementing rules, the date, place and agenda of the General Assembly shall be announced at least twenty-one (21) days prior to the date thereof; the invitation shall be published on the website of the Exchange and the Company's website. In addition, the Company may invite the General and Special Shareholders' Assemblies to convene using modern technology methods.

- 10.5 The Company may amend the agenda of the General Assembly within a period between publishing the announcement referred to in paragraph (11.4) of this Article and the date of convening the General Assembly meeting, provided that the Company shall announce this as prescribed in paragraph (11.4) of this Article.
- 10.6 Shareholders shall be granted the opportunity to effectively participate and vote in the General Assembly meetings. The meetings of the General Assemblies of shareholders may be convened and shareholders may participate in their deliberations and vote on their resolutions using methods of contemporary technologies pursuant to the Implementing Regulations for the Companies Law related to Listed Joint Stock Companies.
- 10.7 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.
- 10.8 The Company shall verify the details of the shareholders who desire to attend at the Company's head office prior to the specified time for convening the General Assembly, in accordance with the rule and procedures in this regard, including through modern technological means.

## **11. The Agenda of the General Assembly**

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

## **12. Management of the Shareholders' General Assembly**

- 12.1 The Shareholders' General Assembly meetings shall be chaired by the Board Chairman, his deputy (if the Board Chairman is absent) or who is delegated by the Board of its members (when the Board Chairman and his deputy are absent). If not possible, the General Assembly shall be chaired by whom the shareholders delegates from the board members or others by voting.
- 12.2 The chairman of the Shareholders' General 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.
- 12.3 Shareholders are entitled to discuss matters listed in the agenda of the General Assembly and raise relevant questions to the Board members and to the external auditor. The Board or the

external auditor shall answer the questions raised by shareholders to the extent that does not jeopardize the Company's interest.

- 12.4 Shareholders shall be granted access to the minutes of the General Assembly meeting; and the Company shall provide the Authority with a copy of such minutes within (10) days of the date of any such meeting.
- 12.5 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.

**12.6 Voting Rights:**

- 12.6.1 Voting is a fundamental right of the shareholder (with the right to vote), and the Company shall provide the opportunity to vote for all shareholders without discrimination and inform them of all the rules governing its procedures, and the information on the right to vote regularly, and avoid placing any procedure that would impede the use of this right, including imposing a financial compensation for attending assemblies or voting on its decisions.
- 12.6.2 Shareholders may delegate - in writing - a person other than the Board members to attend the General Assemblies, and such agent shall have the same rights and voting granted to the principal.
- 12.7 The Ordinary General Assembly shall not be validly held unless attended by shareholders representing at least 25% of the Company's voting shares. If this quorum is not reached at the first meeting, one of the two options shall be taken:
  - 12.7.1 The second meeting shall be held an hour after the end of the period specified for convening the first meeting, provided that the invitation to hold the first meeting includes announcing the possibility of holding this meeting.
  - 12.7.2 An invitation shall be given to a second meeting within the thirty (30) days following the previous meeting. In all cases, the second meeting shall be valid regardless of the number of voting shares represented therein. Resolutions of the Ordinary General Assembly are issued by an absolute majority of the voting shares represented in the meeting.
- 12.8 The Extraordinary General Assembly shall not be validly held unless attended by shareholders representing at least 50% of the Company's voting shares. If this quorum is not reached at the first meeting, one of the two options shall be taken:
  - 12.8.1 The second meeting shall be held within one hour after the end of the period specified for the first meeting, provided that the invitation to hold the first meeting includes announcing the possibility of holding this meeting.
  - 12.8.2 An invitation shall be sent to a second meeting to be held in the same conditions stipulated in Article (27) of the Company's Bylaws. In all cases, the second meeting shall be valid if attended by a number of shareholders representing at least a quarter of the voting shares.
- 12.9 If the necessary quorum is not reached at the second meeting, an invitation shall be sent to a third meeting in the same conditions stipulated in Article (27) of the Bylaws, and the third meeting shall be valid regardless of the number of voting shares represented therein.

- 12.10 The decisions of the Extraordinary General Assembly are issued by a two-thirds majority of the voting shares represented in the meeting, unless the decision is related to the Company's capital increase or decrease, its merger with another Company or institution or its split-off. The decision is not valid unless approved by a majority of three quarters of the voting shares represented at the meeting.
- 12.11 Each shareholder shall have only one vote for each share the member represents in the Ordinary and Extraordinary General Assembly. Board Members may not vote on the General Assembly's decisions related to their discharge of liability for the management of the Company or related to a direct or indirect interest to them.
- 12.12 The voting process in the General Assembly meetings is conducted via the voting card that is distributed to the shareholders present in person or in proxy, and the items on the agenda are included in it, or through electronic voting per the adopted processes.
- 12.13 The Company shall follow the cumulative voting method in the General Assembly when voting to select the Board members for a new term.
- 12.14 The shareholder has the right to authorize in writing another shareholder who is not a Board member to attend the General Assembly and vote on its decisions in accordance with the instructions issued in this regard.

### **Chapter (3): The Board**

#### **Part (1): Formation of the Board**

##### **13. Composition of the Board**

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

- 13.1 The Company shall be managed by the Board composed of (7) Members. Members shall have the required expertise to manage the Company's business for a period not exceeding four (4) years, and may be re-elected. The Board shall appoint the Chairman and Chairman Deputy.
- 13.2 The majority of the Board members shall be Non-Executive Directors. The number of Independent Directors shall not be less than two members or one-third of the Board members, whichever is greater.
- 13.3 The General Assembly shall appoint the Board members using cumulative voting, and they may be re-elected and appointed for another term unless the Company's Bylaw provide otherwise.
- 13.4 The Company shall notify the Authority of the names of the Board Members and their membership descriptions within five (5) working days from the date of the start of the term of the Board or from the date of their appointment - whichever comes first- and any changes to their membership within five (5) working days from the date of such change.

##### **14. Conditions for the membership of the Board**

Membership of the Board and nomination conditions procedures shall be followed as set out in the Board's membership and nomination and selection Policy.

##### **15. Termination of a Board Membership**

The Boards' Charter explains the method of the termination of the Board membership as set out in the Company's Bylaw.

## 16. Issues Affecting Independence

- 16.1 An independent Board member shall be able to exercise his or her functions, express opinions, and vote on decisions objectively and impartially, so as to enable the Board to make sound decisions that contribute to the interests of the Company.
- 16.2 The Board shall conduct an annual assessment of the member's independence and that there are no relationships or circumstances that affect or may affect him or her independence.
- 16.3 The independence of the Board member shall be incompatible but not limited to - the following:
  - 16.3.1 To own 5% or more of the shares of the Company or its subsidiaries or to has a relationship with anyone owns such percentage.
  - 16.3.2 To be an immediate relative of any of the Board members in the Company or its subsidiaries.
  - 16.3.3 To be an immediate relative of a Senior Executive in the Company or its subsidiaries.
  - 16.3.4 To be a Board member of a subsidiaries, and is nominated for membership in the Board of the holding Company.
  - 16.3.5 To have been employed during the past two years with the Company or any company within its group, or to own controlling shares in the Company or any party dealing with the Company or a company within its group such as auditors or major suppliers during the past two years.
  - 16.3.6 To have a direct or indirect interest in the business and contracts made for the Company's benefit.
  - 16.3.7 To receive financial consideration from the Company in addition to the remuneration for their membership of the Board or any of its Committees; exceeding an amount of (SAR 200,000) or 50% of their remuneration of the last year for the membership of the Board or any of its committees, whichever is less.
  - 16.3.8 To engage in a business that would compete with the Company or one of its activities.
  - 16.3.9 To have spent more than nine (9) consecutive or intermittent years as a Board member.
- 16.4 the businesses and contracts with the Board member to meet their personal needs shall not be deemed as an interest that affect the independence of the Board member which require an authorization 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, Unless the Nominations & remuneration Committee considers otherwise

## Part (2): Responsibilities and Competencies of the Board and Executive Management

### 17. Responsibilities of the Board

- 17.1 Notwithstanding the authorities of the General Assembly set out in the Company's Law, its implementing Regulations and the Company's Bylaw, the Board shall have the widest authorities in managing the Company and running its affairs to achieve its objectives. Since the Board represents all shareholders, is shall exercise the duties of loyalty and care in the management of 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, priorities the Company's interests over their own interests. The Board shall carry out its responsibilities in light

of the regulating provisions as stipulated in the Companies Law, the Implementing Regulations for the Companies Law for Listed Joint Stock Companies, and the Company's Bylaw.

- 17.2 The Board shall be the ultimate body responsible for its work, even if it delegates committees, agencies or individuals to exercise or carry out some of its powers. In all cases, the Board may not issue a general or unlimited authorization.
- 17.3 The Board performs its duties responsibly, in good faith, seriousness and interest, and its decisions are based on adequate information from the executive management, or any other reliable source.
- 17.4 Board members participate effectively and objectively in meetings and in the Company's strategic decision-making processes.
- 17.5 The Board member shall consider the following:
  - 17.5.1 Representing the interests of all shareholders.
  - 17.5.2 Commitment to what achieves the interest of the Company in general and not the interests of the group that voted on their appointment in the Board.
  - 17.5.3 Demonstrating the highest degree of integrity and independence in decision-making.
  - 17.5.4 Devoting the time and attention necessary to perform their duties and tasks in the Board.
- 17.6 The Board shall ensure that the procedures for introducing new Board members to the Company's work are implemented, especially the financial and legal aspects.
- 17.7 The Board shall ensure that the Company provides adequate information on its affairs to all Board members in general and to non-executive members in particular, in order to enable them to carry out their duties and tasks adequately. This is done through agendas for Board meetings, written reports sent to them, or direct communication.
- 17.8 The duties and powers of the Board shall include the following:
  - 17.8.1 Developing the Company's main plans, policies, strategies and objectives, supervising their implementation and revising them periodically, and ensuring the availability of the necessary human and financial resources to achieve them, including:
    - 17.8.1.1 Developing the Company's comprehensive strategy, main business plans, and risk management policies and procedures, and review them periodically.
    - 17.8.1.2 Determining the optimal capital structure for the Company, its strategies financial objectives, and approving all kinds of budgets.
    - 17.8.1.3 Supervising the Company's CAPEX, acquiring and disposing assets.
    - 17.8.1.4 Setting the performance objectives and monitoring implementation and overall performance in the Company.
    - 17.8.1.5 Periodic review and approval of the organizational and functional structures in the Company.
    - 17.8.1.6 Verifying the availability of the human and financial resources necessary to achieve the Company's objectives and main plans.
    - 17.8.1.7 Developing a clear policy regarding the distribution of dividends in a way that achieves the interests of the shareholders and the Company.

- 17.8.2 Developing systems and regulations for internal control and general supervision over them, including:
  - 17.8.2.1 Developing a written policy to address actual and potential conflicts of interest cases for Board members, executive management and shareholders, including misuse of the Company's assets and facilities, and misconduct resulting from transactions with related parties.
  - 17.8.2.2 Ensuring the integrity of the financial and accounting systems, including financial reporting laws.
  - 17.8.2.3 Ensuring that appropriate control systems are in place to measure and manage risks, by developing a general perception of the risks that the Company may face, creating an environment familiar with the culture of risk management at the Company level, and presenting it transparently with stakeholders and related parties.
  - 17.8.2.4 Annual review of the effectiveness of the Company's internal control procedures.
- 17.8.3 Preparing clear and specific policies, standards and procedures for Board membership in a manner that does not conflict with the mandatory provisions in the Corporate Governance Regulations and putting them into practice after approval by the General Assembly.
- 17.8.4 Developing a written policy regulates the relationship with stakeholders in accordance with the provisions of the Corporate Governance Regulations.
- 17.8.5 Developing the policies and procedures that ensure the Company's compliance with laws and regulations and its commitment to disclose material information to shareholders and stakeholders, and verifying that the executive management abide thereby.
- 17.8.6 Supervising the Company's financial management, cash flows, and financial and credit relations with third parties.
- 17.8.7 Recommending to the Extraordinary General Assembly what it deems appropriate regarding the following:
  - 17.8.7.1 Company's capital increase or decrease.
  - 17.8.7.2 Dissolution of the Company before the term specified in the Company's Bylaw or deciding its continuation.
- 17.8.8 Recommending to the Ordinary General Assembly what it deems appropriate regarding the following:
  - 17.8.8.1 Using the Company's reserves, if they are not allocated for a specific purpose in the Company's Bylaw.
  - 17.8.8.2 Creating additional reserves or financial allocations for the Company.
  - 17.8.8.3 Method of distributing net profits of the Company.
- 17.8.9 Preparing and approving the Company's interim and annual financial statements before publication.
- 17.8.10 Preparing and approving the Boards' report before its publication.

- 17.8.11 Ensure the accuracy and integrity of the data and information to be disclosed, in accordance with the applicable disclosure and transparency policies and laws.
- 17.8.12 Establishing effective communication channels that allow shareholders to see on a continuous and periodic basis the various aspects of the Company's activities and any material developments.
- 17.8.13 Forming specialized committees by decisions specifying the duration of the committee, powers and responsibilities, and how the Board will monitor it, provided that the formation decision nominates the members, specifies their tasks, rights and duties, with an evaluation of the performance and work of these committees and their members.
- 17.8.14 Determining the types of remunerations granted to the Company's employees, such as fixed remunerations, performance-related remunerations, and remunerations in the form of shares, in a manner that does not conflict with the Implementing Regulations of the Companies Law for Listed Joint Stock Companies.
- 17.8.15 Notifying the Ordinary General Assembly when convened of the businesses and contracts in which any Board member has a direct or indirect interest; the notification shall include the information provided by the member of the Board as per paragraph (14) of Article (28) of the Corporate Governance Regulations, and shall be accompanied by a special report of the Company's external auditor.
- 17.8.16 Setting the values and standards that govern the work at the Company.
- 17.8.17 Seeking the assistance from the expert persons and competent authorities from outside the Company's management in order to advise on the issues in which the Board or its committees wish to take a specialized opinion. The Company shall bear the resulting costs, if necessary.

## **18. Distribution of Competencies and Duties**

The organizational 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:

- 18.1 Approve and develop internal policies in respect of the Company's business, including specifying the duties, competencies and responsibilities assigned to the various organizational levels.
- 18.2 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
- 18.3 Identifying the matters on which the Board reserves the power to decide.

## **19. Separation of Positions**

- 19.1 Subject to the provisions of the Company's Bylaw, the Board shall appoint a Board Chairman, a Vice Chairman from its members.
- 19.2 It is prohibited to hold, at the same time, the position of the Board Chairman 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 Bylaw states otherwise.

19.3 The CEO may not be elected as a Board Chairman during the first year following the end of their services.

19.4 The Board shall define the competencies and specify the responsibilities of the Board Chairman, the vice Chairman, and the managing director, Chief Executive Officer explicitly and in writing.

19.5 In all cases, no person shall have the sole and absolute power to take decisions in the Company.

## **20. 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:

20.1 Develop the necessary administrative and financial policies.

20.2 Ensuring that the Executive Management operates in accordance with the policies approved by the Board.

20.3 Select and appoint the CEO of the Company, and oversee their work.

20.4 Appoint the manager of the internal audit unit or department, or the internal auditor and dismiss him and determine his remuneration.

20.5 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.

20.6 Develop standards for the performance of the Executive Management consistent with the objectives and strategy of the Company.

20.7 Review and evaluate the performance of the Executive Management, and.

20.8 Develop succession plans for the management of the Company.

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

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

21.1 Implementing the Company's internal policies and rules approved by the Board.

21.2 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.

21.3 Proposing the most appropriate capital structure for the Company and its strategies and financial objectives.

21.4 Proposing the main capital expenditures of the Company and acquiring and disposing of assets.

21.5 Proposing the organizational and human resources structures of the Company and presenting them to the Board for approval.

21.6 Implementing internal control systems and procedures, and generally overseeing them, which include:

- 21.6.1 Implementing the Conflicts of Interest Policy.
- 21.6.2 Correctly applying the financial and accounting procedures, including the procedures relating to the preparation of financial reports.
- 21.6.3 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.
- 21.7 Implementing the Company's Corporate Governance rules effectively, that do not conflict with the provisions of the Corporate Governance Charter, and proposing amendments thereto if needed.
- 21.8 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.
- 21.9 Providing the Board with the information required to exercise its competencies and provide recommendations regarding the following:
  - 21.9.1 Increasing or decreasing the share capital of the Company.
  - 21.9.2 Dissolving the Company before the end of its term as specified in its bylaws or deciding the continuity of the Company.
  - 21.9.3 Using the reserves of the Company. if they are not allocated for a specific purpose in the Bylaws.
  - 21.9.4 Forming additional reserves for the Company; and.
  - 21.9.5 The method for distributing the net profits of the Company.
- 21.10 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.
- 21.11 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.
- 21.12 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.
- 21.13 Participating effectively in building and developing a culture of ethical values within the Company.
- 21.14 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.
- 21.15 Proposing and developing internal policies related to the business of the Company, including specifying the duties, competencies and responsibilities assigned to the various organizational levels.
- 21.16 Proposing a clear policy to delegate tasks to the Executive Management and the method for implementing such policy; and
- 21.17 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.

### **Part (3): Competencies of the Board Chairman and the Board Members**

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

Without prejudice to the competencies of the Board, the Board Chairman shall be responsible for leading the Board and supervising its operations and the effective performance of its duties. The competencies and duties of the Board Chairman, those stipulated in the Company's Bylaws and the Board Charter shall in particular include the following:

- 22.1 Ensuring that the Board members obtain complete, clear, accurate and non-misleading information in due course.
- 22.2 Ensuring that the Board effectively discusses all fundamental issues in due course.
- 22.3 Representing the Company before third parties in accordance with the Companies Law and Its Implementing Regulations and the Company's bylaws.
- 22.4 Encouraging the Board members to effectively perform their duties in order to achieve the interests of the Company.
- 22.5 Ensuring that there are actual communication channels with shareholders and conveying their opinions to the Board.
- 22.6 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.
- 22.7 Preparing agendas of the Board meetings, taking into consideration any matters raised by Board members or the external auditor and consult with the Board members and the CEO upon preparing the Board's agenda.
- 22.8 Convening periodic meetings with the Non-Executive Directors without the presence of any executive officers of the Company.

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

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

- 23.1 Providing proposals to develop the strategy of the Company.
- 23.2 Monitoring the performance of the Executive Management and the extent to which it has achieved the objectives and purposes of the Company.
- 23.3 Reviewing reports related to the performance of the Company.
- 23.4 Ensuring the integrity and impartiality of the financial statements and information of the Company.
- 23.5 Ensuring that the financial control and risk management systems are sound.
- 23.6 Determining the appropriate level of remunerations of the members of the Executive Management.
- 23.7 Expressing opinions as to the appointment and dismissal of members of the Executive Management.
- 23.8 Participating in developing the succession and replacement plans of executive positions within the Company.

- 23.9 Complying fully with the provisions of the Companies Law, Capital Market Law, their implementing regulations, the relevant regulations and the bylaws when performing their duties as a Board member and abstaining from taking or participating in any action that constitute mismanagement of the Company's affairs.
- 23.10 Attending the Board and the General Assembly meetings, and not being absent except for legitimate excuse of which the Board Chairman shall be notified by prior notice, or for emergency reasons.
- 23.11 Allocating sufficient time to fulfill their 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.
- 23.12 Reviewing and analyzing all information related to the matters looked into by the Board before expressing an opinion on the same.
- 23.13 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.
- 23.14 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.
- 23.15 Notifying the Board fully and immediately of their 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.
- 23.16 Refraining from disclosing or announcing any secrets the member came across through their membership in the Board to any shareholder of the Company, unless such disclosure is made during the meetings of the General Assembly, or to a third party, in pursuance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations.
- 23.17 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.
- 23.18 Recognizing their duties, roles and responsibilities arising from the membership.
- 23.19 Developing their knowledge in the field of the Company's business and activities and in the related financial, commercial and industrial fields.
- 23.20 Resigning from the membership of the Board if the member is unable to fully fulfill their duties in the Board.
- 23.21 Abiding by the principles of honesty, trust, loyalty, and care for the interests of the Company and shareholders and prioritizing them over their personal interest.

#### **24. Duties of the Independent Director**

Without prejudice to Article (24) of this charter, an Independent Director of the Board shall effectively participate in the following duties:

- 24.1 Expressing their independent opinion in respect of strategic issues and the Company's policies and performance and appointing members of the Executive Management.
- 24.2 Ensuring that the interest of the Company and its shareholders are taken into account and given priority in case of any conflicts of interest.
- 24.3 Overseeing the development of the Company's Corporate Governance rules and monitoring the implementation of the rules by the Executive Management.

#### **Part (4): Procedures of the Board Activities**

##### **25. The Board Meetings**

- 25.1 Without prejudice to the Companies Law and Its Implementing Regulations, the Board shall convene regular meetings to perform its duties effectively, and also convene meetings whenever needed.
- 25.2 The Board shall meet upon the invitation of its Board Chairman or upon a request from one of its members. The invitation to the meeting shall be sent to each of the Board members no less than five days prior to the date of the meeting accompanied by its agenda and the necessary documents and information, unless circumstance require convening an emergency meeting, the invitation accompanied with the agenda and necessary documents and information may be sent within a period less than the five days.
- 25.3 The meeting shall not be valid unless attended by half of the Board members (by themselves or by proxy), provided that the number of members attended personally shall be at least four. Members may attend through the modern technology means.
- 25.4 The Board shall convene no less than four meetings per year, and no less than one meeting every three months.

##### **26. Remarks of the Board Members**

- 26.1 If any Board member has any remarks in respect of the performance of the Company or any of the matters presented and which was not resolved in the Board meeting, such remarks shall be recorded and the procedures taken or to be taken by the Board in connection therewith must be set forth in the minutes of the Board meeting.
- 26.2 If a Board member expresses an opinion differs from the Board resolution, such opinion shall be recorded in detail in the minutes of the Board meeting.

##### **27. Organizing the Attendance of the Board Meetings**

- 27.1 The Attendance of Board meetings and dealing with cases of irregular attendance by members of such meetings shall be organized.
- 27.2 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.

##### **28. The Agenda of Board Meetings**

- 28.1 The Board shall approve the agenda when it is convened, and in the event of any member objecting to this agenda, this must be recorded in the Board meeting minutes.
- 28.2 Each member has the right to propose the addition of any item to the agenda.

## **29. Resolution by Circulation**

The Board has the right to issue decisions in urgent matters by presenting them to its members separately, unless one of the members requests in writing the meeting of the Board to deliberate thereon. These decisions are presented to the Board at its first following meeting and are recorded in writing in the Board's minutes. Such decisions shall not be valid unless signed by the majority of members or by electronic means.

## **30. Exercising the Competencies of the Board**

- 30.1 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.
- 30.2 Without prejudice to Paragraph (18.2) hereof, the Board may, within the scope of its competencies, delegate to one or more of its members or committees or executive management or a third party the performance of a specific function or functions.
- 30.3 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.
- 30.4 The Board shall organize 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.

## **31. The Board Secretary**

- 31.1 The Board shall appoint a Board Secretary among its members or a third party, whose competencies and remunerations shall be specified by a Board resolution, unless the Company's bylaws include provisions in connection therewith, provided that such powers shall include:
  - 31.1.1 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 organized 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, the chair of the meeting and the secretary.
  - 31.1.2 Retaining the reports submitted to the Board and the reports prepared by it.
  - 31.1.3 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.
  - 31.1.4 Ensuring that the Board members comply with the procedures approved by the Board.
  - 31.1.5 Notifying the Board members of the dates of the Board's meetings within sufficient time prior to the date specified for the meeting.
  - 31.1.6 Presenting the draft minutes to the Board members to provide their opinions on them before signing the same.
  - 31.1.7 Ensuring that the Board members receive, fully and promptly, a copy of the minutes of the Board's meetings as well as the information and documents related to the Company.

31.1.8 Coordinating among the Board members.

31.1.9 Regulating the disclosure register of the Board and Executive Management.

31.1.10 Providing assistance and advice to the Board members.

31.2 The Board Secretary may not be dismissed except pursuant to a decision of the Board.

### **32. Qualifications of the Board Secretary**

The Board has specified the conditions that the Board Secretary must meet, provided that they include at least one of the following:

32.1 The member holds a bachelor's degree in law, finance, accounting or administration or their equivalent, and has relevant practical experience of not less than three years; or

32.2 The member has relevant practical experience of not less than five years.

### **Part (5): Assessment, Training, Support and Reward**

#### **33. Assessment of the Board Performance**

33.1 The Board, based on the proposal of The Nominations Remuneration Committee, shall set the necessary mechanisms for the annual assessment.

33.2 The procedures of performance assessment shall be in writing and clearly stated and disclosed to the Board members and parties concerned with the assessment, in order to ensure the effectiveness of the work of the Board, its members, committees and the executive management.

33.3 Performance assessment depends on (and is not limited to) key performance indicators related to the Company's strategic objectives, quality of risk management, efficiency of internal control systems and related activities. Performance appraisal also includes testing strengths and weaknesses, and possible ways to address weaknesses.

33.4 The individual assessment of the Board members shall take into account the extent of effective participation of the member and their commitment to performing their duties and responsibilities, including attending the Board and its committees meetings and dedicating adequate time thereof.

33.5 The Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent third party every three years, and shall be disclosed in the Board Report and its relationship with the Company. If any.

33.6 The non-executive members shall conduct a periodic evaluation of the performance of the Board Chairman after obtaining the feedback of the executive members - without the Board Chairman attending the discussion dedicated to this purpose - provided that such discussions shall address the strengths and weaknesses and addressing them in line with the interest of the Company.

33.7 The annual report of the Board shall include the results of evaluating the performance of the Board and its members, committees and executive management.

#### **34. Training of the Board and committee members**

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

- 34.1 Preparing programs for the recently-appointed Board members and Executive Management to familiarize them with the progress of the Company's business and activities, particularly the following:
  - 34.1.1 The strategy and objectives of the Company.
  - 34.1.2 The financial and operational aspects of the Company's activities.
  - 34.1.3 The obligations of the Board members and their duties, responsibilities and rights.
  - 34.1.4 The duties and Responsibilities of the Committees of the Board.
- 34.2 Developing the necessary mechanisms for Board and committee members and the Executive Management to continuously enroll in training programs and courses in order to develop their skills and knowledge in the fields related to the activities of the Company.

### **35. Providing Members with Information**

The Executive Management of the Company shall provide the Board members, the Non-Executive Directors in particular, and the committees of the Company with all of the necessary information, details, documents and records, provided that they shall be complete, clear, correct and non-misleading, in due course to enable them to perform their duties and obligations. The Company may also use a special website or system that enables the member to view the minutes of meetings of the Board and all its sub-committees, the Companies bylaw, the Company's governance charter, monthly, quarterly and annual financial reports, the Boards' report, and documents related to the meetings of the Board and the Company's committees, before the date every meeting. All members are obligated to maintain the confidentiality of the information provided by this site and to take the necessary measures for that.

### **36. Remuneration of the Board Members**

The remunerations of the Board members are determined based on the recommendation of the Nominations and Remuneration Committee. The remunerations of the Board are subject to the provisions of the Company's Bylaw in accordance with the provisions contained in the Companies Law, the Corporate Governance Regulations and the rules and standards set by the Capital Market Authority, where the Boards' report to the General Assembly must include The Ordinary General Assembly shall include a comprehensive statement of all the Board members received during the fiscal year in terms of remuneration, expense allowance and other benefits.

### **Part (6): Conflicts of Interest**

#### **37. Conflicts of Interest policy**

The Board shall develop an explicit and written policy to deal with actual and potential conflicts of interest situations which may affect the performance of Board members, committees' 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:

- 37.1 Informing Board members, committees' 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 Regulations.
- 37.2 Providing examples of conflicts of interest situations that are relevant to the nature of the Company's activity.

- 37.3 Clear procedures for disclosing conflicts of interest and obtaining authorization or the requisite approval prior to commencing the activities that may lead to conflicts of interest.
- 37.4 The obligation to constantly disclose situations that may lead to conflicts of interest or upon the occurrence of such conflicts.
- 37.5 The obligation to abstain from voting or taking part in decision making when there is conflicts of interest.
- 37.6 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.
- 37.7 Procedures to be taken by the Board when discovering that such policy is violated.

### **38. Avoiding Conflicts of Interest**

- 38.1 A Board member shall:
  - 38.1.1 Perform their duties with honesty and integrity, and prioritize the interests of the Company and its shareholders over their own interest, and not use their position to achieve personal interests.
  - 38.1.2 Avoid situations of conflicts of interest and notify the Board of situations of conflict which may affect their 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 their vote when voting on such matters in the Board and the Shareholders Assemblies meetings; and.
  - 38.1.3 Protect the confidentiality of the information related to the Company and its activities, and not disclose any of such information to any person.
- 38.2 Each Board member is prohibited from:
  - 38.2.1 Voting on a decision taken by the Board or the General Assembly with respect to transactions and contracts that are executed for the Company's account, if the member has a direct or indirect interest therein.
  - 38.2.2 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 their capacity as a Board member. 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 their knowledge during their membership in the Board.

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

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

- 39.1 Having a direct or indirect interest in the business and contracts made for the benefit of the Company the member is nominating to be a member of its Board.
- 39.2 Engagement in a business that would compete with the Company or one of its activities.

#### **40. Competing with the Company**

If a Board or its committee member wishes to participate in an activity that competes with the Company, or competes with one of the Company's activities, the member shall:

- 40.1 Disclose to the Board the competing activities that the member wishes to undertake and provide the disclosure in the Board minutes of meeting.
- 40.2 The said member cannot participate in the decision making related to this matter in the Board, committee and General Assembly meetings.
- 40.3 The Board shall inform the Ordinary General Assembly, once convened, of the competing businesses that the Board or committee member is engaged in, after the Board validates the competency of the Board or committee member to the Company's business or activities in accordance with the criteria issued by the Ordinary General Assembly of the Company based on the Board proposal and published on the Company's website, provided that such authorization shall be verified annually and renewed.
- 40.4 Obtaining a prior authorization of the Ordinary General Assembly of the Company, or the Board pursuant to a delegation from the Ordinary General Assembly, for the member to engage in the competing business.
- 40.5 The Company's External Auditor shall submit a report on these works and contracts, to be attached to the notification of the Company's Board Chairman to the General Assembly.

#### **41. Concept of the Competing Businesses**

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

- 41.1 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.
- 41.2 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 subsidiaries.
- 41.3 When the member establishes a commercial agency or the like either publicly known or discreet that competes the Company or any entity within its Group.

#### **42. Rejecting the Authorization**

- 42.1 If the General Assembly rejects the authorization, the Board member shall resign within a period specified by the General Assembly; otherwise, their membership in the Board shall be deemed terminated, unless the member decides to withdraw from such contract, transaction or competing venture or regularize their situation in accordance with the Companies Law and its Implementing Regulations prior to the end of the period set by the General Assembly.
- 42.2 If the Board rejects granting the authorization, the member of the Board shall resign within a period specified by the Board; otherwise, their membership in the Board shall be deemed terminated, unless the member decides to withdraw from such contract, transaction or competing businesses or amend their situation in accordance with the Companies Law and its implementing regulations prior to the end of the period set by the Board.

### 43. Accepting Gifts

No Board member, committee member 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 in accordance with the internal regulations, the provisions contained in the Companies Law, the Corporate Governance Regulations, and the rules and standards set by the Capital Market Authority.

## Chapter (4): Company Committees

### 44. Company Committees and their Independence

The Board shall form specialized committees in accordance with the following:

- 44.1 As may be needed depending on the Company's circumstances in order to enable it to effectively perform its duties.
- 44.2 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.
- 44.3 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.
- 44.4 The number of members of a committee shall not be less than three or more than five.
- 44.5 The chairmen or whom they delegate of each committee members, shall attend the General Assembly Meetings and answer any questions raised by the shareholders.
- 44.6 The Company shall notify 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.
- 44.7 A Company may combine Nominations and Remuneration Committee into one committee named The Nominations and Remuneration Committee . In such case, The Nominations Remuneration Committee must satisfy the requirements related to any of them and carry out all powers and authorities vested to it.

### 44.8 Committees Membership

- 44.8.1 A sufficient number of Non-Executive Directors shall be appointed to the committees which perform duties that may involve a conflict of interest, such as ensuring the integrity of financial and non-financial reports, reviewing Related Party transactions, nomination to membership of the Board, appointment of Senior Executives and determining the remuneration.
- 44.8.2 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 prioritize them over their personal interests.
- 44.8.3 The Company shall take into consideration while forming The Nominations Remuneration Committee 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.

44.8.4 The Board Chairman 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 such Committees.

**44.9 Studying Subjects:**

44.9.1 Each committee shall assess the matters that fall within its authority or those referred to it by the Board and shall communicate its recommendations to the Board to issue decisions in connection therewith. The committees shall take decisions in regards to these matters if delegated by the Board.

44.9.2 The committees may seek assistance from any experts or specialists, whether internal or external, within the scope of its powers. This shall be included in the minutes of the committee meeting; the minutes states the name of the expert and his relation to the Company or its Executive Management.

**44.10 Committees Meetings and Duties:**

44.10.1 No Board member or the Executive Management except the Secretary or a member of the committee may attend the meetings of a committee unless such committee requests their opinion or advice.

44.10.2 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.

44.10.3 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 organized 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.

**45. Committees Secretary**

Each committee chooses a Secretary from among its members or from the Company's employees, provided that he does not have the right to vote on its decisions (if he is not among its members), and he is responsible for carrying out the preparation of the committee's meetings and activities, preparing its minutes and documentation, following up on the implementation of its recommendations, directives and decisions, and communicating between its members and procedures. Administrative and other logistical, and each committee determines his reward and the method of disbursement in light of the policies in force in this regard.

**46. Reports**

The Chairman of each committee shall submit a periodic report to the Board on the committee's performance and its most prominent achievements, and each committee shall prepare an annual report as required by the applicable laws and regulations. Each committee is also obligated to inform the Board periodically of its activities and its most prominent decisions and recommendations, and the report to the Board can be a written report or an oral report submitted by the Chairman of the committee or any member of the committee authorized by the committee to present that report.

#### **47. Assessment of the Committees' Performance**

- 47.1 Each committee must perform an evaluation of the performance of its work according to what is stated in the list of that committee, under the supervision of The Nominations Remuneration Committee. That the committee addresses all issues related to its scope of work, provided that the evaluation includes in particular the following:
- 47.1.1 The quality and comprehensiveness of the information obtained by the committee.
  - 47.1.2 Reports and recommendations submitted by the Committee to the Board.
  - 47.1.3 The method of discussing the information and whether the number and duration of the committee's meetings are sufficient to complete the tasks required of it in an adequate and comprehensive manner.
  - 47.1.4 Members Attendance

- 47.2 Each committee shall submit to the Council a report containing the results of the evaluation in addition to any proposed amendments.

#### **48. Committees Charters**

- 48.1 Each committee has its own separate charters, which includes its tasks, responsibilities, follow-up mechanisms and the method of remunerating its members, and it is not amended without the approval of the Board.
- 48.2 The charters of the Audit Committee The Nominations Remuneration Committee are approved by the General Assembly of Shareholders.
- 48.3 Each committee has the right to propose the amendments it deems appropriate to its charters for the Board for approval, provided that the amendments to the charters of the Audit Committee The Nominations Remuneration Committee require the approval of the General Assembly of shareholders.

#### **49. Audit Committee**

The Committee shall be composed by the Board that defines its tasks, work controls, powers and work procedures, rules for selecting its members, how to nominate them, the duration of their nomination, remuneration and the mechanism for temporary nomination of its members in the event that one of the committee's seats becomes vacant.

#### **50. Nominations & Remuneration Committee**

This Committee shall be composed by the Board that defines its tasks, work controls, powers and work procedures, rules for selecting its members, how to nominate them, the duration of their nomination, remuneration and the mechanism for temporary nomination of its members in the event that one of the committee's seats becomes vacant.

#### **51. Other Committees**

The Board may form specialized committees by decisions specifying the duration of the committee, powers and responsibilities, and how the Board will monitor it, provided that the formation decision nominates the members, specifies their tasks, rights and duties, with an evaluation of the performance and work of these committees and their members. The Board may issue charters for such Committees.

## Chapter (5): Internal Control

### 52. Internal Control System

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.

### 53. Establishing Independent Units or Departments within the Company

- 53.1 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.
- 53.2 The Company may utilize 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.

### 54. Duties of the Internal Audit Department

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.

### 55. Composing an Internal Audit Unit or Departments

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:

- 55.1 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.
- 55.2 The department shall report to the audit committee and shall be subordinate and accountable to it.
- 55.3 The remunerations of the manager of the audit unit or department shall be determined by a recommendation of the audit committee as per Company's policies; and.
- 55.4 The department shall be given access to information and documents, and shall be able to obtain the same without any restrictions.

### 56. Internal Audit Plan

The Internal Audit 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.

### 57. Internal Audit Reports

- 57.1 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.

- 57.2 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.
- 57.3 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:
  - 57.3.1 Procedures for monitoring and overseeing the financial affairs, investments and risk management.
  - 57.3.2 Assessing the development of risk factors threatening the Company and the existing systems, in order to confront radical or unexpected changes.
  - 57.3.3 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 management) and a description of the method followed to address such issues.
  - 57.3.4 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).
  - 57.3.5 The extent to which the Company has complied with the internal controls when determining and managing risks.
  - 57.3.6 Information describing the Company's risk management operations.

## **58. 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.

### **Chapter (6): Company's External Auditors**

#### **59. Assigning the Audit Function and Duties of the External Auditor**

- 59.1 The Company shall assign the function of auditing its annual accounts (quarter) 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.
- 59.2 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:
  - 59.2.1 The nomination shall be based on a recommendation from the audit committee.
  - 59.2.2 It shall be licensed and fulfilling all requirements from the competent authority.

59.2.3 Its interest shall not contradict with the Company's interests.

59.2.4 The nominees shall not be less than two.

59.3 The external auditor shall:

59.3.1 Owe the duties of loyalty and care to the Company.

59.3.2 Notify the Authority if the Board fails to take appropriate actions in respect of suspicious issues it raises.

59.3.3 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.

## Chapter (7): Stakeholders

### 60. Regulating the Relationship with Stakeholders

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

- 60.1 Methods to compensate Stakeholders when their rights established by laws or protected by contracts are infringed.
- 60.2 Methods for resolving complaints or disputes that may arise between the Company and the Stakeholders.
- 60.3 Methods for building good relationships with customers and suppliers and maintaining the confidentiality of their information.
- 60.4 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.
- 60.5 The Company's social contributions.
- 60.6 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.
- 60.7 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
- 60.8 Treating Company employees pursuant to the principles of justice and equality and without discrimination.

### 61. Reporting Non-Compliant Practices

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

- 61.1 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.
- 61.2 Maintaining the confidentiality of reporting procedures through facilitating direct contact with an independent member of the Audit Committee or other specialized Committees.
- 61.3 Appointing an employee to receive and address complaints or reports sent by Stakeholders.
- 61.4 Dedicating a telephone number or an email address for receiving complaints; and.
- 61.5 Providing the necessary protection to the Stakeholders.

## **62. Employee Incentives**

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

- 62.1 Treating them fairly in the light of HR Policy which guarantee the employee a mechanism for development and promotion without discrimination or bias, as the Company develops programs to develop and motivate the participation and performance of its employees. In the light of this, the NRC shall review the salary scale specified for all employees and Senior Executives and the incentive program and plans on a continuous basis and adopt them on the recommendation of the Executive Management, in a manner that does not contradict with the Labor Law and any applicable regulations.
- 62.2 Forming committees or holding specialized workshops to hear the opinions of the Company's employees and discuss the issues and topics that are subject to important decisions.
- 62.3 Establishing social organizations for the benefit of the Company's employees

## **Chapter (8): Professional and Ethical Standards**

### **63. Professional Conduct Policy**

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

- 63.1 Ensuring that each Board member or the Executive Management and employees perform their 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, prioritize the Company's interests over their own interests.
- 63.2 A Board member shall represent all shareholders of the Company and take all actions to achieve the best interests of the Company and its shareholders, while protecting the rights of the other Stakeholders rather than only the interests of the group that elected him.
- 63.3 Entrench among the Board members and Senior Executives the principle of compliance with all relevant laws, regulations and instructions.
- 63.4 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.
- 63.5 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

- 63.6 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.

#### **64. Social Responsibility**

The Ordinary General Assembly, at a proposal from the Board shall establish a policy that ensures the establishment of a balance between its goals and the goals that society aspires to achieve in order to develop the social and economic conditions of society.

#### **Chapter (9): Disclosure and Transparency**

##### **65. Policies and Procedure of Disclosure Transparency**

Without prejudice to 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:

- 65.1 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.
- 65.2 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.
- 65.3 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.
- 65.4 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.
- 65.5 The Company's website shall include all information required to be disclosed and any details or other information that may be published through other disclosure methods.

#### **66. 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 that the investor needs to evaluate the Company's assets, liabilities and financial position. Such report shall include the following:

- 66.1 Implemented and non-implemented provisions of the Corporate Governance Regulations, and justifications therefor.
- 66.2 Names, qualifications, and experience of the Board and committee's members and Executive Management.
- 66.3 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.
- 66.4 Composition of the Board and classification of its members, as follows: Executive Directors, Non-Executive Director, or Independent Director.

- 66.5 Procedure taken to the Board to inform its members , Non-Executive Directors in particular, of the shareholders' suggestions and remarks on the Company and its performance.
- 66.6 A brief description of the competencies and duties of the committees, such as: The audit committee, The Nominations 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.
- 66.7 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.
- 66.8 Disclose the remuneration policy and method of determining the remuneration of the Board members and its committees and Executive Management.
- 66.9 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.
- 66.10 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.
- 66.11 The audit committee's recommendation on appointing an internal auditor for the Company, in case such recommendation was made during the last fiscal year.
- 66.12 The audit committee's recommendation with conflict with Board resolution or those which the Board disregards relating to the appointment, dismissal, assessment or determining the remuneration of an external auditor, as well as justifications for those recommendations and reasons for disregarding them.
- 66.13 Details of the Company's social contributions, if any.
- 66.14 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.
- 66.15 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.
- 66.16 A description of the Company's significant plans and decisions (including changes to the structure, expanding the Company's operations or halting them) and the future expectations.
- 66.17 Information on any risks facing the Company (operational, financial or market related) and the policy of managing and monitoring these risks.
- 66.18 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.
- 66.19 Geographical analysis of the Company's and its affiliates' revenues.
- 66.20 Any material differences in the operational results compared to the preceding year's results, along with any expectations announced by the Company.
- 66.21 Any inconsistency with the standards approved by the Saudi Organization for Chartered and Professional Accountants.

- 66.22 Name of each affiliate Company, its capital, the Company's ownership percentage, the main scope of business, country of operation and country of incorporation.
- 66.23 Details of shares and debt instruments issued for each affiliate Company.
- 66.24 A description of the dividends distribution policy.
- 66.25 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 such rights pursuant to the Listing Rules, continuous obligations, together with any change to such interests during the last fiscal year.
- 66.26 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.
- 66.27 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.
- 66.28 A description of the class and number of any convertible debt instruments, contractual securities, preemptive right or similar rights issued or granted by the Company during the fiscal year, as well as stating any compensation obtained by the Company in this regard.
- 66.29 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.
- 66.30 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.
- 66.31 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.
- 66.32 Numbers of Company's requests of shareholders records, dates and reasons thereof.
- 66.33 A description of any transaction between the Company and any Related Party.
- 66.34 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.
- 66.35 A description of any arrangement or agreement under which a director or a Senior Executive of the Company has waived any remuneration.
- 66.36 A description of any arrangement or agreement under which a shareholder of the Company has waived any rights to dividends.
- 66.37 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 therefore.
- 66.38 A statement as to the value of any investments made or any reserves set up for the benefit of the employees of the Company.

66.39 Declarations that:

66.39.1 Proper books of account have been maintained.

66.39.2 The system of internal control is sound in design and has been effectively implemented.

66.39.3 There are no significant doubts concerning the Company's ability to continue its activity.

66.40 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.

66.41 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.

66.42 Information relating to any competing business with the Company or any of its activities that any member of the Board is engaging in or was engaging in such competing businesses, including the names of persons in relation, the nature, conditions of such competing businesses. If there are no such competing businesses, the Company must submit a statement thereof.

## **67. The Audit Committee's Report**

67.1 The report of the audit shall include details of its performance of its competencies and duties stated in the Corporate Governance 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.

67.2 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.

## **68. Disclosure by the Board**

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

68.1 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

68.2 Making such register available for review by the Company's shareholders free of charge.

## **69. Disclosure of Remunerations**

69.1 The Board shall:

69.1.1 Disclose the remuneration policy and method of determining the remuneration of the Board members and its committees and Executive Management.

69.1.2 Provide an accurate, transparent and detailed disclosure in the Board report on the remunerations granted to the Board members and Executive Management, directly or indirectly, without any omission or misleading information, and whether these were in cash or other benefits of any nature. In case they were shares of the Company, the value of the shares is the market value on the due date.

69.1.3 Explain the relationship between remunerations granted and applicable remuneration policy, highlighting any significant deviation from such policy.

69.1.4 A description of the necessary details with respect to the remunerations and compensations granted to each of the following, separately:

69.1.4.1 Board Members.

69.1.4.2 Five Senior Executives who have received the highest remuneration from the Company, provided that the CEO and CFO are among them.

69.1.4.3 Members of committees

69.1.4.4 The disclosures in the Board report shall be pursuant to the provided schedule in Corporate Governance Regulations.

## **Chapter (10): Implementation of Corporate Governance**

### **70. Implementation of Effective Governance**

70.1 The Board shall establish governance rules for the Company in accordance with the provisions of this charter and the CMA's Corporate Governance Regulations, and shall monitor their implementation, verify their effectiveness, and amend them as necessary. To that end, the Board shall:

70.1.1 Verify that the Company is in compliance with these rules.

70.1.2 Review and update the rules pursuant to statutory requirements and best practices.

70.1.3 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.

70.1.4 Regularly inform the Board members of the developments in corporate governance and best practices, or authorize the audit committee or any other committee or department to undertake this task.

70.2 If the Board forms a corporate governance committee, it shall assign to it the competences stipulated in Article (71.1) of this charter. 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.

## **Chapter (11): Retaining of Documents**

### **71. Retaining of Documents**

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

## **Chapter (12): Final Provisions**

### **72. Final Provisions**

72.1 This Charter supersedes any contradicting internal regulations, rules and procedures of the Company.



- 72.2 This Charter shall be read with the Company's Bylaw. Anything not covered herein shall be subject to the applicable existing or future laws, regulations, and decisions issued by the competent authorities in the Kingdom of Saudi Arabia.