

## **Statute of Arabian Cement (Listed Joint Stock Company)**

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### **Chapter (1) Incorporation**

#### **Article (1): Incorporation**

The Company has been incorporated in accordance with Companies Law, this statute, and other Laws applicable in the KSA, as a Saudi joint stock company.

#### **Article (2): Company Name**

The company name is: Arabian Cement (Listed joint stock company).

#### **Article (3):**

- A. Producing cement, building materials, and their accessories and derivatives inside and outside the KSA.
- B. Trading in clinker, cement, building materials, and their accessories and derivatives inside and outside the KSA.
- C. Exploiting quarries; establishing factories and warehouses required for the company purposes and necessary to be used in manufacturing, storing, selling, purchasing, importing, and exporting; and establishing other complementary and supportive industries.

The company, to achieve such purposes, may conclude all types of contracts in immovable and movable property and enter into any other type of agreement within the limits specified by the applicable laws.

The company shall carry on business in accordance with applicable laws and upon acquiring necessary licenses from the competent authority, if any.

#### Article (4): Participation and ownership in companies

The Company has the right to solely establish (Limited Liability Companies or Saudi Closed Joint Stock Companies), provided that its capital may not be less than (5) million SAR. Furthermore, the Company may own shares and stocks in other outstanding companies or merge with the same and may participate with others in incorporating joint-stock companies or limited liability companies upon meeting the requirements of the laws and regulations applicable in this regard. The company may also dispose of such shares or stocks, without any mediation in trading thereof.

#### Article (5): Company's Registered Office

The Company's official registered office is in Jeddah. The company may relocate the registered office to any other city in the Kingdom of Saudi Arabia per the Laws and Regulations applicable in the KSA. In addition, the board of directors (BOD) may establish branches, offices, or agencies inside or outside the KSA as required by the company's activity or as the BOD deems appropriate upon satisfying the requirements of the Laws and Regulations applicable in this regard.

#### Article (6): Term of the Company

The Company's term is Ninety-nine (99) Gregorian years as of the date of registration in the Commercial Registry. Moreover, the term hereof may always be extended by a resolution to be issued by the Extraordinary General Assembly at least one (1) year prior to expiry date thereof.

### Chapter (2): Capital and Shares

#### Article (7): Capital

The Company's capital is (1,000,000,000) (one billion SAR), divided into (100,000,000) one hundred million equal cash shares; each nominal value is (10) SAR, all of which are ordinary cash shares.

Article (8): Subscription in Share Capital

The shareholders subscribed in full capital shares amounting to (1,000,000,000) fully paid-up shares.

Article (9): Preferred Shares

The Extraordinary General Assembly of the company may, in accordance with the Shariah Provisions and principles set by the competent authority, issue preferred shares or decide to purchase them, convert ordinary shares into preferred shares and vice versa. Preferred shares shall not entitle the shareholders to vote in the shareholders General Assembly. Otherwise, such shares entitled their shareholders to obtain a percentage more than the ordinary shareholders of the company's net profits after setting aside the statutory reserve.

Article (10): Selling of the Unpaid Shares

The shareholder shall pay the share's value on the specified dates. Failing to do so, the BOD may, after notifying him by publishing in a daily journal, or by electronic publication as required by the competent authority, or notifying him by a registered letter, sell the share in the public auction or the stock market, as the case may be, in accordance with the regulations set by the competent authority.

The company shall collect the due amounts from the sale proceeds and return the outstanding amounts to the shareholder. If the sale proceeds are not adequate to meet these amounts, the company may collect the outstanding amount from all shareholder funds.

However, the shareholder failing to pay such amounts until the date of sale may pay the due value in addition to the expenses incurred by the company in this regard.

The company cancels the sold share in accordance with the provisions of this Article, gives the buyer a new share bearing the number of the canceled share, and endorses with the validity of sale providing the name of the new owner.

Article (11): Issuance of Shares

Shares shall be nominal and may not be issued at a value less than the nominal value thereof. However, shares may be issued at a value exceeding the nominal value. In such case, the difference in the value of the share shall be added in an independent clause within shareholders' rights, and may not be distributed to the shareholders as profits. A share is indivisible against the Company; however, if the share is owned by several persons, they shall elect one to represent them in exercising the rights pertaining to such share. Such persons shall be equally and jointly liable for the obligations arising out of their ownership of such share.

Article (12): Trading of Shares

Shares subscribed by the founders may not be traded before the publication of the financial statements for two (2) fiscal years, each of which may not be less than twelve (12) months upon date of incorporation. Such instruments of shares shall be endorsed to clarify the type and date of incorporation as well as the period during which trading is prohibited. However, during the above prohibition period, shares may be transferred in accordance with provisions related to selling titles from one founder to another or from successors of a founder, in the case of death, to third parties. The shares may be further transferred in case of applying execution on funds of the insolvent or bankrupt founder, provided that other founders shall have the preference to acquire such shares.

The provisions of this Article shall be applied to shares subscribed by founders in case of increasing capital before elapse of such prohibition period.

Article (13): Shareholders' Register

The Company shares shall be traded in accordance with Capital Market Law.

Article (14): Increase in Capital

- 1) The Extraordinary General Assembly may decide to increase the capital, provided that the Capital has been paid in full. However, the Capital is not required to be paid in full if the unpaid portion of the Capital is attributable to shares issued in exchange for the conversion of debt instruments or financing instruments into shares and the period for conversion into shares has not yet expired.
- 2) The Extraordinary General Assembly shall, in all cases, allocate the issued shares upon the increase of the Capital or part thereof to the employees of the Company and the subsidiaries or part or any of them. Shareholders may not exercise the right of preference when the Company issues shares to employees.
- 3) The shareholder of the share at the time of the Extraordinary General Assembly Resolution approving the increase of company's capital, shall have the priority right in the subscription of the new shares issued against cash shares. Those shareholders, if any, shall be notified with such preference by the way of publishing the same in a daily journal or by registered post or electronic publication as required by the competent authority on capital increase resolution, subscription terms, duration, and start and end date.
- 4) The Extraordinary General Assembly shall be entitled to suspend the right of preference for the shareholders in the subscription of the capital increase in exchange for cash shares or to give preference to non-shareholders in the cases deemed appropriate for the Company's interest.
- 5) The shareholder has the right to sell or waive the right of preference during the period as of the issuance date of the General Assembly's decision to approve the increase of the Capital until the last day of subscription in the new shares associated with such rights, in accordance with the controls set by the competent authority.
- 6) Subject to the Paragraph (4) above, the new shares shall be distributed to the preference rights holders who requested subscription, in proportion to their preference rights out of the total rights resulting from the capital increase, but not to exceed the required limit of the new shares. The outstanding new shares shall be distributed to the preference rights holders who requested more than their shares, in proportion to the preference rights they own out of the total preference rights resulting from the capital increase, but not to exceed the required limits of shares. The outstanding shares shall be offered to third parties, unless the Extraordinary General Assembly decides, or the Capital Market Law stipulates otherwise.

Article (15): Decrease in Capital

The Extraordinary General Assembly may decide to decrease the company's capital if it exceeds the Assembly's need or if the Company suffers losses. Only in the latter case, the capital may be decreased below the stipulated limit in Article (54) of the Companies Law. The decision of capital decrease shall be issued only after reading the auditor's report on the reasons for such report, the obligations applied to the Company and the effect of the decrease on such obligations. If the capital decrease is due to the capital being in excess over the company's needs, the creditors shall be invited to submit their objections within sixty (60) days from the date of publication of the decrease resolution in a daily journal distributed in the area where the company's registered office is located. If any creditor objects and submits documents to the Company within the above period, the company shall pay the due debt if it is present or provide sufficient security to satisfy it if the same is deferred.

**Article (16): Purchase and Mortgage of Shares:**

- 1) The Company may purchase or mortgage its shares according to the principles made by the competent authority, and the shares purchased by the Company shall have no voting rights in shareholders meetings.

The company may purchase shares to allocate for the employees with consideration of the principles made by the competent authority to enable the company to purchase its shares upon obtaining the approval of the Extraordinary General Assembly. This Assembly may authorize the BOD to determine the conditions of such allocations, including the allocation price for each share offered to the employees, if for a consideration.

- 2) The shares may be mortgaged according to the principles of the competent authority, and mortgagee creditor may receive profits and use the share-related rights, unless otherwise agreed in the mortgage contract. However, the mortgagee creditor may not attend or vote in the General Assembly Meetings.

**Article (17): Shareholders Obligations:**

The subscription to and ownership of company's shares oblige the shareholder to accept the Company's statute and comply with the resolutions issued by the General Assembly according to the provisions of this statute, whether such shareholder is present or absent and whether the shareholder agrees to these resolutions.

**Article (18): Shareholder Rights:**

The shares make equal rights and obligations and record the share-related rights to the shareholder, especially the right to obtain an interest from the net profits to be distributed and the right to obtain an interest in the Company's assets upon liquidation. In addition, the right to attend, participate and vote in the meetings and the right to request perusing the company's books and documents and to control BOD's activities, file a responsibility claim against the board directors and appeal the invalidity of the resolution issued in the shareholders' meetings under the conditions stipulated in the Law or Company's statute.

**Article (19): Issuance of Instruments and Bonds:**

The Company may issue debt instruments and negotiable financial instruments according to the applicable Capital Market Law and Companies Law.

**Chapter (3): Board of Directors**

**Article (20): Company's Management:**

The Company shall be managed by a Board of Directors consisting of nine (9) members to be elected by the Shareholders' General Assembly for a period of three (3) years.

**Article (21): Membership Requirements:**

In addition to the conditions contemplated in the applicable laws and regulation in the KSA, the Board director:

- A. May not be subject to a judgment against honor or trust.
- B. Shall have the full legal capacity.

Each shareholder shall have the right to nominate himself/ herself, other person(s) to the membership of the Board in proportional to his/her share in capital.

**Article (22): Expiry of the Membership:**

The term of the BOD membership shall expire by the end of the defined period or by the expiry of its membership in accordance with any laws and instructions applicable in KSA. Nevertheless, the Ordinary General Assembly may, always, dismiss all or any of the board directors without prejudice to the dismissed director's right to claim reimbursement if such dismissal has taken place without reasonable cause or at untimely manner. Furthermore, a board director may resign, provided that such resignation is in proper time; otherwise, such director shall be liable to pay compensation to the Company for any damage arising from such resignation.

**Article (23): Membership Vacancy**

If any post becomes vacant in the BOD, the BOD shall temporarily appoint a director to fill that position, provided that the Ministry of Commerce and Investment and Capital Market Authority shall be informed thereof within five (5) working days. Such appointment shall be presented to the Ordinary General Assembly in its foremost meeting. The newly appointed director shall complete the terms of his predecessor. If the conditions required for holding the BOD meeting are not met because the quorum is less than five (5) directors, the rest of the directors shall call for the Ordinary General Assembly to be held within sixty days to elect the required number of directors.

**Article (24) Board Powers:**

Subject to the authorities given to the General Assembly, the BOD shall have all powers to manage the company to achieve its purposes. In this Regard, the BOD shall have the following rights, including but not limited to the following:

- 1) Acquiring any share from companies inside or outside KSA and completing all necessary legal procedures.
- 2) Selling or purchasing shares for listed/ non-listed companies, receiving price and profits, participating in the investment funds, and transferring from the portfolio's account to the Company's accounts in banks.
- 3) Dealing with all banks and financial institutions to open, close, manage accounts of all kinds, signing all necessary respective documents, transferring, withdrawing, and depositing any amounts in the local or foreign currency. The BOD may further open letter of credits, receive documents thereof, issue and redeem letters of guarantee, and release, sign and endorse commercial files and documents. The BOD may request, receive, sign statements of accounts and cheque books and issue endorsed cheques and any other documents relating to the management, operation and closure of Company's accounts and conversion between such accounts. It may use the e-services and all matters related to passwords, authorize third parties to receive and operate such passwords and add or dismiss the authorized signatories in banks.
- 4) Entering into loan agreements with government financing funds and institutions, whose term may not exceed the Company's expiration date. As for loans with a term exceeding three years, the following conditions shall be considered:
  - A. The BOD shall specify, in its decision, the purpose of loan and method of repayment thereof.
  - B. The BOD shall consider in the terms of the loan and the provided guarantees not to cause harm to the company, its shareholders, and the general guarantees of the creditors.



- 5) Managing, investing in, selling, purchasing, mortgaging, redeeming, renting, leasing and demobilizing the company's assets and properties and taking all necessary actions to achieve Company's purposes and interests in accordance with the following conditions:
  - A. The BOD shall indicate the reasons and justifications for sale decision.
  - B. Selling shall be compared to the standard price.
  - C. The sold entity shall be present except in cases of necessity and with sufficient guarantees.
  - D. This act may not result in the suspension of some of the company's activities or burdening the same with other obligations.
- 6) The BOD, in cases it may determine, may discharge Company's debtors from their obligations according to the Company's interests, provided that the BOD's minutes and recitals of its resolution shall include the following terms:
  - A. The discharge shall be for a specific amount as a maximum per year for one debtor.
  - B. The discharge shall only be entitled to the BOD and may not be authorized to third parties.
- 7) The BOD may enter all contract, agreements, concessions and privileged and assign Company's rights for third parties. It may have the right to provide and enter loans contracts, present guarantees and warranties for subsidiaries, sister companies and third parties. It may hold reconciliation and accept arbitration, lease, and rent, and may appoint employees and determine their wages and salaries and dismiss them. It may form a committee among its members or others to assist in the performance of its duties. The BOD may exercise any works under Company's purposes and may represent the Company before the Judge and proceed the cases as plaintiff or defendant and may take all necessary actions related to this regard and execute the judgments.
- 8) About the commitment of the Board to the due diligence in order to achieve Company's purposes and interests according to the provisions of this statute and all laws applicable in the KSA, the BOD may in this regard be entitled and responsible for the following:
  - A. Taking all necessary actions and resolution to invest and develop the Company's projects within its purposes.
  - B. Issuing all regulations and instructions required to manage the Company and place regulations and formations necessary with determining the authorities thereof.
  - C. Enacting and supervising laws and principles for the internal audit, including:
    - Developing a written policy regulating the conflict of interests and remedy of such potential conflict of the members, executive management, employees and shareholders, including the misuse of company's assets and facilities and the misuse arising from the dealings with relevant persons.
    - Ensuring the safety of financial and accounting laws, including the laws related to the preparation of financial reports.
    - Ensuring application of control laws appropriate for the risk management through determining the general perception of the risks that may face the Company and present the same transparently.
    - Annually auditing the effectiveness of the internal control procedures in the Company.

- Enabling the workers to convey and report all information that indicate to the existence of any illegal or unethical practices in Company's business, which may affect Company's interests and reputation.
  - Supervising the business progress periodically and regularly and controlling the managers or representatives authorized to perform any business in the limit of their authorities.
  - Presenting all books, records and documents of the Company to the auditor and all necessary matters to enable the auditor to perform his/her duties.
- 9) The BOD may suggest to the Ordinary General Assembly to deduct amounts from the net profits to establish social institutions for the Company's workers or to support any existing institutions and the Assembly may decide on this regard.
- 10) The BOD may assign or authorize one or more directors or others in taking any actions or procedure or in performing in business, with the right to withdraw or cancel thereof, as its sole discretion.

**Article (25): Director Remunerations:**

The BOD's remuneration shall consist of bonus, financial or moral advantages of not more than five hundred thousand Saudi riyals (SAR 500,000) for each director and within the limits stipulated in the Companies Law and this statute. The BOD's report submitted to the Ordinary General Assembly shall contain a detailed statement of all amounts paid to the board directors during the fiscal year, such as remunerations, expenses allowance and other benefits. In addition, such report shall include a statement of amounts received by board directors as workers or administrators, or against technical, administrative or consultation services. The report shall also include a statement of the number of BOD sessions and the number of sessions attended by each member from the last General Assembly Meeting.

**Article (26): Powers of the Chairman, Vice Chairman, Managing Director, and the Secretary:**

**A. Chairman:**

The BOD shall appoint, amongst its directors, a Chairman. A board director may not jointly hold the position of the Chairman and any other executive office in the Company. The Chairman may call for the board meeting and chair the BOD's meetings and General Assembly Meetings.

The Chairman or representative may represent the Company before others and all governmental and private authorities, entities, agencies. In this regard, the Chairman may, without limitation, claim, file cases, proceedings, defend, declare, deny, reconcile, discharge, hold, assign, and ask for, deny and refrain from the oath. The Chairman may further challenge the authenticity, claim the reserve, execute judgments, refer to the executive departments, and claim for preventing from or cancelling travelling. Chairman may ask for arbitration, appoint and dismiss experts and arbitrators, appeal their reports, contest and appeal to reconsider the judgments, receive award wording and object to judges' decisions and may complete all necessary actions to attend the hearings in all cases before all courts, jurisdictions, administrative courts and labor committees and settle financial and banking disputes, securities, customs committees, committees of commercial fraud, Bureau of Investigation and Public Prosecution, police and civil rights, General Investigation Directorate and civil defense.

The Chairman may represent the Company and sign and enter into all kinds of contracts before the Saudi Industrial Development Fund, Saudi Human Resources Development Fund, SAMA, Saudi Ports Authority, General Investment Authority, Saudi Standards, Metrology and Quality Organization, Saudi Authority for Industrial Cities and Technology Zones, Saudi Customs Authority, communication,



electricity and water companies, insurance companies, Chambers of Commerce, Social Insurances, Department of Zakat and Income Tax, and the General Organization for the Physical Planning.

The Chairman may sign the memorandums of association and any amendment thereto of any kind, before the notaries, refer to chambers of commerce, manage, renew, and receive the commercial registers, record the trademarks, and represent the Company before the CMA and sign before the same. The Chairman may further represent the Company before the ministries of foreign affairs, ministries of defense, national guards, ministries of commerce, investment, finance, social affairs, Municipal and rural affairs. He may represent the Company before the ministries of culture, media, housing, electricity, water, energy, industry, mineral resources, civil service, and communications.

Furthermore, the Chairman may represent the Company before the General Directorate of Passports and labor offices in all matters concerning the residences, visas, reports, licenses and extracting documents without any limitations or conditions.

He may sign on behalf of the Company before the Notary Public in all the above-mentioned matters to achieve Company's purposes and interests and may authorize third parties and attorneys under POA in all aforesaid matters and dismiss them and may authorize them in full of the abovementioned.

The Chairman shall perform all tasks assigned to him by the Board or Company's statute and all laws and regulations applicable in the KSA. The Chairman shall obtain an additional remuneration against his services and presidency of the Board according to Article (81) of Companies Law.

#### **B. Vice-Chairman:**

The Board appoints a vice-president from among its directors to replace the Chairman if absent, considering that a board director may not jointly hold the position of the Chairman and any other executive office in the Company.

#### **C. Managing Director:**

The BOD may appoint from among its directors a managing director, and the BOD may further appoint a general manager (or executive chairman) from among its directors or from others, other than the Chairman or Vice-Chairman. The BOD may determine the powers of the Managing Director and the General Manager (Executive Chairman) and their remunerations.

#### **D. Secretary:**

The Board of Director may appoint a secretary selected from among its directors or others and determine his/her powers and remuneration.

The term of membership of the Chairman, **Vice-Chairman**, Managing Director, and Secretary may not exceed the duration of their membership in the BOD, and they may be re-elected. BOD may, at any time, dismiss them or any of them without prejudice to the right of the dismissed party, if the dismissal has taken place without reasonable cause or at untimely manner.

#### **E. Sign on Company's Behalf:**

The Chairman, and any director authorized for such purpose, shall have the right to sign on behalf of the Company solely, each within their granted powers and under an authorization by the BOD.

#### **Article (27): BOD Meetings:**

The BOD shall convene at least quadruple a year by the Chairman invitation. The invitation shall be in writing or sent by post, fax, or e-mail. The Chairman shall call for a meeting if required by two directors. The meeting shall be held in Company's registered office; however, it may be held outside the registered office. Extraordinary meetings may be held abroad the KSA in case of any special circumstances allow such exception.

**Article (28): Quorum at Meetings and Resolutions:**

The BOD meeting shall only be valid if attended by five of board directors and the board director may delegate any director in the board if required. In such case, this director shall have two votes, and a director may not represent more than one director.

**BOD Resolutions:**

BOD resolutions shall be issued by an absolute majority of the votes of its directors, whether attended or represented in the meeting. In case of a tie, the Chairman may not have a casting vote.

The BOD may issue resolutions in the urgent matters by the deliberation among the directors separately, unless one director requests the Board (in writing) to hold a meeting in order to deliberate such resolutions. These resolutions shall be offered to the BOD in the foremost meeting.

**Articles (29): Board Deliberations and Minutes:**

Deliberations and resolutions of the BOD shall be recorded in minutes to be signed by the Chairman of the meeting, presenting directors and the secretary. Such minutes shall be recorded in special register to be signed by the Chairman and secretary of the Board.

**Articles (30): Disclosure of the Personal Interests:**

A director may only have a direct or indirect interest in the business and contracts of the Company by an authorization from the Ordinary General Assembly according to the principles made by the competent authority. The director shall report to the BOD the direct or indirect interest in such business or contracts and record such report in the minutes of meeting. Such director may not participate in the voting on the resolution issued in this regard in the BOD or shareholders' meetings.

If the director fails to report such interest, the Company or any stakeholder may claim, before the competent jurisdiction, to invalidate the contract or oblige the director to pay any profit or interest achieved as a result.

The responsibilities for damage arising from the business and contracts mentioned in Paragraph (1) in this Article shall be borne by the director having the interest therefrom and the directors of the BOD, if such business or contracts were made in violation to the provisions hereof, proved to be unfair or contain a conflict of interest and affect the shareholders.

The directors objecting to the resolution shall be discharged if they prove their objection expressly in the minutes. Absence from the meeting, in which the resolution is issued, may not relieve the director, unless such director proves that he/she had no knowledge of such resolution or couldn't object thereto after knowledge.

The director of the BOD may not participate in any business that may compete the Company. Such director may not compete the Company in any branches of its business; otherwise, the Company may demand him/her, before the competent jurisdiction, to pay proper compensation, unless he/she has an authorization from the Ordinary General Assembly to do so according to the principles made by the competent authority.

The Company may not grant a loan of any kind to any director or shareholder and may not guarantee any loans contracted by any of them with a third party.

An exception from that are the loans and guarantees granted by the Company according to a motivating programs of the worker per Company's internal policies.

The board director may not disclose any agreed secrets of the company other than in the General Assembly Meetings. They may not use any secrets coming to their knowledge – as directors – to achieve any interest for them, any of their relatives or third party; otherwise, they shall be dismissed and claimed to pay compensations.

#### **Chapter (4) Shareholder Meetings**

##### **Article (31): Meeting Attendance**

Each shareholder, regardless of the number of its shares, has the right to attend the General Assembly and may authorize another person who is not a board director or employee of the company to attend the meetings. For the validity of such power of attorney, the principles regulating thereof shall be applied as issued by the relevant authorities. Shareholders general assembly meetings may be held, and the shareholder may participate in the deliberations and voting on the resolution by the recent techniques per the principles made by the competent authorities.

##### **Article (32): Competencies of the Ordinary General Assembly:**

Except for the matters assigned to the Extraordinary General Assembly, the Ordinary General Assembly shall have the competence over all matters related to the Company. The Ordinary General Assembly Meeting shall be held for hearing the BOD report about Company's business, financial position, auditor's report and authenticating the fiscal year budget and profit and loss accounts. It shall be held to determine the dividends to be distributed to shareholders, appoint auditor, determine his/her remunerations, elect the board directors, and authenticate any proposals offered by the BOD. The General Assembly may not deliberate in any matters other than those provided in the agenda prescribed in the call announcement.

##### **Article (33): Competences of the Extraordinary General Assembly:**

The Extraordinary General Assembly shall have the power to amend the Company's statute, except for the matters that are not amended under Article (88) of Companies Law.

Extraordinary General Assembly shall have the power to issue resolutions pertaining to the matters assigned to the Ordinary General Assembly in the same conditions and terms specified for the Ordinary General Assembly. It further has the right to consider the extension or reduction of Company's term for any reasons or merge the Company in any other company or facility.

##### **Article (34): Call for Meetings:**

The Ordinary General Assembly shall be held every year within the six (6) following years to the end of the fiscal year in the place and date specified in the call announcement.

The BOD may call for another Ordinary General Assembly Meeting, whenever necessary.

The BOD shall call for the convention of the Ordinary General Assembly meetings upon a request by the auditor, the Audit Committee, or several Shareholders representing at least 5% of the capital.

The auditor may call for a meeting of the General Assembly if the BOD did not call for it within (30) days of the date of the auditor's request.

##### **Article (35): Publication of the Call:**

The call for the General Meeting shall be published in daily journal published where the registered office of the company is located, at least twenty-one (21) days prior to the convention of the meeting. However, a call may only be delivered on the specified date to all shareholders by registered letters. A copy of such call and agenda shall be sent to the CMA within the time defined for the publication. The call may be electronically published according to the requirements of the relevant authorities.

##### **Article (36): General Assembly Attending Register**

The shareholders who desire to attend the general or private assembly shall register their names in the registered office before the time set forth for convening of the Assembly. The Company may apply the system of the e-meetings regulated by the competent authorities.

**Article (37): Quorum at the Ordinary General Meeting:**

The Ordinary General Assembly shall be valid only if attended by shareholders representing at least one-quarter of the share capital. If such quorum is not present at the first meeting; then a second meeting shall be held within one hour after the end of the time determined for the first meeting, provided that the call for first meeting shall include reference on possibility to hold second meeting in this manner. The second meeting shall be valid regardless of the number of shares represented therein.

**Article (38): Quorum at the Extraordinary General Meeting:**

The extraordinary General Meeting shall be valid only if attended by shareholders representing at least half (50%) of the Share Capital. If such quorum is not present at the first meeting; then a second meeting shall be held within one hour after the end of the time determined for the first meeting, provided that the call for first meeting shall include reference on possibility to hold second meeting in this manner.

In all cases, the second meeting shall be valid if being attended by number of shareholders representing at least one-quarter of the share capital.

In case this quorum is not attended in the second meeting; then a call shall be served for third meeting under the same conditions provided for under Article (35) hereof. Third meeting shall be valid irrespective of number of shares represented herein and upon consent of the competent authority.

**Article (39): Voting in the General Assemblies**

Each shareholder has a vote for each share in the General Assembly Meetings. Accumulative voting shall apply in electing the BOD. Board director may not take part in voting on resolutions of the Assembly related to discharging them from liability on managing the Company or related to any direct or indirect interest for them. In all cases, no director shall have the right to participate in the voting on any resolution related to him/her.

**Article (40): Assembly Resolutions:**

Resolutions of the Ordinary General Assembly shall be passed by the majority vote of the shares present at the meeting.

Resolutions of the Ordinary General Assembly shall be passed by two-thirds majority of the shares represented at the meeting. However, if such resolution relates to the increase or reduction of capital, extension of the Company's term, dissolution of the Company prior to the term set therefor in its statute or merger of the Company with another company, in which case such resolution shall only be valid if passed with a three-quarter majority of the shares represented at the meeting. The Board of Directors shall declare, in accordance with the Companies Law, the Extraordinary General Assembly resolutions if they include the amendment of the company's statute.

**Article (41): Assembly Deliberations:**

Every shareholder shall have the right to discuss the matters listed in the agenda of the general assembly, and to address questions to the directors and the auditor in respect thereof. The board of directors or the auditor shall answer shareholders' questions to such an extent as would not jeopardize the company's interests. If a shareholder feels that the answer to a question is unsatisfactory, he may appeal to the general assembly whose decision shall be final in this respect.

**Article (42): Assembly Chairpersonship and Minutes Preparation:**

Meetings of the General Shareholders Assemblies shall be chaired by the Board Chairman, the Vice Chairman, in the Chairman's absence, or by any such director as delegated by the BOD from among its directors present at the meeting, in case of absence the Chairman and the Vice Chairman absent in the Meeting. Minutes of the Assembly meeting shall be prepared including the number of the Shareholders present in person or represented by proxy, the number of shares held by them whether in person or by

proxy, the number of votes they are entitled to, the resolutions passed, the number of votes supporting or opposing such resolutions, and a sufficient summary of the deliberations conducted during the meeting. After each meeting, minutes shall be regularly recorded in a special register to be signed by the Assembly's Chairman, secretary, and vote collector.

#### **Chapter (5): The Audit Committee**

##### **Article (43): Committee Formation:**

By a resolution of the Ordinary General Assembly, an audit committee shall be composed of not less than three (3) and not more than five (5) non-executive directors, whether from amongst the shareholders or others. The resolution shall specify the functions and controls of the Committee and the remuneration of its directors.

##### **Article (44): Quorum of the Committee Meeting**

The Audit Committee meeting shall be valid only if attended by most of its directors, and its resolutions shall be passed by a majority vote of the attending directors. In case of a tie, the Chairman of the meeting will have a casting vote.

##### **Article (45): Powers of the Committee:**

The Audit Committee shall monitor the Company's business activities. To this end, the Committee shall have access to the Company's records and documents and may request any clarification or statement from board directors or the Executive Management. The Committee may ask the Board of Directors to call for a Company's General Assembly meeting if the Board obstructs its operations or if the Company suffers substantial damage or loss.

##### **Article (46): Reports of the Committee:**

The Audit Committee shall review the Company's financial statements and the auditor's reports and notes, and shall give its opinion thereon, if any. The Committee shall also prepare a report including its opinion on the efficiency of the Company's internal control system and the other activities it performed within its powers. The BOD shall keep sufficient copies of the Committee's report at the Company's registered office at least twenty-one (21) days prior to the date the General Assembly convenes to provide any interested shareholder with a copy of the report. The report shall be recited at the Assembly meeting.

#### **Chapter (6): The Auditor**

##### **Article (47): Appointment of the Auditor**

The Company shall have auditor(s) from amongst those licensed to work in KSA. The Ordinary General Assembly shall annually appoint such auditor and specify their remuneration and term of office. The Ordinary General Assembly may also, always, change the auditor without prejudice to their right to claim compensation if the change occurs at inappropriate time or for an illegitimate reason.

##### **Article (48): Powers of the Auditor:**

The auditor may, at any time, have access to the Company's books and records or any other documents, ask for any statements or clarifications as he deems necessary to verify the Company's assets and liabilities and perform any other functions within the scope of his duties. The Chairman shall enable the auditor to perform his duties. If the auditor encounters any difficulty in this regard, he shall state the same in a report to be submitted to BOD. If the Board fails to facilitate the auditor's work, the auditor shall ask the Board to call for an Ordinary General Assembly meeting to consider the matter.

#### **Chapter (7): The Company's Accounts and the Distribution of Dividends**

##### **Article (49): Fiscal Year:**



The Company's fiscal year shall commence on the January 1<sup>st</sup> and end on December 31<sup>st</sup> of each calendar year.

**Article (50): Financial Documents:**

At the end of each financial year, the BOD shall prepare the Company's financial statements, and a report on its activities and financial position. The report shall contain the method proposed for the distribution of dividends. The BOD shall put these documents at the disposal of the auditor at least forty-five (45) days prior to the date scheduled for convening the General Assembly.

- 1) The Company's Chairman, CEO and CFO shall sign the said documents. Copies of these documents shall be kept at the Company's registered office at the disposal of the shareholders at least twenty-one (21) days prior to the date scheduled for convening the General Assembly. Financial statements shall be disclosed to the public and the respective governmental entities, in accordance with the applicable laws.
- 2) The Chairman shall provide the shareholders with the Company's financial statements, the Board report and the auditor's report, unless they are published in a daily journal distributed in the company's registered office. The Board shall also send a copy of these documents to the Ministry of Commerce and the Capital Market Authority (CMA) at least fifteen (15) days prior to the date established for convening the General Assembly meeting. E-publication shall be taken into consideration in accordance with the requirements of the concerned authorities.
- 3) The Chairman shall publish the Company's financial statements, the Board of Directors' Report, and the Auditor's Report on Tadawul's website, and provide the Ministry of Commerce and CMA with copies of these documents at least (15) days prior to the date of convening the General Assembly meeting.

**Article (51): Distribution of Dividends**

The Company's annual net profits shall be distributed as follows:

- 1) (10%) of the net profits shall be set aside to form a statutory reserve. However, the Ordinary General Assembly may discontinue such retention when the reserve reaches 30% of the paid-up capital.
- 2) The Ordinary General Assembly may, based on a proposal by the BOD, decide to deduct from the net profits such amounts as required to form an additional consensual reserve to be allocated for a certain purpose determined by the Assembly.
- 3) The Ordinary General Assembly may resolve to form other reserves to such an extent that would serve the Company's interest or ensure, as far as possible, consistent distribution of dividends to shareholders. The Assembly may also deduct from the net profits such amounts as required to establish social institutions for the Company's employees or to assist existing institutions.
- 4) Dividends are distributed to the shareholders out of the remaining profits. The Ordinary General Assembly may resolve to distribute profits on the shareholders deducted from the retained earnings. The Company may also distribute quarterly or biannual dividends based on a recommendation from the BOD.



**Article (52): Maturity of Profits:**

Shareholder is entitled to its share of profits in accordance with resolution of the General Assembly issued in this regard. The resolution shall clarify the date of maturity and date of distribution. Priority of such profits is given to holders of shares registered with shareholders' registers by end of the day set forth for maturity.

**Article (53): Distribution of the Preferred Shares:**

- 1) If the profits are not provided for a fiscal year, no profits may be distributed for the next years without paying the specified percentage according to Article (114) of Companies Law for the holders of the preferred shares for such year.
- 2) If the Company failed to pay such prescribed percentages according to Article (114) of Companies Law from the profits for three successive years, the special assembly of such shareholders, held according to Article (89) of Companies Law, may decide either to attend the General Assembly Meetings of the Company and participate in the voting or appoint representatives in the BOD in pro rata basis with their value in the Capital, until the Company is able to pay all priority profits allocated for the holder of such shares for the previous years.

**Article (54): Company Losses:**

- 1) If the Company's losses reached 50% of its paid-up capital, at any time during the fiscal year, any executives of the Company or the Auditor, as soon as such losses become known to them, shall immediately notify the Chairman. The Chairman shall immediately notify other Board director of such situation, and the Board shall, during (15) days of being aware of such situation, call for an Extraordinary General Assembly Meeting during (45) days of their knowledge of the situation to decide either to increase or decrease the Company's share capital in accordance with the regulations of the Companies Law in pro rate basis with the decrease in losses to be less than half of the paid-up capital, or to dissolve the Company prior to expiry date.
- 2) The Company shall be considered as dissolved under the Companies Law if the General Assembly Meeting is not held during the period set forth in Paragraph (1) of this article or if held without passing any resolution in the subject matter. It will be further dissolved if it decided to increase the Capital in such manner as set forth in this article and the entire Capital increase is not subscribed to for during (90) days after the issuance of the General Assembly resolution.

## **Chapter (8) Disputes**

### **Article (55): Liability Suit:**

Each shareholder shall be entitled to file a liability suit to be instituted by the company against the directors for wrongful acts that may harm it. The shareholder may not file the said suit except if the Company's right to do so is still valid. In addition, the shareholder shall notify the company of its intention to file such suit while limiting its right to claim compensation for the sustained damages.

The Company may be charged expenses incurred by the shareholder to file a suit, whatever its outcomes are, against the company on the following conditions:

- a. If the suit was filed in a good faith.
- b. If the shareholder informs the company of the reason for which it has filed the suit, and no response was received within thirty (30) days.
- c. If the company has an interest about the filed suit per Article (79) of the Companies Law.
- d. The suit shall be filed on valid basis.

## **Chapter (9) Dissolution and Liquidation of the Company**

### **Article (56): Dissolution of the Company:**

The Company, once dissolved, will enter the phase of liquidation and will retain its legal personality to such extent as required for its liquidation. The voluntary liquidation resolution shall be issued by the Extraordinary General Assembly. The resolution shall include the appointment of the liquidator, specify its powers and fees, restrictions imposed on its powers and the time required for liquidation. The voluntary liquidation period may not exceed five (5) years and may be extended by a court order. The powers of the BOD shall cease upon the dissolution of the Company. Nevertheless, the BOD will continue to manage the Company, and be deemed, towards third parties, to be the liquidators of the Company until a liquidator is appointed. The shareholders' assemblies shall remain active during the liquidation period and their role be limited to exercising such powers in a manner consistent with those of the liquidator.

## **Chapter (10) Final Provisions**

### **Article (57):**

Where no text is provided herein, the Companies Law and its Implementing Regulations shall be applied.

### **Article (58):**

This statute shall be registered and published in accordance with the Companies law and its Implementing Regulations.

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