



**ALDREES Petroleum & Transport Services Company (ALDREES)**

**"A Saudi Listed Joint Stock Company"**

**Articles of Association**



Name of the Company ALDREES Petroleum & Transport Services Company	Articles of Association	Ministry of Commerce and Investment (General Directorate of Companies - Corporate Governance Department)
Commercial registration (1010002475) وزارة التجارة والاستثمار Ministry of Commerce and Investment فروع الرياض	Date: 24/09/1442H Page No. Page 1 of 24	(Faisal Al Taweel)

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## Part (1)

### Incorporation of the Company

#### Article (1) - Incorporation

ALDREES Petroleum & Transport Services Company entered in the commercial register in the City of Riyadh under no. (1010002475) dated 13/04/1382H has converted, in accordance with the companies' law promulgated by Royal Decree No. (6/M) dated 22/03/1385H, its amendments and these articles, from a limited liability company into a joint stock company listed in the financial market. These articles have been revised in accordance with the Companies Law promulgated by Royal Decree No. (3/M) dated 28/01/1437H.

#### Article (2)- Name of the company

ALDREES Petroleum & Transport Services Company (ALDREES) "A Saudi Listed Joint Stock Company"

#### Article (3): Purposes of the company:

- 1- Wholesale and retail trade of fuels, oils, gas, spare parts and tires of cars and batteries.
- 2- Paid services of freight and transport of goods, equipment, petroleum, water, and chemicals by land within and outside the Kingdom.
- 3- land Transporting for Paid passengers & land, sea, air, Transportation.
- 4- Services of customs clearance, transport and freight of goods and commodities, packaging, storage, and logistical services supplementing all services of the company within and outside the Kingdom by land, sea and air.
- 5- Establishment and operation of shops, mechanics, electricity, metalworks, painting, metal working and carwashes.
- 6- Purchase of lands, construction of buildings on That and investment on them through sale or lease for the company.
- 7- Wholesale and retail trade of foodstuffs.
- 8- Construction, management, operation and lease of hotels, restaurants, fast service centers for hot and cold drinks and snacks.
- 9- Services of cooked and uncooked food.

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10- Management, operation and maintenance of petrol stations and car polishing.

11- Investment in the field of purchase of commercial and residential buildings.

12- Purchase and ownership of medical centers for the company.

13- Import of devices, equipment, spare parts and automation systems of fuel pumps, tanks and all requirements needed to operate petrol stations.

14- General contracting for buildings.

15- Maintenance, cleaning, installation, renovation, demolition and plaster, decorative, electrical, and plumbing work.

16- Road, asphalt, lighting, and cabling of telephone, water, and sanitation networks work and carpentry, conditioning, and landscaping work.

The company shall pursue its activities in accordance with the established laws after obtaining the necessary licenses from the competent authorities, if any.

#### **Article (4): Partnership and Ownership in Companies**

The Company may alone, in the event its capital remains more than (5,000,000) Five Million Riyals, establish (limited liability or closed joint stock companies). It may also own shares and stocks in other existing companies merge therewith or establish with third parties joint stock or limited liability companies after fulfilling the requirements of the applicable regulations and instructions in this regard. The company may also dispose of all shares or stocks it owns provided that this would not include brokerage in their trade.

#### **Article (5) - Head Office**

The head office of the Company shall be in the City of Riyadh, Kingdom of Saudi Arabia. Through the decision of the board of directors, it is permissible to establish branches, offices, or agencies inside or outside Kingdom of Saudi Arabia.

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### **Article (6) - Duration:**

The duration of the Company shall be (99) Gregorian years commencing from the date of entering it in the Commercial Register. It is always permissible to extend the period of the company by a decision of the extraordinary general assembly at least one year before the expiration of its term.

## **Part (2)** **Capital and Shares.**

### **Article (7) - Capital**

The Capital of the company is fixed at (750,000,000) Seven Hundred Fifty Million divided into (75,000,000) Seventy-Five Million shares of equal value, the nominal value of each share being (10) ten Saudi riyals, all of which are common and cash shares.

### **Article (8) Purchase, Sale and Pledge by the Company of its Shares**

The Company may purchase, sell and mortgage its common and preferred stocks in accordance with the regulations determined by the competent authority.

### **Article (9) - Preferred Shares**

In accordance with the provisions of Islamic law and the grounds established by Capital Market Authority, the extraordinary general assembly of the company may issue preferred shares, decide to purchase them, convert common shares into preferred shares or convert the preferred shares into common shares.

The preferred shares shall not give the right to vote in the general assembly of shareholders. Such shares shall give their holders the right to obtain a proportion more than that of the holders of common shares of the net profits of the company after setting aside the statutory reserve.

If there are preferred shares, it is not permissible to issue new shares having priority thereover except with the consent of a special assembly composed- in accordance with article (89) of the companies' law on holders of preferred



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shares affected by this issuance and with the consent of a general assembly composed of all categories of shareholders. Such provision shall also apply upon amendment or repeal of priority rights established for the preferred shares.

#### **Article (10) - Sale of Shares the Value of Which is not Paid.**

In the event of an increase in the capital, a shareholder undertakes to pay the value of the share in a timely manner. If it fails to pay on the maturity date, the board of directors may, after notifying it through announcement on Tadawul website or notifying it by a registered letter, sell the share in the stock market in accordance with the controls determined by the Capital Market Authority.

The company shall satisfy from the proceeds of sale the amounts due to it and reimburse the remaining amount to the holder of the share. In case the proceeds of the sale are not sufficient to satisfy such amounts, the company may satisfy the remaining amount from all the money of the shareholder.

However, the shareholder failing to pay may, until the day of sale, pay the value due from it plus the expenses spent by the company in this regard.

#### **Article (11) - Issuance of Shares**

Shares shall be nominal and may not be issued in an amount less than their nominal value but may be issued with a value higher than this value. If the general assembly agrees to that, in this case, the value difference shall be added in a separate item within shareholders' rights and may not be distributed as profits to shareholders.

The share is indivisible against the company. If the share is owned by several persons, they shall select one of them to represent them in using the rights attached to that share and these persons shall be jointly responsible for the obligations resulting from the share ownership.



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### **Article (12) - Trading of Shares**

Shares given against in-kind shares or cash shares subscribed to by founders or shares owned by the partners in the company transferred may not be traded before the expiration of the prohibition period determined by Capital Market Authority.

However, during the prohibition period, it is permissible to transfer the ownership of shares in accordance with the provisions of sale of rights by a founder to another founder or by the heirs of a founder in case of his death to third parties or in case of execution on the funds of the insolvent or bankrupt founder provided that the priority of ownership of such shares is for other founders.

The provisions of this article shall apply to subscription by founders in case of increase of the capital before the expiration of the prohibition period.

### **Article (13) - Shareholders' Register**

The nominal shares of the company shall be traded in accordance with the provisions of the law of the financial market. The transfer of ownership of share vis-à-vis the company or third parties shall only be considered from the date of completion of procedures of ownership transfer through Automated System for Shares Information.

### **Article (14) - Increase in Capital**

1- The extraordinary general assembly may decide to increase the capital of the company provided that the capital has been paid in full. It is not required that the capital has been paid in full if the non-paid portion of the capital belongs to shares issued against transfer of debt instruments or financing instruments into shares and the period prescribed to convert them into shares is not yet over.

2- In all cases, the extraordinary general assembly may allocate the shares issued upon increase in the capital or a portion thereof to workers of the company, the subsidiaries, some of them or any of that. Shareholders may not exercise a priority right upon the company issuing the shares allocated to workers.

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3- At the time of resolution issuance of the extraordinary general assembly approving the increase in the capital, the shareholder owning the share shall have the priority to subscribe to the new shares issued against cash stocks. Those shall be notified of their priority by publication in a daily newspaper or notified through the registered mail of the resolution of the increase in capital and the conditions, duration and the commencement and expiration date of the subscription.

4- The extraordinary general assembly shall have the right to discontinue the priority right of shareholders to subscribe to increase in capital against cash shares or give priority to non-shareholders in the cases it deems appropriate to the benefit of the company.

5- A shareholder shall have the right to sell or assign the priority right during the period from the time of issuance of the resolution of the general assembly approving the increase in capital to the last day of subscription to new shares connected with such rights in accordance with the controls laid down by the Capital Market Authority.

6- Subject to paragraph (4) above, the new shares shall be distributed among the holders of priority rights who requested subscription in proportion to their priority rights of the total priority rights resulting from the increase in capital provided that what they obtain does not exceed the new shares they requested. The remainder of the new shares shall be distributed among the holders of priority rights who requested more than their share in proportion to their priority rights of the total priority rights resulting from the increase in the capital provided that what they obtain does not exceed the new shares they requested. The remainder of the shares shall be offered to third parties unless the extraordinary general assembly decides otherwise, or the law of financial market provides for otherwise.

#### **Article (15) - Decrease in Capital**

The extraordinary general assembly may decide to decrease the capital if it is in excess of the needs of the company or if it incurs losses.



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In the latter case alone, the capital may be decreased below the limit stipulated in article (54) of the Companies' Law. The decrease resolution shall be issued only after reading a special report prepared by the auditor on its reasons, the obligations of the company and the decrease impact on such obligations.

If the decrease in capital is due to the fact that the capital being in excess of the need of the Company, the creditors shall be afforded the opportunity to object to the decrease within sixty days after the date of publication of the resolution to decrease the capital in a daily newspaper distributed in the area where the Company's head office is located. If a creditor objects thereto and submits to the Company his documents on the said date, the Company shall either pay the debt if it is due at such time or provide an adequate guarantee of payment if the debt is due at a later date.

#### **Article (16) - Debt Instruments and Financing Instruments**

It is permissible, by a decision of the extraordinary general assembly and in accordance with the law of the financial market, to issue negotiable debt and financing instruments. Such instruments shall only be convertible into shares by a decision of the assembly indicating the maximum number of shares that may be issued against such instruments.

The board of directors shall issue the new shares against such instruments immediately upon request by their holders after expiration of the period specified for that and without the need for a new decision from the assembly. The board shall take the necessary action to amend the articles of association of the company regarding the number of the shares issued and capital.

### **Part Three** **Board of Directors**

#### **Article (17) - Composition of the Board of Directors**

The Company shall be managed by a board of directors, composed of seven (7) members to be elected by the ordinary general assembly for a term not exceeding three (3) years.



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### **Article (18) - Expiration of the Board Membership**

The board membership shall end with the expiry of the term thereof, or the validity end of the member therefore in accordance with any law or instructions enforce in the Kingdom. However, the ordinary general assembly may, at any times, remove all members of the board of directors or some of them without prejudice to the right of the removed member against the company for compensation if the removal takes place without justifiable cause or at an inconvenient time. The member of the board of directors may retire provided that the retirement takes place at a convenient time; otherwise, it shall be accountable towards the company for the damages caused by the retirement.

### **Article (19) - The Board Vacant Position**

If the position of a member of the board of directors becomes vacant, the board may appoint a provisional member in the vacant position provided that the said member has experience and competence. The Ministry of Commerce and Investment and the Capital Market Authority shall be notified of same within five working days from the appointment date and the appointment shall be presented to the ordinary assembly at its first meeting. The new member shall complete the term of its predecessor.

If the necessary conditions for the convening of the board of directors are not met due to the fact that the number of its members is below the minimum limit stipulated in article (68), paragraph (1) the Companies Law or article (23) of these articles, the rest of the members shall convene the ordinary general assembly within sixty days to elect the required number of members.

### **Article (20) - Powers of the Board of Directors:**

Subject to the terms of reference prescribed for the general assembly, the board of directors shall have the broadest powers in the management of the company, conduct of its affairs and disposition of its assets, property and real estate to achieve its purposes.

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It shall have the right to purchase and accept same, pay the price, mortgage and release same, sell, make conveyances, receive and deliver the price and the record of the board of directors and the reasons for its decision to dispose of assets, property and real estate of the company shall contain the consideration of the following conditions:

a- That the board shall determine in the record or define the reasons and justifications of the sale.

b- That the price in sale shall be close or similar price.

c- Sale shall be a non-deferred sale except in cases of necessity with sufficient guarantees.

d- Such disposition shall not result in stopping some of the company's activities or imposing other obligation thereon.

2- The board of directors may conclude loans with governmental finance funds and institutions irrespective of their term and the commercial loans, the periods of which do not exceed the end of the company term, subject to the following conditions to conclude the loans the periods of which do not exceed three years.

a- The total value of loans in the financial statements of the company does not exceed 100% of its capital.

b- The board of directors determines in its decision the uses of the loan and the method of its repayment.

c- That it shall be taken into account that the conditions of the loan and its guarantees do not harm the company, its shareholders and the general guarantees of the creditors.

3- The board of directors shall have the right to reconciliation, waiver, contracting, undertaking and engagement in the name and on behalf of the company. The board of directors may carry out all actions and acts that would realize the purposes of the company.

4- The board of directors shall have the right, at its discretion, to release the debtors of the company for the benefit of the company and the record of the board of directors and the reasons for its decision shall contain the consideration the following conditions:

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a- That the release shall be after the lapse of at least a whole year from the debt emergence.

b- That the board of directors shall determine a certain amount (maximum limit) that it shall not exceed to release any debtor per year.

c- Release shall be the right of the board that may not be delegated.

The board may, within the limits of its competence, delegate one or more members from its members or third parties to conduct certain work or works.

### **Article (21) - Remuneration of the Members of the Board of Directors**

The remuneration of the board of directors shall be as per the ratio provided for in paragraph (6) of article (46) of these articles and within the limits set by the companies law and its regulations.

The report of the board of directors to the ordinary general assembly shall comprise a statement inclusive of all remunerations, allowance of expenses and other benefits obtained by the members of the board of directors during the fiscal year. The report shall also comprise a statement of what has been received by the members of the board of directors as workers or administrators or what has been received by them against technical or administrative works or consultations. It shall also comprise a statement of the number of the board meetings and the number of the meetings attended by each member from the date of the last meeting of the general assembly.

### **Article (22) - Powers of the Chairman, Deputy, the Managing Director and the Secretary:**

The board of directors shall, from among its members, appoint a chairman and a deputy chairman. It may appoint a managing director. It is not permissible to combine the position of chairman of the board with any executive position in the company.

The chairman of the board shall be concerned with the representation of the company in its relations with third parties, private and governmental entities, appearing before general Sharia, criminal, commercial, Labor and enforcement courts of all levels, administrative courts, board of grievances, notaries public, work and workmen offices, high, appellate and primary committees

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and all other judicial committees and bodies, arbitral tribunals, civil rights, police stations, chambers of commerce and industry, private bodies, companies and establishments of various types, engaging in tenders, receipt, payment, acknowledgement, claim, advocacy, pleading, litigation, discharge, reconciliation, acceptance of judgments and objection thereto.

They shall have the right to sign all types of contracts, documents, papers, including, but not limited to, deeds of association of companies in which the company is a partner and their amendments, sign agreements, deeds and conveyances before notary public and official bodies as well as agreement of loans, safeguards, Islamic loans and guarantees, sign Islamic Murabaha agreements and investment contracts, follow up transactions, collect the rights of the company and pay its obligations, sell, purchase, make conveyances and accept same, take over, hand over, lease, rent, receive, pay, open and close accounts with banks, open credits, withdraw, deposit, issue banking guarantees, sign documents, cheques and other commercial papers, bank transfers from the company account. They may appoint, remove and contract with employees and workers and determine their salaries. It may appoint attorneys and lawyers for the company for the company and delegate one or more members of the board or third parties to conduct a specific action (s).

The chairman shall have the powers to convene the board of directors and chair the meeting of the board.

Except for the power of representing before the courts and arbitral tribunals, the deputy chairman and managing director shall have the same powers in addition to other powers determined by the board of directors.

The board of directors may determine the remuneration of the board chairman and the managing director in addition to the remuneration established for the members of the board of directors.

The board shall appoint, from among its members or others, a secretary and by a decision of it determine his terms of reference and remuneration.

The term of the board chairman, deputy chairman, managing director and the secretary member of the board shall not exceed the membership term of each one of them in the board. They may be re-elected.



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The board may, at any time, remove them or any of them without prejudice to the right of the one removed to compensation if the removal takes place without justifiable cause or at an inconvenient time.

### **Article (23) - Meetings of the Board**

The board shall meet at least two times per year at the invitation of its chairman. The invitation shall be in writing and sent via mail, fax, e-mail with return receipt requested. The chairman of the board shall convene a meeting whenever requested to do so in writing by two members.

### **Article (24) - The Quorum of the Meetings of the Board**

The meeting of the board shall not be valid unless attended in person by at least four members of the board.

In the event a member of the board of directors deputizes another member to attend the meeting, the deputation shall be in accordance with the following controls:

- 1- The member of the board of directors may not represent more than one member in attending the same meeting.
- 2- Appointment as representative shall be in writing.
- 3- The representative may not vote on the decisions which the law does not permit the authorizer to vote thereon.

The board decisions shall be issued by a majority opinion, vote of the members present or represented at the meeting with a minimum of three votes. In the event of a tie, the chairman shall not have a casting vote.

In urgent matters, the board may vote on decisions by passing to members separately, unless one of them requests in writing meeting for deliberation. The decisions shall be presented to the board at the first meeting.

### **Article (25) - Deliberations of the Board**

Deliberations and decisions of the board of directors shall be recorded in minutes signed by the chairman of the meeting, members of the board present and the secretary. Such minutes shall be recorded in a special register signed by the chairman of the board and the secretary.



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## Part Four

### Shareholders' Assemblies

#### Articles (26) - Attending Assemblies

Any shareholder, irrespective of the number of its shares, shall have the right to attend the general assemblies of shareholders. To that end, it may delegate another person other than a member of the board of directors or a worker of the company.

The holding of the meetings of the shareholders' general assemblies, the shareholder's participation in the deliberations thereof and voting on its decisions may be through the means of the modern technology according to the controls laid down by Capital Market Authority.

#### Article (27)- Terms of Reference of Constitutive Assembly for the Company Conversion

The constitutive assembly for the company conversion shall have competence over the following matters:

- 1- Verification of subscription to all capital.
- 2- Approval of the final texts of the company regulation.
- 3- Approval of conversion expenses.

The validity of its holding requires attendance of a number of shareholders representing at least half the capital. In its meetings, each shareholder shall have a vote for each share it subscribed to or representing it.

#### Article (28) - Ordinary General Assembly Terms of Reference

With the exception of the matters the extraordinary general assembly has competence over, the ordinary general assembly shall have competence over all the matters relating to the company. It shall be held at least once a year during the six months following the end of the company's fiscal year. Other ordinary assemblies may be called for as needed.

#### Article (29) - Extraordinary General Assembly Terms of Reference

The extraordinary general assembly shall have competence over the amendment of the company's articles of association except for the matters prohibited to be amended by law. It may issue resolutions regarding matters that are within the purview of the ordinary general assembly under the same terms and conditions prescribed for the latter assembly.

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### **Article (30) - Convening of Assemblies**

General or special assemblies of shareholders shall be held at an invitation by the board of directors, auditor, Ministry of Commerce and Investment or Capital Market Authority, in accordance with the conditions and controls established for that purpose by law.

The board of directors shall convene a meeting of the ordinary general assembly if so requested by the auditor, review committee or a number of shareholders representing at least five percent (5%) of the capital. The convening of the general assembly shall be published in a daily newspaper distributed in the city in which the head office of the company is located at least twenty-one (21) days prior to the holding specified date. However, extending the invitation, on the mentioned date, to all shareholders by registered letters with the agenda attached may suffice.

A copy of the invitation and the agenda shall be sent to the Ministry of Commerce and Investment and Capital Market Authority within the period specified for publication.

### **Article (31) - Register of Attending Assemblies**

The shareholders shall register their names at the venue of holding of the assembly before the time specified for holding thereof.

### **Article (32) - The Quorum of the Ordinary General Assembly Meeting**

The meeting of the ordinary general assembly shall be valid only if attended by shareholders representing at least a quarter of the capital. If such quorum is not satisfied at the meeting, an invitation is extended for a second meeting to be held within the thirty days following the previous meeting. The invitation shall be published as stipulated in article (30) of these articles. However, the second meeting may be held an hour after the expiration of the period specified for holding the first meeting if the invitation for the first meeting contains information that would indicate the possibility of holding the second meeting on the same day. In all cases, the second meeting shall be valid irrespective of the number of shares represented therein.



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### **Article (33) - The Quorum of the Extraordinary General Assembly**

The meeting of the extraordinary general assembly shall be valid only if attended by shareholders representing at least a half of the capital. If such quorum is not satisfied at the first meeting, an invitation is extended for a second meeting to be held within the thirty days following the previous meeting. The invitation shall be published as stipulated in article (30) of these articles. However, the second meeting may be held an hour after the expiration of the period specified for holding the first meeting if the invitation for the first meeting contains information that would indicate the possibility of holding the second meeting on the same day.

In all cases, the second meeting shall be valid if attended by a number of shareholders representing at least a quarter of the capital. If such quorum is not satisfied at the second meeting, an invitation is extended for a third meeting under the same conditions stipulated in this article. The third meeting shall be valid irrespective of the number of the shares represented thereat after the approval of the competent authority.

### **Article (34)-Voting in Assemblies:**

Each shareholder shall have a vote for each share representing it in the constitutive assembly of the company conversion, ordinary general assembly and extraordinary general assembly. Cumulative voting shall be used in the election of the board of directors.

### **Article (35) - Resolutions of Assemblies**

Resolutions of the constitutive assembly of the company conversion and ordinary general assembly shall be issued by an absolute majority of the shares represented at the meeting. The resolutions of the extraordinary general assembly shall be issued by a two-thirds majority of the shares represented at the meeting. If it is a decision relating to increase or decrease in the capital, extending the term of the company, liquidating it before the expiration of the period specified in its articles of association or its merger with another company, it shall not be valid unless issued by a three-fourths majority of the shares represented at the meeting.

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### **Article (36) - Discussion in the Assemblies**

Each shareholder shall have the right to discuss subjects included in the agenda of the assemblies and put questions regarding them to the members of the board of directors and the auditor. The board of directors or the auditor shall answer the questions of shareholders to the extent that does not undermine the interest of the company. If the shareholder considers the reply to its question is unpersuasive, it may appeal to the assembly, the resolution of which in this regard shall be enforceable.

### **Article (37) - Presiding over Assemblies and Preparation of Minutes**

The meetings of the assemblies shall be presided over by the chairman of the board of directors or its deputy in case of its absence or whomever is delegated by the board of directors from among its members. In case of the absence of the chairman of the board of directors and its deputy, the chairman of the assembly shall nominate its secretary and a collector of votes.

Minutes of the meeting of the assembly shall be drawn up containing the number of the shareholders present or represented, number of shares in their possession in person or by proxy, number of their votes, the decisions taken, number of concurring or dissenting votes and thorough summary of the discussions that took place at the meeting. Following each meeting, the minutes shall regularly be recorded in a special register signed by the chairman of the assembly, its secretary and collector of votes.

## **Part Five**

### **Audit Committee**

#### **Article (38)-Committee Formation**

By a resolution of the ordinary general assembly, a review committee shall be formed composed of four (4) members from non-executive members of the board of directors whether from shareholders or others. The tasks of the committee, the controls of its work and the remunerations of its members shall be determined in the resolution.



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### **Article (39) - The Quorum of the Committee Meeting:**

The review committee shall not be convened unless being attended by the majority of its members. Its resolutions shall be issued by the majority of the votes of those present. In the case of equal votes, the chairman of the meeting shall have the casting vote.

### **Article (40)-The Committee Terms of Reference**

The review committee shall have competence over the control of the company business. To that end, it shall have the right to access to its records and documents, request a clarification or statement from the members of the board of directors or the executive management. It may request the board of directors to convene a meeting of the general assembly of the company if the board of directors hinders its work or the company incurs huge damages or losses.

### **Article (41): Reports of the Committee**

The review committee shall consider the financial statements of the company, the reports and notes provided by the auditor, if any. It shall prepare a report on its opinion about all of that and the adequacy of the internal control system of the company and the other works falling within its own purview performed by it.

The board of directors shall deposit sufficient copies of the report of the review committee at the head office of the company at least (21) days before the convening of the general assemblies to provide each desiring shareholders with a copy thereof. The report shall be read during the convening of the assembly.

## **Part Six**

### **The Auditor**

### **Article (42)-Appointment of the Auditor**

The company shall have one or more auditors from among the auditors licensed to practice in the Kingdom to be appointed by the ordinary general assembly which shall determine its remunerations and the period of its work. It may re-appoint it provided that the total length of its appointment does not exceed five continuous years.



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The auditor who exhausts such period may be re-appointed after the lapse of two years from its expiration date.

The assembly may, at any time, change the auditor without prejudice to its right to compensation if the change takes place at an inconvenient time or without justifiable cause.

#### **Article (43) - Powers of the Auditor**

The auditor shall, at any time, have the right to access to the books and records of the company and other documents. It may also request the statements and clarifications it considers necessary to be obtained to verify the assets and liabilities of the company and other matters falling within the purview of its work.

The chairman of the board of directors shall enable it to perform its duty. If the auditor faces a difficulty in this regard, it shall record same in a report to be presented to the board of directors. In case the board fails to facilitate the work of the auditor, it shall request the board of directors to convene a meeting of the ordinary general assembly to consider the matter.

The auditor shall submit to the annual ordinary general assembly a report and include therein the position of the company as to enabling it to obtain the statements and clarifications requested by it, the violations that might be detected by it of the provisions of these articles or the Companies' Law and its view on the fairness of the financial statements of the company.

The auditor shall read his report in the general assembly. If the assembly decides to approve the report of the board of directors and the financial statements without hearing the report of the auditor, its decision shall be invalid.

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#### **Part Seven** **Accounts of the Company**

#### **Article (44)-Fiscal Year**

The fiscal year of the company shall commence on 1 January and expire on 31 December of each Gregorian year. The first fiscal year shall commence, after conversion, from the date of the ministerial resolution announcing the conversion of the company and expire on 31 December of the following year.

#### **Article (45) - Financial Statements**

1- At the end of each fiscal year of the company, the board of director shall prepare the financial statements of the company, a report on its activity and financial position for the expired fiscal year and include in such report the method proposed to distribute the net profits.

The board shall place such documents at the disposal of the auditor at least forty-five (45) days before the time of convening of the general assembly.

2- The chairman of the board of directors of the company or whomever he authorizes from the members of the board, its chief executive officer, its chief financial officer shall sign the documents referred to in paragraph (1) of this article. A copy thereof shall be deposited at the head office of the company at the disposal of shareholders at least twenty-one (21) days before the time of convening of the general assembly.

3- The chairman of the board of directors shall provide the shareholders with the financial statements of the company, report of the board of directors, report of the auditor and the report of the review committee unless published in a daily newspaper distributed at the head office of the company. It shall also deposit a copy of such documents with the Ministry of Commerce and Investments at least fifteen (15) days before the date of convening of the general assembly.

#### **Article (46)- Distribution of Profits**

The net annual profits shall be distributed as follows:

1- Ten 10% of the net profits shall be set aside annually to form the statutory reserve of the company.

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2- The ordinary general assembly may decide to discontinue such setting aside when the said reserve reaches an amount equal to 30% of the company paid capital.

3- Based on the proposal of the board of directors, the ordinary general assembly may decide to set aside a specified proportion of the net profits to form other reserves. The decision shall contain its allocation for a particular purpose (s) to the extent achieving the interest of the company or ensuring the distribution of fixed profits as possible among shareholders.

4- The ordinary general assembly may decide to deduct amounts from the net profits to establish social institutions for the workers of the company or to assist such existing institutions.

5- From the remainder afterwards, a first payment shall be distributed among shareholders equivalent to (5%) of the company paid capital.

6- Subject to article (21) of these articles and articles (76) of the companies' law, a proportion not exceeding (10%) of the remainder shall, after the above, be allocated to the remuneration of the members of the board of directors so that the remuneration of each member corresponds to the number of the meetings he attended.

#### **Article (47)- Entitlement of Profits**

A shareholder shall be entitled to its share of the profits in accordance with the resolution of the general assembly issued in this regard. The resolution shall indicate the entitlement date and distribution date. The entitlement to profits shall be for the shareholders registered in the registers of shareholders at the end of the day specified for entitlement. The assembly may decide to distribute profits on an annual, semi-annual or quarterly basis. The assembly may authorize the board of directors for that.

#### **Article (48)- Distribution of Profits for Preferred Shares**

1- In the event of not distributing profits for any fiscal year, it is not permissible to distribute profits for the following years except after payment of the proportion established under article (114) of the companies' law to holders of preferred shares for such year.

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2- If the company fails to pay the proportion referred to in paragraph (1) of this article for three consecutive years, the special assembly of holders of such shares convened in accordance with the provisions of article (89) of the Companies Law, may decide either that they should attend the meetings of the general assembly of the company and participate in voting or to appoint representatives for them in the board of directors in proportion to the value of their shares in the capital until the company is able to pay all priority profits allocated to holders of such shares for the previous years.

#### **Article (49) - Losses of the Company**

- 1- If, at any time during the fiscal year, the losses of the company amount to half of the paid capital, any officer of the company or the auditor shall, as soon as it becomes cognizant thereof, notify the chairman of the board of directors. The chairman of the board of directors shall forthwith notify the members of the board of same. The board of directors shall, within fifteen days of being aware of same, convene a meeting of the extraordinary general assembly within (45) days of the date of being aware of losses to decide either to increase or decrease the capital of the company- in accordance with the provisions of the Companies Law- to the extent with which the ratio of losses fall below half of the paid capital or dissolve the company before the date specified in article (6) of these articles.
- 2- The company shall be deemed expired by law if the general assembly fails to meet during the period specified in paragraph (1) of this article, or if convened and was unable to issue a decision on the topic or if it decided to increase the capital in accordance with the conditions established in this article and that no subscription is made as to all increase in the capital within (90) days to the time limit specified in the assembly resolution.

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## **Part Eight**

### **Disputes**

#### **Article (50) - Liability Case**

1- The company may file a liability case against the members of board of directors because of the mistakes that cause damages to all shareholders. The ordinary general assembly shall decide to file such case and appoint a representative for the company to pursue it. If the declaration of the company bankruptcy is decided, the bankruptcy representative shall have the competence to file the said case. If the company expires, the liquidator shall pursue the case after obtaining the approval of the ordinary general assembly.

2- Each shareholder shall have the right to file a liability case established for the company against the members of the board of directors if the error made by them would cause special harm to it. The shareholder may file the said case only if the right of the company to file it still exists. The shareholder shall notify the company of its intention to file the case.

## **Part Ninth**

### **The Company Dissolution and Liquidation**

#### **Article (51) - Expiration of the Company**

1- The company shall expire by the expiration of its term, or by a decision of the extraordinary general assembly based on the proposal of the board of directors or by a judicial ruling.

2- If all shares of the company devolve to one shareholder not meeting the conditions set forth in article (55) of the companies law, it shall convert it into a limited liability company of one person during the year, otherwise it shall expire by law.

3- The company shall expire by law also if its losses reach half the capital and the general assembly fails to meet during the period specified in article (46) of these articles or if it meets and is unable to issue a decision on the topic or if it decides to increase the capital in accordance with the conditions established in this article and no subscription is made to all increase in the capital within ninety days of the assembly decision issuance to increase the capital.

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### **Article (52) - Liquidation of the Company**

Once it expires, the company shall enter into liquidation. It shall retain the legal personality to the extent necessary for its liquidation. The authority of the board of directors shall end by the expiration of the company. However, it shall manage it until a liquidator is appointed and the terms of reference of the company assemblies shall remain only to the extent that is necessary and consistent with the terms of reference of the liquidators.

The decision of the voluntary liquidation shall be issued by the extraordinary general assembly. It shall include the appointment of the liquidator, determination of its authorities, fees, the restrictions imposed on its authorities and the time limit required for liquidation for a period not exceeding five (5) years and extension to more than that may be made only by a judicial order. In all cases, the decision of the assembly shall be published on the website of the Ministry of Commerce and Investment.

### **Part Tenth**

### **Final Provisions**

### **Article (53)**

The Companies Law and its regulations shall apply to matters not provided for in these articles.

### **Article (54)**

These articles shall be deposited and published in accordance with the Companies Law and its regulations.



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