

**Corporate Governance Regulations of  
The National Shipping Company of Saudi Arabia  
(BAHRI) Approved by the Board of Directors in their  
meeting No. (6/09) held on 3/1/1431H  
Corresponding 20/12/2009G**

Bahri  
البحري

## Contents

### **Part 1: Introductory Provisions**

Article 1: Introduction

Article 2: Definitions

### **Part 2: Rights of Shareholders and the General Assembly**

Article 3: Rights of Shareholders

Article 4: Facilitate the exercise of shareholder rights and access to information

Article 5: General Rights of shareholders related to the General Assembly meeting

Article 6: Voting rights

Article 7: Rights of shareholders related to the dividends

### **Part 3: Disclosure and Transparency**

Article 8: Policies and procedures of disclosure

Article 9: Disclosure in the Management Report

### **Part 4: Board of Directors and their Committees**

Article 10: Basic functions of the Board of Directors

Article 11: Responsibilities of the Board of Directors

Article 12: Composition of the Board of Directors

Article 13: Board meetings and agenda

Article 14: Remuneration and compensations of the Board members

Article 15: Conflict of interest in the Board of Directors

Article 16: Committees of the Board and their independence.

Article 17: The Audit Committee

Article 18: Nomination and Remuneration Committee

Article 19: Strategy and Follow-up Committee

### **Part 5: Final Provisions**

Article 20: Publication and Enforcement

## Part 1: Introductory Provisions

### Article 1: Introduction

- A) The Corporate Governance Regulations of the National Shipping Company of Saudi Arabia (BAHRI) set out the rules and standards governing the management of the company pursuant to the guidelines of the Board of the Capital Market Authority (CMA), and in accordance with the provisions of the Corporate Governance Regulations issued by the CMA Board, to assist the Board in carrying out its obligations and enhancing the operational efficiency of the Board and its committees to ensure compliance with best corporate governance practices and to ensure the protection of shareholders and other stakeholders rights and keep pace with the requirements and take advantage of new opportunities to work effectively and meet the expectations of shareholders and other stakeholders. These Regulations are not intended for the company to conduct any change or interpretation of any applicable laws or regulations. The Board may review and amend these principles when necessary or appropriate and without contravention to the applicable regulations and instructions.
- B) These regulations are binding on the company, Board members, all employees of the company and shareholders. The rules contained in these regulations are primarily based on the Capital Market Law and its rules of implementation and decisions issued pursuant thereto, as well as the Corporate Law.

### Article 2: Definitions

For the purpose of implementing the provisions of these Articles of Regulations, the following words and phrases shall have the meanings set out against each of them, unless the context stipulates otherwise.

**Company:** The National Shipping Company of Saudi Arabia “BAHRI”

**Independent Member:** a member of the Board of Directors, who enjoys full independence. Contraventions to independence include but are not limited to the following:

- 1) Own a percentage of five or more of the company's dividend or any of the company's group;
- 2) Be a representative to a person corporate owned a percentage of five or more of the company shares or any of the company's group.
- 3) Be a senior executive in the company during the past two years or any of the company's group.

- 4) Be a first degree relative to any of the members of the Board of Directors of the company or any of the company's group.
- 5) Be a first degree relative to any of the senior executives in the company or any of the company's group.
- 6) Be a member of the Board in any company within the company's group to which he is a candidate for membership of its Board.
- 7) Be an employee during the past two years at any of the company's related parties or any of the company's group such as chartered accountants and major suppliers, or an owner of controlling shares in any of those parties during the past two years.

**Non-executive Member:** a member of the Board of Directors who is not a full-time director of the company, or who does not receive a monthly or annual remuneration from the company.

**First-degree Relatives:** father, mother, spouse and children.

**Stakeholders:** each person who has an interest in the company, such as shareholders, employees, creditors, customers, suppliers and the community.

**Cumulative voting:** A method of voting to choose members of the Board of Directors which gives each shareholder a voting power equivalent to the number of voting shares that he owns, whereby he will be entitled to vote for one candidate or divide those votes among a selected number of candidates without any redundancy of these votes. This method increases chances for minority shareholders to have representation of their own in the Board of Directors through the cumulative votes for one candidate (This method applies in case the company's articles of association are amended to keep pace with this kind of voting).

**Minority shareholders:** Shareholders representing a non-controlling category of shareholders who can not exercise any influence over the company.

**Insider:** a person who is familiar with insider information by virtue of his position or job in the company, including Chairman of the Board, Chief Executive Officer (CEO), Vice Chief Executive Officer – Finance (VCEO-F), Internal Auditor, External Auditor, representative of the legal person and first degree relatives of the above-mentioned parties.

**Related Party Transactions:** Transactions or contracts between the Company or any of the following related parties:

1. Affiliates of the company;
2. Members of the Board of Directors and top executive management of the company;

3. Members of the Board of Directors or the Board of Managers and top executive management of the affiliate company;
4. Any person who holds 5% or more of the shares of the company or any one of its affiliates.
5. Relatives and associates of the above-referenced parties;
6. Provident funds for employees in the company;
7. Projects and enterprises with any other party;
8. Companies controlled by members of the Board of Directors or top executive management or their relatives.

## **Part 2: Rights of Shareholders and the General Assembly**

### **Article 3: General Rights of Shareholders**

(A) All rights related to the shareholdings of each shareholder shall be documented in accordance with the provisions of paragraph (1), Article (108) of the Companies Act with the conditions and restrictions contained therein or in the company's articles of association, and in particular the right to receive:

1. Share in dividend distribution;
2. The right to a share in the company's assets at liquidation;
3. Right to attend meetings of the General Assembly of Shareholders, participate in its deliberations and vote on resolutions;
4. Right to manage dispose of shares;
5. Right to control the work of the Board of Directors to achieve greater efficiency for the performance of the company and the members of the Board of Directors and to file an accountability lawsuit against members of the Board.
6. The right to inquire and request information about the company in a timely manner without causing any damage to the interests of the company or contravention with provisions of the Capital Market Law and its rules of implementation as well as Saudi Companies Act.

(B) Obligations of the Shareholders:

1. A shareholder shall undertake to refrain from any act that would cause any damage to the company.
2. A shareholder shall undertake to implement any decision issued by the General Assembly in a lawful manner and in accordance with the provisions of Article (57) of the Companies Act and Article (10) of the company's Articles of Association.

3. A shareholder shall undertake to disclose any transaction involving the selling or buying of 5% of the shares of the company.

**Article 4: Facilitate the exercise by shareholders of their rights and access to information:**

- (A) The Companies Act, Articles of Association and by-laws of the company incorporate the procedures and measures necessary to ensure that all shareholders can exercise their regulatory rights.
- (B) The company shall provide all the information that would enable shareholders to exercise their rights in an optimal manner. Such information shall be complete and accurate, and shall be provided and updated in a regular and timely manner. In this regard, the company shall employ the most effective ways to communicate with shareholders. The company shall not discriminate between shareholders in providing information, and it shall apply the principle of equal treatment of all shareholders, and shall engage with legal stakeholders in a dialogue on the basis of mutual understanding of common goals. No member of the Board of Directors or any company employees is entitled to disclose any information to certain shareholders other than others, and such disclosure of information will be through the annual report of the company, during general assembly meetings and through other official channels in accordance with the applicable regulations in this regard.

**Article 5: Shareholders Rights Related to General Assembly Meetings:**

- A) The General Assembly convenes a minimum of once a year within the six months following the finalization of the company's fiscal year.
- B) The General Assembly convenes at the call of the Board of Directors. The Board of Directors may also call for a meeting of the General Assembly upon the request of the auditor or shareholders representing a minimum of 5% ownership of the company's capital.
- C) The date, venue and agenda of the General Assembly meeting shall be announced within a minimum of twenty days prior to the stated deadline of the meeting. A call for such meeting shall be published on the Stock Market website, the company's website, Umm Al Qura official gazette, two widely circulated newspapers in the Kingdom, and through other modern media and communicate to the shareholders.
- D) Shareholders shall be availed the opportunity to participate effectively and to vote in meetings of the General Assembly of Shareholders, and they shall also be briefed on the rules governing those meetings and voting procedures.

- E) The company shall facilitate greater participation by shareholders in the meetings of the General Assembly, including the selection of appropriate time and venue for such meetings.
- F) In preparing the agenda of the General Assembly meeting, the Board of Directors shall take into account the topics that shareholders wish to be included on the agenda of the meeting. Shareholders who hold a minimum of (5%) of the company's shares may add one or more topics during the preparation of the agenda for the General Assembly meeting.
- G) The shareholders shall have the right to discuss the topics listed on the agenda of the General Assembly meeting and address questions regarding those topics to the members of the Board of Directors and Auditors. The Board of Directors or Auditors shall answer shareholders' questions to the extent that does not expose the company's interest to damage, in accordance with the provisions of Article (94) of the Companies Act.
- H) The topics presented to the General Assembly, shall be appended with sufficient information to assist shareholders in making their decisions, including the following:
1. Amendments to the Articles of Association and Memorandum of Association of the company;
  2. Increase or decrease of capital;
  3. Merger, acquisition or liquidation;
  4. Material financial transactions that do not fall within the authorities of the Board of Directors;
  5. Granting of bonus stocks and fixed remuneration to members of the Board and chief executive officers;
  6. Determination of dividends to be distributed to shareholders;
  7. Deliberation of the management report on the company's activities, its financial position and the auditors' report;
  8. Approve the balance sheet and profit and loss account for the fiscal year of the company;
  9. Appointment of auditors and determination of their remuneration;
  10. Election and discharge of members of the Board of Directors, in accordance with the provisions of Article (66) of the Companies Act and Article (23) of the company's Articles of Association;
  11. Discharge of the Board of Directors, its Chairman or any one of its members;
  12. Sale of the company or the full acquisition of another company;
  13. Issue bonds convertible into shares;
  14. Grant company staff bonus shares in the company's share capital;
  15. Recall or retirement of corporate shares in accordance with the provisions of Articles (105) and (104) of the Companies Act and whatever decisions issued by the Capital Market Authority in this regard.



- I) Shareholders shall be allowed to have access to the minutes of General Assembly meetings, copies of which shall also be provided to the CMA within ten (10) days from the date of each such meeting.
- J) The capital market shall be informed of the results of the General Assembly meetings at the end of each such meeting, through the publication on "Tadawul" website.

#### **Article 6: Voting Rights**

- A) Voting is a fundamental right of the shareholder that can not be removed in any way, and the company shall avoid any action which may hamper the use of voting rights. The company shall also facilitate the exercise of shareholder's right to vote, taking into account the rights of the same categories of shareholders in accordance with the provisions of Article (86) of the Companies Act and paragraph (a) of Article (39) of (Listing Rules).
- B) Cumulative voting method shall be applied upon voting to select members of the Board of Directors in the General Assembly, when the company's articles of association are amended to keep pace with this kind of voting.
- C) A shareholder may appoint another shareholder as a proxy – in writing – provided he is not a Board member or employee of the company to represent him in attending a meeting of the General Assembly.
- D) Investors who are legal persons acting on behalf of other persons - such as investment funds - shall disclose their voting policies and actual voting in their annual reports. They shall also disclose the manner of handling any fundamental conflicts of interest that may affect the exercise of fundamental rights relating to their investments.

#### **Article 7: Rights of Shareholders in Dividends:**

- A) The Board of Directors shall set out a clear policy on the distribution of dividends in a manner that best serves the interests of shareholders and the company; and shall acquaint shareholders with this policy in a General Assembly meeting. Reference shall also be made to this policy in the (management) report of the Board of Directors.
- B) The General Assembly shall approve the proposed dividend distribution and the date of such distribution. Shareholders eligible to receive profits, whether in cash or bonus shares, are those duly registered in the records of the Securities Depository Center (SDC) at the close of trading on the day of General Assembly meeting.

## **Part 3: Disclosure and Transparency**

### **Article 8: Policies and Procedures of Disclosure**

The rules regulating corporate governance emphasize the importance of disclosure to shareholders and investors of all data on the company's financial position as stated in Article (26) of the Listing Rules, as well as performance, ownership and control over the company, according to the applicable regulatory requirements and legislation and the Articles of Association of the company. Additionally, the company shall provide the following:

- A. Channels of communication to allow users have access to sufficient information in a timely, cost-effective and fair manner, such as the company's website and Tadawul website;
- B. Disclosure by the company of its policies and programs towards the local community and the environment.
- C. Prevention of any insider person in the company from disclosure of internal information about the company.

### **Article 9: Disclosure in the Board of Directors' Report**

In addition to the provisions contained in Article (27) of the Listing Rules regarding the contents of the report of the Board of Directors, which is normally appended to the annual financial statements of the company, such report shall also include the following:

- a) The implemented provisions and pending provisions of these Regulations and the justifications whereof;
- b) Names of any joint stock companies in which a member of the company's Board of Directors is a member of their Boards of Directors;
- c) Formation of the Board of Directors and classification of its members as follows: executive Board member, non-executive Board member or independent Board member;
- d) A brief description of the jurisdictions and duties of the Board's main committees, such as the Audit Committee, the Nomination and Remuneration Committee; including names of these committees, names of their heads, and members, and number of their respective meetings;
- e) Details of compensation and remuneration paid to each of the following individually:

1. Members of the Board of Directors;
  2. Top five executives who have received the highest compensation and remuneration from the company. The CEO and the VCEO-F shall be added if they are not already included in the top five executives.
- f) Any punishment, penalty or preventive restriction imposed on the company by the Capital Market Authority or any other supervisory, regulatory or judiciary body.
- g) Results of the annual review of the effectiveness of the internal control procedures of the company.

#### **PART 4**

### **BOARD OF DIRECTORS AND BOARD COMMITTEES**

#### **Article 10: Main Functions of the Board of Directors**

Main functions of the Board of Directors include the following:

- (A) Adoption of the strategic directions and main objectives of the company and overseeing their implementation, including:
- 1) Developing an overall strategy for the company, major plans of action and risk management policy as well as their review and direction, particularly as follows:
    - A. Control and tackling cases of potential conflict of interest of each Board member, management and shareholders, including misuse of company assets and facilities, and abuse resulting from transactions with related parties.
    - B. Ensure the integrity of financial and accounting systems, including those relating to the preparation of published financial reports.
    - C. Ensure the implementation of appropriate control systems, particularly control systems of risk management through the identification of general perception of the risks that might be encountered by the company and their presentation with transparency at the highest levels. This includes the creation of a unit within the company to be in charge of managing risks. This unit shall enjoy full independence from the financial departments in charge of preparing the company's financial reports. This unit shall also be in charge of educating relevant company employees of the levels of risks encountered in managing various company affairs.

- D. Development, implementation and monitoring measures to reduce the risk of corruption and fraud.
- E. Conduct annual review of the effectiveness of internal control procedures in the company and advising the shareholders of the results of those reviews.
- F. Install a culture of transparency and integrity through enhancing codes of conduct and business ethics in the company.
- G. The Board has an overall responsibility for risk management in the company, in a manner that is compatible with the nature and volume of the company's activity and the market in which it operates. The Board shall also be responsible for developing a strategy of identifying the risks encountered by the company, methods of handling those risks and the level of risk with which the company deals.

- 2) Determining the most appropriate capital structure, strategies, financial objectives and approval of annual balance sheets of the company.
- 3) Overseeing the main capital expenses of the company and acquisition / disposal of assets.
- 4) Setting performance goals, overseeing their implementation and the overall performance of the company.
- 5) Review and approve the organizational and functional structures of the company.

**(B) Setting internal control systems and their overall supervising, including:**

**Internal Audit & Control Department (IACD) Working Policies**

The policies incorporate the following:

- 1. Objective
- 2. Authorities, Responsibilities and Independence
- 3. Scope of Work
- 4. Professional Standards
- 5. Reports
- 6. Follow-up

## **1. Objective**

Internal Audit & Control Department (IACD) will provide an independent objective assurance and consultancy activities/services designed to assist those who are in charge of the company to perform (or discharge) their responsibilities with a high degree of efficiency and effectiveness by providing analysis, evaluation, recommendation, advice and information related to controls of the activities being audited.

Thus IACD assists in the achievement of the prescribed objectives and protects the assets of BAHRI. It also adds value through the application of a systematic approach for the assessment and the improvement of the effectiveness of Risk Management, Control & Governance in the company. It also enables BAHRI BOD and the Audit Committee to efficiently discharge (perform) their responsibilities.

For the achievement of the above objectives, the following should be established:

- A. Establishment of basic concepts for professional practice.
- B. Specifying/determining a framework of activities of IACD.
- C. The contribution/participation in the improvement of the company's (BAHRI) operations.
- D. Establishing basis for the assessment/evaluation of IACD.

## **2. Authorities, Responsibilities & Independence**

### **A) Authorization and Responsibilities**

IACD performs under the supervision of the Audit Committee which is authorized by BOD, and is not subject to any influence from the Executive Management of the company. IACD has complete authorization to have full unrestricted access to any of the company's documents / records (whether manual or electronic), properties, the company's staff and affiliated companies as far as necessitated by the interest of the official audit work.

Besides, IACD should not have any direct responsibility or authority over any of the company's units/departments which are subjected for audit. Also, IACD staff should neither develop or design any procedures nor participate (or contribute) in activities and jobs which are normally audited by IACD. However, this is not in contradiction (or should not be in contradiction) with any recommendations viewed to be important to make corrective actions concerning any weaknesses in the areas audited/checked.

The main important responsibilities of IACD includes the following:-

- 1) The preparation of the strategic plan of IACD work and submission to the Audit Committee. IACD's audit recommendations are submitted to the BOD with a copy to the CEO.
- 2) Performance of the audit work on the basis of the Annual Audit Plan.
- 3) Preparation of audit reports to the audit work performed and submission to the audit committee for their decision within their jurisdiction and submission of their recommendations to the BOD with a copy (cc) to CEO.
- 4) Identification of financial, operational and information system's risks. Extends necessary cooperation with any department to formulate effective control tools at a reasonable cost and to limit the resulting impacts (effects) of the said risks and recognize them as soon as they occur.
- 5) Arrange the necessary coordination between the various departments in the company and the external parties exercising statutory control over the company, including the External Auditor, the Government Audit Bureau (GAB) and the Capital Market Authority (CMA) and other control bodies (parties or corporations).
- 6) To appoint, manage, motivate and develop internal audit team that would ensure that they are up to a professional level in respect to technical and knowledge qualification. This is achieved by relevant training to obtain the relevant professional qualifications.
- 7) Development of policies and procedures for the purpose of performing Internal Auditing and control assignments [IACD Manual] which are in conformity with the generally accepted professional standards.
- 8) The Planning and Management of IACD budget in order to achieve the best efficient utilization of the available resources.
- 9) The continuous improvement of the approach and methods of IACD in order to increase the effectiveness of its operations.
- 10) The contribution (participation) in increasing the professional awareness of internal auditing and control inside and outside the company.

Taking into consideration the nature of the specialized operational activities of the company, the tasks and responsibilities of IACD are stated its rules duly adopted by the Board of Directors.

## **B) Independence**

Components of IACD independence include the following:-

- 1) IACD should be directly linked to the company's BOD.
- 2) The internal auditor should be totally independent in all aspects relating to the audit work. He should also comply with neutrality and objectivity when evaluating audit evidence.
- 3) The internal auditor should avoid situations where his independence, neutrality and objectivity is questioned or put in doubt by the others.
- 4) Vice CEO - IACD should ensure the independence, neutrality and objectivity of the audit team assigned to the audit of the accounts, the financial statements and the operating transactions of the company.

## **3. Scope of Work**

The scope of work of IACD includes in general three levels:-

- A) The Profession's Level
- B) The Level of IACD
- C) The Level of the individuals practicing the profession.

IACD adopts a systematic approach on the levels of the profession and the practicing in order to achieve the effectiveness of Internal Control, Risk Management, Information Systems, the Company's Management systems. This leads to the achievement of the company's objectives represented by protection and adding values to the company's assets.

The scope of work of IACD includes the audit & verification of the extent of the effectiveness and the efficiency of internal control system, quality performance in the company's various departments, branches and affiliates. Also verification and ascertainment of whether the systems provide reasonable assurance that the company's objectives are being achieved effectively. This is achieved by limiting unauthorized and over budgeted expenses, discovery of errors as soon as they occur, identifying risks and dealing with them.

Also the scope of work of IACD includes specifically performing the following:-

- 1) Periodic audit of departments, branches and affiliated companies including control systems, risk management in the company in

reasonable periods in order to ascertain whether the duties, and the managerial, accounting and control tools had been effectively achieved in line with the approved policies, procedures and instructions adopted in the company. This should also conform to the company's objectives. Examples of Management practices are:-

- A) The means and the procedures adopted to protect and safeguard the company's assets including information system's assets from the risk of theft, deterioration, destruction, misuse and negligence and also from improper commercial practices, inconvenient disclosure or fraud.
  - B) The extent to which reliance is to be made on the security and safety of the financial and operational information prepared within the company, also the methods / ways which are used to specify, measure and classify (tabulate) this information.
  - C) The review and checking of the existing systems to secure the compliance with the policies, the plans, the procedures and the applicable laws, the organizations and the contracts which have material impacts on the company.
  - D) Ascertaining the extent of the efficiency and the effectiveness in the utilization of the company's resources with reasonable costs.
- 2) Communicating to the auditee's departments key personnel and staff the results of the audit performed by IACD and the recommendations for the purpose of ascertaining the relevant procedures to rectify and correct the weaknesses discovered.
  - 3) Evaluation of the plans and the procedures adopted by the auditee's departments to deal with the queries and the recommendations included in the audit report. In case the procedures are not adequate, the issue should be discussed with key staff (leading staff) of the department / unit.
  - 4) Assisting in the planning, design, development and implementation of the information systems in order to ascertain the following:
    - ❖ Existence of adequate control over information systems.
    - ❖ All the procedures of system auditing are achieved in the relevant time.
    - ❖ Completion of the documentation and correctness of the systems.
  - 5) Providing consultancy services upon the request of the BOD or the Audit Committee or the Executive Management as an assistance in



the planning, design, development and implementation of the tasks relating to the improvement of the efficiency and the effectiveness of the company's operations, taking into consideration the provision of Para (2) – "A" above.

- 6) Investigating into the cases of fraud, corruption or any other specialized audits requested by the BOD or the Audit Committee or the Executive Management or if there was sufficient evidence to IACD which indicates the probability of the existence of such cases.
- 7) Assurance of the procedures of the security, the safety, health and the protection of the environment.
- 8) The preparation of the audit plan for the offices / accounts to be audited based on the estimation of the existing risks in the company as a whole.

#### **4. Professional Standards**

The company should adopt the International Auditing Standards and guidelines approved by the International Institute of Internal Auditors (IIA) which incorporates the following provisions:-

##### **1) Attribute Standards**

- Standard of Organizational Independence  
The IACD should exist in the organization chart of the company independent of the other organizational units within the company.
- Standard of Objectivity  
The IACD should make available to the internal auditor the basic requirements which enable him to perform his assigned tasks objectively.
- The Standard of Professional Competence  
The IACD should specify the basic concepts which determine the professional competence of the internal auditor and the technical team which performs the processes of auditing and control.
- The Standard of Due Professional Care  
IACD should specify what the internal auditor should comply with when performing the audit tasks assigned to him.
- The Standard of Quality Control  
Manager - IACD performs the tasks of developing the performance of auditing activities.

The performance standards determines the nature of the services of IACD and making available standards of Quality which form the basis on which the performance of their services is evaluated.

## 2) Performance Standards

- The Standard of Management of Activities  
In this standard the responsibilities of the official in-charge of IACD in the company are determined.
- The Standard of the Nature of Services  
Specifies the services provided by IACD.
- The Standard of Planning  
IACD specifies the basic principles for the planning of the audit process or the consultancy process.

## 5. Reports

Reports are considered as a part of the performance standards. However, for the purpose of their relative importance, they had been shown as a separate independent item. Here, IACD specifies the requirements which the Internal Auditors should comply with in the process of the preparation of audit reports and the communication of the results of auditing & consultancy services.

In this regard, IACD should prepare a written report subsequent to the finalization of each audit assignment. The report should include a presentation of the objectives of the process of auditing, its scope and the conclusions which have been arrived at.

The report should be communicated to the concerned auditees. In addition periodic reports including the results of the auditing processes should be prepared as follows:

- a) **Quarterly Report to be submitted to BOD members, Audit Committee members and the CEO.**
- b) **Annual Report to the BOD (Represented by the Audit Committee) with a copy (cc) to CEO.**

The managers of departments, branches or affiliated companies who has received audit reports of IACD should reply in writing specifying the corrective actions which have been / or would be implemented as a response to the audit queries and recommendations included in the IACD audit report. Also the time estimated for completion should be specified.

The internal auditor should prepare annual reports about IACD works and submit to the Audit Committee. The report should include a summary of the audits performed and the results thereon.

**The report should specify at least the following:-**

1. That the necessary procedures and actions for dealing with and responding to the audit reports have been taken.
2. That the audit process has been directed towards the high risk activities and tasks and also towards up-grading the efficiency and the effectiveness and the profitability of the company's operations.
3. That the necessary coordination between the internal auditor, the external auditor and the other organizations/parties exercising statutory control over the company has been achieved to a satisfactory level.
4. That the plan of IACD is reasonable.
5. The report should include whether there are any restrictions which limit (or restrict) the work of IACD to obtain access to any of the company's activities, records, assets, the staff, the branches or the affiliates.

**6. Follow-up**

IACD should assure that the audit queries the related recommendations which have been communicated to the concerned departments have been precisely acted upon.

The Audit Committee reviews the contents of the internal auditor's report, and based upon that, submits their decisions and recommendations to the BOD with a copy to the CEO.

=====

- (C)** The Board of Directors shall lay down and implement clear-cut and specific policies, standards and procedures for Board membership, subject to the approval by the General Assembly.

**(D) Relationship with Stakeholders to Protect and Preserve their Rights:**

Recognition and safeguarding the rights of stakeholders within the framework and in accordance with the principles of corporate governance duly issued by the Board of the Saudi Capital Market Authority, pursuant to applicable laws and regulations, and the rights guaranteed by these regulations, encourage cooperation among stakeholders in the fields of investment and wealth management and growth, creation of job openings, as well as enhancing the stability and continuity of the existing projects based on valid and sound financial principles.

Exercise of corporate governance by the company fosters its activities and investments with efficiency and professionalism, including human resources and assets, and enhances competitiveness. In fact, corporate success is only a result of the efforts of a working team who launched a project which utilized the contributions of investors, employees, lenders, suppliers and embodied them into an edifice and one of the pillars of the national economy, and accordingly, the company:

- (1) Indemnifies stakeholders against any violation of their rights, amicably if possible, or otherwise through implementing the terms and conditions governing such contracts, and unless expressly provided for in the applicable regulations, reference shall be made to applicable customs and generally accepted business practices at the domestic and international levels.
- (2) To observe the rights of stakeholders pursuant to the provisions of applicable regulations, including the Labor Law, Companies Act, Capital Market Regulations and its Rules of Implementation, business regulations, including maritime transport and international conventions on maritime transport, pollution and preserving the environment, and the implementation of the contractual terms set forth in the contracts of various kinds, such as shipping, insurance, and supply, labor, ship chartering or leasing, buying and selling, rent, mortgage, ... etc. In case a dispute arises between the company and stakeholders, the issue shall be resolved amicably or otherwise it shall be referred to the competent authority with jurisdiction to hear such issue.
- (3) The company is aware that the contributions of stakeholders constitute a resource for fostering its competitive power and enhancing its profitability. Accordingly, setting up long-term cooperation between the stakeholders and the company and recognition as well as protection of their rights would be in favor of the company and enhances its success. In this regard, the company seeks to have in place such mechanisms, which lead to increase the performance through stakeholders participation which includes but are not limited to the following:
  - A. Setting up and activating regulatory channels to represent the workers in the company's Board of Directors.
  - B. Develop plans for share ownership or any other method of profit sharing by employees.
  - C. Maintaining the confidentiality of information relating to stakeholders.
  - D. Taking into account the standpoints of stakeholders on certain key decisions.

- E. Giving the creditors a role to play as outside observers on the performance of the company.
- (4) The rules of professional conduct for corporate employees include the following:
- A. Loyalty of employees shall be to the company solely, without prejudice to the provisions of the applicable laws and regulations of the Kingdom.
  - B. A worker shall devote his efforts to perform his job duties and to serve the interests of the company, and in particular shall take into account the following:
    - 1. Adherence to the provisions of these Regulations, as well other by-laws, rules of implementation and instructions issued by the company.
    - 2. Implementation of orders and instructions issued by the CEO and corporate officers and taking into account the hierarchy of their positions in the organizational structure of the company.
    - 3. Cooperation with colleagues at work in a manner that leads to the proper functioning of the company.
    - 4. Abide by work schedules of the company.
    - 5. Safeguarding the assets of the company.
    - 6. Refrain from carrying out any work, paid or unpaid, outside the company.
    - 7. Refrain from abusing his position and taking advantage of his influence in order to achieve personal gains.
  - C. The worker shall undertake in writing to safeguard the secrets of work and the information to which he may have access by virtue of his job, and in particular, he shall:
    - 1. be prudent in giving information about the company and shall refrain from disclosing to any other party outside the company any insider information that is not already in public domain, unless such disclosure is considered part of the normal performance of his duties or such disclosure is authorized by the company.
    - 2. Refrain from participation, paid or unpaid, in any media activity, such as making statements to any media, delivering speeches or lectures, participating in seminars, discussion group, or publication of articles, books, etc, without prior written permission of

the CEO , as long as such disclosure is related to corporate or staff activities.

3. Refrain from publishing any data or giving any information about the companies with which the company conducts any negotiations or enters any contracts or disclosing the nature or details of the agreements concluded with those companies.
  4. Refrain from keeping for himself any worksheet or detaching same from the respective files even if such worksheet is related to work assigned to him personally.
  5. Safeguarding the confidentiality of information obtained by the Company with which the worker may be acquainted by virtue of the nature of his work for use in the company's business and undertaking to safeguard the confidential nature of such information to the extent of the company's obligation to safeguard such confidentiality under relevant agreements.
- D. The worker must refrain from any act that may prejudice the ethics and dignity of his position, whether at work or outside; shall be courteous in his actions with related parties; shall fully devote business hours for the performance of job duties and shall generally observe the provisions of applicable laws, regulations, customs and traditions of the Kingdom.
- E. Each worker shall be held accountable for his own behavior and each officer shall be responsible for the proper progress of work that falls within the jurisdiction of his position.
- (F) The Board shall lay down policies and procedures to ensure that the company complies with the provisions of applicable rules and regulations, with particular emphasis on the following:
- A. Monitoring the effectiveness of governance regulations and subsequent amendments, as necessary;
  - B. Oversee the procedures of disclosure and reporting of material information to shareholders and creditors and other stakeholders;
  - C. Develop and monitor Investor Relations schemes; participate in those schemes, and apply justice therein;
  - D. Ensure compliance and adherence to applicable laws and regulations, especially the Companies Act, Capital Market Law and its implementing rules, Memorandum and Articles of Association of the company.
  - E. Monitor compliance with the rules of conduct and business code of ethics in the company;

- F. Adopt regulations and operational rules to safeguard the financial interests of the company, and ensure their communication, and enforcement.

**(5) Social Responsibility:**

The company assumes its social responsibility towards the community, based on the following basic principles:

- A. Focus on the humanitarian dimension of the nature of activities carried out by donation receiving bodies;
- B. Reaching the largest possible number of beneficiaries and the needy;
- C. Directing part of these contributions to beneficiaries with the highest deficit in covering their financial expenses.
- D. Contribute to the creation of better life opportunities.
- E. Refrain totally from regional and interregional approach in the distribution of contributions.

**Article 11: Responsibilities of the Board of Directors**

- A) Without prejudice to the terms of reference of the General Assembly, the Board of Directors shall have all the powers and authorities necessary to manage company affairs. Ultimate responsibility for the company shall continue to rest with the Board, regardless of forming committees or delegating other bodies or individuals the necessary authorities to carry out some of the Board's functions. However, the Board must avoid issuing general authorizations or authorizations with unlimited duration.
- B) The responsibilities of the Board are clearly defined in the Company's Articles of Association.
- C) The Board of Directors shall take up its duties responsibly, in good faith, prudence and with due care and attention. Board decisions shall be based on adequate information from the executive management or any other reliable source.
- D) A member of the Board of Directors represents all shareholders, and he shall act to the benefit of the company generally and not just serve the interests of the group he represents or the group that voted for his appointment as Board of Director.
- E) Powers of the executive management:
  - 1. The Board shall adopt by-laws for delegation of authority to the executive management, which will cover financial, administrative and personnel affairs.
  - 2. The executive management of the company shall be accountable to the Board for its performance in the exercise of functions entrusted

to it in managing the affairs of the company. Non-executive Board members shall not be involved in the daily business affairs of the company.

3. The company's executive management shall exercise its responsibilities, powers and decision-making procedures in accordance with an organizational structure adopted by the Board of Directors, which sets out the responsibilities and powers of the executive management. In this regard, the Board approves a mandate for a fixed term which sets out the referenced responsibilities and powers.
  4. The executive management shall submit periodic reports on the practices of the powers duly delegated to it.
  5. The executive management shall respond in an adequate and appropriate manner to the requests of the Board and its committees in order to enforce Board-developed policies.
  6. The executive management shall disclose fully and in detail to the Board of Directors all financial and business transactions in which they or any of their first degree relatives have personal interests which may conflict with the interest of the company, such as dealing in company stocks, business deals concluded with parties in which the executive management or their relatives hold any shares.
- F) The Board of Directors shall have in place procedures to introduce new Board members to company business, particularly financial and legal aspects besides providing them with the necessary training.
- G) The Board of Directors shall ensure that the company provides adequate information on its affairs to all members of the Board in general and to non-executive Board members in particular, in order for them to be able to perform their duties and tasks efficiently.
- H) The Board of Directors may at any time enter into loan agreements for any period of time, provided however that the total volume of outstanding loans does not exceed three times the authorized capital of the company in accordance with Article (14) of the Articles of Association of the company.
- I) The Board of Directors may at any time pledge corporate assets as collateral against loans that the company may receive and Board may also sell corporate assets, provided, however, that the book value of each such transaction does not exceed 10% of the Company's authorized capital, in accordance with Article (17) of the company's Articles of Association.

## **Article 12: Composition of the Board of Directors**



- A) The company shall be managed by a Board of Directors consisting of nine members, three of them shall be appointed by the Government (Public Investment Fund) and the remaining six members shall be elected by voting at the General Assembly. The Board of Directors shall appoint from among its members a Chairman and Vice-Chairman. Term of membership of the Board shall be for three years and members may always be re-elected. The Vice-Chairman will act as an Acting-chairman in the absence of the Chairman. The Board of Directors shall appoint one of its members or any other person as Board Secretary and shall define his powers and remuneration. Term in office of each of the Chairman, Managing Director, Board Members and Board Secretary shall not exceed the term of their membership in the Board. However, they may be re-appointed or re-elected for other terms of office. Membership of a Board member shall terminate with the completion of his term, death or incompetence in accordance with any applicable orders or instructions in the Kingdom. If a vacancy develops of a Board member, the Chairman of the Board of Directors may temporarily appoint a replacement member to hold such vacant position, subject to presenting such appointment to the General Assembly at its first regular meeting. The new member shall complete the term of his predecessor. If the number of members of the Board falls below on the quorum necessary for holding a valid meeting, an ordinary general assembly must be called for a meeting as soon as possible to appoint the required number of Board members.
- B) The majority of Board members will be non-executive members.
- C) It is not permissible to combine the post of Chairman of the Board and any other corporate executive position, such as Managing Director, Chief Executive Officer or the General Manager.
- D) The General Assembly may at any time discharge all or some of the members of the Board of Directors, even if the Articles of Association of the company stipulate otherwise, without prejudice to the discharged member's right of recourse on the company if such discharge is found to be unreasonable or untimely in accordance with the provisions of Article (66) of Companies Act.
- E) The Company shall advise the Capital Market Authority and the financial market immediately upon expiration of the term of a member of the Board of Directors in any of the methods of termination and shall state the reasons for such termination.
- F) A Board member shall not hold Board memberships in more than five public joint stock companies at the same time.
- G) A legal person who, according to the provisions of the company's articles of association is entitled to appoint his own representatives in the Board of

Directors, shall not participate in voting to select the other members of the Board of Directors.

### **Article 13: Board of Directors Meetings and Agenda**

- A) Members of the Board of Directors shall devote sufficient time to carry out their responsibilities, including preparation for Board meetings and meetings of the permanent and temporary committees, and shall be keen to attend such meetings.
- B) The Board of Directors shall hold a minimum of six (6) ordinary meetings during the year. Board meetings shall be held at the request of the Chairman. The Chairman shall also call for an emergency Board meeting upon the request - in writing – of two Board members.
- C) The Chairman of the Board shall consult with other members and the CEO in preparing topics of the agenda to be presented to the Board. The agenda - appended with relevant documents – shall be forwarded to Board members well in advance before the meeting, in order for them to have sufficient time to study the relevant issues and be well prepared for the meeting. The Board of Directors will adopt the agenda as it convenes, and if any Member objects to this agenda, details of such objection shall be cited in the minutes of the meeting.
- D) The Board of Directors shall document the proceedings of its meetings and shall prepare minutes of the discussions and deliberations, including the voting process which shall be compiled, and filed for easy reference in the future.

### **Article 14: Remuneration and Compensation of Board Members**

The company's Articles of Association set out the remuneration of members of the Board of Directors, which may be paid in the form of a specific salary, allowance for attending meetings, in the form of benefits in-kind, a given percentage of the profits, or a combination of two or more of these benefits. In all cases, the amount of these bonuses shall be disclosed in the annual report of the Board of Directors and shall be presented to the General Assembly.

### **Article 15: Conflict of Interest in the Board of Directors**

- A) No Board member - without an annually renewable license from the General Assembly - shall have any interest (direct or indirect) in the business transactions and contracts concluded for the account of the company, except those secured in public competitive bids in which the respective Board member has the best offer. A member of the Board of Directors shall report to the Board any personal interest in the business transactions and the contracts concluded for the account of the company,

and such report shall be recorded in the minutes of the meeting. A Board member who has such personal interest shall not participate in any voting on a resolution to be issued in this regard. The Chairman of the Board shall report to the General Assembly forthwith any business transactions and contracts in which a Board member has a personal interest. This report shall also be appended with a special report from the company's auditor.

- B) No Board member - without an annually renewable license from the General Assembly - shall participate in any business transaction that would compete with the Company, or trade in any line of the same business activity of the company.
- C) The Company shall not provide cash loans of any kind to members of the Board of Directors nor shall it provide any surety to any Board Member vis-à-vis third parties, except banks and other credit companies.

#### **Article 16: Board of Directors Committees and their Independence**

- A) The Board of Directors has formed three committees, to assist the Board in the effective performance of its duties, as follows:
  - 1. The Audit Committee;
  - 2. Nomination and Remuneration Committee;
  - 3. Strategy and Follow-up Committee.
- B) Formation of Board committees shall be in line with general procedures to be established by the Board of Directors, which define the functions of each such Committee, its term, mandate and method of its control by the Board. Each Committee shall report to the Board of Directors any work conducted, findings or decisions taken with absolute transparency. The Board of Directors shall follow the work of these committees on a regular basis to verify that they carry out the functions assigned to them in a proper manner.

The Board of Directors must approve the rules of implementation of functions assigned to Board Standing Committees, including the Audit Committee and the Nomination and Remuneration Committee.

- C) Sufficient number of non-executive Board members shall be assigned to committees in charge of tasks that may result in cases of conflict of interest, such as those in charge of verifying the integrity of financial and non-financial reporting, review of related persons transactions, nomination for Board membership, appointment of executive officers and determination of remunerations.

#### **Article 17: Audit Committee**

Having in place an effective internal control system is one of the major responsibilities entrusted to the Board of Directors. The Audit Committee seeks to verify the adequacy of the internal control system and its effective implementation, present any recommendations to the Board of Directors which would activate and develop the system in order to achieve the stated objectives of the company and safeguard the interests of shareholders and investors in an efficient and cost-effective manner. The Committee may, without any restrictions, have access to all the information and data, reports and records, correspondence, or other matters, as necessary. The Board of Directors shall take all measures to ensure that the Committee will carry out its tasks efficiently.

**I. Goals, Functions and the Scope of Work of the Audit Committee:**

The scope of work of the Audit Committee covers all the activities that assist the Committee in accomplishing its tasks, including:

1. Study the un-audited and audited annual financial statements prior to their adoption and publication in order to reach a conviction that they do not contain any incorrect statements, data or information of substantial significance, and that no data, information or amounts of any substantial significance have been deleted rendering these financial statements as misleading.
2. Study the accounting policies adopted by the company prior to their adoption, and submittal of any Committee-proposed recommendations whereof, taking into account the extent of compatibility of accounting policies with the nature of company business and their impact on the Company's financial position and results of operations.
3. Evaluate the effectiveness of the company's assessment of material risks encountered by the company and the measures taken by the company's management to monitor and address these risks.
4. Study the design and implementation of corporate control functions to verify their adequacy and effectiveness in an appropriate manner to reduce the incidence of fraud and errors, and their detection after they occur, as well as effective implementation of control activities in order to verify the proper and consistent implementation of control activities.
5. Monitor investigation procedures related to fraud or errors that occur in the company, or any other matters of material significance that the Committee deems appropriate to explore.

6. Review the reports and notes provided by the Auditors. In this regard, the Committee shall take the role of a liaison between the Auditors and the Board of Directors; whereby the Auditors can carry out their functions free from any restrictions or influence by the Board of Directors and management of the company.

The Committee will be in charge of proposing the Auditors for the next financial year in accordance with the company's selection procedures as stated in the by-laws of the Audit Committee, and verify that the professional services provided by the Auditors of the company are restricted to auditing the financial statements of the Company and other professional services normally rendered by Auditors to satisfy specific regulatory requirements in this regard. The Committee also suggests the discharge of Auditors, if necessary, sets out the reasons whereof, subject to safeguarding the right of Auditors in indemnity for any damage resulting from such discharge.

7. Verification of the independence of internal auditors, review of corporate internal audit plan, scope of examination and reporting, and submittal of any proposals to ensure the independence of internal auditors, enhance efficient and cost-effective work performance. The committee shall play the role of a liaison between the Board of Directors and Internal Auditors.

The Committee also examines the nomination applications for the post of Manager of Internal Audit in the company and nominates the most appropriate candidate and stating the reasons whereof, considers the termination of the Manager of Internal Audit, whether due to resignation, disability or discharge, and reports recommendations in this regard to the Board of Directors.

8. Take the necessary measures to ensure that the company does not violate the applicable laws and regulations of the Kingdom.
9. Seek the assistance of independent consultants, on an as needed basis, to carry out specialized studies that help the Committee carry out its functions and determine their fees.

## **II. Formation of the Committee:**

- A) "The Board of Directors shall form an Audit Committee consisting of a minimum of three non-executive Board members, of whom one member shall be specialized in financial affairs and accounting."
- B) The General Assembly of the company, based on recommendation of the Board, shall issue rules for the selection of members of the

Audit Committee, their term in office and method of work of the Committee.

### **III. Appoint, Discharge and Term of Committee Members:**

1. Without prejudice to the requirements that need to be satisfied by candidate Committee members as stated in these rules, the Board of Directors shall appoint members of the Audit Committee for a term of one year. A member of the Committee may be reappointed more than once.
2. Any member of the Committee may be discharged by a decision of the Board, in the following cases:
  - A. A member's request to be released from the membership of the Committee;
  - B. Abuse by a member of his membership in the Committee or misconduct that the Board considers to be detrimental to the goals and reputation of the company in general and the Committee in particular;
  - C. Failure of a member to attend three consecutive meetings without an excuse acceptable to the Board of Directors.
3. When a member's term in office ends because of death, resignation, incapacity or discharge, the Board shall appoint another member to fill the vacancy in the Committee, taking into account the requirements that must be satisfied in a member of the Committee. A member appointed to fill a vacancy for the remaining term in office of another Committee member whose office becomes vacant or to replace a discharged member shall be considered to have served a full term in office.

### **IV. Conditions that must be satisfied by a candidate for Committee membership:**

Without prejudice to the provisions of the foregoing item (II), a candidate for Committee membership shall satisfy the following conditions:

- 1) Appropriate academic qualification, financial and accounting knowledge as well as knowledge of the company's nature of business.
- 2) Shall not be an executive Board member in the company or any of the companies controlled by the Company, nor shall he take any

technical or administrative job in the company or any of companies controlled by the company, even in an advisory capacity.

- 3) Preferably not to gather along with his membership in Audit committee, any other membership formed from by Board of Directors.
- 4) Be independent. A member is considered to be independent if he satisfies the following conditions:
  - A) Has no interest, directly or indirectly in the business and contracts concluded for the account of the company;
  - B) Has no direct financial interest with executives in the company; and should not be close to any of them until second degree of any corporate executive;
  - C) Has no direct financial interest with the relatives of executives in the company, and should not be close to any of them until second degree of any corporate executive;
  - D) Has no personal relationship of any significance with executives in the company;
  - E) Does not participate in the membership of the Audit Committee of more than one company exercising the same activity.

#### **V. Duties of a Committee Member:**

1. Regular attendance of Committee meetings. A member who is unable to attend a meeting of the Committee for a justifiable cause shall notify the Chairman of the Committee accordingly in writing. A member may not leave the meeting before its final conclusion without the permission of the Chairman of the Committee;
2. Keep the secrets of the company. No Committee member shall disclose to the shareholders, other than in a General Assembly meeting or to third parties, corporate secrets which he comes across in the course of carrying out his work at the company. Any Committee member who discloses such confidential information to unauthorized parties shall be liable to discharge from his position;
3. Refrain from the conduct of any business of executive nature in the company;

4. Maintain the necessary competence to carry out the activities entrusted to him, and coping with the latest developments related to the activities of the company through continuing professional education;
5. Shall be characterized by fairness, integrity, decency, honesty, objectivity, independence, free from personal interests; shall not subject his judgments to opinions of others, and shall not knowingly disclose any misstated information;
6. A member shall not participate knowingly in any acts or activities which contradict with the honor of the profession or the high repute of the company to which he belongs;
7. A Committee member shall refrain from engaging in any activity that may be inconsistent with the interests of the Company or may adversely affect the member's ability to carry out his duties and responsibilities objectively;
8. Shall not accept anything of material value from any employee, follower, client, supplier, or anybody who has a working relationship with the company which would impair the independence of the Committee member whether of form and substance, impair or assumingly impair any decisions he may take;
9. Shall disclose to the Board of Directors any transactions concluded between him and the company and the nature of the relationship, in line with the requirements of the standard of transactions with related parties, and shall also disclose his relationship with the Board of Directors and executive officers of the company;
10. "A Committee member shall sign an affidavit in which he asserts his independence in the form approved by the relevant authorities."

**VI. Fees:**

- 1) "Each member of the Audit Committee shall receive a financial remuneration, as determined by the Board of Directors, commensurate with the time and effort made by each Committee member."
- 2) Report of the Board of Directors to the General Assembly must disclose the remunerations paid to Committee members.

**VII. Functions of the Chairman, Vice Chairman and Secretary of the Committee:**



1. The Board of Directors shall appoint the Chairman of the Committee, who shall be in charge of monitoring the performance by the Committee and its tasks, particularly the following:
  - Call the Committee to convene and determine the time, date, venue and agenda of each such meeting, in coordination with Committee members;
  - Chair Committee meetings;
  - Report Committee findings and recommendations to the Board;
  - Prepare Committee budget, work plan and projects for the short term and long-term, in coordination with the Committee Secretary and present them to the Committee prior to their submission to the Board of Directors;
  - Prepare periodic reports on the activities of the Committee in coordination with the Secretary of the Committee and present them to the Committee prior to their submission to the Board of Directors.
  - Represent the Committee before the Board and any other body as necessary.
2. Committee members shall select one of them to be Vice Chairman of the Committee for the term of membership of the Committee to assist the Chairman of Committee in the performance of his duties and to take his place during his absence.
3. Secretary of the Committee, who is appointed and whose fees are determined by the Committee, shall attend Committee meetings without having the right to vote. The Secretary shall prepare the minutes of the meetings and shall serve members notices of the deadlines for Committee meetings with the agenda of each such meeting, in addition to carrying out administrative work for the Committee. In selecting the Committee Secretary, due consideration should be given to his academic qualifications and practical experience which qualify him to carry out the tasks entrusted to him. Committee Secretary shall also undertake to safeguard the secrets of the company and to refrain from engaging in any activity that may be inconsistent with the interests of the company.

#### **VIII. Meetings of the Committee:**

1. The Committee shall adopt a tentative schedule of meetings at the beginning of each year, which during each meeting shall agree on the date of the next meeting;
2. The Committee shall hold a minimum of one quarterly periodic meeting or shall convene on as needed basis, at the request of the

Committee Chairman or two of its members, or upon the request of the external auditor, internal auditor or the Board of Directors. A call for a meeting shall be served within a minimum of one week prior to the stated deadline of the meeting. Attached to the call for meeting shall be an agenda and relevant documents. The quorum required for holding a Committee meeting shall be the attendance of the majority of members.

3. The Committee shall convene at least once each year, with the External Auditor of the company, executive officers, Board of Directors, internal auditor (each separately), to discuss issues related to the functions and responsibilities of the Committee, including the Company's quarterly and annual financial reports.
4. The decisions and recommendations of the Committee shall be issued by a majority vote of its attending members and in the case of equal votes, the side with the casting vote of the Committee Chairman shall prevail. Vote abstention or proxy voting is not permissible.
5. No member shall have the right of reservation on any decision taken by the Committee unless such reservation sets out the main points on which the reservation was based. If any member of the Committee leaves a meeting before its conclusion, his reservation shall be limited to the decisions covering the items of discussion that he attended, provided, however, that the minutes of the meeting shall set out the items of discussion that he did not attend if he so requests in writing.

#### **IX. Documentation of Committee Minutes:**

Committee minutes of meetings shall be compiled, as follows:

1. Secretary of the Committee shall write down notes of the most important points of discussion during the meeting, and at the completion of discussion of any topic, he shall summarize the recommendations or decisions arrived at;
2. Secretary of the Committee shall prepare draft minutes for each meeting of the Committee, citing the date and venue of the meeting as well as the names of those present and absent together with a summary of discussions, recommendations and decisions reached by the Committee to be submitted to the Committee Chairman for approval;

3. The draft minutes shall be forwarded to all Committee members who shall be requested to provide the Committee with their comments within a week of the date of its dispatch;
4. The draft minutes shall be modified in the light of comments received from members and an annotated copy shall be subsequently submitted to the Committee Chairman.
5. In the light of the directives of the Committee Chairman, the minutes shall be prepared in their final form and a copy duly signed by the Secretary and Chairman of the Committee shall be forwarded to the members who will be requested to provide the Committee with their comments, if any;
6. In case any material remarks are received from the members, they shall be included in the agenda for next meeting.
7. A final and signed copy of the minutes report shall be kept in a special file with all relevant documents and correspondence.

#### **X. Committee Action Plan and Reports:**

1. Within a minimum of three months prior to the start of each fiscal year, the Committee shall prepare an annual work plan including a description of the work to be undertaken during the coming year in the form of work programs with cost and time estimates for the completion of each such program. This plan shall be presented to the Board of Directors for approval.
2. The Committee shall submit periodic reports to the Board of Directors in accordance with the stated regulatory requirements.

The Committee should beware of the possibility of irregular deliberate actions, fraud or errors in financial reports prepared by the company. The Committee shall also be aware of the opportunities or circumstances that might allow such operations. Examples include: skipping control procedures, giving unjustified exceptions to a given person or body and sustaining extraordinary losses. In the event of encountering any of the above cases, the Committee should consider the need to solicit the opinion of legal or another counsel to study the case and advise the Committee of his proposals and recommendations accordingly.

#### **XI. Auditor Selection Controls:**

1. The Audit Committee shall nominate a minimum of three (3) of chartered accountants who are licensed and capable to audit company accounts efficiently and effectively in order to be commissioned to conduct an audit of company accounts.
2. The Committee defines the scope of the audit function, which must include the following:
  - A) Review the financial statements of the Company in accordance with generally accepted auditing standards, including:
    - Evaluate the internal control system, including the accounting system, both at the theoretical and the practical levels;
    - Conduct tests on a selected sample of the financial transactions of the company;
    - Contact debtors and creditors of the company, or other parties with regard to balance confirmation and other purposes;
    - Control stock inventory operations, including those conducted in the branches and projects of the company;
    - Comply with auditing standards adopted in the Kingdom, for the purpose of verifying that the financial statements as a whole:
      - Present fairly the financial position of the company on a specific date and business results for the fiscal year ended on that date, in line with the standards of presentation and disclosure of information contained in the financial statements in accordance with generally accepted accounting principles, as applicable to the circumstances of the company;
    - Are consistent with the provisions of the Companies Act and the Articles of Association of the company with regard to preparation and presentation of financial statements;
    - Inform company officers, in writing, of the Auditor's notes duly arrived at in the course of review of the company's financial statements.

- B) Conduct other professional services which the Auditors normally carry out in line with the applicable laws and regulations and relevant resolutions, including:
1. Inspection of preliminary financial statements;
  2. Inspection of quarterly management confirmations related to compliance by the executive Board Members, Chief Executive Officer, Executive Officers and their wives and relatives of the second-degree with rules and circulars governing the trading in shares of joint stock companies;
  3. Inspection of management confirmations to verify that the data included in the commercial books of accounts have been entered in the computer system properly, and that the data stated in the financial statements of the company are consistent with the automated report printouts.
3. The management of the company shall call candidate auditors who have been nominated by the Audi Committee to review the financial statements of the company. Such call must set out the scope of the audit function referred to in paragraph (2) above. The Board of Directors shall facilitate access by these auditors to the data that they require and shall provide them with the clarifications they need in order to determine the volume and nature of company operations.

Each such auditor shall submit a proposal for the review of the financial statements of the company and a profile of his audit firm, with particular reference to the following:

- A) Academic and professional qualifications, names and nationalities of the working team members who will be in charge of the audit function.
- B) Description of the quality control function in the audit firm.
- C) Parties whom he intends to use in auditing company accounts (if any), aspects and nature of their participation as well as qualifications and experience of persons who would assist in this regard.
- D) Previous experience of the audit firm in the audit of similar companies;

- E) Size and description of branches and the number of professional staff employed by the audit firm;
  - F) Number of hours assigned for each member of the working team (partner / chief auditor, etc.);
  - G) Kinship relations linking the auditor, his working team and members of the Board of Directors (if any) and the working relationship between the Auditors and the Company, or any member of the Board of Directors (if any);
  - H) The expected date of preparation of his audit report on the financial statements of the company;
  - I) Audit fees.
4. The management of the company shall prepare a comparative table of the offers received from candidate auditors in line with the information referred to in paragraph (3) to be submitted to the Audit Committee together with the offers and other data provided by bidding auditors.
  5. The Audit Committee shall examine the comparative table, bids, and attached data, and may call the audit team from each firm for the meeting to discuss their bid separately in light of the data referred to in paragraph (3) above.
  6. The Audit Committee shall prepare a memorandum to be presented to the Board of Directors, setting out a short analysis of the bids and nominating one or more such auditors to audit company accounts and the basis for such nomination.
  7. The Board of Directors shall present the recommendations of the Audit Committee to the ordinary General Assembly, setting out the names of all bidding auditors and names of recommended candidates, audit fees and the basis for nomination of those auditors. The General Assembly shall commission one or more of the candidate auditors with the audit function of the company's accounts, and shall determine their fees and the term of their mandate.

#### **Article 18: Nomination and Remuneration Committee**

- A) The Board of Directors shall form a committee to be called "Nomination and Remuneration Committee".

- B) Based on a recommendation of the Board of Directors, the General Assembly of the company shall establish rules for the selection of members of the Nomination and Remuneration Committee, the term of their membership and the method of work of the Committee.
- C) Functions and responsibilities of the Nomination and Remuneration Committee cover the following:
1. Submit a recommendation to the Board of Directors before the end of the current session of the Board covering nominations to the Board for the next session in accordance with the stated policies and standards, taking into account not to nominate any person who had been convicted of a crime involving corruption and dishonesty.
  2. Annual Review of appropriate skill requirements of Board membership for the next Board session with a description of capabilities and qualifications required for membership of the Board of Directors, including determination of the time that a Board member needs to devote to Board of Directors activities, particularly in case of change or variation of company activities, which call for specific skills and qualifications consistent with this change or variation of activities.
  3. Review the structure of the Board of Directors and submit recommendations regarding possible structural changes for the next session of the Board.
  4. Identify weaknesses and strengths in the current Board of Directors, and propose to address them in the next session of the Board in a manner that would best serve the interests of the company.
  5. Verify, on an annual basis, the independence of independent Board members who shall be no less than two members or one third of the number of Board members, whichever is greater, and make sure that there is no conflict of interest if the member is also a member of the Board of Directors of a competitor company. This is done by completing and signing the relevant form.
  6. Develop clear policies for the remuneration and bonuses of Board members and senior executives to be approved by the Board, taking into account the applicable criteria of performance in developing such policies.

## **Article 19: Strategy and Follow-up Committee**

The Board of Directors shall form a committee called "Strategy and Follow-up Committee".

**Scope of Work of the Strategy and Follow-up Committee:**

The optimal utilization of the company's various resources and maximizing returns on investment is one of the most important duties of the Strategy and Follow-up Committee, as stated in its scope of work, as follows:

1. "To supervise the preparation of future visions and strategies of the company and review of the strategic position of the company on an ongoing basis and follow-up their implementation;
2. Develop appropriate plans to monitor and address the strategic, political and operational risks that may impact the company's business;
3. Develop qualified human cadres of the company and have on hand ongoing training programs;
4. Consider the recommendations of management with respect to new projects for investment and diversification of sources of income in accordance with the stated strategies of the company;
5. Review the annual corporate operational plan and budget and make necessary modifications prior to their submittal to the Board for approval.
6. Review the implementation of the operational plan periodically;
7. Review the topics referred to the Committee by the Board of Directors;
8. The Committee shall advise the Board of Directors of any findings it arrives at or decisions it may take.
9. The Committee shall meet at the call of the Chairman of the Committee or the Chief Executive officer of the company. "

**Part 5: Final Provisions**

**Article 20: Publication and Enforcement**

These Regulations shall be enforced with effect from the date of their approval by of the Board of Directors of the company.