

# اسمنت اليمامة YAMAMA CEMENT

Governance Regulation



April 2021

**Governance Regulation**

**YAMAMA CEMENT**

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## Introduction

The governance regulation aims to establish an appropriate institutional, economic and legal environment that helps the company to grow and prosper, as it seeks to preserve the rights of its shareholders and stakeholders. In addition to ensuring the sustainability of company operations and enhance the value of company shares, while at the same time the governance regulation seeks to raise the level of disclosure and transparency. Shareholders have a responsibility to select and elect qualified board members who will direct and manage the company in a manner consistent with its strategy. The concept of corporate governance requires that the company's board of directors strive to maximize the company's resources and profits and preserve the rights of its shareholders, current or prospective investors and stakeholders, with the importance of balance between those objectives and the sustainability requirements of society, the environment and the economy. More than sixty-five years have passed since the establishment of Yamama Cement Company, and it has been managed by distinguished generations. The company continues to occupy its place in the forefront among the major national leading companies, and is enhancing its successes day after day, thanks to its commitment to governance standards that help it grow and achieve operational and investment successes.

The company's board of directors and its administrative departments feel the responsibility entrusted to them before the shareholders. So that, they strive diligently to participate in a dynamic and effective way in contributing to achieve the Kingdom's 2030 vision, believing in the importance of this national vision and its goals and because Yamama Cement Company is the pioneer of the cement sector and one of the most important national companies.

There is no doubt that the existence of an effective and advanced governance regulation that imitates the best international practices will ensure to continuation of the success and contribute to the upgrading of the national industry.

Finally, we hope that we will always be at the good expectations of the rulers and concerned investors and customers. From this point of view, the Board of Directors of Yamama Cement Company desire to keep abreast of the economic developments taking place in the Kingdom under the leadership of the Custodian of the Two Holy Mosques - may God protect him- in line with the existing and new financial, economic and investment legislation system in the Kingdom and the directions of the Capital Market Authority. The Board of Directors is pleased to approve the issuance of the Corporate Governance Regulation in its attached form, which includes the most accurate rules, best practices and governance standards to support the rights of shareholders and stakeholders in a tight administrative system that enhances confidence and ensures the continued flow of success.

**With regards,**

**Board of Directors of Yamama Cement Company**

## Chapter No. (1): Preliminary Provisions

### Article No. (1): Regulation Name

This regulation is called the "Governance Regulation" and hereinafter referred to as the Regulation.

### Article No. (2): Definitions

For implementing the provisions of this regulation, the following terms and expressions shall have the meanings set forth opposite each of them, unless the context of the text stipulates otherwise:

**Company:** Yamama Cement Company

**Authority:** Capital Market Authority of Saudi Arabia (CMA)

**Market:** Saudi Stock Exchange (Tadawul)

**Trading:** buying and selling of securities

**Companies Law:** The system issued by Royal Decree No. (M / 3) dated 10/11/2015 (28/1/1437 H)

**Articles of Association of the Company:** the system issued by Royal Order No. (23-1-14-1016) dated 11/12/1956 (9/5/1376 H) and its latest updates and annexes.

**Board:** The Board of Directors of Yamama Cement Company.

**Chairman:** Chairman of the Board of Directors of Yamama Cement Company

**Members:** Members of the Board of Directors of Yamama Cement Company

**Corporate governance:** rules for leading and directing the company that include mechanisms to regulate the various relationships between the board of directors, executives, shareholders and stakeholders, by setting up special rules and procedures to facilitate the decision-making process and imparting transparency and credibility. Aiming to protect the rights of shareholders and stakeholders and achieve fairness, competitiveness and transparency in the market and the work environment.

**Shareholder Assembly:** An Assembly that is formed from the company's shareholders under the provisions of the Companies Law and the Company's Articles of Association.

**Executive Member:** A member of the Board of Directors who is a full-time member of the executive management of the company and participates in the day-to-day business.

**Non-executive Member:** a member of the board of directors who is not dedicated to managing the company and does not participate in its day-to-day business.

**Independent Member:** A non-executive board member who enjoys complete independence in its position and decisions, and none of the independence indicators apply to it.

**Chief Executive Officer (CEO):** The highest executive officer of the company, whose primary responsibilities include making key decisions, managing overall operations and resources, and serving as the primary point of contact between the board of directors and corporate operations. Chief Executive Officer is also responsible for implementing the corporate strategy.

**Executive Management or Senior Executives:** The persons entrusted with managing the day-to-day operations of the company, proposing and implementing strategic decisions, such as the Chief Executive Officer, the Executive Vice President for Finance and Information Technology, and the rest of the Executive Vice Presidents.

**Relatives or kinship:** fathers and mothers, grandparents and grandmothers, even if they are high, children and their children, even if they go down, brothers and sisters, brothers, or for a father, or for a mother, and their children, husbands and wives.

**Holding Company:** a joint-stock company or a limited liability company that aims to control other joint-stock or limited liability companies called subsidiaries, by owning more than half of those companies' capital or by controlling the forming of their board of directors.

**Person:** Any normal or legal person to whom the laws of the Kingdom acknowledge this capacity.

**Related Parties:**

1. Major shareholders of the company
2. Members of the company's board of directors or any of its subsidiaries and their relatives.
3. Senior executives in the company or any of its subsidiaries and their relatives.
4. Board members and senior executives of the major shareholders of the company.
5. Establishments - other than companies - owned by a member of the board of directors, a senior executive, or their relatives.
6. Companies in which any of the members of the board of directors, senior executives or their relatives is a partner in it.
7. Companies in which any member of the board of directors, senior executives or their relatives is a member of its board of directors or among its senior executives.
8. Joint stock companies for which any of the Board of Directors members, senior executives or their relatives owns (5%) or more, subject to what is stated in Paragraph (4) of this definition.
9. Companies in which any of the members of the board of directors, senior executives, or their relatives influence their decisions even if they provide advice or guidance.
10. Anyone whose advice and directions influence the decisions of the company, its board members and its senior executives.
11. Holding companies or subsidiaries of the company; Paragraphs (9) and (10) of this definition shall exclude advice and directions that are provided professionally by a person licensed to do so.

**Group:** In relation to a person, it means that person and every subordinate to it.

**Subordinate:** A person who controls another person, or is controlled by that other person, or who shares with it in being controlled by a third person. In any of the foregoing, control is direct or indirect.

**Stakeholders:** Anyone who has an interest with the company, such as employees, creditors, customers, suppliers and society.

**Major shareholders:** Anyone who owns 5% or more of the company's shares or voting rights in it.

**Cumulative Voting:** a method of voting to select board members that gives each shareholder a voting power with the number of shares it owns. So that it is entitled to vote for one candidate, or to divide its shares among the candidates it chooses without repeating these votes.

**Controlling Share:** the ability to influence the actions or decisions of another person, directly or indirectly, alone or collectively with a relative or subordinate, through:

- (A) Owning 30% or more of the voting rights in a company
- (B) The right to appoint 30% or more of the members of the administrative body

**Administrative Body:** the group of individuals who make a person's strategic decisions. The company's board of directors is its administrative body.

**Bonuses:** amounts, allowances, profits and the like, periodic or annual bonuses related to performance, short or long-term incentive plans, and any other in-kind benefits, with the exception of reasonable actual expenses and costs incurred by the company on behalf of a member of the board of directors for the purpose of performing its work.

**Day:** A calendar day, whether it is a business day or not

## Chapter No. (2): Shareholders' Equity

### Article No. (3): Equitable Treatment of Shareholders

1. The Board of Directors shall work to protect the rights of shareholders in a manner that ensures fairness and equality among them.
2. The Board of Directors and the executive management of the company shall commit not to distinguish between shareholders who own the same class of shares, and not to withhold any right from them.
3. The company defines in its internal policies the necessary procedures to ensure that all shareholders can exercise their rights.

### Article No. (4): Rights related to shares

It proves to the shareholder all the rights related to the share, in particular the following rights:

1. Obtaining its share of the net profits to be distributed in cash or by issuance of shares.
2. Obtaining its share of the company's assets upon liquidation.
3. Attending public and private shareholders' assemblies, participating in their deliberations and voting on their decisions.
4. Disposing of its shares in accordance with the provisions of the Companies Law, the Financial Market Law and their implementing regulations.
5. Inquiring and requesting access to the company's records and documents, and this includes data and information on the company's activity and its operational and investment strategy in a way that does not harm the interests of the company and does not conflict with the Companies Law, the Financial Market Law and their implementing regulations.
6. Monitoring the company's performance and the work of the board of directors.

7. Holding members of the Board of Directors accountable and filing a liability lawsuit against them. Appealing to the invalidity of the decisions of the public and private shareholders' assemblies in accordance with the conditions and restrictions mentioned in the companies law and the company's articles of association.
8. Priority to subscribe to new shares issued in exchange for cash shares, unless the extraordinary general assembly stops application of the priority right - if this is stipulated in the company's articles of association - in accordance with Article 140 of the Companies Law.
9. Registration of its shares in the register of shareholders in the company.
10. Requesting to view a copy of the company's articles of incorporation and articles of association, unless the company publishes them on its website
11. Nomination and election of members of the Board of Directors.

#### **Article No. (5): Shareholder access to information**

1. The Board of Directors shall obligate to provide complete, clear, correct and not misleading information to enable the shareholder to fully exercise its rights. This information shall be provided in a timely manner and updated regularly.
2. The means of providing information to the shareholder shall be clear and detailed. It shall be provided to all shareholders of the same category.
3. The most effective means of communicating with shareholders and not discriminating between them in providing information shall be followed.

#### **Article No. (6): Communication with shareholders**

1. The Board of Directors shall ensure the achievement of communication between the company and its shareholders, based on a common understanding of the strategic objectives and interests of the company.
2. The chairman and chief executive officer shall inform the rest of the Board of Directors members of the shareholders' opinions and discuss these opinions with them.
3. It is not permissible for any of the shareholders to interfere in the work of the board of directors or the business of the executive management of the company unless it is a member of its board of directors or of its executive management, or its interference is through the ordinary general assembly and according to its competencies or within the limits and conditions authorized by the board of directors.

#### **Article No. (7): Getting Profits**

The annual net profits of the company shall be distributed after deducting all general expenses and other costs, including the Sharia-imposed zakat - according to the Articles of Association - as follows:

1. Ten percent (10%) of the net profits shall be set aside to form a statutory reserve, and the Ordinary General Assembly may stop this deduction when the said reserve reaches 30% of the paid capital. A certain percentage of the net profits may be set aside to form a (additional) consensual reserve to be allocated for specific purposes, including, but not limited to, any decrease in (the value of fixed assets and equipment - spare parts stock - stock of in-progress



- materials or raw materials - investment - others) or any other purpose as decided by the ordinary general assembly of shareholders.
2. From the remainder after that, a first share of the profits shall be distributed to the shareholders in the amount of five percent (5%) of the paid capital. if the profits of a year of years do not allow this share to be distributed, then it may not be claimed from the profits of the coming years.
  3. Ten percent (10%) of the rest shall be set aside to remunerate the members of the Board of Directors, not exceeding 500,000 (Five hundred thousand riyals) for each member.
  4. From the remainder, an additional share of the profits shall be distributed to the shareholders
  5. The general assembly may, upon the proposal of the board of directors, decide to form other reserves
  6. The general assembly shall decide, based on the proposal of the board of directors, how to dispose of the remaining profits thereafter in the interest of the company.
  7. The statutory reserve shall be used to cover the losses of the company or increase the capital. if this reserve exceeds (30%) of the paid capital, the Ordinary General Assembly may decide to distribute the increase to the shareholders in the years in which the company does not achieve net profits sufficient for the distribution of the share determined for them in The company's articles of association.
  8. The general assembly shall decide, based on the proposal of the board of directors, how to dispose of the remaining profits thereafter in the interest of the company.
  9. The company may distribute interim dividends to its shareholders annually, semi-annually or quarterly in accordance with the regulations issued by the Capital Market Authority, based on an authorization issued by the Ordinary General Assembly to the Board of Directors to distribute interim dividends.

#### **Article No. (8): Entitlement to Profits**

The shareholder shall be entitled to its share in the profits in accordance with the decision of the General Assembly. The entitlement of the profits shall be to the registered shareholders in the shareholders 'records at the end of the day specified for entitlement. The profits to be distributed to the shareholders shall be paid at the place and dates determined by the Board of Directors in accordance with the instructions issued by the competent authorities.

#### **Article No. (9): General Assembly**

The shareholders 'general assemblies shall be concerned with all matters related to the company. The general assembly held in accordance with the statutory procedures shall represent all shareholders in exercising their competencies related to the company and shall perform its role in accordance with the provisions of the companies' law, its implementing regulations, and the company's articles of association.

## **Article No. (10): Competencies of the Extraordinary General Assembly**

The extraordinary general assembly shall be concerned with the following:

1. Amending the company's articles of association with the exception of the amendments that are considered void under the provisions of the Companies Law.
2. Increasing the company's capital according to the conditions established in the Companies Law and its implementing regulations.
3. Reducing the company's capital in the event that it exceeds the company's need or if it suffers financial losses, according to the conditions established in the Companies Law and its implementing regulations.
4. Deciding to form a consensual reserve for the company to be allocated for a specific purpose and disposing of it
5. Deciding whether to continue or dissolve the company before the term specified in its articles of association.
6. Approval of the purchase of the company's shares.
7. Issuing preference shares, approving their purchase, converting ordinary shares into preferred shares, or converting preferred shares into ordinary shares, in accordance with the regulatory controls and procedures issued in implementation of the Companies Law for listed joint stock companies.
8. Issuing debt instruments or financing sukuk convertible into shares, and stating the maximum number of shares that may be issued in exchange for such instruments or sukuk.
9. Allocating the shares issued upon increasing the capital or part thereof to the employees of the company and its subsidiary companies or some of them, or any of that.
10. Stopping the application of the priority right for shareholders to subscribe to an increase in capital in exchange for cash shares or giving priority to non-shareholders in cases it deems appropriate for the company's interest.

The extraordinary general assembly may issue decisions within the competencies of the ordinary general assembly, provided that those decisions shall be issued in accordance with the conditions for issuing the decisions of the ordinary general assembly determined by an absolute majority of the shares represented in the meeting.

## **Article No. (11): Competencies of the Ordinary General Assembly**

Except for the responsibilities of the extraordinary general assembly, the ordinary general assembly shall have competencies over all company affairs, especially the following:

1. Appointing and dismissing board members.
2. Licensing for a member of the Board of Directors to have a direct or indirect interest in the business and contracts that are made for the company's account, in accordance with the provisions of the Companies Law and its implementing regulations.
3. Licensing for a member of the board of directors to participate in any work that would compete with the company, or to compete with the company in one of the branches of the activity that it is practicing, in accordance with the provisions of the Companies Law and its implementing regulations

4. Monitoring members of the Board of Directors' compliance with the provisions of the Companies Law, its implementing regulations, and other relevant regulations, and the Company's Articles of Association. Examining any damage that results from their violation of these provisions or their misuse of managing the company's affairs, determining the liability resulting from this, and taking what it deems appropriate in this regard in accordance with the Companies Law and its implementing regulations.
5. Forming the audit committee in accordance with the provisions of the Companies Law and its implementing regulations.
6. Approval of the company's financial statements.
7. Approval of the Board of Directors report.
8. Deciding on the proposals of the Board of Directors regarding the method of distributing net profits
9. Appointing the company's auditors, determining their remuneration, reappointing them, changing them, and approving their reports.
10. Considering the irregularities and errors of the company's auditors in the performance of their duties and any difficulties - to be notified by the auditors to the company- related to enabling the board of directors or the management of the company for them to view the records and other documents, data and explanations necessary to perform their duties. The ordinary general assembly shall take what it deems appropriate in that matter.
11. To stop setting aside the company's statutory reserve when it reaches (30%) of the company's paid-up capital, and to decide to distribute what exceeds this percentage to the company's shareholders in financial years in which the company does not achieve net profits.
12. Using the company's consensual reserve in the event that it is not allocated for a specific purpose, provided that the use of this reserve shall be based on a proposal from the Board of Directors and in the aspects that benefit the company or the shareholders.
13. Creating and disposing of other reserves of the company, other than the growing reserve and the consensual reserve.
14. Deducting amounts from the net profits of the company to establish social institutions for the company's employees or to assist what may be existing from these institutions, according to what is stated in Article 129 of the Companies Law.
15. Approval of the sale of more than (50%) of the company's assets, whether in one deal or several deals within twelve months from the date of the first sale. if the sale of those assets includes what falls within the competencies of the extraordinary general assembly, then the approval of extraordinary general assembly shall be obtained.

#### **Article No. (12): Shareholders Assembly**

1. The Ordinary General Assembly of the shareholders shall be held in accordance with the conditions and circumstances stipulated in the Companies Law, its implementing regulations, and the company's articles of association.
2. The ordinary general assembly shall be held at least once a year during the six months following the end of the fiscal year of the company

3. The public or private assembly shall held at the invitation of the Board of Directors in accordance with the conditions stipulated in the Companies Law, its implementing regulations, and the Company's Articles of Association. The board of directors shall call the ordinary general assembly to a meeting if the auditor, the audit committee, or a number of shareholders their ownership represents at least (5%) of the capital. The auditor may call the assembly to a meeting if the board of directors does not invite it within thirty days from the date of the auditor's request.
4. The date, place, and agenda of the general assembly shall be announced at least twenty-one days before the date, and the invitation shall be published on the website of the market and on the company's website and the guardian of a daily newspaper distributed in the region where the main headquarters of the company is. In addition, the company may invite public and private assemblies to meeting for its shareholders by means of modern technology.
5. The company may amend the agenda of the general assembly during the period between the publication of the announcement referred to in paragraph (4) of this Article and the date of the meeting of the general assembly, provided that the company announces that in accordance with the conditions stipulated in paragraph (4) of this Article.
6. Shareholders shall have the opportunity to actively participate and vote in the General Assembly meetings by means of modern technology. It is permissible to hold general assembly meetings of shareholders and the shareholder may participate in their deliberations and vote on their decisions by means of modern technology, in accordance with the regulatory controls and procedures issued in implementation of the Companies Law for listed joint stock companies.
7. The Board of Directors shall work to facilitate the participation of the largest number of shareholders in the General Assembly meeting, which includes choosing the appropriate place and winding.
8. The company shall verify that the information of the shareholders wishing to attend the company's headquarters is recorded before the time set for the General Assembly meeting.

#### **Article No. (13): Agenda of the General Assembly**

1. The Board of Directors shall take into consideration when preparing the agenda of the General Assembly meeting the topics that the shareholders wish to include. Shareholders who own at least 5% of the company's shares may add one or more subjects to the agenda of the General Assembly when preparing it.
2. The Board of Directors shall single out each topic on the topics on the agenda of the General Assembly in a separate item, and shall not combine fundamentally different topics under one item, and shall not place works and contracts in which the members of the Board have a direct or indirect interest in one item, for the purpose of getting shareholders to vote on the item as a whole.
3. The company shall obligate to allow shareholders, through the company's website and the market website, when publishing the invitation to the general assembly meeting- to obtain information related to the items on the agenda of the general assembly meeting, especially the report of the board of directors, the auditor, the financial statements, and the report of the audit

committee; This is to enable them to make an informed decision about it. The company shall update this information in the event that the assembly's agenda is amended.

4. The Authority may add whatever it deems necessary about topics to the agenda of the General Assembly.

#### **Article No. (14): Shareholders Assembly Management**

1. The general assembly meetings of the shareholders shall be chaired by the chairman or its deputy in its absence, or whoever is delegated by the board of directors from among its members to do so in the absence of the chairman and its deputy.
2. The Chairman of the Shareholders Association shall obligate to provide the opportunity for shareholders to participate effectively and vote in the General Assembly meetings. The Chairman of the Shareholders Association shall avoid putting in place any procedure that hinders the attendance of assemblies or using the right to vote. The Attendees shall be informed of the rules governing the work of those meetings and voting procedures.
3. Shareholders shall have the right to discuss topics on the agenda of the general assembly and direct questions about them to members of the board of directors and the auditor. These questions shall be answered to the extent that the interest of the company is not compromised.
4. The company shall enable its shareholders to view the minutes of the general assembly meeting. The company shall provide the Authority with a copy thereof within ten days from the date of the meeting.
5. The company shall obligate to announce to the public and notify the Authority and the Market - in accordance with the controls set by the Authority - of the results of the general assembly immediately after its end.

It is not considered an interest contrary to the independence of a member of the board of directors, which shall obtain a license from the ordinary general assembly, the work and contracts that are carried out with the member of the board of directors to meet personal needs if these works and contracts are carried out in the same conditions that the company follows with all the contractors and dealers and were within the normal activities of the company unless the Nomination and Remuneration Committee consider otherwise.

#### **Chapter No. (3): Board of Directors**

##### **Article No. (15): Forming the Board of Directors**

The following shall be taken into consideration in the forming the Board of Directors:

1. The Board of Directors shall consist of seven members
2. The majority of the Board of Directors shall be of non-executive members
3. The number of independent members shall not be less than three

##### **Article No. (16): Independence Indicators**

The independence of the member of the Board of Directors shall be incompatible with – but not limited to - the following:

1. Holding five percent or more of the shares of the Company or any other company within its group; or is a relative of who owns such percentage.
2. To represent a legal person that holds five percent or more of shares of the Company or any company within its group;

3. To be a relative of any member of the Board of Directors of the Company, or any other company within the Company's group;
4. To be a relative of any Senior Executive of the Company, or of any other company within the Company's group;
5. To be a Board member of any company within the group of the Company for which he/she is nominated to be a Board member.
6. To be an employee or used to be an employee, during the preceding two years, of the Company, of any party dealing with the Company or any company within its group, such as external auditors or main suppliers; or if he/she, during the preceding two years, held a controlling interest in any such parties;
7. To have a direct or indirect interest in the businesses and contracts executed for the Company's account;
8. To receive financial consideration from the Company in addition to the remuneration for his/her membership of the Board of Directors or any of its Committees;
9. To engage in a business where he competes with the Company, or conducting businesses in any of the company's activities.
10. Have served for more than nine years, consecutive or inconsecutive, as a Board member of the Company.

#### **Article No. (17): Responsibility of the Board of Directors**

1. The board of directors shall represent all shareholders, and as such, it shall assume the duty of care and loyalty in managing the company and everything that would safeguard its interests, develop and maximize its value.
2. The company's board of directors shall be responsible for its business even if it delegates to committees, entities, or individuals to exercise some of its functions. In all cases, the board of directors may not issue a general or unlimited authorization.

#### **Article No. (18): Main functions of a board of directors**

The Board of Directors shall have the broadest powers in managing the company and directing its business in a way that achieves its objectives. Among the Functions and powers of the Board of Directors are the following:

1. laying down the plans, policies, strategies and main objectives of the Company; supervising their implementation and reviewing them periodically; And, ensuring that the human and financial resources required to fulfill them are available, including:
  - a. Setting a comprehensive strategy for the Company, key business plans and policies and mechanisms of the risk management and review and guide them
  - b. Reviewing the governance system and put in place arrangements for effective governance to facilitate the decision-making process in the affairs of the company.
  - c. Determining the most appropriate capital structure for the Company, its strategies and financial objectives, and approving all kinds of estimated budgets.
  - d. Overseeing the main capital expenditures of the Company and the acquisition or disposal of assets.
  - e. Setting performance indicators, and monitoring the implementation thereof and the overall performance of the Company.

- f. Periodic reviewing and approving of the organizational and functional structures in the company.
    - g. Verifying the availability of the human and financial resources necessary to achieve the company's objectives and main plans.
  2. Setting rules and procedures for internal control and generally overseeing them, including:
    - a. Developing a written policy that would regulate actual and potential conflicts of interest, which may affect the performance of Board of Directors members, the Executive Management or any other employees of the Company and treating any possible cases of conflict. This includes misuse of company assets and facilities, and misconduct resulting from dealings with related persons
    - b. Ensuring the integrity of the financial and accounting systems, including the systems related to the preparation of financial reports.
    - c. Ensuring that appropriate control systems are applied to measure and manage risks, by developing a general perception of the risks that the company may face and presenting them transparently with the stakeholders and the parties related to the company.
    - d. Annual reviewing of the effectiveness of the company's internal control procedures.
  3. Setting forth specific and explicit policies, standards and procedures for membership in the Board of Directors and implementing them following approval by the General Assembly.
  4. Developing a written policy that regulates the relationship with Stakeholders.
  5. Setting policies and procedures to ensure the Company's compliance with the laws and regulations and the Company's obligation to disclose material information to shareholders and Stakeholders, and ensuring the compliance of the Executive Management with these policies and procedures.
  6. Supervising the management of the Company's finances, its cash flows as well as its financial and credit relationships with third parties.
  7. Providing recommendations to the Extraordinary General Assembly regarding what it deems appropriate on the following:
    - a. Increasing or decreasing the company's capital.
    - b. Dissolving the company before the term specified in the company's articles of association or deciding its continuation.
  8. Providing recommendations to the Ordinary General Assembly regarding what it deems appropriate on the following:
    - a. Using of the company's consensual reserve in the event that it is formed by the extraordinary general assembly and not allocated for a specific purpose.
    - b. Establishing additional financial reserves or allocations for the company.
    - c. The method of distributing the net profits of the company
  9. Preparing the Company's interim and annual financial statements and approving them before publication.
  10. Preparing the Board of Directors report and approving it before publication.
  11. Ensuring the accuracy and integrity of the data and information, which shall be disclosed pursuant to the applicable policies and systems in respect of disclosure and transparency.

12. Developing effective communication channels allowing shareholders to continuously and periodically review the various aspects of the Company's businesses as well as any material developments.
13. Forming specialized committees of the Board of Directors pursuant to resolutions that shall specify the term, powers and responsibilities of such committees as well as the manner used by the Board of Directors to monitor such committees. Such resolutions shall also specify the names of the members and their duties, rights and obligations and shall evaluate the performance and activities of these committees and their members.
14. Specifying the types of remunerations granted to the Company's employees, such as fixed remunerations, remunerations linked to performance and remunerations in the form of shares without prejudice to the Regulatory Rules and Procedures issued pursuant to the Companies Law related to Listed Joint Stock Companies.
15. Setting the values and standards that govern the work at the Company.

#### **Article No. (19): Distribution of Competencies and Duties**

The organizational structure of the company includes defining competencies and the distributing duties between the Board of Directors and the Executive Management in accordance with the best practices of corporate governance, improves the efficiency of company decision-making, and achieves a balance in the powers and authorities between them. For this purpose, the Board of Directors shall do the following:

1. Approving and developing internal policies related to the company's work, including defining the duties, specializations and responsibilities assigned to the various organizational levels.
2. Adopting a written and detailed policy defining the powers delegated to the executive management and a table showing those powers, the method of implementation and the duration of the delegation. The board of directors may request the executive management to submit periodic reports on its practices of the delegated powers.
3. Determining the issues that the Board of Directors reserves the authority to decide on.

#### **Article No. (20): Overseeing the Executive Management**

The Board of Directors shall be responsible for forming the executive management of the company, regulating how it operates, overseeing and supervising it, and verifying the performance of the tasks assigned to it. For this purpose, the Board of Directors shall do the following:

1. Establishing the necessary administrative and financial policies
2. Verifying that the executive management works in accordance with the policies approved by it
3. Choosing, appointing and supervising the company's Chief Executive Officer.
4. Appointing the director of the internal audit department, removing it and determining its remuneration.
5. Holding periodic meetings with the executive management to discuss the course of work and the obstacles and problems it faces, and to review and discuss important information regarding the company's activity.
6. Setting executive management performance standards consistent with the company's goals and strategy.
7. Reviewing and evaluating the performance of the executive management.
8. Laying down succession plans for company management.



## **Article No. (21): Competencies and Duties of Executive Management**

Subject to the competencies established for the Board of Directors in accordance with the provisions of the Companies Law and its implementing regulations, the executive management shall be competent to implement the plans, policies, strategies and main objectives of the company in order to achieve its objectives. Among the responsibilities and tasks of the executive management are the following:

1. Implementing the company's internal policies and regulations approved by the Board of Directors.
2. Proposing the company's comprehensive strategy, major and interim work plans, investment policies and mechanisms, financing, risk management, and emergency administrative conditions management plans and their implementation.
3. Proposing the optimal capital structure for the company, its strategies and financial goals.
4. Proposing the main capital expenditures for the company, owning, and disposing of assets.
5. Proposing the organizational and functional structures of the company and submit it to the Board of Directors for consideration for approval.
6. Implementation of internal control systems and controls and general supervision thereof, including:
  - a. Implementing a conflict of interest policy
  - b. Proper application of financial and accounting systems, including systems related to preparing financial reports.
  - c. Implementing appropriate control systems to measure and manage risks; by setting a general perception of the risks that the company may face, creating an environment familiar with the culture of risk reduction at the company level, and presenting it transparently with the Board of Directors and other stakeholders.
7. Effectively implementing the company's corporate governance rules and proposing to amend them when needed.
8. Implementing policies and procedures that ensure the company's compliance with laws and regulations and its commitment to disclose essential information to shareholders and stakeholders.
9. Providing the Board of Directors with the necessary information to exercise its competencies and making recommendations regarding the following:
  - a. Increasing or decreasing the company's capital.
  - b. Dissolving the company before the term specified in the company's articles of association or deciding its continuation.
  - c. Using of the company's consensual reserve
  - d. Establishing additional financial reserves for the company.
  - e. The method of distributing the net profits of the company
10. Proposing a policy and the types of bonuses to be granted to employees, such as fixed bonuses, performance-related bonuses, and bonuses in the form of shares.
11. Preparing periodic financial and non-financial reports on the progress made in the company's activity in light of the company's strategic plans and objectives, and presenting these reports to the Board of Directors

12. Managing the daily work of the company and running its activities, as well as managing its resources optimally and in accordance with the company's goals and strategy.
13. Active participation in building and developing a culture of moral values within the company.
14. Implement internal control and risk management systems, verify the effectiveness and adequacy of these systems, and ensuring compliance with the level of risks approved by the Board of Directors.
15. Proposing and developing internal policies related to the company's work and development, including defining the tasks, specializations and responsibilities assigned to the various organizational levels.
16. Proposing a clear policy to delegate business to it and how to implement it.
17. Proposing the powers that are delegated to it, the decision-making procedures and the duration of the delegation, provided that periodic reports shall be submitted to the Board of Directors on its practices of those powers.

#### **Article No. (22): Executive Management**

##### **Chief Executive Officer (CEO)**

The Board of Directors shall appoint the Chief Executive Officer based on the recommendation of the Nomination and Remuneration Committee, and the Board of Directors shall approve the terms of its service and evaluates its performance.

The Chief Executive Officer shall be appointed by the Board of Directors based on its capabilities and experiences that qualify it to assume this important position. The Chief Executive Officer shall be scientifically qualified for this position, by obtaining the appropriate academic qualification with previous experience in a leadership position in joint stock companies.

The Chief Executive Officer shall assume the executive management of the company and have the main responsibility in managing the daily business of the company. The Chief Executive Officer shall be responsible to the board of directors for the performance of the company, achieving annual profits, achieving the planned sales and achieving the company's share in the target market. The Chief Executive Officer shall be the link between the executive management of the company and the Board of Directors. The Chief Executive Officer shall be responsible for ensuring that the Board of Directors is appropriately informed of the company's performance and issues of concern to its business, and shall be responsible for leading the company's executive team, with the aim of increasing shareholder rights in the long term, through its direct supervision of the development and implementation of established business strategies.

##### **Responsibilities of Chief Executive Officer:**

1. Implementing the decisions of the company's board of directors and the general assembly of shareholders
2. Implementing short and long-term strategic plans to develop the company and grow its profits.
3. Representing the company in front of others and dealing with official authorities, and managing the company's relations with these authorities.
4. Leading and motivating the company's executive work team to ensure proper management of work.
5. Coordinating the activities of the executive management team

6. Transferring and communicating information to the public and representatives of the media, either by itself or by authorizing another person to do so, in a manner that does not conflict with the general policy of disclosure.
7. Developing the company's operational and commercial systems.
8. Providing positive visions and suggestions and insult the company to achieve its strategies
9. Reviewing and raising the company's technical capabilities in various aspects
10. Exploiting technical means and administrative applications in order to support the company's business activity
11. Maintaining close communication with the Chairman and Vice President, and inform them of strategic issues of concern to the company.
12. Transferring a clear picture of the company's strategy to the executive management and the board of directors.
13. Driving the growth and development of the company to maximize shareholder returns
14. Promoting an effective work culture based on motivation; to increase the efficiency of the company's performance.
15. Managing the company's affiliated employees, creating a coherent and consistent executive work team, leading it appropriately and providing the necessary guidance to it.
16. Holding and chairing regular executive management meetings.
17. Attracting and maintaining an administrative team with the required capabilities to properly manage the company's activity and providing the necessary direction
18. Monitoring the targeted performance of all departments on an ongoing basis, and taking the required corrective actions, to ensure that the set goals are achieved.
19. Establishing systems to achieve the company's policies, especially with regard to quality control, manpower, delegation of powers, and financial affairs.
20. Reviewing and approving the annual budgets data.
21. Reviewing and approving capital investments.
22. Reviewing and approving the monthly, quarterly and annual financial reports, before submitting them to the Board of Directors
23. Coordinating and developing the future strategic business plans of the company in coordination with the management and the Board of Directors
24. Verifying the successful implementation and the achievement of the approved strategic plans.
  
25. Verifying the settlement of disputes related to work and disputes of competencies between the various departments of the company
26. Maintaining sound relationships with commercial banks, the Saudi Industrial Development Fund, ministries, industrial entities, government institutions, suppliers and primary customers.
27. Carrying out appropriate procedures and arrangements to protect the company's trademarks and preserve the public image of the company.
28. Ensuring that the statutory requirements of the Capital Market Authority, ministries, government agencies, stock trading are met. Obtaining license to publish financial reports.

**Responsibilities of Chief Executive Officer towards the Board of Directors:**

1. Participating in all Board of Directors meetings in its capacity as an informal member, and participating in deliberations without having the right to vote on Board of Directors decisions.
2. Ensuring that the Board of Directors is provided with all information related to the affairs of the company, including data related to the company's performance and other necessary information.
3. The Chief Executive Officer shall assist the Board of Directors in making appropriate and enforceable decisions.

**The administrative subordination shall be as follows:**

1. The Chief Executive Officer shall be responsible towards the board of directors, and towards the vice chairman in cases where the Board of Directors is not in session.
2. The Chief Executive Officer shall coordinate directly with both the Chairman and Vice Chairman of the Board of Directors and inform them of all material issues and developments to enable them to perform their duties in the company to the fullest extent.
3. In the event that the Chief Executive Officer obtains the membership of the Board of Directors in its personal capacity, it shall also bear the additional responsibilities assigned to the member of the Board of Directors in this capacity, while its administrative subordination continues as it is in its capacity as Chief Executive Officer.
4. The Chief Executive Officer shall have any other additional responsibilities determined by the Board of Directors.

**Executive Vice President for Finance and Information Technology:**

The Executive Vice President for Finance and Information Technology is the chief executive officer of the Financial Department and Information Technology. The appointment, removal and determination of the terms of service of the Executive Vice President for Finance and Information Technology shall be approved by the Nomination and Remuneration Committee upon the recommendation of the Chief Executive Officer.

**The administrative subordination:**

The Executive Vice President for Finance and Information Technology shall report directly to the Chief Executive Officer, and shall be responsible to it for its performance and the performance of the Financial Department. The Executive Vice President for Finance and Information Technology shall be accountable to the Audit Committee, and it shall provide the committee with the required information and data to perform its duties and continue to monitor the company's financial affairs.

**Qualifications:**

In order to employ the Executive Vice President for Finance and Information Technology, it is required that it be a graduate of a recognized university or its equivalent and has at least ten years of experience in the field of financial affairs or in any public company, a bank or a reputable financial institution.

**Responsibilities of the Executive Vice President for Finance and Information Technology:**

1. Assisting the Chief Executive Officer in all matters related to financial data and information and their analysis

2. Establishing and implementing internal control systems and procedures to ensure the safety and effectiveness of the company's commercial and financial operations and to preserve its assets.
3. Participating in the meetings of the Board of Directors and the Audit Committee, upon the request of the committees, when invited to do so.
4. Supervising the preparation of the financial statements in accordance with the applicable statutory rules and in a manner that does not conflict with the articles of association of the company.
5. Monitoring the operations of the company and its subsidiary companies and units, and ensuring that the financial reports do not violate the regulatory requirements and provisions, in particular the regulations issued by the Saudi Capital Market Authority
6. Providing the Board of Directors and its sub-committees with any necessary information, data or analyzes.
7. Ensuring that all necessary financial and accounting information or data are available and submitting them to the relevant administrative bodies in the company upon request.
8. Preparing the necessary studies and analyzes on the company's management and informing the Chief Executive Officer of the company and the rest of the management members of everything that matters in this regard
9. Participating in the Board of Directors meetings according to the norm or according to the Chief Executive Officer 's directives
10. Representing the company at government departments, financial institutions and others in relation to their competence at the request of the chairman, vice chairman or Chief Executive Officer.
11. Declaring in the name of the company on any specific issues, at the request of any authorized person according to the provisions of the company's mass communication regulations.
12. Participating in general assembly meetings of shareholders and answering questions within the limits of its competence.
13. Supervising the preparation and arrangement of the estimated budget, and other financial plans related to the company.
14. Signing checks and other financial exchange documents with banks in accordance with the powers granted to it.
15. Adhering to the professional behavior policy applied in Yamama Cement.

#### **Article No. (23): Competencies of the Chairman and members of the Board of Directors**

##### **Powers of the Board of Directors**

1. Subject to the competencies established for the general assembly, the board of directors shall have the broadest powers in managing the company, disposing of its affairs and drawing up the general policy of the company in a way that achieves its objectives. The Board of Directors may also- within the limits of its competence- delegate one or more of its members or others to conduct specific work or business.
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2. The board of directors may purchase assets or what the company needs, and make loans and other credit facilities, regardless of their duration and value, with funds and government financing institutions, commercial banks, trust companies or any other party, or sell or mortgage the company's assets, redeem or release the pledge, and provide bonds for an order, any necessary guarantees and any documents related to loans and facilities, or the sale or mortgage of the company's business, or release the company's debtors from their obligations.

The board of directors shall be represented by the Chairman or its deputy, and one of them shall have the right to delegate whomever it deems appropriate.

3. The Board of Directors may approve the provision of financial support, guarantees, and loans to companies that the company fully owns or shares its capital with other companies and guarantee the debts of any of these companies. The board of directors shall be represented by the Chairman or its deputy, and one of them shall have the right to delegate whomever it deems appropriate.

### **Competencies and Duties of the Chairman of the Board of Directors**

Without prejudice to the Competencies of the Board of Directors, the Chairman of the Board of Directors shall assume leadership of the Board of Directors and supervise the conduct of its work and the effective performance of its functions. The following include in the duties and Competencies of the Chairman of the Board of Directors in particular:

1. Ensuring that Board of Directors members receive timely, complete, clear, correct and not misleading information.
2. Ensuring that the Board of Directors discusses all key issues in an effective and timely manner.
3. The chairman or its deputy shall represent the company before the courts, arbitration tribunals and others. The chairman of the Board of Directors may, by a written decision, delegate some of its powers to other members of the Board of Directors or third parties in carrying out a specific business.
4. Encouraging Board of Directors members to carry out their duties effectively and in the interest of the company.
5. The Chairman of the Board of Directors shall be responsible for ensuring that there are effective channels of communication with shareholders, and articulating their opinions to the Board of Directors.
6. Promoting a culture of frankness and debate by fostering constructive relationships and effective participation between the Board of Directors and the Executive Management on the one hand, and facilitating an effective exchange between non-executive members and independent members on the other.
7. Preparing the agenda of the Board of Directors meetings, taking into account any issue raised by a member of the Board of Directors or raised by the auditor, and consulting with members of the Board of Directors and the Chief Executive Officer when preparing the agenda of the Board of Directors.
8. Holding meetings periodically with non-executive Board of Directors members without the presence of any executive member.
9. Informing the Ordinary General Assembly at its meetings about the business and contracts in which one of the members of the board of directors has a direct or indirect interest in it. This notification shall include the information provided by the member to the board of directors and this notification shall be accompanied by a special report from the company's external auditor.
10. The Chairman of the Board of Directors may not be a member of the Audit Committee. He may participate in the membership of other committees, provided that he does not occupy the position of chairman in the committees stipulated in these regulations.
11. The chairman policy requires that it shall be able to oversee the general management of the company's general affairs and activities in a manner that ensures the Board of Directors's control over the company's affairs and makes it aware of its obligations towards shareholders. The chairman of the Board of Directors shall have the appropriate leadership qualities to enable it to perform its role and gain the confidence and respect of the rest of the Board of Directors members and the management of the company and shareholders in general.

12. The chairman of the Board of Directors plays a major role as the leader of the company through the Board of Directors in shaping the vision and strategy of the company. This is achieved through the following:
  - a. Creating a clear vision.
  - b. Directing the Board of Directors to develop the company's strategy.
  - c. Directing the Board of Directors in evaluating and approving business plans, including the annual budget and long-term future plans, such as the five-year plan
  - d. Ensuring the consistency of the company's activities and achievements with the drawn strategy.
  - e. Ensuring that the Chief Executive Officer has the necessary qualifications, capabilities and competence to manage the company.

**Role of the Vice Chairman of the Board of Directors:**

Vice-Chairman of the Board of Directors shall act on behalf of the Chairman of the Board of Directors in the event of its absence, in addition to the powers granted to it in the articles of association of the company.

**Role of the Vice Chairman of the Board of Directors:**

The Vice Chairman plays a major role in assisting and acting on behalf of the Chairman of the Company's Board of Directors, and in supporting and maintaining the Company's relations with government agencies and business partners.

**Responsibilities of the Vice Chairman of the Board of Directors (As authorized by the Board):**

1. Working to enhance the public image of the company among customers, shareholders, investors and others.
2. Overseeing the organizational procedures related to the affairs of members of the board of directors, their responsibilities, their representation, appointment, resignations, and their entitlements, and others.
3. He/she, alone or together with the Chairman, represents the company when necessary with other parties, and with the judicial authorities, government departments, courts of all kinds, dispute settlement committees, arbitration boards, civil rights, police, chambers of commerce and industry, and all companies and institutions.
4. He/ she shall publicize the company's information to the public and to representatives of the media, in accordance with the general policy of disclosure of the company
5. Signing contracts and transactions on behalf of the company
6. Issuing powers of attorney, appointing, residing and dismissing agents and lawyers.
7. Prosecuting, pleading, defending the company, appealing and concluding settlements, reconciliation and arbitration.
8. Accepting or rejecting court rulings on behalf of the company.
9. With the authorization of the Board of Directors, Signing and implementing agreements, certificates, bonds and founding contracts for companies in which the company participates, amending these contracts and signing settlement decisions, contracts, title deeds and announcements before civil bodies and other government agencies. Contracting loan agreements with government financing institutions, commercial banks and financial institutions, and concluding guarantees, mortgages, lease contracts and terminating such contracts.

10. Preserving the company's rights and fulfilling obligations on its behalf.
11. Issuing checks and negotiable bonds, contracting with employees and workers, determining their salaries and bonuses and canceling them, requesting visas for employees and workers coming from outside the country, giving residence permits and work visas and terminating contracts with them.
12. Delegating all or some of these powers to any other person or persons to perform or enforce any of the above-mentioned procedures, and revoke such authorizations in completely or in part.
13. Signing the incorporation contracts in which the company and its amendments and appendices participate in, on behalf of the company with authorization from the Board of Directors.
14. Monitoring the compliance of the company's systems and activities with the applicable laws.
15. Representing the company as an authorized director in the commercial registry.

**Responsibilities of the vice chairman in the case of acting on behalf of the chairman:**

1. Inviting the Board of Directors for meetings
2. Supervising the implementation of the decisions of the Board of Directors and the General Assembly of shareholders.
3. Representing the company before government authorities and others, and preserving and developing the company's relations with these authorities.
4. Issuing invitations to Board of Directors meetings and ensuring a quorum for these meetings.
5. Setting the agenda for Board of Directors meetings and ensuring that the topics of interest to the company and the shareholders are included
6. Ensuring that Board of Directors members obtain appropriate information prior to Board of Directors meetings to ensure the effectiveness and objectivity of deliberations.
7. Chairing the Board of Directors meetings when the Chairman is absent.
8. Ensuring that the minutes of the board of directors' meetings are recorded and reviewed in cases that it chairs the meetings on behalf of the chairman.
9. Ensuring that the decisions of the Board of Directors are properly informed to the management of the company, and following up to ensure their implementation
10. When chairing the Board of Directors meetings on behalf of the chairman, the vice chairman shall have a casting vote in the event of a tie vote.
11. Chairing the General Assembly meetings when the Chairman is absent.
12. The vice-chairman of the Board of Directors may exercise other powers determined by the board of directors, and it shall implement the directions issued by the board of directors or the chairman.

**The principles of integrity, honesty and loyalty**

Each member of the Board of Directors shall be bound by the principles of integrity, honesty, loyalty, care and concern for the interests of the company and shareholders and shall present them in its personal interest, and in particular, the following include:

1. **Honesty:** the relationship of the member of the board of directors to the company shall be a sincere professional relationship, and that it shall disclose to it any influential information before executing any deal or contract with the company or one of its subsidiaries.



2. **Loyalty:** the member of the Board of Directors shall avoid dealings that involve a conflict of interest, while verifying the fairness of the dealings, and taking into account the provisions related to conflict of interest in these regulations.
3. **Care and concern:** by performing the duties and responsibilities stipulated in the Companies Law, the Financial Market Law and their implementing regulations, the Company's Articles of Association, and other relevant regulations.

### **Responsibilities and duties of the members of the Board of Directors**

Each member of the Board of Directors - through its membership in the Board of Directors - shall perform the following duties:

1. Submitting proposals to develop the company's strategy.
2. Monitoring the performance of the executive management and the extent to which it achieves the goals and objectives of the company.
3. Reviewing reports on company performance.
4. Verifying the integrity of the company's financial statements and information.
5. Verifying that the company's financial control and risk management systems are strong.
6. Determining appropriate levels of remuneration for members of the executive management.
7. Expressing opinions on appointing and dismissing members of the executive management.
8. Participating in developing a succession and replacement plan for the company's executive positions.
9. Full compliance with the provisions of the Companies Law, the Financial Market Law and their implementing regulations, the relevant regulations, and the Articles of Association when exercising the duties of the membership in the Board of Directors, and refraining from doing or participating in any act that constitutes an abuse of the company's affairs.
10. Attending the meetings of the Board of Directors and the General Assembly and not being absent from them except for a legitimate excuse to be notified to the Chairman of the Board of Directors in advance, or for urgent reasons
11. Allocating sufficient time to fulfill its responsibilities, preparing for meetings of the Board of Directors and its committees and participating effectively in them, including directing relevant questions and discussing with the company's senior executives.
12. Studying and analyzing information related to the topics considered by the Board of Directors before expressing an opinion on them.
13. Enabling other members of the board of directors to express their views freely, and urging the Board of Directors to deliberate on issues and to inquire into the opinions of specialists from the executive management members of the company and others if there is a need to do so.
14. Informing the Board of Directors fully and immediately of any interest it has - direct or indirect - in the business and contracts that are made for the company's account, and that reporting includes the nature of that interest and its limits and the names of any persons involved in it  
and the interest expected to be obtained directly or indirectly from that interest, whether that interest is financial or non-financial, and that member shall not participate in voting on any decision issued in this regard, in accordance with the provisions of the Companies Law and the Financial Market Law and their implementing regulations.

15. Informing the Board of Directors fully and immediately of its participation - direct or indirect - in any business that would compete with the company, or with the company competitors - directly or indirectly - in one of the branches of the activity it carries out, in accordance with the provisions of the Companies Law, the Financial Market Law and their implementing regulations.
16. Not to publicize or divulge any secrets that may be found through its membership in the Board of Directors to any of the company's shareholders - if not during the meeting of the general assembly - or to others, as required by the provisions of the Companies Law, the Financial Market Law and their implementing regulations.
17. Acting on the basis of complete information, in good faith, with due care and attention, in the interest of the company and all shareholders
18. Being aware of its duties, roles and responsibilities arising from membership.
19. Developing its knowledge in the field of the company's activities and business and in the related financial, commercial and industrial fields.
20. Resigning from the membership of the board of directors in the event that he/she is unable to fully fulfill his/her duties in the Board of Directors.

### **Role of the Independent Member**

The independent member of the Board of Directors shall actively participate in performing the following issues:

1. Expressing its independent perspective regarding strategic issues, the Company's policies and performance, and the appointment of members of the Executive Management.
2. Ensuring that the interest of the Company and its shareholders are prioritized in case of any conflicts of interest.
3. Overseeing the development of the company's corporate governance rules, and overseeing their implementation by the Executive Management.

### **Article No. (24): Procedures of the Board of Directors Work**

#### **Board of Directors Meetings**

1. The Board of Directors shall hold regular meetings to carry out its duties effectively, and also shall hold its meetings whenever the need arises.
2. The Board of Directors shall convene at least twice meetings during the year at the invitation of its Chairman or Vice Chairman. Board of Directors meetings shall convene upon an invitation issued by its Chairman or a written request by at least two members. The invitation shall be sent to each Board of Directors member five days prior to the date of the meeting and shall include the meeting agenda, and it shall be followed by all essential documents and information in a sufficient time prior to the meeting. Unless the situation necessitates that an emergency meeting to be convened, the invitation of the extraordinary or emergency meeting along with the meeting agenda followed by all essential documents and information within a period less than five days prior to the date of the meeting.
3. The Board of Directors may issue decisions on urgent matters to be presented to the members dispersed. Unless one of the members requests - in writing - the Board of Directors meeting for deliberation and these decisions shall be presented to the Board of Directors at its first subsequent meeting.
4. The Board of Directors meeting shall not be valid unless attended by at least one half of its members, provided that the number of attendees shall not be less than three.

#### **Board of Directors Members 'Remarks**

1. If any of the members of the board of directors has comments about the performance of the company or any of the issues presented and they are not decided in the Board of Directors

meeting, then they shall be written down and what the Board of Directors takes or decides to take actions regarding them in the minutes of the board of directors meeting.

2. If a member of the board of directors gave an opinion contrary to the decision of the Board of Directors, it shall be proven in detail in the minutes of the Board of Directors meeting.

#### **Organizing attendance at Board of Directors meetings**

1. Organizing the process of attending Board of Directors meetings, and dealing with cases of members irregular in attending those meetings.
2. An independent member of the Board of Directors shall attend all meetings at which important and fundamental decisions are taken that affect the position of the company.

#### **Board of Directors Agenda**

1. The board of directors shall approve the agenda as soon as it convenes, and in the event that any member objects to this agenda, this shall be recorded in the minutes of the Board of Directors meeting.
2. Every member of the board of directors shall have the right to suggest adding any item to the agenda.

#### **Exercising the competencies of the Board of Directors**

1. The Board of Directors shall exercise its competencies and duties in leading the company within the framework of prudent and effective controls that allow measuring and managing risks and limiting their effects.
2. The company's board of directors shall be responsible for company's business even if it delegates to committees, entities or individuals to exercise some of its functions. In all cases, the Board of Directors may not issue a general or unlimited authorization, and the Board of Directors - within the limits of its competencies - may delegate to one or more of its members, committees, or others, to conduct specific work or actions.
3. The Board of Directors shall set an internal policy that defines the work procedures of the Board of Directors and aims to urge its members to work effectively to fulfill their duties towards the company.
4. The Board of Directors shall organize its work and allocate sufficient time to carry out the tasks and responsibilities entrusted to it, including preparing for Board of Directors and committee meetings, and ensuring coordination, recording and maintaining minutes of its meetings.

#### **Article No. (25): Powers of the Board of Directors**

1. Taking into account the competencies of the general assembly, the company's board of directors shall assume all the powers and authorities necessary to manage the company. The final responsibility for the company shall remain on the Board of Directors, even if it forms committees or delegates other bodies or individuals to carry out some of its work. The Board of Directors should avoid issuing general or unlimited authorizations.
2. The board of directors shall perform its duties responsibly, in good faith, seriousness and concern, and that its decisions shall be based on adequate information from the executive management or any other reliable source.
3. A member of the board of directors shall represent all shareholders, and he/she shall commit himself/herself to do what is in the interest of the company in general, and not in the interests

of the group that he/she represents, or that voted for his/her appointment in the board of directors.

4. The Board of Directors shall determine the powers it delegates to the executive management, the decision-making procedures and the duration of the delegation, and shall determine the issues that it retains the authority to decide on. The executive management shall submit periodic reports on its practices of the delegated powers.
5. The board of directors shall ensure that procedures are in place to familiarize the new Board of Directors members with the company's business, especially the financial and legal aspects, as well as training them if necessary.
6. The board of directors shall ensure that the company provides adequate information about its affairs to all members of the board of directors in general, and to non-executive Board of Directors members in particular, in order to enable them to carry out their duties and tasks adequately.
7. Members of the Board of Directors shall be prohibited from announcing to shareholders other than the General Assembly meetings, or to others, the company's secrets they have encountered because of their direct management, otherwise they shall be dismissed and held accountable to get indemnifying.
8. Members of the Board of Directors shall be jointly responsible for indemnifying the company, shareholders, or others for the damage that results from their mismanagement of the company's affairs or their violation of the provisions of laws and regulations. Responsibility shall fall on all members of the Board of Directors if the error arises from a decision issued unanimously. As for the decisions issued by the majority of opinions, the opponents will not be questioned once they express their objection in the minutes of the meeting. Absence from attending the meeting at which the decision is issued shall not be considered a reason for exemption from liability unless it is proven that the absent did not know about the decision or was unable to object to it after being aware of it.

#### **Article No. (26): The Board of Directors Secretary**

The board of directors shall appoint a Board of Directors secretary from among its members or others, and the competencies and remuneration of the secretary shall be determined by a decision of the board of directors - unless the company's articles of association include provisions in this regard, provided that these responsibilities shall include the following:

1. Documenting the Board of Directors meetings and preparing minutes therefor, which shall include the discussions and deliberations carried out during such meetings, as well as the place, date, times on which such meetings commenced and concluded; recording the decisions of

the Board of Directors and voting results and retaining them in a special and organized register; including the names of the attendees and any reservations they expressed, if any; and signing these minutes by all of the attending members.

2. Retaining the reports submitted to the Board of Directors and the reports prepared by it.
3. Providing the Board of Directors members with the agenda of the Board of Directors meeting and related worksheets, documents and information and any additional information related to the topics included in the agenda items, requested by any Board of Directors member.
4. Ensuring that the Board of Directors members comply with the procedures approved by the Board of Directors.

5. Notifying the Board of Directors members of the dates of the Board of Directors' meetings within sufficient time prior to the date specified for the meeting.
6. Presenting the draft minutes to the Board of Directors members to provide their opinions on them before signing the same.
7. Ensuring that the Board of Directors members receive, fully and promptly, a copy of the minutes of the Board of Directors' meetings as well as the information and documents related to the Company.
8. Coordinating among the Board of Directors members.
9. Regulating the disclosure register of the Board of Directors and Executive Management.
10. Providing assistance and advice to the Board of Directors members.
11. The Board of Directors Secretary shall not be dismissed except by a decision of the Board of Directors.

### **The Qualifications of the Board of Directors Secretary**

The qualifications that shall be met by the Board of Directors Secretary are as follows:

1. He/ she shall hold a bachelor degree in law, management, administration, finance or accounting with the relevant practical experience of not less than three years.
2. He/ she shall have not less than five years of practical experience if he/she does not a bachelor's degree in one of the fields aforementioned.

### **Providing Board of Directors Members with Information:**

The Company's Executive Management shall provide Board of Directors members, particularly the non-executive members, and the Company's Committees with all necessary information, data, documents and records, provided that they shall be complete, clear, correct and not misleading and in a timely manner to enable them to perform their duties and tasks.

### **Chapter No. (4): Board of Directors Committees**

#### **Article No. (27): Forming Committees**

Subject to Article One hundred of the Companies Law, and Article fifty-four, sixty and sixty-four of the Corporate Governance Regulations, the Board of Directors shall form specialized committees according to the following:

1. The company's need, circumstances and conditions to enable it to perform its tasks effectively.
2. The formation of committees shall be in accordance with general procedures established by the Board of Directors, which include defining the mission of each committee, the duration of its work, the powers vested in it during this period, and how the board of directors shall monitor it. The committee shall inform the board of directors of the results it has reached or taken in terms of transparency, and the board of directors shall regularly follow up the work of these committees to verify that they are carrying out the work assigned to them.
3. Each committee shall be responsible for its work before the Board of Directors, and this does not prejudice the responsibility of the Board of Directors for those actions and for the powers that it has delegated to it.
4. The number of committee members shall not be less than three and not more than five.
5. Chairmen of the committees or whoever they delegate from among their members shall attend the general assemblies to answer shareholders' questions.
6. The company shall notify the Authority of the names of the members of the committees and the characteristics of their membership within five working days from the date of their

appointment, and any changes that occur to that within five working days from the date of the occurrence of the changes.

#### **Article No. (28): Membership of Committees**

1. A sufficient number of non-executive Board of Directors members shall be appointed in the committees concerned with the tasks that may arise from conflict of interest situations, such as ensuring the integrity of financial and non-financial reports, reviewing related parties' deals, nomination for membership of the Board of Directors, appointing senior executives, determining remuneration. Chairmen and members of these committees shall be guided by the principles of honesty, trustworthiness, loyalty, care, and concern for the interests of the company and the shareholders and presenting them to their personal interests.
2. When forming the Nominations and Remuneration Committee, the company takes into account that its members shall be independent members of the Board of Directors, and it is permissible to seek the assistance of non-executive members or persons who are not members of the Board of Directors, whether they are shareholders or others, provided that the Chairman of the Committee shall be an independent member.
3. The chairman of the board of directors shall not be a member of the audit committee, and it may participate in the membership of other committees, provided that it shall not occupy the position of chairman in the committees stipulated in these regulations.

#### **Article No. (29): Study of the Topics**

1. The committees shall undertake the study of matters pertaining to them or that are referred to them by the Board of Directors, and submit their recommendations to the Board of Directors to take a decision regarding them, or take decisions if the Board of Directors has delegated this to them, provided that they observe Paragraph (b) of Article Twenty-one of the Corporate Governance Regulations.
2. The committees may seek the assistance of experts and specialists from within or outside the company within the limits of its powers, provided that this is included in the minutes of the committee's meeting, noting the name of the expert and its relationship to the company or executive management.

#### **Article No. (30): Committee Meetings**

1. No member of the board of directors or executive management except the committee secretary and members of the committees shall be entitled to attend its meetings unless the committee requests to hear its opinion or obtain its advice.
2. For the committees' meetings to be valid, the majority of their members shall attend. The committees shall issue its decisions by the majority of the votes of those present, and when the votes are equal, the side that the meeting chair voted with shall prevail.

#### **Meeting Minutes**

Documenting the committee meetings and preparing minutes therefor, which shall include the discussions and deliberations carried out during such meetings, recording the recommendations of the committee and voting results and retaining them in a special and organized register; including the names of the attendees and any reservations they expressed, if any; and signing these minutes by all of the attending members. The committee shall submit brief reports to the Board of Directors after each meeting.

The Board of Directors may issue decisions on urgent matters to be presented to the members dispersed. Unless one of the members requests - in writing - the Board of Directors meeting for deliberation and these decisions shall be presented to the Board of Directors at its first subsequent meeting.

#### **Chapter No. (5): Internal Control**

The Board of Directors shall adopt an internal audit system for the company to evaluate the policies and procedures related to risk management, implement the provisions of the corporate governance rules of the company approved by the company, and adhere to the relevant rules and regulations. This system shall ensure following clear standards of responsibility at all executive levels in the company and that the related parties' transactions are carried out in accordance with the provisions and regulations pertaining to it.

#### **Article No. (31): Forming the Internal Audit Department**

The internal audit department shall consist of an internal audit manager and two internal auditors, and the audit committee shall recommend appointing an internal audit manager who is accountable to it. The following shall be taken into consideration in the formation and functioning of the internal audit department:

1. Its employees shall have competence, independence and appropriate training, and that they shall not be responsible for any other work other than the work of internal auditing and the internal control system.
2. The department shall submit its reports to the Audit Committee. The department shall be related to it and be accountable to it
3. The remuneration of the audit department manager shall be determined based on the proposal of the audit committee in accordance with the company's policies
4. The department shall be able to access and obtain information, documents and documents without restriction.

#### **Article No. (32): Duties of the Internal Audit Department**

The Internal Audit Department shall evaluate the internal control system, supervise its implementation, and verify the extent of the company and its employees' compliance with the applicable laws, regulations and instructions, and the company's policies and procedures.

#### **Internal Audit Plan**

The Internal Audit Department shall work according to a comprehensive audit plan approved by the Audit Committee, and this plan shall be updated annually. Key activities and processes, including those for risk management and compliance management, shall be reviewed at least annually.

#### **Article No. (33): Internal Audit Report**

1. The internal audit department shall prepare a written report on its work and submits it to the board of directors and the audit committee at least semi-annually. This report shall include an evaluation of the company's internal control system and the results and recommendations it has concluded, and a statement of the measures taken by each department regarding the treatment of previous audit findings and recommendations and any notes about it, especially if there is no timely treatment and the reasons for that.

2. The board of directors shall determine the scope of the internal audit department's report based on the recommendation of the audit committee or the internal audit department, provided that the report specifically shall include the following:
  - a. Procedures for controlling and supervising financial affairs, investments and risk management.
  - b. Evaluating the evolution of risk factors in the company and the existing systems to meet the radical or unexpected changes in the financial market.
  - c. Failures to implement internal control, weaknesses in their application, or emergency situations that affected or might affect the company's financial performance and the procedure followed by the company in dealing with this failure, except especially the problems disclosed in the company's annual reports and financial statements).
  - d. The extent to which the company adheres to internal control systems when identifying and managing risks.

#### **Maintaining Internal Audit Reports**

The company shall maintain audit reports and work documents, clearly including what has been accomplished, its findings and recommendations, and what has been taken in its regard.

#### **Article No. (34): Governance, Risk Management and Compliance (GRC)**

The Governance, Risk Management and Compliance Department shall consist of a department manager who is appointed by the Chief Executive Officer with the notification of the committee supervising the work of the department. This department shall also have staff specialized in the field of Governance, Risk Management and Compliance. The following shall be taken into consideration in the formation and functioning of the Governance, Risk Management and Compliance Department:

1. Its workers shall have competence, independence and appropriate training, and that they shall not be guaranteed any other work that is far from their basic tasks in order to enhance their independence and objectivity.
2. The employees of the administration shall be able to access and obtain the information, documents that are the core of its tasks and obtain them without restriction.
3. To be a link between the executive management and the board of directors, other than the reports presented to the committee supervising its work.

#### **Article No. (35): Functions of Governance, Risk Management and Compliance (GRC) Management**

The Governance, Risk Management and Compliance Department shall be responsible for overseeing everything related to risks in the company in terms of ensuring that the registry is created, updated and documented. It also shall be responsible for the company's compliance process and ensure compliance with government regulations and legislation regulating the sector and industry. It is also concerned with the overall governance of the Board of Directors and the Executive Body of the company and following up and recommending the application of the latest practices in the field of governance.

#### **Article No. (36): Governance, Risk Management and Compliance (GRC) Management Report**



The Governance, Risk Management and Compliance (GRC) Department shall prepare a written report on its activities and submit it to the Board of Directors that includes the following:

1. **Risk Report:** Half-yearly reports on risks and how to deal with them shall be provided to the Executive Management and the Governance, Risk Management and Compliance Committee.
2. **Compliance Report:** A comprehensive annual report on the extent of executive management's compliance with laws and legislations, and table of powers shall be presented to the executive management and the Governance, Risk Management and Compliance Committee.
3. **Governance Report:** A comprehensive annual report on corporate governance applications and ways to develop them, including the Board of Directors, its committees, and the executive management.

#### **Chapter No. (6): Company Auditor**

##### **Article No. (37): Assigning the Audit Function**

The Company shall assign the function of auditing its annual accounts to an independent and competent auditor who possesses the necessary expertise and qualifications to prepare an objective and independent report to the Board of Directors and the shareholders, setting out whether the Company's financial statements clearly and impartially express the financial position of the Company and its performance in the significant areas.

##### **Article No. (38): Appointment of the Auditor**

The Ordinary General Assembly shall appoint the Company's auditor based on a recommendation from the Board of Directors, provided that the following requirements are met:

1. The nomination shall be based on a recommendation from the audit committee.
2. The auditor shall be authorized by the Competent Authority.
3. The auditor's interests shall not conflict with the interests of the Company.
4. The number of nominees shall not be less than two.

##### **Article No. (39): Auditor Duties**

The auditor shall:

1. Owe the duties of loyalty and care to the Company.
2. Notify the Authority if the Board of Directors fails to take appropriate actions in respect of suspicious issues it raises.
3. Request the Board of Directors to call for a General Assembly meeting if the Board of Directors has not facilitated his mission; and shall be liable to compensate the Company, the shareholders or third parties for the damages resulted from errors it commits in the course of its engagement. If an error is attributable to more than one external auditor, they shall be jointly responsible therefor.

## **Chapter No. (7): Final Provisions**

### **Article No. (40): Retaining of Documents**

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

### **Article No. (41): Enforcement the Regulation**

1. The provisions of these regulations shall apply to the company's board of directors, senior executives, managers and all its employees.
2. Every shareholder shall have the right to view this regulation and obtain a copy of it.
3. The provisions of this regulation shall be implemented upon the date of its approval by the Board of Directors.