



The Shareholder's Guide

to Shareholders Assemblies of Listed
Companies in the Capital Market



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The general assembly is the link between a company's shareholders and its Board of directors. It takes care of discussing the topics that require shareholders' approval and votes on its resolutions. Thus, shareholders' attendance and their effective participation in the general assembly supports the company's position in the capital market, raises its performance and encourages the Board members who were elected by the shareholders.

This Guide is not a substitute for the provisions of the Capital Market Law, the Companies Law or their Implementing Regulations. In case of any conflict between the Guide and the provisions of the Capital Market Law, the Companies Law or their Implementing Regulations, such provisions shall prevail. Since the Authority's Regulations are subject to continuous amendments, reliance shall always be on the Regulations published on the Authority's website.

The Authority seeks to achieve positive interaction between the shareholders and the companies in manners that will serve the public interest. In the belief of the importance of the general assemblies, the Authority has published this Guide which aims at activating the shareholders' role in general assemblies in addition to raising their awareness regarding the principles of corporate governance of listed companies.



Shareholders Assemblies



Shareholders Assemblies

Incorporators invite all subscribers to hold an Incorporation Assembly and the Company's Board of directors invites shareholders to attend the General Assembly. That is to discuss topics that are related to the company, exchange opinions, give suggestions and listen to them, emphasize the position of the company and future challenges. As a result, effective interaction by the shareholders would activate the roles that aim to integrate and enhance the relationship between the company's management, its owners and all the parties of the stakeholders.

Every shareholder has the right to attend the General Assembly, even if the company's bylaws state otherwise. The shareholder can assign, in writing, another person, who is not a member of the Board of directors or the Company's employees, to attend the General Assembly on his/her behalf. The shareholder also has the right to vote on the assembly's resolutions via modern technology means without the need to appoint a representative to attend the General Assemblies on his/her behalf.

Shareholders Assemblies are classified according to the topics discussed in the agenda as the following:

- ▶ Incorporation Assembly
- ▶ Extraordinary General Assembly
- ▶ Ordinary General Assembly

Competencies of Shareholders Assembly:

■ Incorporation Assembly

- ▶ Each subscriber, regardless of the number of shares he/she owns, has the right to attend the Incorporation Assembly.

■ Competencies of the Incorporation Assembly:

- ▶ The Incorporation Assembly shall have the following competencies:
 1. Ensure that all Company's shares have been subscribed and that minimum capital is paid to the extent of the due amount from the share value in accordance with the Companies Law.
 2. Deliberate the valuation report of in-kind shares.
 3. Approve the final version of the Company's bylaws, provided that no substantive amendments are made thereto except with the approval of all subscribers represented in the Company.
 4. Appoint the members of the first Board of Directors for a term not exceeding (5) years as well as the first auditor, if they have not been appointed in the Company's Articles of Incorporation or Bylaws.
 5. Deliberate and approve the incorporators' report on the activities and expenses required for the incorporation of the company.

Shareholders Assemblies

- **Extraordinary General Assembly**
 - ▶ Extraordinary General Assembly shall convene at any time during the year whenever the need arise.

- **Competencies of the Extraordinary General Assembly**
 - ▶ The Extraordinary General Assembly shall have the following competencies:
 1. Amending the Company's bylaws, except for amendments which are deemed null and void pursuant to the provisions of the Companies Law.
 2. Increasing the Company's share capital in accordance with the situations provided by the Companies Law and its Implementing Regulations.
 3. Decreasing the Company's share capital if it exceeds the Company's needs or in the event the Company incurs financial losses, in accordance with the situations provided by the Companies Law and its Implementing Regulations.
 4. Resolving to form a consensual reserve for the Company as provided for in its bylaws to be set aside for a specific purpose, and the disposal thereof.
 5. Resolving to maintain or liquidate the Company before the end of the term specified in its bylaws.
 6. Approving the Company's shares buy-back.
 7. Issuing preferred shares or approving their buying, or converting ordinary shares into preferred shares or converting preferred shares into ordinary shares as per the Company's bylaws and the Regulatory Rules and Procedures issued pursuant to the Companies Law related to Listed Joint Companies.
 8. Issuing debt instruments or financing deeds convertible into shares, and stating the maximum number of shares that may be issued against these instruments or deeds.
 9. Allocating shares that are issued upon the capital increase or part of them for the employees of the Company, and its affiliates or some of them, or any of them.
 10. Suspending preemptive rights of shareholders in subscribing for a capital increase in exchange for cash or giving priority to non-shareholders in cases as deemed in the interest of the Company if so is provided for in the Company's bylaws.

The Extraordinary General Assembly may issue resolutions that fall within the powers of the Ordinary General Assembly by the absolute majority of shares represented at the meeting.

- **Ordinary General Assembly:**
 - ▶ The Ordinary General Assembly shall convene at least once a year during the first (6) months following the end of the company's fiscal year. Other Ordinary General Assemblies may be convened whenever needed. The Ordinary General Assembly shall convene upon an invitation from the Board according to the situations stated in the Company's bylaws. The Board should invite the Ordinary General Assembly to convene, upon the request of the external auditor, the audit committee or a number of shareholders holding shares equal to at least (5%) of the share capital. The external auditor may invite the Assembly to convene if the Board does not invite the Assembly within (30) days from the date of the external auditor's request.



Shareholders Assemblies

► **The Ordinary General Assembly may be convened by a resolution issued from the competent authority in the following cases:**

- A. If the Ordinary General Assembly is not convened during the first (6) months following the end of the Company's fiscal year.
- B. If the Board of Directors failed to satisfy the minimum number of members to be convened, with regards to Article (69) of the Companies Law.
- C. In case of violation of the provisions of the Companies Law or the Company's bylaws, or mismanagement of the Company
- D. If the Board failed to send an invitation to convene the General Assembly within (15) days from the date of the request by the auditor, audit committee or a number of shareholders holding shares equal to at least (5%) of the Company's capital.

A number of shareholders holding shares equal to at least (2%) of the Company's capital may submit a request to the competent authority to call for an Ordinary General Assembly if any of the above-mentioned conditions exist. The competent authority shall call for such Assembly to be convened within (30) days from the date of the shareholders' request, provided that such call includes the Assembly's agenda and items to be approved by the shareholders.

■ **Competencies of the Ordinary General Assembly**

The Ordinary General Assembly have competencies in all affairs of the Company with the exception of the competencies that are reserved for the Extraordinary General Assembly. Such competencies include but not limited to:

1. Appointing and dismissing Board members.
2. Permitting a Board member to have a direct or indirect interest in the business and contracts that are executed for the Company's account, in compliance with the provisions of the Companies Law and its Implementing Regulations.
3. Permitting a Board member to take part in any activities that may lead to competition with the Company, or competition in any of its activities, in compliance with the provisions of the Companies Law and its Implementing Regulations.
4. Monitoring the compliance of the Board members with the provisions of the Companies Law and its Implementing Regulations and other relevant laws and the Company's bylaws; inspecting any damage that may occur as a result of their violation of such provisions or mismanagement of the affairs of the Company, determining the liability resulting therefrom and undertaking the procedures it deems proper in this regard pursuant to the Companies Law and its Implementing Regulations.
5. Forming the audit committee pursuant to the provisions of the Companies Law and its Implementing Regulations.
6. Approving the Company's financial statement.
7. Approving the Board report.
8. Deciding on the proposals of the Board with respect to the method of distributing the net profits.
9. Appointing the external auditors of the Company, specifying their remunerations, reappointing them, replacing them and approving their reports.
10. Looking into the violations and errors committed by the external auditors of the Company when performing their duties and any difficulties, reported by the Company's external auditors, regarding their empowerment by the Company's Board or Management to review the books, records and other documents, statements and clarifications required to perform their duties, and respond to that as it deems appropriate in this regard.



Shareholders Assemblies

Statement	Incorporation Assembly	Ordinary General Assembly	Extraordinary General Assembly
Date of the General Assembly	Assembly should be convened within (45) days from the Ministry's licensing resolution date or from the subscription closing date	Convened at least once a year during the first (6) months following the end of the company's fiscal year and other General Assemblies may be convened, if necessary.	Whenever necessary
Invitation to convene the Assembly	The period between the invitation and the convention dates must not be less than (3) days in joint stock companies with closed subscription and (10) days for joint stock companies with public subscription.	Date, venue and agenda of the Assembly must be announced at least (21) days before the Assembly date.	Date, venue and agenda of the Assembly must be announced at least (21) days before the Assembly date.
The Quorum of the First meeting	Attendance of a number of subscribers representing at least (50%) of the capital.	Attendance of a number of shareholders representing at least (25%) of the Company's capital, unless the Company's bylaws state a higher percentage; provided that such percentage shall not exceed half of the Company's capital.	Attendance of a number of shareholders representing at least (50%) of the Company's capital, unless the Company's bylaws states a higher percentage; provided that such percentage shall not exceed two thirds of the Company's capital.
In case the quorum of the first meeting was not met	A second meeting is convened after at least (15) days from calling for the meeting. However, the second meeting may be convened one hour after the period specified for the first meeting; provided that the invitation for the first meeting shall indicate the possibility to hold such meeting	A Second meeting is convened within (30) days following the previous meeting. However, the second meeting may be convened one hour after the period specified for the first meeting; provided that the Company's bylaws allow the same, and in such case, invitation to the first meeting shall indicate the possibility to hold such meeting	A Second meeting may be convened one hour after the period specified for first meeting; provided that the invitation to the first meeting shall indicate the possibility to hold such meeting
Quorum of the second meeting	Any attendance percentage	Any attendance percentage	Representing at least (25%) of the Company's capital.
In case the quorum of the second meeting was not met	N/A	N/A	An invitation to the third meeting shall be sent (21) days before the Assembly date.
Quorum of the third meeting	N/A	N/A	Any attendance percentage



General Assemblies and their Elements



General Assemblies and their Elements

■ Basic Elements of the General Assemblies and their Roles

- ▶ Board of Directors - Chairman of the Assembly - Auditor - Assembly Secretary & Votes Collector - Shareholders - Supervisory Authorities.

■ Board of Directors

- ▶ The General Assemblies shall convene upon an invitation from the Board of Directors in accordance with the situations stated in the Company's bylaws. The Board's most important responsibilities related to the General Assembly are:
 1. Announce the venue where the Assembly is convened as well as its agenda, at least 21 days before the date of the Assembly.
 2. Call for the Assembly meeting on the Exchange's website, the Company's official website and a daily newspaper, which is distributed in the region where the Company's main office exists. In addition to that, the Company may send a General Assembly invitation to its shareholders via modern electronic means.
 3. Facilitate participation of a greater number of shareholders in the General Assembly meeting, including choosing the most suitable time and venue for such a meeting.
 4. Ensure that all topics discussed in the General Assembly are accompanied with enough detailed information that would help shareholders make their decisions, and such information and data should be provided within sufficient time prior to the meeting.
 5. The shareholder may view the minutes of the General Assembly meeting and the Company shall provide the Authority with a copy thereof within ten days from the date of such meeting.

■ Chairman of the Assembly

- ▶ The Chairman manages and supervises the Assembly. The most prominent functions are:
 1. Starting the assembly and announcing the number of shares represented in the meeting, and explaining the procedures and the voting mechanism for shareholders.
 2. Announcing the required quorum for the Assembly to be convened, in addition to declaring if the quorum was complete or not.
 3. Obtaining the shareholders' approval on nominating the Assembly's secretary and votes collector.
 4. Recite the items of the Assembly's agenda and present some of them briefly, such as the Board of Directors' report.
 5. The Chairman of the Assembly shall inform the Ordinary General Assembly, when convened, of the businesses and contracts, in which a Board member has a direct or indirect interest. This should be attached to a special report from the Company's external auditor.
 6. Answering shareholders' inquiries with regard to the items of the Assembly's agenda, without compromising the Company's interests and in accordance with the Companies Law, the Capital Market Law and their Implementing Regulations.
 7. Asking the shareholders to vote on the items of the Assembly's agenda.
 8. Asking the votes' collector to collect and sort out the ballots.
 9. Announce the voting results to the attending shareholders.



General Assemblies and their Elements

■ Auditor

- ▶ The auditor shall be invited if the Assembly's agenda includes an item related to the vote on the financial statements and the vote on the Auditor's report. The auditor shall be responsible for the following:
 1. Prepare a report according to the recognized auditing standards; including the company's management position towards enabling him to obtain the data and clarifications requested, and any found violations to the provisions of the Companies Law or the Company's bylaws as well as its opinion about the fairness of the Company's financial statements.
 2. Recite its report in the General Assembly. If the Assembly decides to ratify the Board of Directors' report and financial statements without considering hearing the auditor's report, such resolution shall be deemed void.
 3. Prepare a special report for businesses and contracts executed for the Company and in which a Board member has a direct or indirect interest.
 4. Prepare a special report on the compelling reasons for the capital reduction, the Company's obligations, as well as the impact of such reduction on such obligations.
 5. Answer questions of the Assembly's shareholders regarding the financial statements without compromising the Company's interests and in accordance with the Companies Law, the Capital Market Law and their Implementing Regulations.

■ Assembly's Secretary and Votes Collector

- ▶ The Assembly's Secretary and Votes Collector are responsible for the following:
 1. Secretary shall write down all discussions and deliberations held during the meetings in the minutes thereof.
 2. Votes Collector shall collect and sort out the ballots.
 3. The Chairman of the Assembly and the Assembly Secretary shall sign on the minutes after the General Assembly meeting in a special record.

■ Shareholders

- ▶ Each shareholder in the Assemblies shall have the right to, but not limited to:
 1. Attend Shareholders Assemblies, participate in deliberations and vote on its resolutions.
 2. Delegate, under a written power of attorney (according to the Regulatory Rules and Procedures issued pursuant to the Companies Law Relating to the Listed Joint Stock Companies issued by the Authority), another natural person to attend the General Assembly meeting and vote on the agenda items on his/her behalf, whether such person is a shareholder in the company or not, provided that such person is not a Board member or an employee of the Company.
 3. Discuss the topics included in the agenda and direct questions to Board members and the auditor to the extent that it does not compromise the Company's interests. If the shareholder considers the answer to his question unconvincing, such shareholder may recourse to the Assembly, and its resolution in this matter shall be deemed effective.
 4. Nominate himself or any other person(s) to be a member of the Board of Directors.
 5. Review the minutes of the meeting.
 6. Shareholders who own at least 5% of the Company's shares may add one or more items to the Assembly's agenda upon its preparation.



General Assemblies and their Elements

■ (Competent) Supervisory Authorities

- ▶ The Authority may delegate an officer(s) as a supervisor to attend the Company's General Assemblies in order to ensure the enforcement of the Companies Law's provisions.

■ Voting in Assemblies

- ▶ Each subscriber shall have a vote per share represented in the Incorporation Assembly, and each shareholder shall have a vote per share in the General Assemblies. A cumulative voting approach must be used in the election of the Board of Directors.

The Company shall publish the nomination announcement on the Company's official website and the Exchange's website and in any other channel as determined by the Authority in order to invite persons desiring to be nominated for membership of the Board. The Nominations shall remain open for at least a month from the announcement date.

■ Cumulative Voting Mechanism:

Voting	Cumulative Voting
Cumulative Voting Mechanism	Each shareholder is granted a voting capacity equal to the shares he/she owns. The shareholder has the right to vote for one candidate or distribute his/her voting capacity among his/her choice of candidates without any repetition of such votes.
Note	This method increases the chance for the minority shareholders to have a representative for them in the Board of directors by concentrating the cumulative votes on one candidate.



General Assemblies and their Elements

- Example: if a company has (3 seats) available in the Board for voting, then each investor can vote as the following:
 - ▶ Investor (A) owns 350,000 shares
 - ▶ Investor (B) owns 120,000 shares

Candidate	Cumulative Voting	
	Investor (A)	Investor (B)
1	110,000	
2		120,000
3	120,000	
4		
5	120,000	
6		
Total		

Note that investor (B) was able to elect a representative in the Board via the cumulative voting by concentrating all of his/her shares to the second candidate.

- **Electronic voting**
 - ▶ The e-voting mechanism aims to facilitate shareholders' participation in the General Assembly meeting in addition to raising efficiency and effectiveness of these meetings. This mechanism would help in overcoming obstacles that may prevent shareholders from participating in the assembly. Furthermore, it facilitates the convention of assemblies, as the shareholder is able to exercise the right to vote and participate without the need to be present at the assembly's venue.



Shareholders Participation in the General Assemblies



Shareholders Participation in the General Assemblies

- **How could the shareholder participate effectively in the General Assemblies?**
- ▶ A shareholder has an important role in the General Assembly by participating and voting on resolutions presented to the assembly. Thus, the shareholder's participation should be more effective through:
 1. The appropriate preparation to attend and participate in the assembly by reading the Board of directors' report and the company's financial statements before attending the assembly.
 2. Review the agenda items before the meeting and examine the items listed and the available information.
 3. Benefit from the opportunities available for discussion by asking questions to the extent that does not compromise the Company's interest.
 4. Full knowledge of his/her rights by reviewing shareholders' general rights in the relevant laws and regulations.

