



## **Guidance Note to the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies**

**Issued by the Board of the Capital Market Authority**

**Pursuant to Resolution No. (8-127-2016)**

**dated 16/1/1438H (corresponding to 17/10/2016G)**

**based on the Companies Law**

**issued by Royal Decree No. M/3 dated 28/1/1437AH**

**Amended by Resolution of the Board**

**of the Capital Market Authority Number (3-57-2019)**

**Dated 15/9/1440H (corresponding to 20/5/2019G)**

Third Version

*The Capital Market Authority hereby highlights that this note is for guidance only and not a substitute to the Regulatory Rules and Procedures Issued Pursuant to the Companies Law in addition to other related laws, rules and regulations. This note should not be relied upon regarding any legal procedures and responsibilities imputed to any related party or person.*



## INTRODUCTION

This guidance note (the “**Guidance Note**”) is intended to assist listed joint stock companies and its boards of directors; shareholders; and any related party in implementing the Regulatory Rules and Procedures issued pursuant to the Companies Law issued by decision of the Board of the Capital Market Authority (hereinafter referred to as the “**Regulatory Rules and Procedures**”) which aims to provide companies and its boards of directors; shareholders; and any related party to achieve a higher degree of compliance with the requirements of these Regulatory Rules and Procedures as well as the related provisions of the Companies Law. Therefore, the main objective of this Guidance Note is to further clarify a number of these requirements and provide practical examples related to such requirements.

**PART ONE: PRELIMINARY PROVISIONS**

Article one	Clarification
a) These rules and procedures shall not prejudice the provisions of the Companies Law, the Capital Market Law, any of their implementing regulations, and other relevant Laws.	
b) The Authority may waive a provision of these rules and procedures, in whole or in part as they apply to any person, upon his/her request or on its own initiative.	
c) Unless the context indicates otherwise, the following words and phrases, whenever they appear in these rules and procedures, shall have the meanings herein specified.	
<b>Shares:</b> shares of listed joint stock companies.	
<b>Treasury Shares:</b> Purchased Shares which are retained by the Company, including Employees' Shares which are retained by the Company.	According to the details specified in the Regulatory Rules and Procedures, the company may dispose or sell its Treasury Shares for any of the purposes mentioned herein.
<b>Employees' Shares:</b> Treasury Shares which are allocated by the Company to its employees.	These shares are included in the employee's incentive plans through which Treasury Shares owned by the Company are granted to the Company's employees.
<b>Purchased Shares:</b> shares bought back by the Company pursuant to Article 112 of the Companies Law.	They are shares bought back by the Company for the purposes specified in these Regulatory Rules and Procedures, including, capital reduction, shares allocation to the Company's employees or having the Company retain such shares for a specific time as determined by the General

	Assembly upon approving the buy-back of shares, all pursuant to the provisions of these Regulatory Rules and Procedures.
<b>Preferred Shares:</b> shares issued by the Company which entitle their holders the right to receive a percentage of the Company's net profits larger than the percentage received by holders of ordinary shares, after setting aside the statutory reserve, without entitling them to vote in the General Assembly.	
<b>General Assembly:</b> the general assembly held with the attendance of the shareholders of the Company pursuant to the provisions of the Company's bylaws and the Companies Law.	
<b>Special Assembly:</b> the special assembly held with the attendance of holders of preferred shares of the same class in accordance with the Companies law, Company's bylaws and these rules and procedures.	
<b>The Public:</b> any person other than the persons mentioned in the definition of "public" set out in the Glossary of Defined Terms Used in the Regulations and Rules of the Authority. For purposes of these Rules and Procedures, the shares retained by the Company do not count as a part of the ownership of the public.	
<b>Shareholders Register:</b> a register of shareholders prepared and maintained by the Depository Centre which includes names of shareholders, their nationality, place of residence, Shares numbers in which all relevant dealings related to the Shares issued by the Company are recorded.	

<b>Exchange:</b> the Saudi Stock Exchange.	
<b>Authorised Person:</b> a person authorised by the Authority to conduct securities business activities.	
<b>Company:</b> a joint stock company listed in the Exchange.	
<b>Rules on the Offer of Securities and Continuing Obligations:</b> The Rules on the Offer of Securities and Continuing Obligations issued by the Board.	
<b>Depository Centre Regulations:</b> The Securities Depository Centre Regulations approved by the board of the Authority.	
<b>Rules for Qualified Foreign Financial Institutions Investment in Listed Securities:</b> Rules for Qualified Foreign Financial Institutions Investment in Listed Securities issued by the Board of the Capital Market Authority.	
<b>Corporate Governance Regulations:</b> the Corporate Governance Regulations for listed joint stock companies issued by the Board of the Authority.	
<b>Remuneration Committee:</b> a committee formed pursuant to the provisions of the Corporate Governance Regulations.	
<b>Board:</b> The Company's board of directors.	
<b>Registered Shareholders:</b> the shareholders registered in the Shareholders Register at the end of the day on which the	

extraordinary General Assembly's meeting is held to approve the increase of the Company's share capital and issuance of related new shares or at the end of the day specified by the ordinary General Assembly or by the Board on which shareholders become entitled to dividends as to dividends distribution.	
<b>Remunerations:</b> amounts, allowances, profits and their equivalent, periodic and annual performance-related bonuses, short and long term incentive plans, in addition to any other in-kind benefits, except for reasonable costs and expenses actually incurred by the Company on behalf of a Board member in performing his work.	
<b>Prospectus:</b> the document required to offer securities in accordance with the Capital Market Law, and the Rules on the Offer of Securities and Continuing Obligations.	
<b>Capital Market Law:</b> the Capital Market Law issued by Royal Decree No. (M/30) dated 2/6/1424H.	
<b>Companies Law:</b> the Companies Law issued by Royal Decree No. (M/3) dated 28/1/1437H.	
<b>Depository Centre:</b> the Securities Depository Centre.	
<b>Authority:</b> the Capital Market Authority.	
<b>Day:</b> a working day in the Kingdom according to official working days of the Authority.	

<b>Calendar Day:</b> any day, whether a working or non-working day.	
<b>Affiliate:</b> a person who controls another person or is controlled by that other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect.	
<b>Controlling Interest:</b> The ability to influence actions or decisions of another person directly, indirectly, individually or collectively with a relative or an affiliate through: (A) owning %30 or more of the voting rights in a company, (B) having the right to appoint %30 or more of the administrative team members.	

**PART TWO: REMUNERATION OF BOARD MEMBERS:**

Article two	Clarification
a) Without prejudice to other relevant Laws and regulations issued by other supervisory authorities and in addition to the relevant provisions of the Companies Law and the Corporate Governance Regulations, when determining and paying Remunerations of each Board member, the Board must comply with the following standards:	
1) the Remuneration must be fair and proportionate to the Board member's activities carried out and responsibilities borne by the Board members, in addition to the objectives set out by the	The Company's Remuneration Committee may set an internal regulation which includes detailed standards and policies on the scale of Board members' remuneration and the extent of their entitlements,

Board to be achieved during the financial year;	all in accordance with standards listed in this sub-article and the Corporate Governance Regulation.
2) the Remuneration must be based on the recommendation of the Remuneration Committee;	This recommendation specifies remunerations that each of the Board members is entitled to in accordance with any other relevant standards or policies on which such recommendation was based, if any.
3) the Remuneration must be proportionate to the Company's activities and the required skills for tis management;	
4) taking into consideration the sector in which the Company operates, its size and experience of its Board members; and	For example, sectors that require special skills and professional expertise such as banks, insurance companies, or complex industries; In addition to the Company's size and scale of its activities, other foreign countries in which it operates and the Board members' experience in the Company's business, should be taken into account.
5) the remuneration must be reasonably sufficient to attract and retain highly qualified and experienced Board members.	Subject to the maximum amount (SR 500,000) set out in Article 76 (3) of the Companies Law.
b) Board members shall not vote on the agenda item relating to the Remuneration of Board members at the General Assembly's meeting.	The purpose of this paragraph is to guarantee the independence of the resolution of the General Assembly in respect of the agenda item related to the Board members' remuneration. Such restriction applies to the Board member either his/her votes in the General Assembly meeting is on his/her behalf or on others behalf.

Article three	Clarification
A Board member may receive a Remuneration for his/her membership in the audit committee formed by the General Assembly, for any	This means the total remuneration received by a board member for his/her membership in the audit committee formed by the General



<p>additional executive, technical, managerial or consultative duties – pursuant to a professional licence - or positions carried out by the Board member, and such Remuneration should be in addition to the Remuneration he/she may receive in his/her capacity as a member in the Board and in the committees formed by the Board, pursuant to the Companies Law and the Company’s bylaws.</p>	<p>Assembly and for any additional executive, technical, managerial or consultative duties – pursuant to a professional licence - or positions carried out by the Board member, shall not be subject to the maximum limit set forth in Article 76 (3) of the Companies Law.</p>
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<p><b>Article four</b></p>	<p><b>Clarification</b></p>
<p>a) The Remunerations of different Board members may vary depending on the Board member's experience, expertise, duties he/she undertakes, independence and number of Board meetings he/she attends in addition to other considerations.</p>	<p>Remunerations paid to board members may vary according to the standards stipulated in this article or any other standards based on which the remuneration can be determined.</p>
<p>b) The Remuneration of independent Board members shall not be a percentage of the profits that are realized by the company, nor shall it be based directly or indirectly on the Company's profitability.</p>	<p>Independent board members remunerations shall not be linked to the Company's profit, as such link may affects the independence of their decisions.</p>

<p><b>Article five</b></p>	<p><b>Clarification</b></p>
<p>If the General Assembly decides to terminate the membership of any Board member who fails to attend three consecutive Board meetings without a legitimate excuse, then such Board member shall not be entitled to any Remuneration for the period starting from the last</p>	

Board meeting he/she failed to attend, and he/she shall pay back any Remuneration he/she received for that period.	
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<b>Article six</b>	<b>Clarification</b>
If it is evidenced to the audit committee or the Authority that the Remuneration paid to any Board member was based on false or misleading information presented to the General Assembly or included in the annual Board report, the Board member shall return such Remuneration to the Company, and the Company may request such Board member to return such Remuneration.	As a result of such false or misleading information, all Remuneration paid to any Board member shall be returned to the Company. Repaying all Remuneration received, will not relieve the said Board members from being liable for any damages incurred by the Company, the shareholders, or any related party.

<b>Article seven</b>	<b>Clarification</b>
The Board must disclose in its annual report details of the Remuneration policies, and mechanisms for determining such Remuneration, including amounts in cash and in-kind benefits paid to each Board member in exchange for any executive, technical, managerial, or advisory work or positions.	

**PART THREE: HOLDING OF GENERAL AND SPECIAL ASSEMBLIES MEETINGS OF SHAREHOLDERS AND THEIR PARTICIPATION THEREIN THROUGH CONTEMPORARY TECHNOLOGY**

Article eight	Clarification
<p>a) Contemporary technology may be used to allow the shareholders to participate in General Assembly and Special Assembly meetings and their deliberation, review agendas of such meetings and related documents, in accordance with the following rules:</p>	
<p>1) the shareholders' participation at the General and Special Assembly must be through instant video and audio transmission;</p>	<p>This should allow the shareholder to actively engage in the discussions and events of the General Assembly through instant video and audio transmission, in a manner that would allow him/her to watch and listen to the speakers and any video or audio presentations, in addition to the ability to speak with the speakers, and to vote electronically on the resolutions and agenda items of the General Assembly. The General Assembly's attendees of shareholders or the Company's management are not required to view other shareholders who participate remotely in the General Assembly meetings. Shareholders may also vote on the General and Special Assembly's resolutions via contemporary technology without being present in person. Attendees and voters of the General and Special Assembly are counted through the automated system adopted by the company towards the quorum for validly held General and Special Assembly meetings, provided that all Rules in this Part are satisfied. The company may contract a service provider to provide such services.</p>
<p>2) the participation must be through a live connection between the Company and the shareholders, which shall enable the shareholder to actively and instantaneously participate in the General Assembly and Special Assembly, and to listen to and follow presentations, present opinions and discuss and vote on resolutions;</p> <p>b) the company must allow shareholders to vote on the agenda of the General and Special assembly meetings electronically, even if they did not attend those meetings, in accordance with the following rules:</p>	
<p>1) electronic voting must allow shareholders to cast their votes, whether before or during the General Assembly and Special Assembly meeting, without the need to appoint a proxy to</p>	

attend such meetings on their behalf; and	
2) The electronic voting on the agenda items of any General Assembly and Special Assembly meeting commences after the date of publishing the meeting's invitation, provided that such period shall not be less than three (3) days prior to the date of the meeting. The electronic voting on any item of the meeting agenda shall stop when the discussion and the voting on the item are concluded in that General or Special Assembly.	
c) The provisions of this Part shall not apply to non-shareholding Board members' participation in meetings of the General Assemblies and Special Assemblies.	

Article nine	Clarification
If contemporary technology is used in General Assembly or Special Assembly meetings, the Board must establish the rules and guidelines for checking the identity of the shareholder who votes electronically and participates in General Assembly and Special Assembly meetings through contemporary technology; the Board shall also verify the eligibility of each shareholder to vote on any of the meeting's agenda items.	If contemporary technology is used in General Assembly or Special Assembly meetings, the Board shall comply with any regulatory requirements – for example: the Electronic Transactions Law - and technical requirements to ensure that the identity of shareholders who remotely participate is verified.

Article ten	Clarification
The attendance and votes of shareholders who participate in General	The votes of participating shareholders through contemporary

Assemblies and Special Assemblies meetings by means of contemporary technology and shareholders who vote electronically are counted towards the quorum required for a validly held meeting of the General Assemblies and Special Assemblies.	technology (even if they do not attend the meeting) are counted towards the quorum required for a validly held meeting of the General Assemblies and Special Assemblies. In the event of losing the connection with any shareholder, such shareholder is considered as a shareholder who personally attends the meeting and leaves it prior to the end of the meeting. Such event does not prejudice counting such shareholder towards the attendance and votes quorum if such shareholder had voted electronically prior to the end of the meeting.
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Article eleven	Clarification
Without prejudice to Article 91 of the Companies Law, the Company may send General Assemblies and Special Assemblies meeting invitations through means of contemporary technology.	

**PART FOUR: BUY-BACK, SALE, PLEDGE OF SHARES**

**CHAPTER ONE: SHARE BUY-BACKS RULES:**

Article twelve	Clarification
A Company may, if so provided and permitted in its bylaws, buy-back its ordinary or preferred shares, in accordance with the following rules:	The Company, in this case, should comply with any other laws, regulations, rules or instructions issued by another supervisory authority - to which it is subject – that restrict the Company issuance of Preferred Shares or prohibit it from such issuance.
1) the purpose of the share buy-back shall be to either reduce the	The Company may buy-back its shares to reduce its capital directly after the buy-back or later. The company may also buy these shares

Company's capital or to retain them as Treasury Shares;	and retain them as Treasury Shares. If the purpose of the Company's buy-back of its Shares is reducing its capital, the Company must take all relevant regulatory procedures and obtain any necessary approval.
2) the Treasury Shares of the Company, must not at any time exceed 10% of the total Shares in the class of Shares subject of the buy-back;	
3) the Company, based on a report issued by the Company's auditor, must satisfy the following solvency requirements:	
<ul style="list-style-type: none"> <li>• prior to buying its Shares the Company must have, on its own or with its subsidiaries, sufficient working capital for the twelve (12) months immediately following the date of completion of the share buy-back transaction.</li> </ul>	After deducting the value of the buy-back transaction, the Company must have sufficient working capital for a period of twelve (12) months.
<ul style="list-style-type: none"> <li>• The amount of Treasury Shares held must not exceed the amount of the retained profits of the Company.</li> </ul>	
4) the extraordinary General Assembly approval of the Share buy-back transaction and determining its purposes, the maximum number of Shares subject to the buy-back and the buy-back funding method. The extraordinary General Assembly must also authorise the Board to finalize the buy-back transaction, within a maximum period of twelve (12) months from the date of the above mentioned extraordinary General Assembly's resolution. The Company must announce the approval of the buy-back transaction and its conditions, immediately after the relevant resolution of the extraordinary General Assembly is issued. The extraordinary General Assembly may at any time issue a	For example, if the General Assembly approved buy-back of 60.000 shares of the company's shares, the extraordinary General Assembly may delegate the Board to conduct the buy-back on as many phases as it deems appropriate. In such case, the Board may, for example, complete the buy-back transaction in three phases, so 20.000 share are bought in each phase.

<p>resolution to change the purposes of the Shares buy-backs;</p>	
<p>5) Unless the purpose of Share buy-back transaction is reducing the share capital of the company, the buy-back must not exceed 10% of the total quantity approved for buy-back by the General Assembly in one trading day, unless the total approved quantity, or the remaining of the approved quantity that has not been bought-back, is lower than 10% of the trading volume on the day preceding the buy-back transaction;</p>	<p>The buy-back transaction must not exceed 10% of the total quantity approved by the General Assembly in one trading day. Such percentage is calculated based on the total quantity approved for all phases (if the transaction is meant to be conducted through multiple phases). This, however does not apply if the total quantity approved by the General Assembly (or the remaining of the approved quantity) is lower than 10% of the trading volume on the day preceding the buy-back transaction.</p>
<p>6) The purchase price shall no exceed 5% of the closing price on the day preceding the day the Share buy-back transaction is executed;</p>	<p>For example, if the closing price of the share on the proceeding day was SR 10, the purchase order price shall not exceed SR 10.5 on the trading day when buy-back transaction is executed.</p>
<p>7) The buy-back transaction must not cause the ownership of the public in Shares of the same class to decrease to less than 30% or any other percentage specified in the prospectus approved by the Authority.</p>	<p>The Company's buy-back transaction must not cause the ownership percentage of the public in the Company's shares to decrease below the statutory limit i.e. 30% or any other percentage specified by the Authority.</p>
<p>8) Unless the purpose of Share buy-back transaction is reducing the share capital of the company, the Share buy-back transactions must be executed through the Exchange – must not be through a private transaction –;</p>	
<p>9) the Company must not buy-back its Shares during the following periods:</p>	

<ul style="list-style-type: none"> <li>• during the fifteen (15) calendar days preceding the end of the financial quarter and until the date of the Company's announcement of its reviewed interim financial statements; and</li> </ul>	
<ul style="list-style-type: none"> <li>• during the thirty (30) calendar days preceding the end of the financial year and until the date of the Company's announcement of its reviewed interim financial statements or its audited annual financial statements;</li> </ul>	
10) the Company must not have a sale order in place while buying Shares.	The Company shall not enter or execute purchase orders when it is simultaneously selling its shares through entering or executing sale orders.
<b>Article thirteen</b>	<b>Clarification</b>
A Company may not buy-back its shares to use them as Treasury Shares except for the following purposes:	
1) If the Board or its authorised representative, considers that the Share price on the Exchange is lower than its fair value.	The Company may purchase its shares for purposes of stabilizing the fluctuating share price when it is lower than its fair value.
2) To fulfil convertible debt instruments holders right to convert them into Shares in accordance with the terms and conditions of those instruments.	
3) Share swap transactions for the acquisition of shares or limited liability company's interests or an asset	These bought Shares would consist of the full or partial consideration paid by the Company to the sellers of shares, stakes or the acquired



purchase.	asset.
4) To allocate them to Company's employee as part of an Employees' Shares plan.	The shares allocated to the Company's employee as part of an employee's share incentive plan.
5) Any other purpose approved by the Authority.	

Article fourteen	Clarification
The Company shall immediately notify the Exchange – according to the mechanism set out by the Exchange - of its transactions related to shares buy-back and the purpose of such buy-back. In order for the Exchange to publish the shares buy-back transactions in the listed companies shares buy-back periodic report.	

Article fifteen	Clarification
The Board annual report must contain details relating to Treasury Shares retained by the company and details on the use of these shares.	

Article sixteen	Clarification
The amount the Company will pay to buy-back its shares must not exceed the amount of distributable profits, whether the buy-back will	The Company may use its own cash accounts or external sources of financing (such as loans), provided that the financing sources shall not

<p>be made through its own cash accounts or external sources of financing.</p>	<p>exceed the total amount of the distributable profits at the time of buying these shares, after deducting the used amounts of these profits for dividends , zakat and previous capitalization.</p> <p>Distributable Profits are defined as per the accounting definition approved by the competent authority.</p>
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<p><b>Article seventeen</b></p>	<p><b>Clarification</b></p>
<p>If the purpose of a Company’s buy-back of its Shares is to decrease its share capital, the provisions of Article 148 of the Companies Law must be taken into consideration.</p>	

**CHAPTER TWO: EFFECT OF A BUY-BACK TRANSACTION**

<p><b>Article eighteen</b></p>	<p><b>Clarification</b></p>
<p>a) If a Company buys-back its Preferred Shares, they are deemed cancelled upon completion of the buy-back transaction and the Company must then take necessary regulatory procedures prior to purchasing these Preferred Shares.</p>	<p>When a Company intends to buys-back its Preferred Shares, It has to take the required regulatory procedures, for example but not limited to, amend its articles of association and finalise the capital reduction process.</p>
<p>b) The Company planning to purchase a class of its Preferred Shares must make an offer to all the holders of that class of Preferred Shares. The holders of that class of the Preferred Shares shall have an equal opportunity to offer their Preferred</p>	<p>The company in this case shall not make an offer to buy a class of its preferred shares to specific persons of the holders of these shares, rather it must make an offer to all holders of the shares.</p>

<p>Shares to the Company to purchase them in accordance with the provisions of Article 148 of the Companies Law.</p>	
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<p><b>Article nineteen</b></p>	<p><b>Clarification</b></p>
<p>The extraordinary General Assembly shall determine, within its resolution approving the Share buy-back transaction, the maximum time period during which the Company may retain its Treasury Shares without selling them or allocating them to its employees as Employees' Shares Plan, and the Company must not dispose of these Shares after the elapse of the mentioned period, and must take necessary regulatory procedures to cancel these Shares within a period not exceeding six months after the end of that period, unless the extraordinary General Assembly resolved to extend the period for which the company may retain the Treasury Shares before the said six month elapses.</p>	<p>if the time period specified by the extraordinary General Assembly elapsed without either reselling the treasury shares or allocating them for Employees Shares Plan, the company then must take the required regulatory procedures within six month after the end of this period, for example but not limited to, amending its articles of association and finalizing the capital reduction procedures. The company shall not dispose these shares during the period in between the end of the period specified by the Assembly up to finalizing the pre mentioned regulatory procedures.</p>

<p><b>Article twenty</b></p>	<p><b>Clarification</b></p>
<p>Unless the Treasury Shares are allocated to the Company's employees as part of the Employees' Shares Plan, a Company may not increase its share capital through a rights issue if it retains Treasury Shares or if the extraordinary General Assembly approved a Share buy-back transaction, and did not cancel such approval.</p>	

Article twenty-one	Clarification
<p>If a Company which retains Treasury Shares increases its share capital through a capitalisation issue, it shall have rights similar to those of other shareholders with respect to such Shares.</p>	

**CHAPTER THREE: RULES OF COMPANY'S SALE AND PLEDGE OF SHARE:**

Article twenty-two	Clarification
<p>A Company may sell its Treasury Shares, if so provided and permitted in its bylaws, in accordance with the following rules:</p>	
<p>1) the approval of the Board on the sale of Treasury Shares without prejudice to the extraordinary General Assembly's resolution on the approval of buying these shares.</p>	<p>This includes specifying whether the sale transaction will take place in one or multiple phases.</p>
<p>2) the sale of Treasury Shares transaction must not exceed 10% of the total Treasury Shares to be sold, during one trading day, unless the total quantity of Treasury Shares to be sold is lower than 10% of the trading volume of the Company's Shares on the day preceding the buy-back transaction;</p>	<p>This means that no transaction shall be conducted to sell more than 10% of the quantity approved by the board in one trading day. This percentage is calculated of the total quantity approved for all phases (if the sale is to be conducted in multiple phases. This, however does not apply if the quantity approved by the General Assembly or the remaining quantity is lower than 10% of the trading volume on the day preceding the buy-back transaction.</p>

<p>3) the sale transactions must be executed through the Exchange – must not be through a private transaction –. As an exception, the sale of these Shares is not required to be executed through the Exchange if the purpose of the Treasury Shares is to fund share swap transactions for acquiring a company or an asset or to fulfil convertible debt instruments holders right to convert them into Shares in accordance with the terms and conditions of those instruments;</p>	<p>When a company intends to sell its shares, this must be done through the Exchange except the sale cases when the purpose of using these shares is as non-cash consideration in an exchange transactions for the acquisition of a company or selling an asset. Also, if the company intends to sell these shares to fulfil convertible debt instruments holders' right to convert them into Shares, the company may sell these shares through a private transaction.</p>
<p>4) the company must not sell its Treasury Shares during the following periods:</p>	
<ul style="list-style-type: none"> <li>• during the fifteen (15) calendar days preceding the end of the financial quarter and until the date of the Company’s announcement of its reviewed interim financial statements; and</li> </ul>	
<ul style="list-style-type: none"> <li>• during the thirty (30) calendar days preceding the end of the financial year and until the date of the Company’s announcement of its reviewed interim financial statements or its audited annual financial statements; and</li> </ul>	
<p>5) the Company must not have a buy order in place while selling Shares.</p>	<p>This means the company shall not place or execute any sale order for its shares and simultaneously purchase its shares by placing or executing any purchase order.</p>

<b>Article twenty-three</b>	<b>Clarification</b>
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A Company may pledge its Shares as security for a debt, if so provided and permitted in its bylaws, in accordance with the following rules:	
1) the pledge must benefit the Company and its shareholders, this shall be based on a statement issued by the Board;	
2) the ordinary General Assembly must approve the Share pledge transaction, and a pre-approval may be granted for several transactions; and	
3) the pledge must not result in a breach of the Companies Law and any other relevant rules and regulations.	

**CHAPTER FOUR: EMPLOYEES' SHARES:**

Article twenty-four	Clarification
If a Company is buying-back its Shares for the purpose of allocating them to its employees within an Employees' Shares plan, the Company must, in addition to the other requirements of a share buy-back, comply with the following rules:	
1) the Company's bylaws must provide and permit that;	
2) obtain the extraordinary General Assembly's approval on the Employees' Shares plan. The General Assembly may authorise the Board to determine the terms of the plan including the allocation price for each Share offered to employees if offered for consideration; and	

3) non-executive Board members shall not participate in the Employees' Shares plan, and executive Board members shall not vote on Board resolutions relating to the plan.	
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**PART FIVE: PLEDGE OF COMPANY'S SHARES**

**CHAPTER ONE: SHARE PLEDGE RULES:**

<b>Article twenty-five</b>	<b>Clarification</b>
Without prejudice to other relevant Laws and regulations, anyone who has the right to own Shares of a Company or hold Shares for and on behalf of a third party may take a pledge over Shares in accordance with the rules set forth in this Part.	"who has the right to own Shares on behalf of a third party" refers to banks and authorized persons and their counterparts of lenders or contractors with the shareholder in the kingdom or abroad in the scope of providing loans or commercial deals guarantees and other commercial transactions.

<b>Article twenty-six</b>	<b>Clarification</b>
A shareholder of a Company may pledge some or all of his/her Shares, in accordance with the following rules:	
1) obtaining any regulatory approvals necessary to create the pledge, if any; and	This refers to the required regulatory approvals within the company (in case the company is the pledgor) and the necessary regulatory approvals from other relevant authorities such as supervisory authorities that supervise the company's activities.

2) the pledge agreement between the pledging shareholder and pledgee creditor must comply with the rules set forth in Chapter Two of this Part.	
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**CHAPTER TWO: PLEDGE AGREEMENTS AND ITS REGISTRATION:**

<b>Article twenty-seven</b>	<b>Clarification</b>
a) A pledge of Shares of a Company is created pursuant to a written or an electronic agreement between the pledging shareholder and the pledgee creditor, which shall include the following information.	This is pursuant to other relevant laws such as Electronic Transactions Law issued under royal decree (M/18) dated 08/03/1428H.
1) names of the pledging shareholder, pledgee, and the beneficiary creditor (if other than the pledgee), their identifications numbers, and their addresses;	
2) number of the pledged Shares and their nominal value, name of the issuing Company and its commercial registration number;	
3) the amount of the debt secured by the pledge or the maximum debt amount permitted by it;	The debt may be defined as if it is created on these shares to secure a One Million SR debt. The debt may have a maximum permitted limit as if it is created to secure a debt or debts not exceeding One Million SR in total.
4) the name of the debtor (if the debtor is other than the pledging shareholder), his/her identification number, and his/her address.	
5) date of the pledge agreement;	



6) conditions and terms of releasing the pledge; and	
7) any other conditions agreed upon by both parties.	
b) The Depository Centre and the custodian of the pledged shares, should be provided with a certified copy of the pledge agreement upon recording the pledge on the relevant Shares.	
c) A pledge over Shares is recorded, registered and released in the Shareholders Register in accordance with the provisions of the Depository Centre Regulations.	

Article twenty-eight	Clarification
A share pledge shall have no legal effect towards third parties unless it is recorded in the Shareholders Register.	This is to be done at the Securities Depository Centre.

Article twenty-nine	Clarification
The pledgee creditor may receive the dividends resulting from the pledged Shares and may enjoy all rights attached to them, unless the pledge agreement provides otherwise.	

Article thirty	Clarification

<p>As an exception to Article 29 of these Rules and Procedures, the pledgee creditor shall not be permitted to attend or vote at the General Assembly meetings and the Special Assembly meetings.</p>	
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**CHAPTER THREE: FORECLOSING ON THE PLEDGED SHARES**

<p><b>Article thirty-one</b></p>	<p><b>Clarification</b></p>
<p>a) The foreclosure on pledged Shares shall be in accordance relevant laws, regulations, and rules.</p>	
<p>b) An Authorised Person may foreclose on Shares deposited for its benefit or Shares available in its customer’s portfolio as a guarantee for the margin lending through directly selling them on the Exchange, in accordance with the relevant applicable rules and the margin lending agreements entered into between both parties, even if such Shares are not pledged for the benefit of the authorised person.</p>	

**CHAPTER FOUR: GENERAL PROVISIONS:**

<p><b>Article thirty-two</b></p>	<p><b>Clarification</b></p>
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It is permitted to record more than one pledge over any Share of the Shares subject to a pledge in accordance with the provisions of the Commercial Mortgage Law.	
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**PART SIX: ISSUANCE, BUY-BACK AND CONVERSION OF PREFERRED SHARES BY THE COMPANY:**

<b>Article thirty-three</b>	<b>Clarification</b>
The Company may issue or buy-back Preferred Shares, convert ordinary Shares into Preferred Shares or convert the Preferred Shares into ordinary Shares, in accordance with the following rules:	
1) the Company's bylaws must provide and permit it;	
2) obtain the extraordinary General Assembly's approval;	It is a specific separate approval for each specific issuance of preferred shares. However, more than one issuance can be included under one approval of the Assembly if the maximum limit of all issuances is determined and a timeframe is specified to finalize all issuances. Amending the company's articles of association to include clauses allowing the company to issue preferred shares shall not be considered a permission to a specific issuance of Preferred Shares.
3) obtain the approval of holders of Preferred Shares convened in a Special Assembly if the resolution relates to converting Preferred Shares into ordinary Shares or amending the rights of any holders of such Shares;	The extraordinary General Assembly approval is required on converting Preferred Shares into ordinary shares, or on amending the rights of any holders of such Shares.
4) the Preferred Shares must not exceed 10 % of the Company's share capital;	

5) the Company's share capital must be fully paid; and	
6) Compliance with other relevant laws and regulations.	

Article thirty-four	Clarification
Special assemblies of holders of Preferred Shares must be held in accordance with the provisions of Article 89 of the Companies Law.	

Article thirty-five	Clarification
Preferred Shares shall not grant its holders the right to vote in General Assemblies unless the Company fails to pay to holders of such Shares the specified percentage of the Company's net profits after setting aside the statutory reserve for three consecutive years.	

Article thirty-six	Clarification
If the General Assembly resolution results in amending the rights of holders of Preferred Shares, including the liquidation of the Company or conversion of Preferred Shares into ordinary Shares or vice-versa, such resolution shall not be effective unless ratified by holders of	

Preferred Shares allowed to vote in a Special Assembly.	
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Article thirty-seven	Clarification
<p>If the Company fails to pay holders of Preferred Shares the specified percentage of the Company's net profits after setting aside the statutory reserve for three consecutive years, the Special Assembly of holders of Preferred Shares, held in accordance with the provisions of Article 89 of the Companies Law, may resolve either to allow them to attend the Company's General Assembly and participate in voting, or to appoint representatives in the Board in proportion to the value of their Shares in the share capital, until the Company is able to pay all profits allocated to holders of such Shares from all previous years. Each Preferred Share shall have one vote in the General Assembly, and the holder of a Preferred Share may, in this case, vote on all agenda items of the General Assembly without any exceptions.</p>	

**PART SEVEN: DIVIDEND DISTURBTION TO SHAREHOLDERS OF THE COMPANY:**

**CHAPTER ONE: TIMING OF PAYMENT OF DIVIDEND:**

Article thirty-eight	Clarification
<p>The Board must implement the General Assembly resolution with respect to dividend distribution to the Registered Shareholders within fifteen (15) days from the date they become entitled to such dividends as determined in such resolution, or the Board's resolution for the distribution of interim dividends.</p>	<p>The company that declares distributing dividends either by a resolution of the General Assembly or the Board (for interim dividends) shall commit to pay the amounts (representing the shares of each shareholder in dividends) to the respective shareholders within 15 business day from the issuance of the resolution.</p>

**CHAPTER TWO: INTERIM DIVIDEND DISTURBTION:**

<b>Article thirty-nine</b>	<b>Clarification</b>
<p>A Company may, if so provided and permitted in its bylaws, distribute interim dividends to its shareholders on a biannual or quarterly basis after fulfilling the following requirements:</p> <ol style="list-style-type: none"><li>1) The issuance of a resolution by the General Assembly renewed annually authorising the Board to distribute interim dividends.</li><li>2) The company shall enjoy regular positive profitability.</li><li>3) The company shall enjoy reasonable liquidity, and is able to reasonably foresee the scale of its profits.</li><li>4) The Company shall have distributable profits from one or more previous years – according to the latest audited annual financial statements - sufficient to cover the proposed dividend distribution, after deducting the amounts distributed and capitalised of the profits after the date of the these financial statements.</li></ol>	

<b>Article forty</b>	<b>Clarification</b>
<p>The Board must include in its annual report submitted to the General Assembly of the Company the portion of dividends distributed to shareholders during different periods of the financial years in addition to the portion of dividends proposed for distribution at the end of the financial year,</p>	<p>The Board report which is prepared at the end of every fiscal year and presented to the General Assembly shall include the details of all interim profits that were distributed during the fiscal year and its percentage of the total realised profits for the same year (if any) in addition to any other profits</p>

and the aggregate dividend amounts.	distributions recommended by the Board.
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Article forty-one	Clarification
a) Dividend distributions must be recorded to the cumulative retained earnings account of preceding years, or the contractual reserves, or both. The Company must take a sequential and consistent approach in determining the manner and percentage of dividend distributions in light of the Company's capabilities and available liquidity. The Board must disclose and announce the portion of regular interim dividends approved for distribution to the shareholders on the specified dates.	
b) A Company must, upon resolving to distribute interim dividends, disclose and announce such resolution immediately, and provide the Authority with a copy thereof immediately.	Upon resolving to distribute interim dividends to shareholders by the Board, the company must disclose this in the Exchange and send a copy of this resolution to the Authority.

**PART EIGHT:ISSUANCE AND SALE OF PRE-EMPTIVE RIGHTS RESULTING FROM CAPITAL INCREASE:**

**CHAPTER ONE: DEFINITION OF PRE-EMTPIVE RIGHTS:**

Article forty-two	Clarification
Pre-emptive Rights are tradable securities issued by a Company which grant their holder the right to subscribe for new cash Shares offered upon the extraordinary General Assembly's approval of the capital increase through the issuance of new cash Shares. Each pre-emptive right grants its holder the right to subscribe for one new Share at the offer price. The extraordinary General Assembly may issue a resolution to allocate the new Shares resulting from a capital increase to any shareholder (excluding others) or a new investor who is not a shareholder, and in	

this event the capital increase does not result in rights issue.

### Article forty-three

After the extraordinary General Assembly's approval of the capital increase through a rights issue, the price of the Share is adjusted by the Exchange, and the pre-emptive rights are deposited as securities in the portfolios of the Registered Shareholders based on their eligibility and in proportion to the percentage they each own in the share capital, within a maximum of two (2) days from the date of the extraordinary General Assembly meeting. The pre-emptive rights will appear in the portfolios of Registered Shareholders under a new symbol that designates these rights, and cannot be traded and subscribed for except in accordance with what is disclosed in the Prospectus. The value of such pre-emptive rights will not appear in the Registered Shareholders' portfolios before the trading period, however, only the number of pre-emptive rights will appear. The Exchange will regularly calculate and publish an indicative value on its website during the period for trading of pre-emptive rights.

### Clarification

	Calculation	Results
<b>Market Value</b>	The number of the existed and issued shares X the closing price on the day of holding the Assembly	1,000,000 X SR 40.0 = S.R 40,000,000
<b>The total value of the offering</b>	As per the company's request	S.R 2,000,000 (example)
<b>Offering Price</b>	Determined based on studies	SR 10,0
<b>Number of the Offered Shares</b>	Total value of the offering/ offering price	200,000
<b>The offering ratio</b>	Number the of offered shares/ number of the existed and issued shares	1,000,000 / 200,000 = 1 for every 5 shares (%20)
<b>The total of existed and issued shares after the offering</b>	The number of existed and issued shares +the number of the offered shares	1,000,000 + 200,000 = 1,200,000
<b>Market value after the offering</b>	Market value + Offering value	S.R 40,000,000 + S.R 2,000,000 = S.R 42,000,000
<b>The amended price (after holding the Assembly)</b>	Market value after the offering/ total number of Shares	S.R 42,000,000/1,200,000 shares = SR 35.0



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**CHAPTER TWO: PROCESS OF TRADING OF PRE-EMPTIVE RIGHTS:**

Article forty-four	Clarification
The process of trading of pre-emptive rights include the following steps:	
<p><b>1) Period for trading of pre-emptive rights and the subscription in the new Shares:</b></p> <p>The period of the trading in the pre-emptive rights and the subscription in the new Shares by the registered shareholders and the new investors shall be determined in the relevant prospectus.</p>	The trading period is the period during which the Registered Shareholders and investors in the Exchange sell and buy rights from the Exchange.
<p><b>2) Rump Offering Period (if any):</b></p>	
<p>a) If there Shares that are unsubscribed for (rump Shares) or fractional Shares (if any), such Shares shall be offered at a minimum at the offer price to a number of institutional investors according to the procedures set out in the prospectus.</p>	
<p>b) The subscription price of the rump Shares shall not be less than the offer price during that period.</p>	Institutional Investors wishing to subscribe in new shares shall present their offers to buy the rump share at a price not less than the offer

	price.
c) If the price of rump Shares is higher than the offer price, the difference (if any) shall be distributed, after deducting the subscription monies and expenses incurred by the Company in relation to selling these rights, as a compensation to holders of pre-emptive rights, whether they are Registered Shareholders or the new investor who purchased the pre-emptive rights and did not subscribe for their pre-emptive rights or did not sell their pre-emptive rights in proportion to the pre-emptive rights they own.	Any surplus resulting from the investment institutions buying of shares at a price higher than the offer price (if any) shall be distributed by the subscription manager to the Registered Shareholders or the new investors who did not subscribe for their rights nor sell these rights in proportion to the rights they own. This is after deducting the subscription amounts and fees incurred by the company.
<b>3) Allocation of shares to subscribers:</b>  The prospectus determines the period of allocation of Shares to subscribers, and the date of transferring the compensation (if any).	This includes allocating the new shares resulting from the capital increase to the Registered Shareholders and investors who bought pre-emptive rights in the Exchange and then subscribe for relevant shares.

**CHAPTER THREE: OPTIONS AVAILABLE TO REGISTERED SHAREHOLDERS AND NEW INVESTORS:**

Article forty-five	Clarification
A Registered Shareholder shall have the following options:	
1) Exercise its right to subscribe for the entire pre-emptive rights deposited in its portfolio to maintain its shareholding percentage in the Company.	
2) Sell the pre-emptive rights deposited in its portfolio or part thereof through the Exchange and receive the consideration	

for such entire or partial sale.	
3) Purchase additional pre-emptive rights through the Exchange, and all purchasers shall have the right to subscribe for the Shares during the subscription period in accordance to what is disclosed in the Prospectus.	
4) Maintain its pre-emptive rights without any change, whether by selling them or exercising the right to subscribe for them, and in this case, the rump Shares resulting from not exercising such pre-emptive rights or selling them shall be offered during the rump offering period. The Registered Shareholder may not receive any consideration for such pre-emptive rights if the sale occurs in the rump offering period at the offer price.	

Article forty-six	Clarification
A new investor may purchase pre-emptive rights during the trading period and subscribe for such pre-emptive rights in accordance with the procedures set out in the prospectus. If it does not subscribe for such Shares before the end of the second subscription period, the rump Shares resulting from not exercising such pre-emptive rights or selling them shall be offered during the remaining rump offering period.	

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**CHAPTER FOUR: PRE-EMPTIVE RIGHTS INDICATE VALUE:**

Article forty-seven	Clarification
<p>The indicative value of the pre-emptive rights shall reflect the difference between the market value of the Company’s Shares during the trading period and the offer price regularly calculated and published by the Exchange on its website during the trading period. The indicative value may also be published on websites of market information providers to enable investors to view the reference value upon entering orders.</p>	<p>The indicative value of the pre-emptive rights shall reflect the difference between the market value of the Company’s Shares during the trading period and the offer price. For example, if the share price was SR 45 (the amended price after the capital increase), and the offer price was ten riyals, then the indicative value equals to the share market price minus the offer price = SR 35. The market will calculate and publish the indicative value on its website continuously during the trading period in addition to market information providers to enable investors to view the reference value upon entering orders.</p>

**PART NINE: PROXY PROCEDURES FOR ATTENDING GENERAL AND SPECIAL ASSEMBLIES:**

Article forty-eight	Clarification
<p>a) A shareholder in a Company may authorise, pursuant to a written proxy letter, another natural person, either from shareholders of the Company or others, provided that he is not a Board member or employee of the Company, to attend the</p>	

General Assembly or Special Assembly meetings and vote on its agenda items on his/her behalf. Such proxy letter must be in accordance with the proxy form attached to the meeting notice issued by the Company, which shall be in the form set out in Annex (1) and shall include the following information:	
- full name of the authorising shareholder if he is a natural person, or its name according its commercial registration, or equivalent, if it is a legal person;	
- name of the Company according to its commercial registration;	
- Identification number if the shareholder is a natural person, or commercial registration number if it is a legal person, or equivalent;	
- full name and identification number of the proxy;	
- name and capacity of the proxy letter signatory, provided that a copy of the legal power of attorney is attached if the signatory is a legal agent;	In case the signatory is a legal agent of the assigning shareholder under a power of attorney before a notary, a copy of the said power of attorney shall be attached along with the proxy letter.
- date of proxy letter and period of validity; and	
- type of assembly meeting for which the proxy letter is granted.	State that the proxy letter is for attending the General or extraordinary Assembly or the Special Assembly.
b) Notwithstanding the information required in paragraph (a) of this Article, a shareholder may authorise another person, from shareholders of the Company or others, provided that he is not a Board member or employee of the Company, to attend the	The power of attorney is the authorization prepared before a notary in the kingdom of Saudi Arabia. The legal authorization is prepared before the competent authorities overseas or before the licensed

<p>General Assembly or Special Assembly meetings on its behalf pursuant to a legal power of attorney, provided that such power of attorney shall explicitly state the representative's right to attend General Assembly and Special Assembly meetings of the Company (as applicable) and vote on its agenda items.</p>	<p>notaries in the kingdom.</p>
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<p><b>Article forty-nine</b></p>	<p><b>Clarification</b></p>
<p>a) A shareholder who is a Saudi natural person or resident in the Kingdom, or a legal person duly established in the Kingdom, must attest his/her signature in the proxy letter by any of the following authorities:</p>	
<p>1) chambers of Commerce and Industry if the shareholder is a member of the same, a company, or a legal entity;</p>	
<p>2) a licensed bank or an Authorised Person in the Kingdom, provided that the authorising shareholder holds an account with the attesting bank or Authorised Person; or</p>	
<p>3) Notary public or Persons licensed for attesting.</p>	
<p>b) A shareholder who is a legal person established outside the Kingdom may send a proxy letter to the Company, attested by the Kingdom's diplomatic authorities and embassy in its country and the Saudi Ministry of Foreign Affairs, specifying its representatives who have the right to attend the Company's General Assembly or Special Assembly meetings on its behalf. Such proxy letter must be sent to the Company within the first</p>	<p>This proxy letter is different from the authorization referred to in article 48 (A) for the attendance of the assignee is considered an attendance of the legal person itself and not by proxy.</p>

<p>three (3) months of the financial year or within one (1) month from the date of acquiring Shares in the Company. Such letter shall be deemed an official proxy letter which allows such representatives to attend General Assembly or Special Assembly meetings held within one (1) year from the date of the proxy letter. As an exception to the above, the qualified foreign investor may have the letter referred to in this paragraph attested by the assessing authorised person with whom he transacts, in accordance to the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities.</p>	
<p>c) A shareholder who is a non-resident natural person may send a proxy letter to the Company, attested by the Kingdom's diplomatic authorities and embassy in his/her country of residence, specifying his/her proxy who have the right to attend the Company's General Assembly or Special Assembly meetings on his/her behalf, in accordance with Articles 51, 52, and 53 of these Rules and Procedures.</p>	

<p><b>Article Fifty</b></p>	<p><b>Clarification</b></p>
<p>The Company's bylaws may determine a maximum number of shares that a single proxy may represent in attending meetings and vote on behalf of its holders. If the Company's bylaws do not include such limitation, a single proxy may accept more than one proxy letter from the Company's shareholders, attend meetings and vote on their behalf regardless of the number of shares he represents in a meeting, except</p>	

<p>where the proxy is issued by a shareholder if he/she solely owns a number of Shares exceeding the maximum number determined in the bylaws.</p>	
<p><b>Article fifty-one</b></p>	<p><b>Clarification</b></p>
<p>Without prejudice to paragraph (b) of Article 48 of these rules and procedures, and unless otherwise stated in the proxy, a proxy letter must be to a specific General Assembly or Special Assembly meeting. Such proxy shall be valid if a meeting is adjourned to a second or third meeting for failure to reach the quorum of the first meeting to which the proxy letter was issued.</p>	

<p><b>Article fifty-two</b></p>	<p><b>Clarification</b></p>
<p>It is prohibited for a shareholder (who is a natural person) to authorise another person in any of the following cases:</p> <ul style="list-style-type: none"> <li>a) To attend the Company's General Assembly or Special Assembly meeting on his/her behalf using contemporary technology.</li> <li>b) To attend the Company's General Assembly or Private Assembly meeting on his/her behalf if the shareholder intends to personally attend the meeting at the same time through Contemporary Technology.</li> </ul>	<p>A shareholder shall choose whether to assign an agent to attend the meeting on his/her behalf or to attend the meeting via contemporary technology without assigning an agent.</p> <p>The agent shall not represent the assigning shareholder by attending the meeting via contemporary technology.</p>



Article fifty-three	Clarification
The shareholder or its proxy must deliver the original copy of the proxy letter to the Company at least two days prior to the assembly meeting, and the proxy shall present the original proxy letter prior to the assembly meeting.	

Article fifty-four	Clarification
Any proxy letter issued in violation of the Part must be excluded and considered void. The Company may accept proxies that are not received within the period specified in Article 53 of these rules and procedures, provided that it is handed over to the Company prior to the close of the registration process of shareholders to attend the General Assembly or Special Assembly.	

**PART TEN: Rules of Authorisation For Businesses And Contracts That Are Executed For The Company's Account, In Which A Board Member Has Direct Or Indirect Interest:**

Article fifty-five	Clarification
The businesses and contracts that are executed for personal needs shall not be deemed as a direct or indirect interest that require an authorisation from the ordinary general assembly, provided that such businesses and contracts are carried out in the same conditions and settings followed by the company with all contractors and dealers, and	

that such businesses and contracts must be within the normal course of the Company's activities.

<b>Article fifty-six</b>	<b>Clarification</b>
<p>a) The Ordinary General Assembly shall have the right to delegate the authorisation powers stipulated in paragraph (1) of Article 71 of the Companies Law to the company's Board of Directors, provided that the delegation is in accordance with the following conditions:</p> <ol style="list-style-type: none"><li>1. The total amount of business or contract or the total of the businesses and contracts during the fiscal year - is less than (1%) of the company's revenues according to the latest audited financial statements and less than 10 million Saudi Riyals.</li><li>2. The business or contract falls within the normal course of the Company's business.</li><li>3. The business or contract shall not include preferential terms to the Board members and shall be in accordance with the same terms and conditions followed by the company with all contractors and dealers.</li><li>4. The business or contract shall not be part of the business and consultation contracts which a board member carries out by a professional license for the company in accordance with Article 3 of these Regulations.</li></ol> <p>b) The board member shall be responsible for calculating the</p>	

<p>business, stipulated in paragraph (1) above, (in which he has a direct or indirect interest during the same fiscal year).</p> <p>c) The period for the delegation shall be a maximum of one year from the date of approval by the General Assembly to delegate its powers, stipulated in paragraph (1) of Article 71 of the Companies Law, to the company's Board of Directors, or until the end of the session of the delegated Board of Directors, whichever is earlier.</p> <p>d) Any member of the Board of Directors shall not be allowed to vote on the items of delegation and the revocation (in the Ordinary General Assembly).</p> <p>e) The Ordinary General Assembly shall have the right to add additional terms to the terms stated in this Article, provided that such terms are included in the conflict of interest policy referred to in Article 43 of the Corporate Governance Regulations.</p>	
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<b>Article fifty-seven</b>	<b>Clarification</b>
<p>If the Ordinary General Assembly does not delegate the authorisation powers stipulated in Article 56 of these Rules and Procedures, or if the terms of authorisations powers are not fulfilled stipulated in paragraph (a) of Article 56 of these Rules and Procedures are not fulfilled, an authorisation must obtained from the Ordinary General Assembly on the business and contracts that are executed for the Company's account, and in which a board member has a direct or indirect interest.</p>	

<b>Article fifty-eight</b>	<b>Clarification</b>
<p>An interest shall be considered indirect if the business and contract executed for the company's account may result in financial or non-financial benefits to, but not limited to, the following categories:</p> <ol style="list-style-type: none"> <li>1. The relatives of the board member.</li> <li>2. A partnership, limited partnership or limited liability company where any board member or any of his/her relatives is a partner in it or among its managers.</li> <li>3. A joint stock company in which a board member or any of his/her relatives, individually or collectively, own (5%) or more of its total ordinary shares.</li> <li>4. An entity - other than companies - in which a board member or any of his/her relatives has ownership, or is managing it.</li> <li>5. An entity or a company where a board member or any of his/her relatives is a member of its Board of Directors or a senior executive, except for the Company's affiliates .</li> <li>6. A legal person represented by a board member.</li> </ol> <p>For the purposes of Implementing this Article, the meaning of the term "Relatives" is as stipulated in the Corporate Governance Regulations.</p>	

<b>Article fifty-nine</b>	<b>Clarification</b>
<p>a) If the Board of Directors rejects granting the authorisation pursuant to Article (56) of these Rules and Procedures, the</p>	

<p>member of the Board shall resign within a period specified by the Board of Directors; otherwise, his/her membership in the Board shall be deemed terminated, unless he/she decides to withdraw from such contract, transaction or competing venture or regularise his/her situation in accordance with the Companies Law and its Implementing Regulations prior to the end of the period set by the Board of Directors.</p> <p>b) If the Ordinary General Assembly rejects granting the authorisation pursuant to Article (72) of the Companies Law and Article (56) of these Regulatory Rules and Procedures, the member of the Board shall resign within a period specified by the General Assembly; otherwise, his/her membership in the Board shall be deemed terminated, unless he/she decides to withdraw from such contract, transaction or competing venture or regularise his/her situation in accordance with the Companies Law and its Implementing Regulations prior to the end of the period set by the General Assembly.</p>	
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**PART ELEVEN: PUBLICATION AND ENTRY INTO FORCE:**

Article sixty	Clarification
These Rules and Procedures shall become effective upon their publication.	

**Annex (1)**

**Proxy Form**

<b>Proxy Form</b>	
Date: Corresponding to:	
I [authorising shareholder's full name][ ● ] with national with ID number [ ● ]/ residence permit (for non-Saudis) or its equivalent, issued by [ ● ] in my [personal]capacity or [an authorised signatory/ chairman/manger][ name of authorising company] and the owner of [ ● ] shares of [name of the joint stock company] with commercial registration number [ ● ] and pursuant to article [ ● ] of the company's bylaws herby authorise [ name of the representative] to attend the [type of assembly] assembly meeting held in [place of meeting] in [ name of city] in the Kingdom of Saudi Arabia at [ ● ] of the [ ● ] <sup>th</sup> day of [ ● ] dated[ ●H.] according to Hijri calendar and corresponding to [ ● ]G to vote on my behalf on the agenda and to sign on my behalf on all resolutions and documents related to these meetings. This authorisation is valid for this meeting and any subsequent adjourned meeting.	
Full name of the person signing the proxy:	
Capacity the person signing the proxy:	National ID number of the person signing the proxy or residence permit (for non-Saudis) or its equivalent:
Signature/ official seal (if a legal entity):	