



KINGDOM OF SAUDI ARABIA

Capital Market Authority

**Implementing Regulation of the Companies Law
for Listed Joint Stock Companies**

English Translation of the Official Arabic Text

**Issued by the Board of the Capital Market Authority
Pursuant to Resolution Number 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 28/1/1437H**

**Amended by Resolution of the Board
of the Capital Market Authority Number 2-114-2024
Dated 4/4/1446H corresponding to 7/10/2024G
Based on the Companies Law
Issued by Royal Decree No. M/132 dated 1/12/1443H**

Note: The official text is in Arabic. This document is an unofficial translation and is provided for information purposes only

Important Notice:

The current version of this Regulation, as may be amended, can be found at the Authority website: www.cma.org.sa



Table of Contents

Part 1: General Provisions

Article 1: Preliminary Provisions

Part 2: Filing of Financial Statements, Board's Report and External Auditor's Report

Article 2: Filing of Financial Statements, Board's Report and External Auditor's Report

Part 3: Appointment of the Company's External Auditor and His Term of Office

Article 3: Appointment of the Company's External Auditor and His Term of Office

Part 4: Board of Directors

Chapter 1: Duties of Care and Loyalty

Article 4: Duties of Care and Loyalty

Chapter 2: Appointment of the Board Members

Article 5: Appointment of the Board Members

Chapter 3: End of a Board Membership

Article 6: End of a Board Membership

Chapter 4: Remunerations of Board Members

Article 7: Rules of Determining and Paying Remunerations of Board Members

Article 8: Assigning Additional Duties or Positions in the Company to a Board Member

Article 9: Variance in the Remunerations of Board Members and their Relation to Company's Profitability

Article 10: Non-entitlement of Remuneration and the Obligation of Paying it Back

Article 11: Paying Remunerations Based on False or Misleading Information

Article 12: Disclosing the Remunerations of Board Members

Part 5: Holding General and Special Assemblies Meetings of Shareholders and their Participation therein through Contemporary Technology

Article 13: Rules of Holding Assembly through Contemporary Technology



Article 14: Verifying the Shareholder's Identity and Eligibility

Article 15: Counting the Required Quorum for the Validity of the Assembly Meeting

Article 16: Calling for the Assembly Meeting through Contemporary Technology

Part 6: Buy-back, Sale, and Pledge of Shares

Chapter 1: Share Buy-back Rules

Article 17: Share Buy-back Rules

Article 18: Buy-back of Shares to Retain Them as Treasury Shares

Article 19: Notifying the Exchange of Share Buy-back

Article 20: Disclosing the Treasury Shares

Article 21: Distributable Profits Amount

Article 22: Buy-back of Shares to Decrease the Share Capital

Chapter 2: Effects of a Buy-back Transaction

Article 23: Buy-back of Preferred Shares or Redeemable Shares

Article 24: Treasury Shares Retention Period

Article 25: Rights Issue

Article 26: Capitalisation Issue

Chapter 3: Rules of Company's Sale and Pledge of Shares

Article 27: Rules of Company's Sale of Shares

Article 28: Rules of Company's Pledge of Shares

Chapter 4: Employees' Shares

Article 29: Employees' Shares

Part 7: Pledge of Company's Shares

Chapter 1: Share Pledge Rules

Article 30: Taking a Pledge Over Shares



Article 31: Share Pledge Rules

Chapter 2: Pledge Agreement and Its Registration

Article 32: Share Pledge Agreement

Article 33: Share Pledge Effectiveness

Article 34: Rights Attached to Pledged Shares

Article 35: Right to Attend Assemblies and Vote on Their Decisions

Chapter 3: Foreclosing on the Pledged Shares

Article 36: Foreclosing on the Pledged Shares

Chapter 4: General Provisions

Article 37: Registering More Than One Pledge Over a Pledged Share

Part 8: Shares Issued by the Company

Chapter 1: Issuance, Buy-Back and Conversion of Preferred Shares or Redeemable Shares by the Company

Article 38: Rules of Issuance, Buy-Back and Conversion of Preferred Shares or Redeemable Shares by the Company

Article 39: Special Assemblies

Article 40: Right to Vote in General Assemblies

Article 41: Amending the Rights of Preferred Shares' Holders

Article 42: Paying the Profits Allocated to Preferred Shares' Holders

Article 43: Valuation of In-kind Contributions

Chapter 2: Forward Split or Reverse Split of Shares

Article 44: Forward Split or Reverse Split of Shares

Part 9: Dividend Distribution to Shareholders of the Company

Chapter 1: Distributable Profits and Timing of Payment of Dividends

Article 45: Distributable Profits and Share Premium Account



Article 46: Timing of Payment of Dividends

Chapter 2: Interim Dividends Distribution

Article 47: Requirements for the Distribution of Interim Dividends

Article 48: Disclosing the Dividends in the Board's Report

Article 49: Rules of Interim Dividends Distribution

Part 10: Issuance and Sale of Pre-emptive Rights Resulting from Capital Increase

Chapter 1: Definition of Pre-emptive Rights

Article 50: Definition of Pre-emptive Rights

Article 51: Effects of the Approval of Rights Issue

Chapter 2: Mechanism of Trading Pre-emptive Rights

Article 52: Mechanism of Trading Pre-emptive Rights

Chapter 3: Options Available to Registered Shareholders and New Investors

Article 53: Options Available to Registered Shareholders

Article 54: Options Available to New Investors

Chapter 4: Pre-emptive Right's Indicative Value

Article 55: Pre-emptive Right's Indicative Value

Part 11: Proxy Procedures for Attending General and Special Assemblies

Article 56: Appointing a Proxy to Attend Assemblies and Vote on Behalf of the Shareholder

Article 57: Proxy Authentication

Article 58: Number of Shares that Can Be Represented by a Single Proxy

Article 59: Validity and Effectiveness of Proxy

Article 60: Appointing a Proxy to Attend Assemblies through Contemporary Technology

Article 61: Providing the Company with a Copy of the Proxy and Presenting the Original Proxy

Article 62: Exclusion of Invalid Proxy and the Powers of the Company Towards Proxies



Part 12: 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 or Authorisation for Competing Businesses

Article 63: Businesses and Contracts that don't Require Authorisation

Article 64: Authorisation by Board (Based on a Delegation from the General Assembly)

Article 65: The General Assembly's Authorisation

Article 66: Indirect Interest

Article 67: Refusal to Grant the Authorisation

Part 13: Demerger

Article 68: Demerger

Part 14: Publication and Entry into Force

Article 69: Publication and Entry into Force

Annex (1): Proxy Form



Part 1

General Provisions

Article 1: Preliminary Provisions

- a) This Regulation 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 this Regulation, 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 this Regulation, shall have the meanings herein specified:
 - **Shares:** shares of listed joint stock companies.
 - **Treasury Shares:** Purchased Shares which are retained by the Company, including Employees' Shares which are retained by the Company.
 - **Employees' Shares:** Treasury Shares which are allocated by the Company to its employees.
 - **Purchased Shares:** shares bought back by the Company pursuant to Article (114) of the Companies Law.
 - **Preferred Shares:** shares issued by the Company which entitle their holders the right to receive a larger percentage of the Company's net profits than the percentage received by holders of ordinary shares, after deduction of reserves (if any), without entitling them to vote in the General Assembly.
 - **Redeemable Shares:** shares issued by the company that can be redeemed at the company's option in accordance with the terms and conditions of its redemption.
 - **General Assembly:** the general assembly held with the attendance of the shareholders of the Company pursuant to the provisions of the Companies Law and the Company's bylaws.
 - **Special Assembly:** the special assembly held with the attendance of holders of the same class of ordinary shares or Preferred Shares or Redeemable Shares in accordance with the Companies Law, Company's bylaws and this Regulation.
 - **The Public:** 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 this Regulation, the shares retained by the Company do not count as part of the ownership of the public.
 - **Shareholders Register:** 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.
 - **Exchange:** the Saudi Stock Exchange.



- **Capital Market Institution:** a person authorised by the Authority to carry out securities business.
- **Company:** a listed joint stock company.
- **Cumulative Voting:** a method of voting for electing Board members that gives the holder of voting shares a voting capacity equivalent to the number of shares he/she owns, and by which the shareholder is entitled to either exercise all of his/her votes towards one nominee or to divide his/her votes towards several nominees without any duplication of such votes.
- **Rules on the Offer of Securities and Continuing Obligations:** the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Authority.
- **Depository Centre Rules:** the Securities Depository Centre Rules approved by the Board of the Authority.
- **Rules for Qualified Foreign Financial Institutions Investment in Listed Securities:** the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities issued by the Board of the Authority.
- **Corporate Governance Regulations:** the Corporate Governance Regulations for listed joint stock companies issued by the Board of the Authority.
- **Remuneration Committee:** a committee formed pursuant to the provisions of the Corporate Governance Regulations.
- **Board:** the Company's board of directors.
- **Registered Shareholders:** 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.
- **Remunerations:** 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.
- **Prospectus:** the document required to offer securities in accordance with the Capital Market Law, and the Rules on the Offer of Securities and Continuing Obligations.
- **Capital Market Law:** the Capital Market Law issued by Royal Decree No. (M/30) dated 2/6/1424H.
- **Companies Law:** the Companies Law issued by Royal Decree No. (M/132) dated 1/12/1443H.
- **Depository Centre:** the Securities Depository Centre.



- **Authority:** the Capital Market Authority.
- **Business Day:** a business day in the Kingdom according to official working days of the Authority.
- **Day:** a calendar day, whether a business or non- business day.
- **Affiliate:** 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
- **Control:** 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.
- **Capitalisation Issue:** an offer of further shares to existing shareholders, fully paid up out of the Company's reserves, in proportion to existing shareholders holdings.



Part 2

Filing of Financial Statements, Board's Report and External Auditor's Report

Article 2: Filing of Financial Statements, Board's Report and External Auditor's Report

Filing of the Company's financial statements, Board's report and external auditor's report shall be in accordance with the provisions related to the disclosure of financial statements and Board's report in the Rules on the Offer of Securities and Continuing Obligations.



Part 3

Appointment of the Company's External Auditor and His Term of Office

Article 3: Appointment of the Company's External Auditor and His Term of Office¹

- a) The Ordinary General Assembly shall appoint an external auditor and shall determine his fees, term of office, and scope of work.
- b) The total term of office for the external auditor shall not exceed seven consecutive or non-consecutive financial years, and the Authority may, at its discretion, amend this term for any company or sector; such period shall be recalculated after the lapse of not less than three consecutive financial years from the end of the last financial year in which he worked on auditing of the Company's accounts.
- c) The total term of office for the partner supervising the audit work at the external auditor shall not exceed seven consecutive or non-consecutive financial years, and the Authority may, at its discretion, amend this term for any company or sector; such period shall be recalculated after the lapse of not less than five consecutive financial years from the end of the last financial year in which he worked as a partner supervising the audit work of the Company's accounts.

¹ The Capital Market Authority Board issued its Resolution Number 8-5-2023 Dated 25/6/1444H Corresponding to 18/1/2023G which stated that listed companies must amend its positions in accordance with Article (3) of the Implementing Regulation of the Companies Law for Listed Joint Stock Companies within a period not exceeding two financial years from the its effective date on 26/6/1444H corresponding to 19/1/2023G



Part 4

Board of Directors

Chapter 1: Duties of Care and Loyalty

Article 4: Duties of Care and Loyalty

Each member of the Board shall comply with the duties of care and loyalty, and this shall include, in particular, the following:

- 1) **Duty to act within conferred powers:** A member of the Board shall perform and exercise his/her duties and powers in managing the Company and guiding its activities within his/her conferred powers in accordance with the Companies Law and its implementing regulations and the Company's bylaws and other relevant laws, and only exercise powers for the purposes for which they were conferred.
- 2) **Duty to act for the best interest of the Company and to promote its success:** A member of the Board shall comply with the following:
 - a) working in good faith for the best interest of the Company and all its shareholders and shall not prioritise his/her personal interests over the interest of the Company and its shareholders, and in doing so shall have regard to the rights of the other stakeholders;
 - b) ensure exerting all efforts to promote the success and growth of the Company and maximise its value on the long term for the benefit of its shareholders.
- 3) **Duty to exercise independent judgment:** A member of the Board shall perform his/her duties objectively and independently in relation to managing the Company and making decisions, and shall avoid cases that affect his/her independence in making decisions or voting on them.
- 4) **Duty to exercise reasonable and expected care, skill and diligence:** A member of the Board shall perform his/her duties and responsibilities in accordance with the Companies Law, the Capital Market Law and their implementing regulations and the Company's bylaws and other relevant laws, and in accordance with the diligence and care that should be exercised by a diligent person with the general knowledge, skill and experience that the member of the Board has and that are expected of a person carrying out the functions carried out by the member of the Board.
- 5) **Duty to avoid conflict of interest:** A member of the Board shall avoid transactions and situations in which he/she has actual or potential direct or indirect interest that conflicts or may conflict with the Company's interest, and the member of the Board shall comply with the provisions relating to conflicts of interest in the Companies Law and its implementing regulations.
- 6) **Duty to disclose any direct or indirect interest in businesses and contracts executed for the Company's account:** A member of the Board shall disclose any direct or indirect interest he/she has in the business and contracts executed for the Company's account immediately upon becoming aware thereof, and shall comply with the provisions relating to disclosure of interest in business and contracts in the Companies Law and its implementing regulations.
- 7) **Duty not to accept benefits from third parties in relation to his/her role in the company:** A member of the Board shall not exploit his position, duties and powers vested in him/her in his/her capacity as a board member in any way to obtain or accept benefits from third parties for a specific act or to refrain from doing a specific act.



Chapter 2: Appointment of the Board Members

Article 5: Appointment of the Board Members

- a) Cumulative Voting shall be used in electing the Board, in which it is not allowed to use the voting right of a single share more than once; by way of exception from this provision, a company listed in the Parallel Market may use another voting method in electing the Board if the Company's bylaws stipulated the same.
- b) The Company's bylaws may stipulate the right for one or more shareholders to appoint one or more members in the Board subject to the following rules:
 - 1) The Company's bylaws shall specify the name of the shareholder who has such right, the number of seats allocated to such shareholder and the mechanism to be followed in case the position of the Board member(s) appointed in accordance with paragraph (b) of this Article becomes vacant.
 - 2) The number of seats allocated for any shareholder in the Company's bylaws shall not exceed the number of seats in which he/she can elect members of the Board in the General Assembly through his/her voting rights; and in all cases, the total number of seats occupied through such appointment shall not exceed half of the number of Board seats or three seats, whichever is less.
 - 3) The appointed Board member shall fulfil the standards and conditions for membership of the Board that are approved by the General Assembly.
 - 4) The shareholder who has such appointment right shall not use the voting rights based on which he/she made such appointment in the election of the remaining members of the Board.
 - 5) Any other rules specified in the Company's bylaws.
 - 6) Any other rules specified by the Authority.

Chapter 3: End of a Board Membership

Article 6: End of a Board Membership

- a) The Company's bylaws shall specify the manner by which membership of the Board may end or in which it may be terminated upon a request from the Board. The Ordinary General Assembly may, however, remove some or all Board members, even if the Company's bylaws provides otherwise, with consideration to any rules set out by the Authority; and in such case, the Ordinary General Assembly shall elect a new Board or a replacement for the removed member, as the case may be, in accordance with the provisions of the Companies Law and its implementing regulations. The General Assembly may also, upon a recommendation of the Board, terminate the membership of the Board member who did not attend three consecutive or five non-consecutive Board meetings during the course of his/her membership without a legitimate excuse accepted by the Board.
- b) Upon the end of the membership of a Board member by any way, the Company shall immediately notify the Authority and the Exchange and shall specify the reasons thereof.
- c) Upon receiving a request from one or more shareholders representing (10%) of the Company's voting shares for removal of some or all Board members in accordance with Article (90) of the Companies Law, the Board shall include, in the invitation to convene the Ordinary General Assembly, the name of the shareholder who submitted the request and the justifications of such request. The concerned Board member shall have the right to make a statement regarding the request in the relevant Ordinary General Assembly meeting.



- d) If a member of the Board resigns and has comments on the performance of the Company, he/she shall submit a written statement explaining such comments to the chairman of the Board and such statement shall be presented to the Board members.
- e) In the event of failure to elect a Board for a new term and the term of the current Board has lapsed, the members of such Board shall continue to perform their duties until a new Board is elected, provided that the period of such continuation of the lapsed Board does not exceed (90) days from the end date of the Board's term. And the Board shall undertake all necessary procedures to elect a new replacement Board before the expiry of the period specified in this paragraph.
- f) In the event that the chairman and members of the Board resign, they shall call for the Ordinary General Assembly meeting to convene in order to elect a new Board, and such resignation shall not be effective until a new Board is elected, provided that the period of such continuation of the resigned Board does not exceed (120) days from the date of such resignation. And the Board shall undertake all necessary procedures to elect a new replacement Board before the expiry of the period specified in this paragraph.

Chapter 4: Remunerations of Board Members

Article 7: Rules of Determining and Paying Remunerations of Board Members

- 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 Board to be achieved during the financial year;
 - 2) the Remuneration must be based on the recommendation of the Remuneration Committee;
 - 3) the Remuneration must be proportionate to the Company's activities and the required skills for its management;
 - 4) taking into consideration the sector in which the Company operates, its size and experience of its Board members; and
 - 5) the remuneration must be reasonably sufficient to attract, motivate and retain highly qualified and experienced Board members.
- b) Board members shall not vote on the agenda item relating to the Remuneration of Board members at the General Assembly's meeting.

Article 8: Assigning Additional Duties or Positions in the Company to a Board Member

A Board member may receive a Remuneration for any additional executive, technical, managerial or consultative – pursuant to a professional license- duties 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.



Article 9: Variance in the Remunerations of Board Members and their Relation to Company's Profitability

- a) The Remunerations of different Board members may vary depending on the Board members' experience, expertise, duties he/she undertakes, independence and number of Board meetings he/she attended in addition to other considerations.
- 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.

Article 10: Non-entitlement of Remuneration and the Obligation of Paying It Back

If the General Assembly decides to terminate the membership of any Board member who fails to attend three consecutive Board meetings or five non-consecutive Board meetings during his membership without a legitimate excuse accepted by the Board, then such Board member shall not be entitled to any Remuneration for the period starting from the last Board meeting he/she attended, and he/she shall pay back any Remuneration he/she received for that period.

Article 11: Paying Remunerations Based on False or Misleading Information

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.

Article 12: Disclosing the Remunerations of Board Members

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 5

Holding General and Special Assemblies Meetings of Shareholders and their Participation therein through Contemporary Technology

Article 13: Rules of Holding Assembly through Contemporary Technology

- 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:
 - 1) the shareholders' participation at the General and Special Assembly must be through instant video and audio transmission;
 - 2) the participation must be through a live connection between the Company and the shareholders, in a way that enables 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;
- b) A 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:
 - 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 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 14: Verifying the Shareholder's Identity and Eligibility

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 the shareholder who 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.

Article 15: Counting the Required Quorum for the Validity of the Assembly Meeting

The attendance and votes of shareholders who participate in General 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.



Article 16: Calling for the Assembly Meeting through Contemporary Technology

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 6

Buy-back, Sale, and Pledge of Shares

Chapter 1: Share Buy-back Rules

Article 17: Share Buy-back Rules

A Company may, if so provided and permitted in its bylaws, buy-back its ordinary shares, Preferred Shares, or Redeemable Shares, in accordance with the following rules:

- 1) the purpose of the share buy-back shall be to either reduce the Company's capital or to retain them as Treasury Shares;
- 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:
 - prior to buying its Shares the Company must have sufficient working capital for the twelve (12) months immediately following the date of completion of the share buy-back transaction.
 - the value of the Company's assets must not be less than the value of its liabilities (including contingent liabilities), prior to and immediately upon payment of the purchase price, according to the latest reviewed interim financial statements or audited annual financial statements, whichever is later.
 - The amount of Treasury Shares held must not exceed the amount of the retained profits of the Company.
- 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 finalise the buy-back transaction, within a maximum period of eighteen (18) 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 resolution to change the purposes of the Shares buy-backs;
- 5) Unless the purpose of Share buy-back transaction is reducing the share capital of the Company, the buy-back in a single trading day must not exceed (25%) of the average daily trading volume of the Company's shares during the last five trading days preceding the buy-back transaction, and for the purpose of calculating the average daily trading volume in accordance with the provisions of this paragraph, private transactions shall not be calculated in the company's daily trading volume;
- 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;
- 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
- 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–;



- 9) the Company must not buy-back its Shares during the following periods:
 - during the fifteen (15) days preceding the end of the financial quarter and until the date of the Company's announcement of its reviewed interim financial statements; and
 - during the thirty (30) 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;
- 10) the Company must not have a sale order in place while buying Shares.

Article 18: Buy-back of Shares to Retain Them as Treasury Shares

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.
- 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 a company's shares or stakes or an asset purchase.
- 4) To allocate them to Company's employee as part of an Employee Share plan.
- 5) Any other purpose approved by the Authority.

Article 19: Notifying the Exchange of Share Buy-back

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 20: Disclosing the Treasury Shares

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

Article 21: Distributable Profits Amount

The amount the Company will pay to buy-back its shares must not exceed the amount of distributable profits, whether the buy-back will be made through its own cash accounts or external sources of financing.

Article 22: Buy-back of Shares to Decrease the Share Capital

If the purpose of a Company's buy-back of its Shares is to decrease its share capital, the provisions of Article (137) of the Companies Law must be taken into consideration.



Chapter 2: Effects of a Buy-back Transaction

Article 23: Buy-back of Preferred Shares or Redeemable Shares

- a) If a Company buys-back its Preferred Shares or Redeemable Shares, they are deemed cancelled upon completion of the buy-back transaction and the Company must then take necessary regulatory procedures as a result of purchasing these Preferred Shares.
- b) The Company planning to purchase a class of its Preferred Shares or Redeemable Shares must make an offer to all the holders of that class of shares in a manner that provide equality according to the provisions of Article (137) of the Companies Law.

Article 24: Treasury Shares Retention Period

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.

Article 25: Rights Issue

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.

Article 26: Capitalisation Issue

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.

Chapter 3: Rules of Company's Sale and Pledge of Shares

Article 27: Rules of Company's Sale of Shares

A Company may sell its Treasury Shares if so provided and permitted in its bylaws, in accordance with the following rules:

- 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.
- 2) The sale of Treasury Shares transaction in a single trading day must not exceed (25%) of the average daily trading volume of the Company's shares during the last five trading days preceding



the sale transaction, and for the purpose of calculating the average daily trading volume in accordance with the provisions of this paragraph, private transactions shall not be calculated in the company's daily trading volume.

- 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 purchasing 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;
- 4) the Company must not sell its Treasury Shares during the following periods:
 - during the fifteen (15) days preceding the end of the financial quarter and until the date of the Company's announcement of its reviewed interim financial statements; and
 - during the thirty (30) 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
- 5) the Company must not have a buy order in place while selling Shares.

Article 28: Rules of Company's Pledge of Shares

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 laws and regulations.

Chapter 4: Employees' Shares

Article 29: Employees' Shares

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.



Part 7

Pledge of Company's Shares

Chapter 1: Share Pledge Rules

Article 30: Taking a Pledge Over Shares

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.

Article 31: Share Pledge Rules

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
- 2) the pledge agreement between the pledging shareholder and pledgee creditor must comply with the rules set forth in Chapter Two of this Part.

Chapter 2: Pledge Agreement and Its Registration

Article 32: Share Pledge Agreement

- 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:
 - 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;
 - 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 Rules.

Article 33: Share Pledge Effectiveness

A share pledge shall have no legal effect towards third parties unless it is recorded in the Shareholders Register.



Article 34: Rights Attached to Pledged Shares

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 35: Right to Attend Assemblies and Vote on Their Decisions

As an exception to Article (34) of this Regulation, the pledgee creditor shall not be permitted to attend or vote at the General Assembly meetings and the Special Assembly meetings.

Chapter 3: Foreclosing on the Pledged Shares

Article 36: Foreclosing on the Pledged Shares

- a) The foreclosure on pledged Shares shall be in accordance with the relevant laws, regulations, and rules.
- b) A Capital Market Institution 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 Capital Market Institution.

Chapter 4: General Provisions

Article 37: Registering More Than One Pledge Over a Pledged Share

It is permitted to register more than one pledge over any Share of the Shares subject to a pledge in accordance with the provisions of the Commercial Lien Law.



Part 8

Shares Issued by the Company

Chapter 1: Issuance, Buy-Back and Conversion of Preferred Shares or Redeemable Shares by the Company

Article 38: Rules of Issuance, Buy-Back and Conversion of Preferred Shares or Redeemable Shares by the Company

- a) The Company may issue or buy-back Preferred Shares or Redeemable 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;
 - 3) obtain the approval of shareholders who are prejudiced by such issuance convened in a Special Assembly in accordance with Article (110) of the Companies Law;
 - 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.
- b) In cases where the Company has shares of different types or classes, it may convert one type or class of shares into another type or class of 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, unless the decision issuing those shares stipulates that they are automatically converted into another type or class upon satisfying certain conditions or upon the lapse of a specified period;
 - 3) obtain the approval of shareholders who are prejudiced by such conversion convened in a Special Assembly in accordance with Article (110) of the Companies Law.
 - 4) the Company's share capital must be fully paid.
 - 5) compliance with other relevant laws and regulations.
 - 6) the Board shall submit to the General Assembly a statement about the conversion of shares, containing the mechanism for calculating the conversion ratio, the impact of the conversion on shareholders who hold the same class to which the conversion will be made, and the impact of the conversion on other shareholders.
- c) In case of issuance of Redeemable Shares, the resolution of the Extraordinary General Assembly shall include the terms and conditions for the redemption of such shares. Such terms and conditions may allow the Company, upon agreement between the Company and the shareholder, to pay the value of redemption of the shares after the date of its redemption.
- d) Without prejudice to the provisions for capital reduction in the Companies Law and its implementing regulations, Redeemable Shares are deemed to be cancelled after its redemption.

Article 39: Special Assemblies

Special assemblies of holders of Preferred Shares or Redeemable Shares shall be held in accordance with the provisions of Article (89) of the Companies Law.



Article 40: Right to Vote in General Assemblies

- 1) 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 deduction of reserves (if any) for three consecutive years.
- 2) As an exception from the provision of paragraph (1) of this Article, the Preferred Shares shall be granted the right to vote in the General Assembly of shareholders if the resolution of the General Assembly results in the reduction of the Company's share capital, liquidation of the Company, or the sale of its assets. Each Preferred Share shall have one vote in the General Assembly meeting.

Article 41: Amending the Rights of Preferred Shares' Holders

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.

Article 42: Paying the Profits Allocated to Preferred Shares' Holders

If the Company fails to pay holders of Preferred Shares the specified percentage of the Company's net profits after deduction of reserves (if any) 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 to allow them to attend the Company's General Assembly and participate in voting 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.

Article 43: Valuation of In-kind Contributions

Subject to Article (66) of the Companies Law, if in-kind contributions were made upon increasing the Company's share capital, such in-kind contributions shall be valued by one or more accredited valuers, provided that the period between issuance of the accredited valuer's report estimating the fair value of the in-kind contributions and the issuance of shares against such contributions does not exceed six months.

Chapter 2: Forward Split or Reverse Split of Shares

Article 44: Forward Split or Reverse Split of Shares

Subject to the provisions of the Companies Law and its implementing regulations and the Company's bylaws, the Company may forward split its shares into shares of a lower nominal value, or reverse split its shares to represent shares of a higher nominal value, in accordance with the following rules:

- 1) Notify the Authority with the proposed forward split or reverse split of shares prior to obtaining the approval of the Extraordinary General Assembly.
- 2) Obtain the approval of the Extraordinary General Assembly.
- 3) Coordinate with the Exchange to undertake the necessary arrangements to implement the resolution of the General Assembly regarding the forward split or reverse split of the Company's shares.



Part 9

Dividend Distribution to Shareholders of the Company

Chapter 1: Distributable Profits and Timing of Payment of Dividends

Article 45: Distributable Profits and Share Premium Account

- a) The distributable profits consist of the net income of the financial year minus all amounts that are set aside for the reserve allocated for specific purposes in the Company's bylaws, if any, or the amounts that must be set aside for the reserves created by the General Assembly plus the retained earnings and the distributable reserves formed out of profits.
- b) The Company's share premium account that is within shareholders equity shall not be used to distribute cash dividends to shareholders.

Article 46: Timing of Payment of Dividends

The Board must implement the General Assembly resolution with respect to dividend distribution to the Registered Shareholders within fifteen (15) business 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.

Chapter 2: Interim Dividends Distribution

Article 47: Requirements for the Distribution of Interim Dividends

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:

- 1) The issuance of a resolution by the General Assembly renewed annually authorising the Board to distribute interim dividends.
- 2) The Company shall enjoy regular positive profitability.
- 3) The Company shall enjoy reasonable liquidity, and is able to reasonably foresee the scale of its profits.
- 4) The Company shall have distributable profits from one or more previous years – according to the latest audited financial statements - sufficient to cover the proposed dividend distribution, after deducting the amounts distributed and capitalised of the profits after the date of those financial statements.

Article 48: Disclosing the Dividends in the Board's Report

The Board must include in its annual report submitted to the General Assembly of the Company the percentages 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, and the aggregate dividend amounts.



Article 49: Rules of Interim Dividend Distribution

- a) Dividend distributions must be recorded to the cumulative retained earnings account of preceding years or to the distributable reserves formed out of profits or both. The Company must take into account having a sequential and consistent approach in determining the manner and percentages of dividend distributions in light of the Company's capabilities and available liquidity. The Board must disclose and announce the percentages 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 to the Authority and the public immediately and without delay such resolution.



Part 10

Issuance and Sale of Pre-emptive Rights Resulting from Capital Increase

Chapter 1: Definition of Pre-emptive Rights

Article 50: Definition of Pre-emptive Rights

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 increase of the Company's issued capital or the Board's approval of the increase of the Company's capital within the limits of its authorized capital 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 51: Effects of the Approval of Rights Issue

After the Extraordinary General Assembly's approval of the increase of the Company's issued capital, or the Board's approval of the increase of the Company's capital within the limits of its authorized capital, 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 and with regards to the type and class of shares they own, within a maximum of two (2) days from the date of the Extraordinary General Assembly meeting. The pre-emptive rights will be deposited 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.

Chapter 2: Mechanism of Trading Pre-emptive Rights

Article 52: Mechanism of Trading Pre-emptive Rights

The Mechanism of trading of pre-emptive rights include the following steps:

- 1) **Period for trading of pre-emptive rights and the subscription in the new Shares:**
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.
- 2) **Rump Offering Period (if any):**
 - 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.
 - b) The subscription price of the rump Shares during this period shall not be 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 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 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.

3) Allocation of shares to subscribers:

The prospectus determines the period of allocation of Shares to subscribers, and the date of transferring the compensation (if any).

Chapter 3: Options Available to Registered Shareholders and New Investors

Article 53: Options Available to Registered Shareholders

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 54: Options Available to New Investors

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 pre-emptive rights, the rump Shares resulting from not exercising such pre-emptive rights or selling them shall be offered during the remaining rump offering period.

Chapter 4: Pre-emptive Right's Indicative Value

Article 55: Pre-emptive Right's Indicative Value

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, which is 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 indicative value upon entering orders.



Part 11

Proxy Procedures for Attending General and Special Assemblies

Article 56: Appointing a Proxy to Attend Assemblies and Vote on Behalf of the Shareholder

- 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, to attend the 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 to 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 representative;
 - date of proxy letter and period of validity; and
 - type of assembly meeting for which the proxy letter is granted.
- 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, to attend the General Assembly or Special Assembly meetings on his/her 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.

Article 57: Proxy Authentication

- 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:
- 1) chambers of commerce if the shareholder is a member of the same, a company, or a legal entity;
 - 2) a licensed bank or a Capital Market Institution in the Kingdom, provided that the authorising shareholder holds an account with the attesting bank or Capital Market Institution; or
 - 3) Notary public or Persons licensed for attesting.
- 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 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 capital market institution with whom he opens his investment account, in accordance with the Investment Accounts Instructions.



- 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 (59), (60), and (61) of this Regulation.

Article 58: Number of Shares that Can Be Represented by a Single Proxy

The Company's bylaws may set 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 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.

Article 59: Validity and Effectiveness of Proxy

Without prejudice to paragraph (b) of Article (56) of this Regulation, and unless otherwise stated in the proxy, a proxy letter must be to the General Assembly or Special Assembly meeting following the issuance of the proxy. 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.

Article 60: Appointing a Proxy to Attend Assemblies through Contemporary Technology

A shareholder (who is a natural person) must not authorise another person in any of the following cases:

- a) to attend the Company's General Assembly or Special Assembly meeting on his/her behalf using contemporary technology.
- 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.

Article 61: Providing the Company with a Copy of the Proxy and Presenting the Original Proxy

The shareholder or its proxy must provide the Company with a copy of the proxy letter at least two days prior to the assembly meeting, and the proxy shall present the original proxy letter prior to the assembly meeting.

Article 62: Exclusion of Invalid Proxy and the Powers of the Company Towards Proxies

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 (61) of this Regulation, provided that it is provided to the Company prior to the close of the registration process of shareholders in the General Assembly or Special Assembly.



Part 12

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 or Authorisation for Competing Businesses

Article 63: Businesses and Contracts that don't Require Authorisation

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.

Article 64: Authorisation by Board (Based on a Delegation from the General Assembly)

- a) The Ordinary General Assembly shall have the right to delegate the authorisation powers stipulated in paragraph (1) of Article (27) of the Companies Law to the Company's Board, provided that the delegation is in accordance with the following conditions:
 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.
 2. The business or contract falls within the normal course of the Company's business.
 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.
 4. The business or contract shall not be part of the consultation businesses and contracts which a Board member carries out by a professional license for the Company in accordance with Article (8) of this Regulation.
- b) The Board member shall be responsible for calculating the transaction, stipulated in sub-paragraph (1) of paragraph (a) of this Article, in which he has a direct or indirect interest during the same fiscal year.
- c) The Ordinary General Assembly shall have the right to delegate the authorisation powers stipulated in paragraph (2) of Article (27) of the Companies Law to the Board, provided that the resolution of that General Assembly specifies the competing businesses and activities that delegated Board may authorize during the delegation period.
- d) 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) and (2) of Article (27) of the Companies Law, to the Company's Board, or until the end of the term of the delegated Board, whichever is earlier.
- e) Any member of the Board shall not be allowed to vote on the items of delegation and the revocation in the Ordinary General Assembly.
- f) Any member of the Board shall not be allowed to vote on the resolution taken by the General Assembly or the delegated Board with respect to businesses and contracts that are executed for the Company's account if he/she has a direct or indirect interest therein or in engaging in a business that may compete with the Company or any of its activities.



- g) 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 (41) of the Corporate Governance Regulations.

Article 65: The General Assembly's Authorisation

If the Ordinary General Assembly does not delegate the authorisation powers stipulated in Article (64) of this Regulation, or if the terms of authorisation stipulated in paragraph (a) and (c) of Article (64) of this Regulation are not fulfilled, an authorisation must be obtained from the Ordinary General Assembly.

Article 66: Indirect Interest

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:

1. The relatives of the Board member.
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.
3. A joint stock company or simplified 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.
4. An entity - other than companies - in which a Board member or any of his/her relatives has ownership, or is managing it.
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.

For the purposes of Implementing this Article, the meaning of the term "Relatives" is as stipulated in the Corporate Governance Regulations.

Article 67: Refusal to Grant the Authorisation

- a) If the Board rejects granting the authorisation pursuant to Article (64) of this Regulation, the member of the Board shall resign within a period specified by the Board; otherwise, his/her membership in the Board shall be deemed terminated, unless he/she decides to withdraw from such contract, transaction or competing businesses or amend his/her situation in accordance with the Companies Law and its implementing regulations prior to the end of the period set by the Board.
- b) If the General Assembly rejects granting the authorisation pursuant to Article (27) of the Companies Law and Article (65) of this Regulation, 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 businesses or amend 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.



Part 13

Demerger

Article 68: Demerger

A Company may be split into two or more companies, subject to the following rules:

- 1) the resolution of splitting the Company shall be taken by the Extraordinary General Assembly.
- 2) the Company's shareholders shall be granted shares in the company or companies resulting from the split in proportion to the shares each of them owns in the Company.
- 3) compliance with the relevant laws and regulations.



Part 14

Publication and Entry into Force

Article 69: Publication and Entry into Force

This Regulation shall be effective as per its approval resolution.



Annex (1)

Proxy Form

Proxy Form	
Date:	
Corresponding to:	
<p>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 hereby 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 [●]th 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.</p>	
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 of the authorising shareholder:	