

الإسمنت السعودية  
SAUDI CEMENT



# Saudi Cement Company Bylaws

Based on the decision of the Extraordinary GAM dated 21<sup>st</sup>, November 2018



# Saudi Cement Company Bylaws

## Chapter One:

### Formation of the Company

#### Article One: Formation

The Company was established as a Saudi Joint Stock company pursuant the provisions of the Companies Law and its Implementing Regulations; and in accordance with these Articles of Association as follows:

#### Article Two: Name of the Company:

Saudi Cement Company.

Listed Joint Stock Company

#### Article Three: Objectives of the Company:

The Company shall exercise and carry out the below objectives:

- 1- Undertake all necessary works for the manufacture, production and marketing of all types of clinker and cement and related products and derivatives thereof inside and outside the Kingdom of Saudi Arabia; and has the right to import and export clinker and all types of cement.
- 2- The Company has the right, with the aim of achieving its objectives, to purchase all related products and spare parts, including radioactive materials, explosives and other items.
- 3- The Company has the right to produce and sell energy.

The Company shall carry out its activities pursuant to the applicable laws and upon obtaining the necessary licenses from competent authorities, if any.

#### Article Four: Participation and Ownership in Companies

This Company shall have the right to establish companies by itself inside and outside the Kingdom, and shall be entitled to possess shares and stocks in existing commercial and industrial companies or merge into the same, and shall also be entitled to partner with third parties to form companies upon fulfilling all the relevant legal requirements and set regulations in this regard. The Company may dispose of such shares or stocks provided it will not act as a broker.

#### Article Five: Company Head Office

The Company's head office shall be in the city of Dammam and may be moved to any other place inside the Kingdom subject to the approval of the Extraordinary General Assembly. The Board of Directors may establish branches, offices or agencies for the Company inside or outside the Kingdom of Saudi Arabia.

#### Article Six: Term of the Company:

The Term of the Company shall be Seventy-Five (77) Hijri years commencing from the date of registration with the Commercial Register. The Company's Term may always be extended by a resolution of the Extraordinary General Assembly taken at least one year prior to the expiration of the Term of the Company.



## Chapter Two:

### Capital and Shares

#### Article Seven: Capital of the Company

The Capital of the Company shall be SAR 1,530,000,000 (One Thousand Five Hundred Thirty Million Saudi Riyals) divided into 153,000,000 nominal shares of equal value of SAR 10 (ten Saudi Riyals) each.

#### Article Eight: Purchase for Shares

The Company may purchase or mortgage its shares pursuant to the laws.

#### Article Nine: Sale of Non-Fully Paid Shares:

A shareholder shall pay the share value at the times set therefor. If a shareholder fails to pay on the due date, the Board of Directors may sell such shares in a public auction or in the stock market, as the case may be, in accordance with the directives of the Competent Authority, after having informed the shareholder by means of a registered letter served on its address stated in the Shareholders' Register. The Company shall recover its dues from the sale proceeds and refund the balance to the shareholder. If the sale proceeds are insufficient to cover the Company's dues, then the Company may recover the remaining amount due from the entire shareholders' funds. However, the defaulting shareholder, who fails to pay until the day of selling, may still, in such a situation, pay the value due plus the expenses incurred by the Company in that regard. The Company shall cancel the share sold in accordance with the provisions of this Article, and shall give the purchaser a new share bearing the same number of the cancelled share, a notation of which shall be made in the Shareholders' Register stating the new owner's name.

#### Article Ten: Issuance of Shares:

The shares shall be nominal and may not be issued at less than their nominal value. However, the shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to an independent item under Shareholders' equity and may not be distributed as profits among Shareholders. A share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining to the share, and they shall be jointly responsible for the obligations arising from the ownership of the share.

#### Article Eleven: Trading of Shares:

Shares subscribed by founders may not be traded before the publication of the balance sheet and profit and loss account of the Company for two consecutive complete fiscal years, each of which shall be no less than twelve months from the date of Company Formation. A notation shall be made on the respective share certificates indicating their type, date of company formation and the period of effective restriction on their trading. However, during this restriction period, title of such shares may be transferred in accordance with the provisions of sale of equities from one founding shareholder to another, or from successor of a deceased founding shareholder to third parties or in case an execution is imposed on an insolvent Founder's funds or upon his bankruptcy, provided that priority of possessing such shares shall be given to other Founders. The provisions of this Article shall apply to the founding shareholders' subscriptions in the event of capital increase prior to the expiry of the referenced restriction period.

**Article Twelve: Shareholders' Register**

The Company shares shall be traded in accordance with the provisions of the Capital Market Law.

**Article Thirteen: Increase of Capital:**

- 1- The Extraordinary General Assembly may adopt a resolution to increase the Company's capital provided that the capital shall have been paid in full. It shall not be required that the capital be fully paid up in case the unpaid portion of the capital is related to shares issued against converting debt instruments or debenture bonds into shares and the period specified for converting the same to shares has not yet expired.
- 2- The Extraordinary General Assembly may in all cases allocate shares issued upon increasing capital or a portion thereof for the Company employees and subsidiaries or some of them, or any of such cases. Shareholders shall not have preemptive rights to subscribe for said shares issued for the Company employees.
- 3- Upon the issuance of the resolution of the Extraordinary General Assembly of capital increase, shareholders shall have preemptive rights to subscribe for the new cash shares. The shareholders shall be notified of the preemptive rights vested in them by notice to be published in a daily newspaper addressing the capital increase resolution and the conditions and duration of subscription and the dates of commencement and expiration of same, or by written notice to the shareholder by registered mail.
- 4- The Extraordinary General Assembly may suspend the shareholder's pre-emption rights in a cash capital increase or grant them to others if it considers it in the Company's best interest.
- 5- Shareholders may sell or waive their preemptive rights starting from the issuance of General Assembly of resolution of capital increase until the last day specified for subscription for new shares attached to such rights in accordance with the directives of the Competent Authority.
- 6- Taking into account what was stated in point No. (4) above, new Shares shall be distributed to preemption right holders who demanded subscription in proportion to the total preemption rights resulting from the capital increase provided that the number of Shares allotted to them shall not exceed the number of new Shares they have applied for. The remaining new Shares shall be allotted to the Shareholders who have asked for more than their proportionate share, in proportion to the preemption rights they hold out of preemption rights resulting from the capital increase provided that the number of Shares allotted to them shall not exceed the number of new Shares they have applied for. The rest of the Shares shall be offered to third parties unless otherwise provided for by the Extraordinary General Assembly or the Capital Market Law.

**Article Fourteen: Decrease of Capital:**

The Extraordinary General Assembly may decrease the Company's capital if it exceeds the Company's needs or if the Company suffers losses. The capital may, in the latter case only be decreased to less than the limit stipulated in Article (54) of the Companies Law. Such resolution shall be issued only after reading out a special report prepared by the Auditor on the reasons for such reduction, the obligations to be fulfilled by the Company, and the impact of the reduction on such obligations. If the reason for the capital reduction is due to the capital being in excess of the Company's needs, the Company's creditors must be invited to express their objection to such a reduction within sixty days from the date of publication of the resolution relating to the reduction in a daily newspaper published in the region where the Company's head office is located. Should



any creditor object and present to the Company evidentiary documents within the time limit set above; then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

## Chapter Three:

### Board of Directors

#### Article Fifteen: Company Management:

The Company shall be managed by a Board consisting of eleven members, to be elected by the Ordinary General Assembly for a term of three years through cumulative voting. The board member may be re-elected.

#### Article Sixteen: Termination of Board Membership:

Membership on the Board shall cease at the expiry of the term or in the event that the validity of that membership is terminated in accordance with any applicable laws or regulations in the Kingdom. However, the Ordinary General Assembly may, at any time, remove all or any of the Directors, without prejudice to the right of a removed director to hold the Company liable if the removal is made without acceptable justification or at an improper time. A Director may resign, provided that such resignation is made at a proper time; otherwise, he shall be responsible to the Company for damages resulting from such resignation.

#### Article Seventeen: Board Vacant Position

If one of the board positions membership become vacant, the Board may appoint a temporary Member who has sufficient experience and qualifications to fill the vacancy based on the Board's discretion. The Ministry and the Authority shall be informed within five business days from the appointment date. Such appointment shall be submitted to the earliest Ordinary General Assembly. The new Director shall complete the unexpired term of his predecessor.

Where the conditions required for holding the Board of Directors meeting are not satisfied because the number of Members falls below the minimum prescribed in the Companies Law or in the Company's Articles of association, the remaining Members must call the Ordinary General Assembly to convene within 60 days to elect the required number of Directors.

#### Article Eighteen: Powers of the Board

- 1- Considering the competencies specified for the General Assembly, the Board of Directors shall have the fullest powers to manage the company to achieve its objectives. The Board of Directors shall have the right to make decisions, conclude contracts, and perform all other actions necessary to achieve the objectives of the company; and is entitled to participate in other companies. It may also conclude contracts on loans and guarantees of whatever amount and for any period whatsoever, including loans whose terms exceed three years. The Board of Directors may approve the provision of financial support, guarantees and loans to companies that the company fully owns or contributes to its capital with other companies and guarantee the debts of any of these companies. It may buy and lease lands and real estate, sell, lease and mortgage the company's properties, including its lands, real estate, movables and factories, convey ownership and accept the same, receive deeds, absolve the company's debtors from their obligations, as well as the right to conciliation, assignment of rights, request arbitration, appoint arbitrators and experts and clearance. It shall further have the right to sign



contracts for the establishment and incorporation of companies to which the company contributes inside and outside the Kingdom.

- 2- The company may not provide loans of any kind to any of the members of the board of directors or its shareholders or guarantee any loan that any of them enters into with others.
- 3- Members of the Board of Directors may not have any direct or indirect interest in the business and contracts that are made for the account of the company except as permitted by the Ordinary General Assembly. All members shall inform the Board of any direct or indirect interest in the business and contracts that are made for the account of the company, taking into account the conditions related to that mentioned in the Companies Law.
- 4- The board appoints Chairman and deputy Chairman of the board, and the board may appoint a Managing Director and define their powers, and the board of directors appoints a secretary for the board to choose from among its members or others and determines their remuneration, and the latter shall be responsible for recording minutes of board meetings and decisions passed at these meetings and maintain the same in addition to any other competencies entrusted to it by the Board of Directors. The Board of Directors shall appoint chief executive officer from among its members or others, and may also, within the limits of its competence and powers, delegate one or more of its members or others to carry out certain action(s). It shall have the right to authorize any of its delegates to delegate others to carry out any of the tasks entrusted to it. The Board of Directors shall have the right to exercise all these powers inside and outside the Kingdom of Saudi Arabia.

#### **Article Nineteen: Remuneration of Board Members:**

Remuneration of the Board Members shall consist of:

- 1- Percentage not exceeding (10%) of the net profits after deducting expenses, depreciations and zakat, and after setting aside the statutory reserve and other reserves, and distributing 5% of the company's capital as a first premium to the shareholders as decided by the General Assembly according to the Companies Law or these Articles of Association, provided that it does not exceed the limits stipulated in the Companies Law or any other laws, decisions or complementary directives thereto.
- 2- Allowance and expenses incurred for attending board meetings.
- 3- The Board of Directors' report to the Ordinary General Assembly must include a comprehensive statement of all amounts received by the Board Members during the fiscal year including rewards, dividends, expenses, and other benefits as well as of all the amounts received by the Board Members in consideration of technical, administrative or consultancy services. The report shall also include a statement of the number of Board meetings and the number of meetings attended by every member as of the date of last General Assembly meeting.

#### **Article Twenty: Powers of Board Chairman, Vice-Chairman, and Board Secretary:**

The Board of Directors shall appoint a Chairman and a Vice-Chairman from among its members. In absence of the Chairman, the Vice-Chairman shall be the Chairman. The person holding the Chairman position may not hold any other executive position in the Company. In absence of both the Chairman and the Vice-Chairman, the Board shall appoint a member to assume the position of the Chairman temporarily. The Chairman of the Board of Directors shall assume the following powers:

- 1- Call the Board for meeting, chair the Board meetings and ordinary general assembly meetings.



- 2- Represent the Company in its relationships with others and before government agencies and private entities, and before Sharia courts, judicial bodies, the Board of Grievances, labor offices, labor committees, commercial papers committees, Sharia medical committees, customs committees, anti-commercial fraud committees, all judicial committees, arbitration and civil rights tribunals, police, traffic and passports departments, the General Directorate of Civil Defense and its branches and affiliated departments and divisions, and before chambers of commerce and industry, ministries, municipalities, airports, embassies, customs and ports authorities, notaries public, banks, private bodies, companies and institutions; and shall have the right to sign all types of contracts, documents and deeds, including contracts for loans obtained by the company and other financial agreements, mortgage and foreclosure, extend guarantees, lease and purchase real estate and land, lease and sell the Company's properties including movables, real estate and lands, request issuance of title deeds for all properties, request the amendment of deeds together with their boundaries and area, and to delete, add and update the deeds, partitioning, conveyance, receive price, receive deeds, request replacement thereof, and sign memoranda of association of companies in which the company contributes, and amendments made thereto, attend meetings, constituent assemblies and general assemblies, discuss and vote on behalf of the company, conveyance and accept of the same, receive and deliver, rent, lease, take and make payments, open and close accounts, credits, withdraw and deposit with banks, issue bank guarantees, sign all commercial papers, documents, forms, checks, all banking transactions, and request issuance and renewal of licenses. The Chairman of the Board of Directors may appoint agents and attorneys to review the affairs of the Company, plead and defend the company, hear lawsuits, respond to them, acknowledgment, denial, conciliation, waiver, release from liability, administer oath, request and deny the same, renounce oath, submit memoranda, evidence and defenses, bring witnesses and evidence, challenge the same, submit answers, endorse and discredit witnesses, amend, appeal for forgery, and deny handwritings, seals and stamps, request travel ban or lift the same, request seizure and execution, request arbitration and appointment experts and experts arbitrators, challenge the reports of experts and arbitrators and seek removal and replacement of the same, request enforcement of judgments, accept or object to judgments, file appeals and request reconsideration, request reinstatement, request pre-emption, approach all relevant authorities, finalize all necessary procedures and sign the same as required. The Board of Directors may, by a written decision, delegate all or some of his powers under this paragraph to board members or others to carry out certain action(s), and the other delegated parties shall have the right to delegate.
- 3- Carry out all other tasks entrusted by the Board of Directors under a resolution passed by the Board or by virtue of authorization or power of attorney by all board members.
- 4- The term of office of the Chairman, Vice-Chairman, Managing Director and the Secretary – if the Secretary is a Board member – shall not exceed their respective term of service as Board Directors, and they may be reelected at any time by the Board. In addition, the Board may at any time remove any or all of them without prejudice to their right to compensation if the removal is made without acceptable justification or at an improper time.

#### **Article Twenty-One: Board Meetings:**

- 1- The Board shall meet at least twice a year upon the invitation of the Chairman. The invitation shall be made in writing against acknowledgment of receipt, registered letters, or any other means such as fax and email well before the meeting date. The Chairman shall invite the Board to meet when requested by at least two of the Directors.



- 2- The meeting may be held outside the Company's head office provided that at least one-half the members are attending or represented in the meeting.
- 3- Some board members may attend the board meeting via audio-visual means provided that they do not exceed one-third of the board members.

#### **Article Twenty-Two: Attending Board Meetings:**

The General Assembly, based on recommendation by the Board of Directors, may terminate the membership of members who failed to attend three consecutive board meetings without acceptable justification.

#### **Article Twenty-Three: Quorum of Board Meetings:**

A meeting of the Board shall be valid only if attended by at least six (6) members personally. A board member may appoint another board member by proxy to attend the meeting on his behalf in accordance with the below restrictions:

- 1- A Board member shall not represent more than one member in attending the same meeting.
- 2- A proxy shall be granted in writing.
- 3- The member acting by proxy shall not be allowed to vote on resolutions that proxy grantor is prohibited from voting under the Law.

Resolutions of the Board shall be adopted by majority vote of the members present or represented. In case of a tie, the chairman of the meeting would have the casting vote.

The board of directors may adopt resolutions by submitting them to the members individually, unless a member has requested in writing that the board be convened to deliberate on such resolutions; given that such resolutions shall be submitted to the board at the first following meeting.

#### **Article Twenty-Four: Board Deliberations:**

Deliberations and resolutions of the Board shall be recorded in minutes to be signed by the chairman of the meeting, members present and the Secretary. Such minutes shall be entered in a special register which shall be signed by the Chairman and the Secretary.

#### **Article Twenty-Five: Obligations of Board Members:**

Board members shall be jointly liable to compensate the company, shareholders or third parties against the damages resulting from their mismanagement of the company, or their violation of the provisions of the Law or the company's articles of association. Any condition to the contrary of this provision shall be considered null and void. All Board members shall be liable if a wrongful act results from a resolution unanimously issued thereby. As for resolutions issued by a majority vote, dissenting members shall not be liable therefor if their objection is explicitly recorded in the minutes of the meeting. Absence from the meeting at which such resolution is adopted shall not constitute cause for relief from liability, unless it is established that the absentee was not aware of the resolution, or was unable to object to it after becoming aware of such resolution. Approval of the ordinary general assembly to relieve board members from liability shall not preclude the filing of liability suit. A liability suit shall not be heard after the lapse of three years from the date of discovering the wrongful act. Except for fraud and forgery, a liability suit shall not be heard after the lapse of five years from the end of the fiscal year in which the wrongful act was committed, and three years from the expiration of membership term of the concerned member, whichever occurs later.



## Chapter Four:

### Shareholders General Assemblies

#### **Article Twenty-Six: Attending General Assemblies:**

Each Shareholder shall have the right to attend the Shareholders' General Assemblies. In addition, each Shareholder may authorize another Shareholder, other than the members of the Board of Directors or employees of the Company, to attend the General Assembly on his behalf, provided that such authorization shall be in writing on the form of power of attorney.

#### **Article Twenty-Seven: Competencies of Ordinary General Assembly:**

Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened whenever needed.

#### **Article Twenty-Eight: Competencies of Extraordinary General Assembly:**

The Extraordinary General Assembly shall have the power to amend the Company's Articles of Association except for such provisions as may be impermissible to be amended under the law. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling originally within the competence of the Ordinary General Assembly under the same conditions applicable to the latter. It shall also be in charge of all matters stipulated in the laws and regulations issued by the competent government authorities.

#### **Article Twenty-Nine: Call for Assemblies:**

The duly formed general assembly shall represent all shareholders and shall be held in the Eastern Region in the Kingdom of Saudi Arabia. General and special assemblies of shareholders shall be held at the call of the board of directors subject to the circumstances stipulated in the Companies Law and in these Articles of Association. The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the Auditor, the Audit Committee or by a number of Shareholders representing at least (5%) of the Company's capital. The Auditor may call for the convention of an assembly if the Board of Directors does not call the assembly to convene within thirty days from the date of Auditor's request. Call for General Assembly together with the agenda thereof shall be published in a daily newspaper distributed in the region of the head office of the Company at least twenty-one days prior to the date set for the meeting. However, a notice sent by registered mail within the time limit set above shall suffice. A copy of the invitation and agenda are to be sent to the Ministry and the Capital Market Authority during the period of publication. Copy of the minutes of meeting shall be sent to the Authority within (ten) days from the date of the meetings, and the Market shall be informed of the results of the General Assembly once adjourned.

#### **Article Thirty: Assembly Attendance Register:**

Upon holding the assembly, a list containing the names of the shareholders present or represented shall be made stating the number of shares held by each of them in person or by proxy as well as the number of votes assigned to each of them. Every interested party may have access to that list.

**Article Thirty-One: Quorum of Ordinary General Assembly:**

A meeting of the Ordinary General Assembly shall be valid only if attended by Shareholders representing at least one-quarter of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be held within an hour following the time set for the first meeting provided that the invitation to hold the first meeting shall state the possibility of holding such second meeting.

In all cases, the second meeting shall be valid regardless of the number of the shares represented therein.

**Article Thirty-Two: Quorum of Extraordinary General Assembly:**

A meeting of the Extraordinary General Assembly shall be valid only if attended by Shareholders representing one-half of the Company's capital. If such quorum cannot be attained at the first meeting, a call for convening a second meeting shall be sent and such meeting shall be held in accordance with the procedures specified in Article (29) of these Articles. The second meeting may be held within an hour following the time set for the first meeting provided that the invitation to hold the first meeting shall state the possibility of holding such second meeting. In all cases, the second meeting shall be valid if attended by number of shareholders representing at least one-quarter of the company's capital.

If this quorum is not attained to convene a second meeting, a notice shall be sent for a third meeting to be held in the same manner provided for in Article (29) herein. The third meeting shall be valid regardless of the number of shares represented therein, after the Capital Market Authority's approval.

**Article Thirty-Three: Voting at Assemblies:**

Each Shareholder shall have one vote for each share held at the General Assemblies. Cumulative voting must be used when electing the Board of Directors. Board Members may not vote in relation to the resolutions pertaining to releasing them from liability during their term of service.

**Article Thirty-Four: Resolutions of Assemblies:**

- 1- Resolutions of the Ordinary General Assembly shall be passed by absolute majority of the Shares represented in the meeting.
- 2- Resolutions of the Extraordinary General Assembly shall be passed by a majority vote of two-thirds of the shares represented at the meeting. However, if the resolution to be passed is related to increasing or decreasing the capital, extending the Company's term, dissolving the Company prior to the expiry of its term specified in these Articles or merging the Company with another company, such resolution shall be valid only if passed by a majority of three-quarters of the shares represented at the meeting.

**Article Thirty-Five: Deliberations at Assemblies:**

Every shareholder shall have the right to discuss the matters listed in the agenda of the General Assembly, and to address questions to the Board Members and the Auditor in respect thereof. The Board or the Auditor shall answer Shareholders' questions to such an extent that would not jeopardize the Company's interests. If a Shareholder feels that the answer to his question is unsatisfactory, he may appeal to the General Assembly whose decision shall be final in this respect.

**Article Thirty-Six: Chairing the General Assemblies and Preparing the Minutes:**

The Shareholders' General Assembly meetings shall be chaired by the Board Chairman or, in his absence, the Vice-Chairman, or the member designated by the Board from among its members in the absence of the



Chairman and the Vice-Chairman. Minutes shall be written for the meeting showing the number of the Shareholders present in person or represented by proxy, the number of the shares held by each, whether of the principal or the agent, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the chairman of the Assembly, the Secretary and vote counter. Proving the deliberations of the general assembly before courts and others shall be made by presenting copies of such minutes or extracts thereof endorsed by the Board Chairman as verified against the originals.

#### **Article Thirty-Seven: Board Committees:**

The Board of Directors may form from among its members and other committees that it intends to appoint according to the company's need and circumstances to carry out certain actions. With regard to the Audit Committee, the Board of Directors shall submit its recommendation regarding the committee and its regulations to the ordinary general assembly for approval. Also, the Board of Directors shall determine the method of functioning of the committees together with their term, vested competencies and powers as well as the number of its members, the necessary quorum for its meetings, the remuneration of its members, the allowance for attending its meetings, and the way the Board supervises it in a manner that does not contradict the requirements of the laws in force in the Kingdom. None of such committees may cancel or amend any of the resolutions and rules approved by the Board of Directors.

## Chapter Five:

### **Audit Committee**

#### **Article Thirty-Eight: Committee Formation:**

An Audit Committee shall be formed by a resolution of the Ordinary General Assembly. Such Committee shall consist of three who shall be non-Executive Board Members, whether from shareholders or others. Such resolution shall determine the duties of the Committee, its functioning controls, and remunerations of its members.

#### **Article Thirty-Nine: Quorum of Committee Meeting:**

An Audit Committee meeting shall be valid if attended by the majority of its members. Resolutions of the Committee shall be passed by the majority of attending members. In case of a tie, the Committee Chairman shall have a casting vote.

#### **Article Forty: Committee Competencies:**

The Audit Committee shall be responsible for overseeing the Company business, and for such purpose, the Committee shall be given access to the Company records and documents, and shall also request any explanation or statement from the Board of Directors or the Executive Management. The Audit Committee may ask the Board of Directors to call the General Assembly to convene if the Board obstructs the Committee functions or should the Company experience serious losses or damage.

**Article Forty-One: Committee Reports:**

The Audit Committee shall examine the Company financial statements, reports, and notes submitted by the Auditor, and shall express its opinions, if any, thereon. In addition, the Committee shall prepare a report of its opinion of the sufficiency of the Company internal control system alongside any other activities it carried out within its sphere of competence. The Board of Director shall file sufficient copies of such report at the Company head office at least twenty-one (21) days before the date specified for the General Assembly so that each shareholder shall be given a copy thereof. Such report shall be read out at the General Assembly meeting.

**Chapter Six:****The Auditor****Article Forty-Two: Appointment of Auditor:**

The Company shall have one auditor or more to be selected from among those licensed to operate in the Kingdom appointed by the Ordinary General Assembly, which may determine his compensation and term of office, and may reappoint him. The General Assembly may at any time remove the Auditor, without prejudice to his right to compensation if the removal is made at an improper time or without acceptable justification.

**Article Forty-Three: Powers of Auditor:**

The Auditor shall have access at all times to the Company's books, records and any other documents, and may request statements and clarifications as he deems necessary to check the Company's assets and liabilities, and other matters fall within his sphere of competence. The Board Chairman shall enable the Auditor to perform his duties, and should the Auditor encounter any difficulties in this regard, he shall state same in a report to be submitted to the Board of Directors. In case the Board does not facilitate the Auditor's duties, the Auditor shall ask the Board to hold an Ordinary General Assembly to consider the matter.

**Chapter Seven:****Company Accounts and Distribution of Dividends****Article Forty-Four: Fiscal Year:**

The Company's fiscal year shall begin on 1st of January and end on the 31st of December of each year.

**Article Forty-Five: Financial Documents:**

- 1- The Board of Directors shall prepare the Company's financial statements at the end of each fiscal year together with a report of its activities and financial position for the preceding fiscal year. This report shall include the proposed method for distribution of dividends. The Board of Directors shall place such documents at the disposal of the Auditor at least 45 (forty-five) days prior to the date set for convening the General Assembly.
- 2- The documents stated in paragraph (1) above, shall be signed by the Chairman of the Board of Directors, Chief Executive Officer, and Chief Financial Officer, and copies thereof shall be available at the Company's head office for the shareholders' review at least twenty-one (21) days prior to the time set for convening the General Assembly.



- 3- The Chairman of the Board of Directors shall provide shareholders with the Company's financial statements, Board of Directors' report, Auditor's report unless all such documents are published in a daily newspaper circulated in the Company's head office. In addition, the Chairman shall also send copies of such documents to the Ministry and the Capital Market Authority at least fifteen (15) days prior to the date set for convening the General Assembly.

#### **Article Forty-Six: Distribution of Dividends:**

The Company's annual net profits shall be allocated as follows:

- 1- Ten percent (10%) of the annual net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve totals thirty percent (30%) of the Company's paid-up capital.
- 2- The Ordinary General Assembly may, upon proposal by the Board of Directors, set aside five percent (5%) of the annual net profits to form a consensual reserve to be allocated for the purpose or purposes decided by the General Assembly.
- 3- The Ordinary General Assembly may form other reserves at the portion that would serve the Company's best interest or would ensure distributing constant dividends, as much as possible, amongst shareholders. Besides, the Ordinary General Assembly may allocate from the net profits amounts to establish social institutions for the Company employees or to support existing social institutions.
- 4- Out of the balance of the profits, if any, there shall be paid to the shareholders an initial payment of five percent (5%) of the Company paid-up capital.
- 5- Subject to provisions in Article (19) hereof, and Article (76) of the Companies Law, the Ordinary General Assembly may allocate five percent (5%) of the remaining amount to be paid as compensation to the Board of Directors provided that entitlement of such compensation shall be in proportion to number of sessions the member has attended.
- 6- The Ordinary General Assembly may, upon proposal by the Board of Directors, distribute the remaining balance (or part thereof) among shareholders in the form of an additional dividend.
- 7- The Company may pay interim dividend to its shareholders on a bi-annual or quarterly basis in accordance with the directives issued by the Capital Market Authority upon authorization issued by the Ordinary General Assembly to the Board of Directors to distribute interim dividends.

#### **Article Forty-Seven: Entitlement to Dividends:**

Shareholders shall be entitled to their dividends pursuant to the General Assembly resolution passed in this regard. Such resolution shall specify the entitlement date and distribution date. Shareholders registered in the Shareholders' Register shall be entitled to their dividends by the end of the day of their entitlement.

#### **Article Forty-Eight: Company Losses:**

- 1- At any time of the fiscal year, if the Company's losses total half of its paid-up capital, any officer of the Company or the Auditor, once being aware of such fact, must notify the Chairman of the Board, and the Chairman, in turn, must immediately notify the Board, and the latter shall, within a period of fifteen (15) days of being notified of same, call the Extraordinary General Assembly for a meeting within forty-five (45) days of the date the Board is notified of such losses. The Extraordinary General Assembly shall consider whether to increase or decrease the Company capital in accordance with the



Companies Law, such that losses should be less than half of the paid-up capital, or to decide whether the Company shall be dissolved prior to the expiry of the term specified therefor under these Articles.

- 2- The Company shall expire under the Companies Law in case the Extraordinary General Assembly does not meet within the period specified in Paragraph (1) above, or if the meeting thereof fails to decide upon the subject, or even if the Assembly decides to increase the capital in accordance with the conditions stated in this Article but each increase is not subscribed for within the ninety (90) days following the issuance of the Assembly's resolution of capital increase.

## Chapter Eight:

### Disputes

#### Article Forty-Nine: Liability Suit:

Each Shareholder shall have the right to file the liability suit, vested in the Company, against the members of the Board of Directors if they have committed a fault which has caused some particular damage to such shareholder, provided that the Company's right to file such suit shall still be valid. The Shareholder shall notify the Company of his/its intention to file such suit which shall be limited to the suffered damage.

## Chapter Nine:

### Company Dissolution and Liquidation

#### Article Fifty: Expiry of the Company:

Upon the expiry of the Company, it shall enter into liquidation period during which it shall maintain its legal personality to the extent necessary for liquidation. Resolution of optional liquidation may only be passed by the Extraordinary General Assembly. The liquidation resolution shall provide for the appointment of a liquidator and determine its powers, fees, restrictions of power and the period of liquidation, provided that optional liquidation period shall not exceed five years and cannot be extended without judicial order. The powers of the Board of Directors shall cease upon the Company's approval of its liquidation, provided, however, that the Board of Directors shall remain responsible for the management of the Company and is deemed vis-à-vis third parties as liquidator until the liquidators are appointed. The General Assembly shall remain existent during the liquidation period and shall exercise its powers to the extent it does not conflict with the powers of the liquidator.

## Chapter Ten:

### Concluding Provisions

#### Article Fifty-One:

The Companies Law and its Implementing Regulations shall apply to all other matters not specifically provided for herein.

#### Article Fifty-Two:

These Articles of Association shall be filed and published in accordance with the Companies Law and its Implementing Regulations.