

## Sports Clubs Company

### Board Charter

Version: 1/2024

**This Charter was approved by the Board of Directors of Sports Clubs Company, in its meeting held on 28/07/2024.**

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#### Section 1: Preamble:

1. The Board of Directors of Sports Clubs Company ("the Company") has set and approved this charter ("the Charter").
2. The Charter outlines the functions of the Company's Board of Directors ("the Board" or "the Board of Directors"), defining the scope of its responsibilities, the methods for executing such responsibilities, and the Board's operating procedures.
3. At least once a year, the Board should assess its own performance as well as that of its committees and provide recommendations for improving both.
4. The Board assumes all necessary powers to manage the Company in accordance with the bylaws approved by the General Assembly, as well as the Companies Law and Corporate Governance Regulations issued by the Capital Market Authority ("the Authority"), without prejudice to the General Assembly's functions and powers.
5. Members of the Board shall always be committed to honesty and fairness in all aspects of their work, in accordance with the laws and regulations applicable in the Company, as well as all applicable Company policies.
6. Each member of the Board shall comply with the duties of care and loyalty, and this shall include, in particular, the following:

- **Duty to act within conferred powers:** A member of the Board shall perform and exercise his duties and powers in managing the Company and guiding its activities within his 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.
- **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 prioritize his 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 maximize its value on the long term for the benefit of its shareholders.
- **Duty to exercise independent judgment:** A member of the Board shall perform his duties objectively and independently in relation to managing the Company and making decisions and shall avoid cases that affect his independence in making decisions or voting it.
- **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 Company's By-laws, the Capital Market Law and their implementing regulations and its regulations and other relevant laws, with the diligence and care that should be exercised by a diligent person with the general knowledge, skill and experience of that member of the Board has, and that is expected from a person carrying out the functions exercised by the member of the Board.
- **Duty to avoid conflict of interest:** A member of the Board shall avoid transactions and situations in which he 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.

- **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 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 such interest in business and contract in the Companies Law and its implementing regulations.
  - **Duty not to accept benefits from third parties in relation to his role in the company:** A member of the Board shall not exploit his position, duties and powers vested in him in his 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.
7. The Board is in charge of approving the Company's overall strategy and general policy framework. The Board fulfills this responsibility by supervising the executive management, which is in charge of carrying out the Company's day-to-day operations.
8. The Board has the authority to carry out the Company's operations and achieve its objectives. The Board's powers may not be restricted or revoked except in accordance with applicable laws, regulations, and the Company's bylaws.

## **Section 2: Responsibilities and Competencies of the Board:**

### **A. Responsibilities of the Board:**

- 1- The Board represents all shareholders and shall perform its duties of care and loyalty in managing the Company's affairs and undertake all actions in the general interest of the Company and develop it and maximize its value

2- The Board is responsible for the Company's business even if it delegates some of its powers to committees, individuals or other third parties. In any case, the Board may not issue a general or an open-ended delegation.

**B. Exercise of the powers of the Board:**

- 1- The Board shall exercise its authority and responsibilities by managing the Company within a framework of prudent and effective controls that enables risk assessment, its management, and its mitigation.
- 2- Within the limits of its authority, the Board may delegate one or more of its members, committees, or other individuals to carry out specific tasks or responsibilities.
- 3- The Board shall develop an internal policy outlining the procedures for its operations, with the goal of encouraging its members to work effectively in fulfilling their obligations to the Company.
- 4- The Board is responsible for effectively structuring its activities, allocating adequate time to carry out its duties, including meticulous preparation for board and committees' meetings, and ensuring thorough coordination, accurate documentation, and secure maintenance of meeting minutes.
- 5- Without prejudice to the competencies of the General Assembly as per the Company's By-laws and its implementing regulations and the Company's bylaws, the Board shall have the broadest powers in managing the Company and guiding its activities to achieve its objectives. Among the main functions and competencies of the Board are the following:
  - a) Laying down the plans, policies, strategies, and main objectives of the Company, supervising their implementation and reviewing them periodically, and ensuring that the human and financial resources required to fulfill them are available, including:
    - setting a comprehensive strategy for the Company, key business plans and policies and mechanisms of the risk management and to review it and guide it.

- determining the most appropriate capital structure for the Company, its strategies, and financial objectives, and approving all kinds of estimated budgets.
- overseeing the main capital expenditures of the Company and the acquisition or disposal of assets.
- setting performance indicators and monitoring the implementation thereof and the overall performance of the Company.
- reviewing and implementing the organizational and human resources structures of the Company on a periodic basis.
- Ensuring that the financial and human resources required for achieving the objectives and main plans of the Company are available.

b) Setting rules and procedures for internal control and in general, overseeing it, including:

- Developing a written policy to remedy actual and potential conflicts of interest scenarios for each of the Board members, the executive management, and the shareholders. This includes misuse of the Company's assets and facilities and the mismanagement resulting from transactions with related parties.
- Ensuring the integrity of the financial and accounting rules, including rules relating to the preparation of financial reports.
- Ensuring the implementation of appropriate control procedures for risk assessment and management, and in general, forecasting the risks that the Company may encounter and creating an environment which is aware of the culture of risk management at the Company level and disclosing such risks transparently to the Stakeholders and parties related to the Company;
- Reviewing the effectiveness of the Company's internal control procedures on an annual basis.



- c) Setting forth specific and explicit policies, standards, and procedures for membership in the Board, without prejudice to the mandatory provisions of these regulations, and implementing them following its approval by the General Assembly.
- d) Developing a written policy that regulates the relationship with stakeholders pursuant to the provisions of these Regulations.
- e) Setting policies and procedures to ensure the Company's compliance with the laws and regulations and the Company's obligation to disclose material information to shareholders and stakeholders and ensuring the compliance of the executive management with these policies and procedures.
- f) Supervising the management of the Company's finances, its cash flows as well as its financial and credit relationships with third parties.
- g) Providing recommendations to the Extraordinary General Assembly as to what it deems appropriate regarding the following:
  - increasing or decreasing the share capital of the Company; and
  - Dissolving the Company before the end of its term as specified in its bylaws or deciding the continuity of the Company.
- h) Providing recommendation to the Ordinary General Assembly as to what it deems appropriate regarding:
  - use of the company's reserves, if they are not allocated for a specific purpose in the Company's bylaws.
  - forming additional financial allocations or reserves for the Company; and
  - the method of distributing the net profits of the Company.



- i) Preparing the Company's interim and annual financial statements and approving it before publishing it.
- j) Preparing the Board report and approving it before publishing it.
- k) Ensuring the accuracy and integrity of the data and information which must be disclosed pursuant to the applicable policies and systems in respect of disclosure and transparency.
- l) Developing effective communication channels allowing shareholders to continuously and periodically review the various aspects of the Company's businesses as well as any material developments.
- m) Forming specialized committees of the Board pursuant to resolutions that shall specify the term, powers, and responsibilities of such committees as well as the manner used by the Board to monitor such committees. Such resolutions shall also specify the names of the members and their duties, rights and obligations and shall evaluate the performance and activities of these committees and their members.
- n) Specifying the types of remunerations granted to the Company's employees, such as fixed remunerations, remunerations linked to performance and remunerations in the form of shares without prejudice to the Implementing Regulation of the Companies Law for Listed Joint Stock Companies.
- o) Notifying the Ordinary General Assembly when convened, of the businesses and contracts in which any Board member has a direct or indirect interest; the notification shall include the information provided by the member of the Board to the Board and shall be accompanied by a special report of the Company's external auditor.
- p) Setting the values and standards that govern the work at the Company.

### **C. Distribution of Competencies and Duties**

The organizational structure of the Company shall specify the competencies and distribute the duties between the Board and the executive management in accordance with the best practices in Corporate Governance, and to improve the efficiency of the Company's decision making and to achieve a balance of powers and authorities across the Board and the Executive Management, and to achieve this, the Board shall:

- 1- Approve and develop internal policies in respect of the Company's business, including specifying the duties, competencies and responsibilities assigned to the various organizational levels.
- 2- Approving a written and detailed policy that identifies the powers delegated to the Executive Management, a matrix stating these powers, means of implementation and the period of delegation. The Board may request the executive management to submit periodic reports in respect of its exercise of such delegated powers.
- 3- Identifying the matters on which the Board reserves the power to decide.

### **D. Oversight over the Executive Management:**

The Board shall form the Executive Management of the Company, regulate its operating procedures, monitor, and oversee it and ensure that it performs the duties assigned to it, and to achieve this, the Board shall:

- 1- Develop the necessary administrative and financial policies.
- 2- Ensure that the Executive Management operates in accordance with the policies approved by the Board.
- 3- Select and appoint the Chief Executive Officer of the Company and oversee his work.
- 4- Appoint the manager of the internal audit unit or department, or the internal auditor and dismiss him and determine his remuneration.





- 5- Convene periodic meetings with the Executive Management to explore the work progress and any obstacles and problems in connection therewith, and review and discuss the important information in respect of the Company's business.
- 6- Develop standards for the performance of the Executive Management consistent with the objectives and strategy of the Company.
- 7- Review and evaluate the performance of the Executive Management; and
- 8- Develop succession plans for the management of the Company.

### **Section 3: Formation of the Board:**

- Board members are elected by shareholders at the Company's general assembly.
- The Board of Directors shall consist of six (6) members of natural persons to be appointed by the General Assembly for a term not exceeding four (4) years.
- Cumulative Voting shall be used in electing the Board members, in which it is not allowed to use the voting right of a single share more than once.
- Board members shall be competent enough to understand and appropriately address current and emerging issues facing the company. No member of the Board should have a criminal record or have been convicted of a crime involving dishonor or trust.
- The majority of the Board members shall be of Non-Executive Members. The number of Independent Members shall not be less than two members or one-third of the Board members, whichever is greater.
- Members may be reelected for additional term. Board members are required to fulfill their duties and responsibilities as stipulated in the relevant regulations and laws.
- Each Board member shall adhere to the Company's approved conflict of interest policy, as well as other related policies, regulations, and laws.
- The Company shall notify the Authority of the names of the Board members and description of their memberships within five business days from the commencement date of the Board's term or from the date of their appointment, whichever is earlier, as

well as any changes that may affect their membership within five business days from the occurrence days of such changes. This provision applies only after the Company becomes a listed Company.

- A Board member shall not be a member of the Boards of Directors of more than five listed joint stock companies at the same time.
- The appointed Board member shall fulfil the standards and conditions for membership of the Board that are approved by the General Assembly and stipulated into the relevant regulations and guidelines.

#### **Section 4: Structure of the Board**

##### **A. Chairman of the Board**

The Board shall appoint a Chairman ("the Chairman") and a Vice Chairman among its members, and it may appoint a managing director. The Vice Chairman of the Board shall replace the Chairman in his absence. It is not permissible to combine the position of Chairman of the Board of Directors with any executive position in the Company.

The Board shall clearly and in writing define the Chairman, Vice Chairman, and Chief Executive Officer's authorities, as well as their respective responsibilities. Under no circumstances should any individual have complete authority to make decisions on behalf of the Company.

The chairman of the Board shall be responsible for leading the Board and supervising its operations and the effective performance of its duties. The competencies and duties of the chairman of the Board shall in particular include the following:

- ensuring that the Board members obtain complete, clear, accurate and non-misleading information in due time.
- ensuring that the Board effectively discusses all fundamental issues in due course.



- representing the Company before third parties in accordance with the Companies Law and its implementing regulations and the Company's bylaws.
- encouraging the Board members to effectively perform their duties in order to achieve the interests of the Company.
- ensuring that there are actual communication channels with shareholders and conveying their opinions to the Board.
- encouraging constructive relationships and effective participation between the Board and the Executive Management on the one hand, and the Executive, Non-Executive, and Independent Directors on the other hand, and creating a culture that encourages constructive criticism.
- preparing agendas of the Board meetings, taking into consideration any matters raised by Board members or the external auditor and consult with the Board members and the Chief Executive Officer upon preparing the Board's agenda; and
- Convening periodic meetings with the Non-Executive Directors without the presence of any executive officers of the Company.

#### **B. Tasks and Duties of Board Members**

Each member of the Board shall, being a Board member, perform the following tasks and duties:

1. Providing proposals to develop the strategy of the Company.
2. Monitoring the performance of the executive management and the extent to which it has achieved the objectives and purposes of the Company.
3. Reviewing reports related to the performance of the Company.
4. Ensuring the integrity and impartiality of the financial statements and information of the Company.
5. Ensuring that the financial control and risk management systems are sound.



6. Determining the appropriate level of remunerations of the members of the executive management.
7. Expressing opinions as to the appointment and dismissal of members of the Executive Management.
8. Participating in developing the succession and replacement plans of executive positions within the Company.
9. Complying fully with the provisions of the Companies Law, Capital Market Law, their implementing regulations, the relevant regulations, and the bylaws when performing his/her duties as a member of the Board and abstaining from taking or participating in any action that constitute mismanagement of the Company's affairs.
10. Attending the Board and the General Assembly meetings, and not being absent except for legitimate excuse of which the chairman of the Board shall be notified by prior notice, or for emergency reasons.
11. Allocating sufficient time to fulfill his/her responsibilities and preparing for the Board and its committees' meetings and effectively participating therein, including raising relevant questions and carrying discussions with the Senior Executives.
12. Studying and analyzing all information related to the matters looked into by the Board before expressing an opinion on the same.
13. Enabling other Board members to express their opinions freely and encouraging the Board to deliberate on the subjects and obtain the views of the competent members of the Company's executive management and others, when necessary.
14. Notifying the Board fully and immediately of any interest, either direct or indirect, in the businesses and contracts that are executed for the Company's account, the notification shall include the nature and extent of such interest, the names of



concerned persons, and the expected benefit to be obtained directly or indirectly from interest whether financial or non-financial. The concerned member shall abstain from voting on any decisions issued in connection therewith in compliance with the provisions of the Companies Law, the Capital Market Law, and their implementing regulations.

15. Notifying the Board fully and immediately of his/her participation, directly or indirectly, in any businesses that may compete with the Company or lead to competing with the Company, directly or indirectly, in respect of any of its activities, in compliance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations.
16. Refraining from disclosing or announcing any secrets he/she came across through his/her membership in the Board to any shareholder of the Company, unless such disclosure is made during the meetings of the General Assembly, or to a third party, in pursuance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations.
17. Working on the basis of complete information, in good faith and with the necessary care and diligence for the interest of the Company and all shareholders.
18. Recognizing his duties, roles and responsibilities arising from the membership.
19. Developing his knowledge in the field of the Company's business and activities and in the related financial, commercial, and industrial fields; and
20. Resigning from the membership of the Board if he is unable to fully fulfill his/her duties in the Board.
21. Independent Director of the Board shall effectively participate in the following duties:



- Expressing his independent opinion in respect of strategic issues and the Company's policies and performance and appointing members of the executive management.
- Ensuring that the interest of the Company and its shareholders are considered and given priority in case of any conflicts of interest.
- Overseeing the development of the Company's Corporate Governance rules and monitoring the implementation of the rules by the Executive Management.

**C. Board Committees:**

- The Board carries out its responsibilities with the assistance of specialized Committees formed by the Board as may be needed and depending on the Company's circumstances. These committees report to the Board and make recommendations, and the Board may delegate specific authorities to any of these committees while regularly monitoring their activities to ensure they are carrying out the tasks assigned to them.
- Each Committee shall be responsible before the Board for its activities, this shall not relieve the Board of its responsibility for such activities, duties, and powers that it has delegated to such committee.
- The number of members of a committee shall not be less than three nor more than five. The chairmen of committees, or whom they delegate to among its members, shall attend the General Assembly Meetings and answer any questions raised by the shareholders. A sufficient number of Non-Executive Directors shall be appointed within the committees for issues that may involve a conflict of interest, such as ensuring the integrity of financial and non-financial reports, reviewing Related Party transactions.
- The formation of each committee shall be made in accordance with written charter developed by the Board, which shall determine the duties, duration and powers of each



- committee, and the manner in which the Board monitors the activities of each committee, along with the qualifications required for its members.
- Pursuant to the Board's authority to establish a sufficient number of committees to assist in fulfilling its responsibilities, the following committees have been formed by the Board to operate within the Company:
    - The Audit Committee
    - The Nominations and Remuneration Committee
  - The members of the Committees shall be appointed by the Board according to the Nomination and Remuneration Committee's recommendations.
  - The Board shall consider the materials and recommendations presented to it by the committees before expressing its opinion on any issues requires skill and expertise to judge.
  - The Board shall approve or recommend the charters of the various committees, which will then be approved in accordance with applicable laws and regulations.
  - The Board may establish committees to enable it to carry out its functions in accordance with legal requirements, depending on the needs, circumstances, and circumstances of the Company. Accordingly, the committee members are appointed by a majority vote of the Board.
  - Committee's members should be knowledgeable about or interested in the Committee's area of activity. And should have appropriate professional experience, necessary qualifications, in addition to the understanding of the full range of the roles and responsibilities of both senior management and Board. The Member should ensure they can devote sufficient time to the work of the committee.
  - Within the limits of their authority, committees may seek the advice of experts and specialists from within or outside the Company, and it shall recorded in minutes during

the committee meeting, along with recording the expert's name and affiliation with the Company or its executive management.

**D. Board Secretary:**

The Board shall appoint a secretary among its members or a third party, whose competencies and wage shall be specified by a Board resolution, unless the Company's bylaws include provisions in connection therewith, provided that such powers shall include:

- documenting the Board meetings and preparing its minutes, which shall include the discussions and deliberations carried during such meetings, as well as the place, date, times of commencement and end of such meetings, and recording the decisions of the Board and voting results and recordkeeping it in a special and organized register including the names of the attendees and any reservations expressed -if any. Such minutes shall be signed by the chairman of the meeting, all of the attending members and the secretary.
- recordkeeping the reports submitted to the Board and the reports that it shall issue.
- providing the Board members with the agenda of the Board meeting and related worksheets, documents and information and any additional information, related to the topics included in the agenda items, requested by any Board member.
- ensuring that the Board members comply with the procedures approved by the Board.
- notifying the Board members of the dates of the Board's meetings within sufficient time prior to the date specified for the meeting.
- presenting the draft of minutes to the Board members to collect their related comments before signing the same.
- ensuring that the Board members receive, fully and promptly, a copy the minutes of the Board's meetings as well as the information and documents related to the Company.
- coordinating among the Board members.



- regulating the disclosure register of the Board and executive management according to the Corporate Governance regulations.
- Providing assistance and advice to the Board members.
- The Secretary of the Board may not be relieved except pursuant to a decision of the Board.

#### **Section 5: Termination of Board Membership:**

- The General Assembly may, upon the recommendation of the Board of Directors, terminate the membership of any of its members who fail to attend three consecutive or five separate Board meetings during their term of office, without a legitimate excuse accepted by the Board.
- After the expiration of the Board's term, a new Board of Directors should be formed, where the members of the Board shall be elected by the General Assembly, adopting the same procedure.
- The membership of the Board ends with the expiration of its term, or when the member becomes unfit for membership in the Board in accordance with the Board membership criteria or by any law or regulations prevailing in the Kingdom. However, the Ordinary General Assembly may, at any time, dismiss any or all of the Board members without prejudice to the right of a dismissed member to claim compensation if they are dismissed for an unacceptable reason or at inappropriate time. A Board member may step down, provided that this takes place at an appropriate time, otherwise such member shall be liable to the Company for the damage caused by stepping down. This decision shall be disclosed to the Capital Markets Authority and the public through the Saudi Stock Exchange (Tadawul) and the Ministry of Commerce, and shall specify the reasons thereof, within the statutory deadline.
- If the position of a Board member becomes vacant, due to death or resignation, and such vacancy does not affect the required conditions to convene the Board, accordingly, the Board may appoint a member to temporarily fill the vacancy provided that such



member meets the conditions of experience and efficiency. This appointment should be notified to the CMA and The Ministry of Commerce within fifteen (15) days from the date of appointment. The appointment shall be referred to the ordinary general assembly in its first meeting. The new member shall complete the term of his predecessor.

- If the board of directors fails to convene due lack of minimum number of members as prescribed in the Companies Law or these Bylaws, the existing members shall call for an Ordinary General Assembly within sixty (60) days to elect the required number of members.
- The Board, before the end of its term, shall take the necessary steps to call for the Ordinary General Assembly meeting to convene in order to elect a new Board for a new term. If the election cannot be held, and in the event of expiration of the term of the Board of Directors, all members shall continue to perform their functions, until the election of a new Board of Directors for a new term, for a period not to exceed the period of ninety (90) days from the date of the expiration of the term.
- 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.
- A member of the Board may resign through a written notification addressed to the Chairman of the Board. In case of the Chairman resignation, the notification needs to be notified to the Board members and the Secretary of the Board. In such cases, the resignation shall take effect from the date specified of notification.
- Upon receiving a request from one or more shareholders representing (10%) of the Company's voting shares for dismissal of any 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.
- If a member of the Board resigns and has comments on the performance of the Company, he shall submit a written statement explaining such comments to the chairman of the Board and such statement shall be presented to the Board members.
  - The resignation of a member of the Board shall take effect from the date of notification of the Chairman or at any other time agreed upon and determined by the Board.

### **Section 6: Board Meetings**

- A. The Board shall convene no less than four meetings per year, and no less than one meeting every three months. The chairman of the board shall convene the meeting whenever requested in writing by a board member to discuss one or more matters.
- B. The board shall determine the location of its meetings and may hold its meetings through new means of communication.
- C. The board meeting shall be valid only if attended by at least four members in person. Members of the Board may nominate any of other members to represent him in Board meetings in accordance with the following rules:
  - 1. A member of the Board may not represent more than one member at the same meeting.
  - 2. Proxies must be made in writing and for each specific meeting.
  - 3. The proxyholder shall not vote on resolutions on which the law prohibits the principal from voting.
- D. The resolutions of the Board of Directors shall be issued by the majority of the votes of the members of the Board present or represented at the meeting. In case of parity of voting, the voting of chairman shall prevail.
- E. The Company's Board may issue resolutions by circulation for urgent matters by presenting it for decision to all members, unless one of the members requests, in writing,



- a meeting of the Board to deliberate it. These resolutions shall be presented to the Board of Directors at the next first meeting to be recorded in the minutes of that meeting.
- F. The Board's decisions shall be effective from the date of their issuance unless it stipulates that it shall take effect at a convenient time or when certain conditions are met.
- G. Without prejudice to the Companies Law and its implementing regulations, the Board shall convene regular meetings to perform its duties effectively, and also convene meetings whenever needed.
- H. The Board shall meet upon the invitation of its chairman, or upon a request from one of its members. The invitation to the meeting shall be sent to each of the Board members no less than five days prior to the date of the meeting accompanied by its agenda and the necessary documents and information, unless circumstances require convening an urgent meeting, in such case the invitation accompanied with the agenda and necessary documents and information may be sent within a period less than the five days.
- I. Each member of the Board is entitled to propose additional items to the agenda. Should any member of the Board raise any objection in respect of such addition, such objection shall be recorded in the minutes of the meeting.
- J. The Board meeting may be held using new communication means. If any members are unable to attend in person, he can still use any means of communication to attend the meeting, participate in deliberations and vote on resolutions.
- K. An Independent Director of the Board shall make every effort to attend all meetings in which important and material decisions affecting the situation of the Company are made.
- L. The Attendance of Board meetings and dealing with cases of irregular attendance by members of such meetings shall be kept organized.

### Section 7: Minutes of Meeting:

1. Deliberations and resolutions of the Board shall be documented in minutes to be signed by the Chairman, the Board members attending the meeting and the Secretary. The minutes shall be recorded in a special register to be signed by the Chairman of the Board and the Secretary.
2. The Secretary shall prepare and send the first draft of the minutes of the meeting to the Board members within a reasonable timeframe.
3. Board members are to provide their comments and feedback on the draft within five business days of receiving it from the Secretary. The Secretary will revise the draft based on the members' feedback and resend it to them. Board members must provide their comments on the second draft within two business days of receipt from the Secretary. The final version of the minutes will be signed by all members, the Chairman, and the Secretary.
4. Any Board member may express reservations regarding any resolution made by the Board, provided he states the fundamental reasons for his reservations. If a member leaves the Board meeting before its conclusion, his reservations will be limited to decisions on the agenda that he participated in. Upon request, and subject to this request being made in writing, the minutes will include the points that he did not participate in.
5. If any member of the Board has any remarks in respect of the performance of the Company or any of the matters presented and which was not resolved in the Board meeting, such remarks shall be noted, and set forth the actions taken or to be taken by the Board in connection therewith, in the minutes of the Board meeting.
6. If a member of the Board expresses an opinion differs from the Board resolution, such opinion must be recorded in detail in the minutes of the Board meeting.

### **Section 8: Sources of Information:**

The Board has the right to access all necessary resources and information that enable it to fulfill its duties, responsibilities, and functions effectively. The Board may directly authorize contracts and instruct executive management to award consulting projects to specified consulting firms, in accordance with the nature of the tasks and responsibilities assigned to it.

The executive management of the Company shall provide the Board members, the Non-Executive Directors in particular, and the Committees of the Company with all of the necessary information, details, documents, and records, provided that they shall be complete, clear, correct, and non-misleading, in due course to enable them to perform their duties and obligations.

### **Section 9: Compliance:**

The Board shall ensure that appropriate policies and procedures are in place to comply with applicable laws and regulations of the relevant authorities, in particular the Capital Markets Authority and the Ministry of Commerce. The Board shall be responsible for ensuring the disclosure of material information in accordance with legal requirements, in timely manner.

### **Section 10: Exclusive Decisions of the Board:**

There are powers that need to be kept to the Board and to be taken into consideration as whole by the Board and might not be delegated even to committees of the Board, and the Board reserves the right to review and amend these matters from time to time as deemed necessary, including, but not limited to, the following:

- Appointment of the Chairman of the Board, Vice Chairman, and Managing Director.
- Appointment or dismissal of the Chief Executive Officer.
- Appointment and dismissal of the internal auditor, along with the determination of their compensation.

- Approval of the Company's overall strategy and the framework for its general policies.
- Matters referred to the Board by its committees, including the appointment of Committee members.
- Conducting an annual self-assessment, where feasible, to assess the Board's effectiveness in relation to its objectives, duties, and responsibilities as articulated in these regulations. This review aims to ensure the comprehensive fulfillment of all responsibilities set out into the Board's charter.

### Section 11: The Assessment

- The Board shall develop, based on the proposal of the nomination committee, the necessary mechanisms to annually assess the performance of the Board, its members and committees and the Executive Management using key performance indicators linked to the extent to which the strategic objectives of the Company have been achieved, the quality of the risk management and the efficiency of the internal control systems, among others, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the Company.
- The procedures of performance assessment shall be in writing and clearly stated and disclosed to the Board members and parties concerned with the assessment.
- The performance assessment shall entail an assessment of the skills and experiences of the Board, identification of the weaknesses and strengths of the Board and shall attempt to resolve such weaknesses using the available methods, such as nominating competent professional staff able to improve the performance of the Board. The performance assessment shall also entail the assessment of the mechanisms of the Board's activities in general.
- The individual assessment of the Board members shall take into account the extent of effective participation of the member and his commitment to performing his duties and responsibilities, including attending the Board and its committees' meetings and dedicating adequate time thereof.

- The Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent external party every three years.
- Board Annual Independence Evaluation:
  - The Company is required to evaluate the independence of each member at least annually. To facilitate this process, every member of the Board of Directors, along with committee members, must fill out an independence evaluation form that details their individual circumstances on a yearly basis. This completed form should be submitted to the Board Secretary, who will subsequently relay it to the Nomination and Remuneration Committee.
  - The Nomination and Remuneration Committee reviews the assessment results and engages in discussions with the Chairman of the Board of Directors. Subsequently, the Chairman presents these results to the Board of Directors for their approval.
  - Unless the Board decides otherwise, no individual serving on the Board or any of its committees shall be regarded as an independent member.

### **Section 12: Confidentiality:**

All records produced by the Board, including documents and presentations submitted to the Board, must be treated as confidential and shall not be disclosed or distributed to any individual other than Board members, except as required by law or as authorized by the Board. This confidential information encompasses all confidential and undisclosed information related to the Company that is not mandated for disclosure under regulatory requirements, which a Board member or committee member acquires by virtue of their position and that disclosure of such information could benefit competitors and harm the Company or its clients.

### **Section 13: Insider trading**

1. An insider definition within the Company is expanded to include any of the following:
  - Members of the Board and Committee members.
  - Executives of the Company.





- Employees of the Company.
  - Other related parties outside the Company, such as external auditors.
  - Immediate family members of the individuals mentioned above, as well as other individuals who may obtain information about the Company from those aforementioned.
2. Additionally, other individuals may become insiders from time to time and will be subject to these provisions if they possess or are likely to possess undisclosed information or receive material non-public information from any insider.
  3. Any individual who is aware of or possesses material non-public information regarding the Company is classified as an insider, provided that such information is not publicly known and could, even if somewhat slightly, have an impact on the company's share price.
  4. Insiders are prohibited from the following actions:
    - Disclosing material non-public information to any individual unless that person requires the information for legitimate business purposes related to the Company, in accordance with applicable regulations.
    - Providing any false statements regarding significant facts or omitting essential information necessary to prevent statements from being misleading.
  5. Article 50 of the Capital Market Law explicitly prohibits trading based on insider information. This prohibition includes both direct and indirect trading of the relevant securities, as well as the unauthorized disclosure of insider information to third parties with the anticipation that such parties will engage in trading activities involving those securities. Insider information may be acquired through various means, including professional relationships, familial connections, or contractual arrangements.

#### **Section 14: Conflict of Interests:**

The Company has set a clear and written policy for addressing actual or potential conflicts of interest that may affect the performance of Board members, executive management, or other

employees when dealing with the Company or other stakeholders. For further information, please refer to the Conflict-of-Interest Policy. This policy specifically outlines the blackout periods applicable to Board members concerning transactions involving the Company's securities. Board members and any individuals associated with them are prohibited from trading in the Company's securities during the following periods:

- during the (15) calendar days preceding the end of the financial quarter and until the date of the disclosure of the reviewed interim financial statement.
- during the (30) calendar days preceding the end of the financial year and until the date of disclosing the issuer's audited annual financial statements, or the interim financial statements for the fourth quarter if the issuer has disclosed them after reviewing them.
- The aforementioned restriction periods apply (where applicable) to any resigning member during the restriction period and to any individuals associated with them.

#### **Section 15: Amendment and Effectiveness:**

1. This policy shall come into effect as of the date of its approval by the Board.
2. This policy is reviewed periodically by the Board when needed by has the authority to make amendments as necessary, in accordance with the applicable regulations and guidelines issued by the relevant authorities.
3. The provisions and requirements hereof that are in relation to disclosure, notification, transparency, and reporting that apply to listed Companies shall apply to the Company as of the date of listing the Company's shares on the Saudi stock exchange.