

Sports Clubs Company

Dividend Distribution Policy

Version: 1/2024

This policy was approved by the Board of Directors of Sports Clubs Company, in its meeting held on 22/01/1446, corresponding to 28/07/2024.

**DISCLAIMER** This English version of this document is a translation of the original Arabic document and has been made for the purpose of informing non-Arabic speakers of the said document. In case of any discrepancy or misinterpretation of any clause or article, the original Arabic document shall prevail.

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## 1. Introduction:

The Dividend Distribution Policy for Sports Clubs Company ("the Company") has been prepared in compliance with the provisions set forth in the Corporate Governance Regulations issued by the Capital Market Authority, in light of the Company's By-laws, the Companies Law, and the Implementing Regulation of the Companies Law for Listed Joint Stock Companies.

This policy outlines the Company's procedures for calculating, determining, and announcing dividend distributions, as well as specifying the format and timing of these payments.

- Company: Sports Clubs Company.
- Board of Directors or Board: The Company's Board of Directors.
- CMA: The Capital Market Authority.
- Tadawul or Market: Saudi Stock Market.
- Companies Law: The Companies Law issued by Royal Decree No. (M/132) dated 1/12/1443 (corresponding to 30/6/2022), including any amendments thereto.
- Corporate Governance Regulations: The Corporate Governance Regulations issued by the CMA's Board under Resolution No. 8-16-2017 dated 16/5/1438 (corresponding to 13/2/2017) and amended by the CMA Board Resolution No. 8-5-2023 dated 25/6/1444 (corresponding to 18/1/2023).
- Bylaws: The Bylaws of the Company approved by the Company's General Assembly.
- Implementing Regulation: The Implementing Regulation of the Companies Law for Listed Joint Stock Companies issued by the CMA's Board under Resolution No. 8-127-2016 dated 16/1/1438 (corresponding to 17/10/2016), amended by the CMA's Resolution No. 2-26-2023 dated 5/9/1444 (corresponding to 27/2/2023).
- Independent Member: A non-executive Board member who possesses full independence in their position and decisions and is not subject to any of the independence impairments outlined in the Corporate Governance Regulations.

The definitions and glossary of terms used in the CMA's regulations and rules shall serve as a primary reference for any undefined terms in this policy.

## 2. Dividend Distribution

- 1) In accordance with the Company's Bylaws, the Ordinary General Assembly, when determining the dividend portion in the net profits, may decide to create other reserves, as necessary to serve the Company's interests or to ensure the distribution of fixed profits as possible to the Shareholders. The General assembly may also allocate portions of net profits for social purposes benefiting the Company's employees.
- 2) The General Assembly shall determine the percentage of net profits to be distributed to the shareholders after deducting any reserves, if applicable.
- 3) The Board of Directors is authorized to declare and distribute interim dividends to shareholders in accordance with the relevant laws and regulations.

Consequently, 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. The Company's share premium account that is within shareholders equity shall not be used to distribute cash dividends to shareholders.

## 3. Interim Dividend Distribution and Requirements:

The Company may distribute interim dividends to its shareholders on a semi-annual or quarterly basis, provided that the following requirements are met:

1. The Ordinary General Assembly must authorize the Board to distribute interim dividends through a resolution renewed annually.
2. The Company shall have regular positive profitability.
3. The Company shall have reasonable liquidity and is able to reasonably foresee the scale of its profits.
4. The Company shall have distributable profits, according to the latest audited financial statements, sufficient to cover the proposed dividends distribution after accounting for any previously distributed and capitalized profits subsequent to the date of those financial statements.

#### 4. Recording of Interim Dividend Distribution:

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 in a timely manner

#### 5. Disclosure of dividend distribution:

- 1) The Company shall disclose to the Authority and the public any decision in relation to distribution of interim profits immediately and without delay.
- 2) The Board shall include in its annual report submitted to the Company's General Assembly the percentages of dividends distributed to shareholders during various periods of the financial year, as well as the proposed percentage of dividends to be distributed at the end of the financial year and the aggregate dividend amounts.

#### 6. Dividend Entitlement:

- Shareholders are entitled to their share of dividends in accordance with the resolution passed by the General Assembly, which specifies the entitlement date and the distribution date. The right to dividends is granted to shareholders registered in the Company's shareholder records as of the end of the specified entitlement date.
- Zakat and any applicable tax regulations in the Kingdom of Saudi Arabia will apply.
- No interest will be accrued on unclaimed dividends.

#### 7. Timing of dividend payment:

The Board shall implement the General Assembly's 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.

Furthermore, the approved dividends shall be paid to shareholders at the locations and times designated by the Board of Directors in accordance with the relevant regulations.

#### **8. Dividend Distribution for Preferred Shares:**

If the Company decides to issue preferred shares and grants the right to receive a fixed annual percentage of the Company's annual profits, or a greater share of net profits compared to ordinary shareholders, and if the Company has sufficient annual profits to fulfill the specified percentage but fails to pay holders of Preferred Shares the specified percentage 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.

#### **9. Board Member Compensation and Its Relation to Company Profitability:**

In accordance with the provisions set forth in Article (76) of the Companies Law and Article 9 of the Implementing Regulation, if the Company decides to allocate a certain percentage of its profits as compensation for the Board of Directors, the compensation for independent Board members must not be a percentage of the Company's profits nor should it be directly or indirectly based on the Company's profitability.

#### **10. Obligatory Dividend Distribution:**

- 1) The objective of the Company's management is to distribute annual cash dividends at a favorable percentage of the net annual profits, while maintaining a significant portion of the net profits as retained earnings to strengthen the Company's financial position.
- 2) While the Company is committed to providing annual dividends to its shareholders in order to maximize investment returns, there are no guarantees for the continuous distribution of dividends, nor assurances regarding the amount or percentage of dividends distributed each year. The final decision regarding distribution rests with the Ordinary General Assembly.
- 3) The approval or recommendation of cash distributions is based on various financial factors, including realized profits, cash flows, the results of the Company's operations, restrictions imposed by financing and debt agreements, current and future cash needs, expansion plans,

requirements for new capital investments, expectations for future external financing, and other relevant factors. Additionally, the importance of maintaining a strong cash policy to address any unforeseen changes that may impact the Company's operations or any significant shifts in the overall market conditions and economic situation must be taken into account.

- 4) The Board will strive year after year to ensure the development and consistency of cash flows by mitigating the impact of any fluctuations in free cash flow that may be attributed to profits or losses in specific years, while maintaining targeted dividend payout ratios over the medium term.

#### **11. Implementation and Amendment:**

- 1) This policy shall become effective from the date of its approval by the Board. The provisions and requirements hereof that are in relation to disclosure, notification, and reporting that apply to listed companies shall apply to the Company as of the date of listing the Company's shares on Tadawul.
- 2) The Board shall review this policy periodically as part of its assessment of the effectiveness of the Company's governance practices or upon the issuance of new instructions or regulations pertaining to the policy.