

Sports Clubs Company

Competition Standards and Regulations

Version: 1/2024

These standards were formulated in accordance with the Board of Club Sports Company recommendation provided in its meeting held on 28/07/2024, and subsequently approved by the Company's General Assembly in its meeting held on 22/08/2024.

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. Definitions:

The following terms and expressions shall have the meaning they bear as follows unless the contrary intention appears:

- **The Company:** Sports Club Company.
- **Board of Directors or Board:** The Board of Directors of the Company.
- **Authority:** The Capital Market Authority.
- **Standards:** The Competition Standards, adopted by the Company.
- **Affiliate:** A person who controls another person or is controlled by that other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect.
- **Companies Law:** The Companies Law issued by Royal Decree No. (M/132) dated 1/12/1443H (30/6/2022), including any subsequent amendments.
- **Corporate Governance Regulations:** The Corporate Governance Regulations issued by the Authority's Board under Resolution No. 8-16-2017 dated 16/5/1438H (13/2/2017), as amended by Resolution No. 8-5-2023 dated 25/6/1444H (18/1/2023), and any future amendments.
- **Bylaws:** The Bylaws of Sports Club Company, as approved by the General Assembly.
- **Nomination and Remuneration Committee:** The Nomination and Remuneration Committee of the Company.
- **Audit Committee:** The Audit Committee of the Company.
- **Ministry of Commerce:** The Ministry of Commerce in the Kingdom of Saudi Arabia.
- **Majority Stake:** The ability to influence the actions or decisions of another person, directly or indirectly, individually or jointly with a related party or affiliate, through (1) owning thirty percent (30%) or more of the voting rights in the company, or (2) having the right to appoint thirty percent (30%) or more of the administrative body members.
- **Administrative Team:** A group of individuals who make strategic decisions of the person. The Board is the Company's Administrative Team.
- **General Assembly:** The General Assembly of the Company's shareholders.

The definitions set forth in the Corporate Governance Regulations and the "Glossary of Terms Used in the Authority's Regulations and Rules" shall serve as a primary reference for any undefined terms in these regulations.

2. Purpose of the Standards:

The Competition Standards aim to outline the principles and mechanisms that regulate the Company competition. Furthermore, these standards detail the procedures by which the Board to determine if any board member is engaging in activities that could potentially compete with the Company or with one of the branch activities that it conducts, thereby ensuring compliance with the provisions of the Corporate Governance Regulations

3. Company Competition:

- 1) No member of the Board or any of its committees is permitted to engage in activities that may compete with the Company or with one of the branch activities that it conducts, unless explicitly authorized by the General Assembly in accordance with these standards.
- 2) If a Board member or a Committee member intends to engage in activities that could compete with the Company, or operate with one of the branch activities that it conducts, the procedures outlined hereunder shall be applied:
 - Notifying the Board of the competing businesses he desires to engage in and recording such notification in the minutes of the Board meeting.
 - The conflicted member shall abstain from voting on the related decision in the Board meeting, the meeting of its committees, and General Assemblies.
 - the Board shall inform the Ordinary General Assembly, once convened, of the competing businesses that the member of the Board, or a member of one of its Committees, is engaged in, after the Board assesses the board member's competition with the company's business or if he is in competition with one of the branch activities that it conducts in accordance with the standards issued by the Ordinary General Assembly upon a proposal from the Board and published on the company's website, provided that such businesses are assessed on annual basis.

- Obtaining an authorization of the Ordinary General Assembly of the Company, or of the Board through a delegation of the Ordinary General Assembly, permitting the Board member to engage in the competing business.
- 3) The Ordinary General Assembly shall have the right to delegate the authorization to approve competitive activities to the Board, provided that the resolution of that General Assembly specifies the competing businesses and activities that delegated Board may authorize during the delegation period.
 - 4) The period for the delegation shall be a maximum of one year from the date of approval by the General Assembly to delegate its powers, to the Company's Board, or until the end of the term of the delegated Board, whichever is earlier.
 - 5) Any member of the Board shall not be allowed to vote on the items of delegation and the revocation in the Ordinary General Assembly.
 - 6) The Company reserves the right to seek appropriate compensation from the offending member through the relevant judicial authority, unless the member possesses a license granted by the General Assembly of Shareholders or the Board of Directors, which has been authorized by the General Assembly, permitting such actions in accordance with these standards.
 - 7) A person who desires to nominate himself for the membership of the Board shall disclose to the Board or the General Assembly his engagement in business that may compete with the Company or any of its activities

4. Refusal to Grant the Authorization

- If the Board rejects granting the authorization (as authorized by the General Assembly), the member of the Board shall resign within a period specified by the Board; otherwise, his membership in the Board shall be deemed terminated, unless he decides to withdraw from competing businesses or amend his situation in accordance with the Companies Law and its implementing regulations prior to the end of the period set by the Board.
- If the General Assembly rejects granting the authorization pursuant to Article (27) of the Companies Law, the member of the Board shall resign within a period specified by the General Assembly; otherwise, his membership in the Board shall be deemed terminated, unless he decides to withdraw from competing businesses or amend his situation in

accordance with the Companies Law and its implementing regulations prior to the end of the period set by the General Assembly.

5. Competitive Business Standards

Engaging in any of the following activities is deemed competitive to the company when conducted within the Kingdom of Saudi Arabia:

- 1) The establishment, management, and operation of sports clubs for both men and women
- 2) The development and completion of construction projects for sports centers on behalf of third parties
- 3) The wholesale or retail distribution of sports equipment and devices.
- 4) The supply of sports equipment and devices
- 5) The provision of services related to sports facilities for clients. This includes, but is not limited to, the design and planning of sports equipment distribution, furnishing, supplying sports equipment, operating, and maintaining sports facilities, as well as offering related consulting services

6. Concept of the Competing Businesses

The following shall be deemed a participation in any business that may compete with the Company or any of its activities:

- 1) The Board members' establishing a company or a sole proprietorship or the ownership of a controlling percentage of shares or stakes in a company or any other entity engages in business activities that are similar to the activities of the Company or its group.
- 2) Accepting membership in the Board of a company, an entity that competing with the Company or its group or managing the affairs of a competing sole proprietorship or any competing company of any form, except the company's affiliates.
- 3) The Board member's acting as an overt or covert commercial agent for another company or entity competing with the Company or its group.

7. Procedures for Company Competitive Activities:

A Board or Committee member shall disclose to the Board any competitive activity they plan to undertake by completing a disclosure form. This disclosure shall be reflected and documented in the minutes of the Board meeting.

The Board Secretary is responsible for sending the disclosure form to the Public Relations Department, which evaluates whether the specified activity poses a competitive activity to the Company or with one of the branch activities that it conducts, as well as examining any potential conflicts of interest.

Following this assessment, the Legal or Compliance Department prepares a report for the Nomination and Remuneration Committee, which then provides a recommendation to the Board.

Should the Nomination and Remuneration Committee find no objection to the member's participation in the competitive activity, the matter is then presented to the Board for consideration. If the Board approves the member request, then a Board recommendation shall be presented to the General Assembly at its first meeting for formal authorization. Alternatively, if the General Assembly has delegated authority to the Board, then the Board may grant the necessary authorization directly.

It is essential that the concerned member refrain from participating in any competitive activities until the appropriate authorization is obtained from either the General Assembly or the Board, if authorized by the General Assembly.

Furthermore, the Board of Directors is required to conduct an annual review of the competitive activities undertaken by members, utilizing the disclosure records and reports provided by the relevant committees.

8. Implementation and Amendment:

These standards shall be published on the Company's website following approval by both the Board and the General Assembly.

The standards are subject to periodic review or as deemed necessary, based on a recommendation from the Board, following input from the Nomination and Remuneration Committee or the Audit Committee. Any amendments to these standards shall be submitted to the General Assembly for approval.

The relevant provisions of the Ministry of Commerce and the Capital Market rules and regulations in force, shall be applied to all matters not mentioned herein.