



**Governance Regulation
Abdullah Al-Othaim Markets Company**

**Governance Regulation
Abdullah Al-Othaim Markets Company**

4th Edition
Dated: 02.11.2022
Number of pages: 41

Seal

No	Table of Contents	Page
1.	Part One: Introductory Provisions	5
	First: Definitions	
	Second: Governance Regulation Objectives:	
2.	Part Two: Shareholders' rights	8
	First: Treating the shareholders fairly	
	Second: Rights associated with shares	
	Third: Shareholder access to information	
	Fourth: Communication with Shareholders	
	Fifth: Election of the members of the Board of Directors	
	Sixth : Receiving profits	
3.	Part Three: General assemblies	10
	Firstly: Calling the General Assembly to convene and its procedures	
	Second: General Assembly agenda	
	Third: General assemblies management	
	Fourth: General Assemblies	
4.	Part Four: Board of Directors	10
	First: Composition of the Board of Directors	
	Second: Terms of membership of the Board of Directors	
	Third: Appointment of the members of the Board of Directors	
	Fourth: Roles and duties of the members of the Board of Directors	
	Fifth: Board Member Obligations	
	Sixth: Temporary ban on the transactions of members of the Board of Directors, members of the Audit Committee, senior executives, and the related person	
	Seventh: Prohibitions for a member of the Board of Directors	
	Eighth : Key functions of the board of directors	
	Ninth: Functions of the Chairman of the Board of Directors	
	Tenth: Overseeing the executive management	
	Eleventh: Symptoms of independence	
	Twelfth: Functions of the executive management	
	Thirteenth: Distribution of competencies and tasks	
Fourteenth: Separation between positions		



Governance Regulation Abdullah Al-Othaim Markets Company

No	Table of Contents	Page
	Fifteenth: Board of Directors work procedures	
	Sixteenth: Board membership expiration	
	Seventeenth: Secretary of the Board of Directors	
	Eighteenth: Training, support and evaluation	
	Nineteenth: Providing members with information	
	Twentieth: valuating the performance of members of the Board of Directors, committees and executive management	
	Twenty-one: Board members' remuneration and compensation	
	Part Five: Board of directors' committees	
5.	First: General Conditions	26
	Second: Audit Committee	
	Third: Remuneration and Nomination Committee	
	Part Six: Conflict of interests, and organizing the relationship with stakeholders	
6.	First: Dealing with conflicts of interest and related party deals	27
	Second: The concept and controls of competing business	
	Third: Organizing the relationship with stakeholders	
	Part Seven: Disclosure and Transparency	
	First: Disclosure policies and procedures	
	Second: Disclosure policy	
	Third: Disclosure policy objectives	
	Fourth: Essential Elements of Disclosure and Advertising	
	Fifth: Scope of policy application	
	Sixth: The means of disclosure and the authorities authorized to do so	
7.	Seventh: Authorized spokesperson for the company	29
	Eighth: Disclosure of material events and developments	
	Ninth: Disclosure of financial information	
	Tenth: Disclosure of the members of the Board of Directors and the Executive Management	
	Eleventh: Disclosure of conflict-of-interest cases	
	Twelfth: Disclosure of any violation of independence standards	
	Thirteenth: Disclosure of non-public information	
	Fourteenth: Inform the Authority and the public about certain events	



Governance Regulation
Abdullah Al-Othaim Markets Company

No	Table of Contents	Page
	Fifteenth: Disclosure in the Board of Directors report	
8.	Part Eight: Auditor	38
	First: Appointment of the auditor	
	Second: Duties of the auditor	
	Third: Auditor prohibitions	
9.	Part Nine: Employee motivation and social responsibility	39
	First: Motivating employees	
	Second: Social responsibility and social work initiatives	
10.	Part Ten: Internal Control	39
11.	Part Eleven: Professional and ethical standards	40
12.	Part Twelve: Maintaining Documents	41
13.	Part Thirteen: Validity and Amendment	41



Governance Regulation Abdullah Al-Othaim Markets Company

Part One: Introductory Provisions

First: Definitions

- **The Company:** Abdullah Al-Othaim Markets Company, a “Saudi public shareholding company.”
- **Companies Law:** The Companies Law issued by Royal Decree No. (M/3) dated 28.01.1437 corresponding to 10.11.2015, and any amendments thereto.
- **Capital Market Law:** The Capital Market Law issued by Royal Decree No. (M/30) dated 02.06.1424 corresponding to 31.07.2003.
- **Rules for Offering Securities and Continuing Obligations:** The Rules for Offering Securities and Continuing Obligations issued by the Board of the Capital Market Authority.
- **Listing Rules:** The listing rules approved by the Board of the Capital Market Authority.
- **Authority:** The Capital Market Authority.
- **Market:** The Saudi Stock Exchange.
- **Shareholders:** Everyone who owns shares in Abdullah Al-Othaim Markets Company.
- **Board of Directors/Board:** The Board of Directors of Abdullah Al-Othaim Markets Company.
- **The General Assembly:** An association formed from the shareholders of Abdullah Al-Othaim Markets Company in accordance with the provisions of the Companies Law and the Company's Bylaws.
- **Executive Member:** A member of the Board of Directors who is dedicated to the executive management of the company and participates in its daily business.
- **Non-Executive Member:** A member of the Board of Directors who is not dedicated to managing the company and does not participate in its daily business.
- **Independent member:** A non-executive board member who enjoys complete independence in his position and decisions, and none of the symptoms of independence mentioned in the corporate governance regulations issued by the Capital Market Authority apply to him.
- **Relatives or relationship of kinship:**
 - Fathers, mothers, grandfathers, and grandmothers (and their ancestors).
 - Children, and their children. and their descendants
 - Full brothers and sisters, from father or mother.
 - Husbands and wives.
- **Relatives up to the fourth degree:** uncles and aunts, their children.
- **Executive Management or Senior Executives:** Persons responsible for managing the daily operations of Abdullah Al-Othaim Markets Company and proposing and executing strategic decisions, such as the CEO, his deputies and the chief financial officer.
- **Stakeholders:** Every person who has an interest with Abdullah Al-Othaim Markets Company, such as employees, creditors, customers, suppliers, and the community.



Governance Regulation Abdullah Al-Othaim Markets Company

- **Major Shareholders:** Anyone who owns (5%) or more of the shares of Abdullah Al-Othaim Markets Company or the voting rights in it.
- **Cumulative Voting:** A voting method for choosing the members of the Board of Directors that gives each shareholder a voting power equal to the number of shares he owns, so that he has the right to vote for one candidate or divide them among the candidates he chooses without repeating these votes.
- **Group:** in relation to a person, means that person and each of his subordinates.
- **Affiliate:** A person who controls another person or is controlled by that other person, or shares with him being controlled by a third person, and in any of the above the control is direct or indirect.
- **Person:** Any natural or legal person recognized in this capacity by the laws of the Kingdom of Saudi Arabia
- **Related person:**
 - a) Husband, wife and minor children (collectively referred to as "the individual's family").
 - b) Any company in which an individual or any of his family members or more than one of them combined, or an individual and any of his family members or more than one of them collectively have any interest in its capital, whether directly or indirectly, allowing them the ability to:
 - Voting or controlling votes equal to or greater than (30%) in the General Assembly in connection with all or most matters.
 - or appointing or removing members of the Board of Directors in connection with all or most matters.
- **Related parties:**
 - a) Major shareholders in Abdullah Al-Othaim Markets Company.
 - b) Members of the Board of Directors of Abdullah Al-Othaim Markets Company or any of its subsidiaries and their relatives.
 - c) Senior executives of Abdullah Al-Othaim Markets Company or any of its subsidiaries and their relatives.
 - d) Members of the Board of Directors and senior executives of the major shareholders of Abdullah Al-Othaim Markets Company.
 - e) Establishments - other than companies - owned by a board member or a senior executive or their relatives.
 - f) Companies in which any of the members of the board of directors or senior executives or their relatives is a partner.
 - g) Companies in which any of the members of the board of directors or senior executives or their relatives is a member of its board of directors or one of its senior executives.
 - h) Joint-stock companies in which any of the members of the Board of Directors or senior executives or their relatives owns (5%) or more, taking into account the provisions of Paragraph (d) above.
 - i) Companies in which any of the members of the Board of Directors or senior executives or their relatives have an influence in their decisions, even by providing advice or guidance.
 - j) Any person whose advice and directives influence the decisions of the company, members of its board of directors and senior executives.
 - k) Holding companies or affiliated to Abdullah Al-Othaim Markets Company.
Excluded from paragraphs (l) and (j) of this definition are the advice and directions that are provided in a professional manner by a person authorized to do so.
- **Subsidiary:** Any other company controlled by Abdullah Al-Othaim Markets Company.



Governance Regulation Abdullah Al-Othaim Markets Company

- **Remuneration:** Amounts, allowances, profits and the like, periodic or annual bonuses related to performance, short or long-term incentive plans, and any other in-kind benefits, with the exception of the reasonable actual expenses and charges incurred by Abdullah Al-Othaim Markets Company on behalf of a member of the Board of Directors for the purpose of performing his work.
- **Material event:** any material developments that fall within the framework of the activity of Abdullah Al-Othaim Markets Company and whose knowledge is not available to the public, and may affect the assets and liabilities, the financial position, or the general course of the business of Abdullah Al-Othaim Markets Company and its subsidiaries, or on investors' decisions and may lead to a change in the price of the listed securities or have a significant impact on the company's ability to fulfill its obligations related to any debt instruments.
- **Indirect interest:** The indirect interest is considered if the business and contracts that are carried out for the account of Abdullah Al-Othaim Markets Company can achieve financial or non-financial benefits for the following categories - for example but not limited to - the relatives of the member of the Board of Directors, for a partnership, limited partnership or limited liability company in which any of the members of the Board of Directors or his relatives is a partner in it or one of its managers, for a joint-stock company in which the member of the Board of Directors or any of his relatives separately or collectively owns (5%) or more of its total ordinary shares, for an establishment - other than companies - in which a member of the Board of Directors or any of his relatives owns or manages it, for an establishment or company in which a member of the Board of Directors or any of his relatives is a member of its board of directors or one of its senior executives. Except for the affiliates of Abdullah Al-Othaim Markets Company, for a legal person represented by a member of the Board of Directors.
- **Day:** A calendar day, whether it is a working day.

Second: Governance Regulation Objectives:

This regulation aims to establish an effective legal framework for corporate governance, and sets out the rules and standards regulating the management of the company to ensure adherence to the best practices of corporate governance, that ensure the protection of the rights of shareholders and stakeholders, and in particular aims at the following:

- 1) Activating the role of shareholders in the company and facilitating the exercise of their rights.
- 2) Statement of the terms of reference of the Board of Directors and the Executive Management and their responsibilities.
- 3) Activating the role of the board of directors and committees and developing their competence to enhance the decision-making mechanisms in the company.
- 4) Achieving transparency, integrity, and justice in the financial market, its dealings, and the business environment, and enhancing disclosure therein.
- 5) Provide effective and balanced tools to deal with cases of conflict of interest.
- 6) Strengthening control and accountability mechanisms for the company's employees.
- 7) Setting the general framework for dealing with stakeholders and observing their rights.
- 8) Increasing the efficiency of supervision of the company and providing the necessary tools for that.
- 9) Raising awareness of the concept of professional behavior and urging its adoption and development in accordance with the nature of the company.



Governance Regulation Abdullah Al-Othaim Markets Company

Part Two: Shareholders' rights

First: Treating the shareholders fairly:

- 1) The Board of Directors is committed to protecting the rights of shareholders in a way that guarantees justice and *equality among them*.
- 2) The Board of Directors and the Executive Management are committed not to discriminate between shareholders who own the same class of shares, and not to withhold any right from them.
- 3) The company shows in its internal policies the necessary procedures to ensure that all shareholders exercise their rights.

Second: Rights associated with shares:

The shareholder shall have all the rights associated with the shares, and in particular the following:

- 1) Obtaining his share of the net profits to be distributed in cash or by issuing shares.
- 2) Obtaining his share of the company's assets upon liquidation.
- 3) Attend the general assemblies, participate in their deliberations and vote on their decisions.
- 4) Disposing of its shares in accordance with the provisions of the Companies Law, the Capital Market Law and their executing regulations.
- 5) Inquiry and request to view the company's books and documents in a way that does not harm the company's interests and does not conflict with the Companies Law, the Capital Market Law and their executing regulations.
- 6) Monitoring the company's performance and the work of the Board of Directors.
- 7) Questioning the members of the Board of Directors, filing a lawsuit against them, and challenging the invalidity of the decisions of the shareholders' assemblies, in accordance with the conditions and restrictions stipulated in the Companies Law and the Company's Bylaws.
- 8) Priority in subscribing to new shares that are issued in exchange for cash shares in accordance with the Companies Law.
- 9) Registering his shares in the company's shareholder register.
- 10) Nominating and electing members of the Board of Directors.

Third: Shareholder access to information:

- 1) The Board of Directors is committed to providing adequate information to enable the shareholder to fully exercise his rights, and to be provided in a timely manner and updated regularly.
- 2) The means of providing information to the shareholder must be clear and detailed and include a statement of the company's information that enables him to obtain it, and it must be made available to all shareholders of the same category.
- 3) The company must follow the most effective means of communicating with shareholders, and not discriminating between them in providing information.

Fourth: Communicating with Shareholders:

- 1) The Board of Directors must ensure that communication between the company and shareholders is achieved and that it is based on a common understanding of the company's strategic goals and interests.



Governance Regulation Abdullah Al-Othaim Markets Company

- 2) The Chairman of the Board of Directors and the CEO of the company inform the remaining members of the Board of the shareholders' opinions and discuss them with them.
- 3) It is not permissible for any of the shareholders to interfere in the business of the Board of Directors or the business of the executive management of the company, unless he is a member of its board of directors or of its executive management, or his intervention is through the General Assembly and in accordance with its terms of reference or within the limits and conditions approved by the Board of Directors.

Fifth: Election of the members of the Board of Directors:

The following shall be followed and taken into consideration when electing members of the Board of Directors for each session:

- 1) The company shall announce on the Market's website information about the candidates for membership of the Board of Directors upon publishing or sending the invitation to convene the General Assembly, provided that such information includes a description of the candidates' experiences, qualifications, skills, jobs, and previous and current memberships, and the company shall provide a copy of this information in its headquarters and on its website.
- 2) Each shareholder in the company has the right to nominate himself or others for membership of the Board of Directors in accordance with the provisions of the Companies Law and its executing regulations.
- 3) Cumulative voting must be used in electing the Board of Directors, so that the voting right of a share may not be used more than once.
- 4) Voting in the General Assembly is limited to candidates for membership of the Board of Directors whose information the company has announced in the specified advertising means.

Sixth :Distribution of Dividends:

- 1) The company's bylaws must indicate the percentage to be distributed to shareholders from the net profits after setting aside the statutory reserve and other reserves.
- 2) The Board of Directors must set a clear policy regarding the distribution of dividends in a way that achieves the interests of the shareholders and the company, and include this policy in the company's bylaws.
- 3) The shareholder is entitled to his share of the profits in accordance with the decision of the General Assembly issued in this regard, or the decision of the Board of Directors to distribute interim cash dividends. Provided that the decision indicates the maturity date and the distribution date, provided that the eligibility is for the shareholders who own the shares on the due date and are registered in the company's shareholder register at the Depository Center at the end of the second trading day following the due date. And that the decision be implemented in accordance with what is stipulated in the regulatory controls and procedures issued in implementation of the Companies Law for listed joint stock companies.



Governance Regulation Abdullah Al-Othaim Markets Company

Part Three: General assemblies

The general assemblies are concerned with all matters related to the company, and the general assembly convened in accordance with the statutory procedures represents all shareholders in exercising their competencies related to the company and performs its role in accordance with the provisions of the Companies Law, its executing regulations, and the company's bylaws.

First: Invitation to the General Assembly meeting and its procedures:

- 1) The General Assembly of Shareholders convenes at the invitation of the Board of Directors, in accordance with the terms and conditions stipulated in the Companies Law, its executing regulations, and the company's bylaws. The board of directors shall invite the general assembly to convene if requested by the auditor, the audit committee, or a number of shareholders representing at least (5%) of the capital. The auditor may call the assembly to convene if the board of directors does not call the assembly within (thirty) days from the date of the auditor's request.
- 2) The Ordinary General Assembly shall be held at least once a year during the six months following the end of the company's fiscal year.
- 3) The date, place and agenda of the General Assembly meeting must be announced at least (twenty-one) days before the date set for the meeting. The invitation to convene the general assembly and its agenda shall be published on the market's website and the company's website, and in a daily newspaper distributed in the area where the company's head office is located. The company may invite the convening of the general assembly to its shareholders through modern technology.
- 4) The company may amend the agenda of the General Assembly during the period between the publication of the announcement and the date of the meeting, provided that the company announces this in accordance with the conditions prescribed in Paragraph (3) above.
- 5) Shareholders must be given the opportunity to effectively participate and vote in the meetings of the General Assembly. The shareholders' general assemblies may be held and the shareholder may participate in their deliberations and vote on their decisions by means of modern technology in accordance with the terms and conditions contained in the relevant laws and regulations.
- 6) The Board of Directors shall work to facilitate the participation of the largest number of shareholders in the General Assembly meeting, including choosing the appropriate place and time.
- 7) The company must verify the registration of the data of the shareholders wishing to attend the company's headquarters before the time set for the General Assembly meeting, and the shareholders have the right to authorize - in writing - another person who is not a member of the Board of Directors or the company's employees to attend the General Assembly meeting and in accordance with the organizing procedures and the controls of power of attorney prescribed by law.

Second: General Assembly agenda:

- 1) The Board of Directors shall take into account the issues that the shareholders wish to include on the agenda of the General Assembly meeting. Shareholders who own at least (5%) of the company's shares may add one or more topics to the agenda of the General Assembly when preparing it.
- 2) The Board of Directors must single out each of the topics listed on the agenda of the General Assembly in a separate item, and not combine fundamentally different topics under one item, and not to place the works and contracts in which the members of the Board of Directors have a direct or indirect interest in one item for the purpose of obtaining the shareholders' vote on the item as a whole.



Governance Regulation Abdullah Al-Othaim Markets Company

- 3) Shareholders must be made available through the company's website and the market's website - when the invitation to convene the General Assembly is published - to obtain information related to the agenda items of the General Assembly, especially the report of the Board of Directors, the auditor, the financial statements and the report of the Audit Committee. This is to enable them to take an informed decision regarding them, and to update this information in the event of an amendment to the agenda of the General Assembly.

Third: General Assembly management:

- 1) The meetings of the General Assembly shall be chaired by the Chairman of the Board of Directors or his deputy in his absence or whomever the Board of Directors delegates from among its members for that purpose in the absence of the Chairman and his deputy.
- 2) The Chairman of the General Assembly shall provide the shareholders with the opportunity to effectively participate and vote in the meetings of the General Assembly, and shall avoid setting any procedure that may impede the attendance of the Assemblies or the use of the right to vote, and that the shareholders shall be informed of the rules governing such meetings and voting procedures.
- 3) Shareholders have the right to discuss the topics on the agenda of the General Assembly and direct questions about them to the members of the Board of Directors and the auditor. Shareholders' questions must be answered to the extent that does not harm the interest of the company.
- 4) Shareholders must be able to view the minutes of the General Assembly meeting by the appropriate means, and the company must provide the competent authorities with a copy of the minutes within (ten) days from the date of the meeting.
- 5) The Chairman of the Board of Directors shall provide the shareholders with all the documents of the General Assembly, unless they are published in a daily newspaper distributed at the company's headquarters, and which are at the disposal of the shareholders at least (twenty-one) days prior to the date set for the General Assembly. The Chairman of the Board of Directors shall send a copy of these documents to the competent authorities at least (fifteen) days prior to the date of the General Assembly meeting.
- 6) The Board of Directors shall deposit copies of the documents of the General Assembly referred to in paragraph (4) above, with the competent authorities within (thirty) days from the date of approval by the General Assembly.
- 7) The company shall announce to the public and notify the Authority and the Market of the results of the General Assembly immediately upon its completion in accordance with the controls approved by the regulations.

Fourth: Ordinary General Assembly:

a) Competencies of the ordinary general assembly:

Except for what is concerned with the extraordinary general assembly, the ordinary general assembly is concerned with all the affairs of the company, in particular the following:

- 1) Appointing and dismissing members of the Board of Directors.
- 2) Licensing a board member to have a direct or indirect interest in the business and contracts that are made for the company's account, in accordance with the provisions of the Companies Law and its executive regulations.
- 3) Licensing the participation of a member of the Board of Directors in any business that may compete with the company, or to compete with the company in one of the branches of the activity it is engaged in, in accordance with the provisions of the Companies Law and its executive regulations.



Governance Regulation Abdullah Al-Othaim Markets Company

- 4) Monitoring the compliance of the members of the Board of Directors with the provisions of the Companies Law and its executive regulations and other relevant laws and the company's bylaws, and examining any damage arising from their violation of these provisions or their mismanagement of the company's affairs, determining the responsibility arising from that, and taking what it deems appropriate in this regard in accordance with the Companies Law and its executive regulations.
- 5) Formation of the Audit Committee in accordance with the provisions of the Companies Law and its executive regulations.
- 6) Approval of the company's financial statements.
- 7) Approval of the Board of Directors report.
- 8) Deciding on the proposals of the Board of Directors regarding the method of distributing net profits.
- 9) Appointing the company's auditors, determining their remuneration, reappointing, changing them, and approving their reports.
- 10) Examining the violations and errors that occur from the company's auditors in the performance of their duties, and any difficulties – notified to them by the company's auditors – related to the board of directors or the company's management enabling them to view the books, records and other documents, data and clarifications necessary to perform their duties and take what it deems appropriate in this regard.
- 11) Stop setting aside the company's statutory reserve when it reaches (30%) of the company's paid-up capital, and decide to distribute what exceeds this percentage to the company's shareholders in the financial years in which the company does not achieve net profits.
- 12) Using the company's contractual reserve in the event that it is not allocated for a specific purpose, provided that the use of this reserve is based on the proposal of the Board of Directors and in aspects that benefit the company or the shareholders.
- 13) Making other reserves for the company, other than the statutory reserve and the contractual reserve, and dispose of them.
- 14) Deduction of sums from the company's net profits to establish social institutions for the company's employees or to assist existing such institutions in accordance with the relevant regulations.
- 15) Approving the sale of more than (50%) of the company's assets, whether in one transaction or several transactions within twelve months from the date of the first sale transaction. And in the event that the sale of assets includes what falls within the terms of reference of the Extraordinary General Assembly, the approval of the Extraordinary General Assembly must be obtained for this.

b) Quorum of the Ordinary General Assembly Meetings:

- 1) The meeting of the Ordinary General Assembly shall not be valid unless attended by shareholders representing at least half of the company's capital.
- 2) If the necessary quorum for holding a meeting of the Ordinary General Assembly in accordance with Paragraph (1) is not present, an invitation is sent to a second meeting to be held within the (thirty) days following the previous meeting, and this invitation is published in the manner stipulated in accordance with what is stated in Paragraph (First) of Part Three of these bylaws. However, the second meeting may be held an hour after the end of the period specified for the first meeting. And that the invitation to hold the first meeting includes what indicates the possibility of holding this meeting, and in all cases the second meeting is valid regardless of the number of shares represented in it.
- 3) The decisions of the Ordinary General Assembly are issued by the absolute majority of the shares represented in the meeting.

Fifth: Extraordinary General Assembly:

a) Competencies of the extraordinary general assembly:



Governance Regulation Abdullah Al-Othaim Markets Company

The extraordinary ordinary general assembly is concerned with the following:

- 1) Amending the company's bylaws, with the exception of the amendments that are considered null and void under the provisions of the companies' bylaws.
- 2) Increasing the company's capital according to the conditions prescribed in the Companies Law and its executive regulations.
- 3) Reducing the company's capital in the event that it exceeds the company's need or if it suffers financial losses, according to the conditions prescribed in the Companies Law and its executive regulations.
- 4) Determining the formation of an agreement reserve in accordance with what is stipulated in the bylaws of the company, and it is allocated for a specific purpose, and disposing of it.
- 5) Determining the continuity or dissolution of the company before the deadline specified in its bylaws.
- 6) Approving the purchase of company shares.
- 7) Issuing preferred shares, approving their purchase, converting ordinary shares into preferred shares, or converting preferred shares into ordinary shares, in accordance with the company's bylaws, and the regulatory controls and procedures issued in implementation of the companies' system for listed joint stock companies.
- 8) Issuing debt instruments or financing instruments that are convertible into shares and indicating the maximum number of shares that may be issued in exchange for such instruments or instruments.
- 9) Allocation of issued shares upon capital increase or part thereof to the employees of the company and subsidiaries or some of them, or any of that.
- 10) Suspension of the priority rights of shareholders to subscribe to the capital increase in exchange for cash shares, or giving priority to non-shareholders in cases it deems appropriate for the interest of the company.

The Extraordinary General Assembly may issue decisions within the terms of reference of the Ordinary General Assembly, provided that such decisions are issued in accordance with the conditions for issuing the decisions of the Ordinary General Assembly specified by the absolute majority of the shares represented in the meeting.

b) Quorum of the Extraordinary General Assembly Meetings:

- 1) The meeting of the Extraordinary General Assembly shall not be valid unless attended by shareholders representing at least half of the capital.
- 2) If the necessary quorum for the meeting of the Extraordinary General Assembly is not available in its first meeting, an invitation is sent to a second meeting to be held in the same conditions stipulated in accordance with what is stated in Paragraph (First) of Part Three of these regulations. However, the second meeting may be held an hour after the expiry of the period specified for the first meeting, provided that the invitation to hold the first meeting includes evidence of announcing the possibility of holding this meeting. In all cases, the second meeting shall be valid if attended by a number of shareholders representing at least a quarter of the capital.
- 3) If the necessary quorum is not present in the second meeting, the invitation shall be directed to a third meeting to be held under the same conditions stipulated in accordance with what is stated in Paragraph (First) of Part Three of these regulations, and the third meeting shall be valid regardless of the number of shares represented in it, after the approval of the competent authority.



Governance Regulation Abdullah Al-Othaim Markets Company

- 4) The decisions of the Extraordinary General Assembly are issued by a two-thirds majority of the shares represented in the meeting. Unless it is a decision related to increasing or decreasing the capital, extending the term of the company, dissolving it before the expiration of the period specified in its bylaws, or merging it with another company, then it is not valid unless it is issued by a majority of three quarters of the shares represented in the meeting.
- 5) The Board of Directors shall publish, in accordance with the rules and regulations, the decisions of the Extraordinary General Assembly if they include amending the company's bylaws.

Part Four: Board of Directors

First: Composition of the Board of Directors:

- a) The number of its members is commensurate with the size of the company and the nature of its activity, without prejudice to what is stated in the company's bylaws.
- b) The majority of it shall be non-executive members.
- c) The number of independent members of the Board of Directors shall not be less than two members, or less than one-third of the members of the Board of Directors, whichever is greater.

Second: Conditions for the membership of the Board of Directors:¹

Candidates for membership of the Board of Directors shall take into account the following general conditions and any amendments thereto:

- 1) The ability to lead, by having leadership skills that qualify him to grant powers in a way that leads to stimulating performance, applying best practices in the field of effective management, and adhering to professional values and ethics.
- 2) Efficiency, which is that he has academic qualifications, practical experience related to the company's activities, and professional skills.
- 3) The ability to direct, which is to have the technical and administrative capabilities, to absorb the technical requirements related to the workflow, and to have strategic planning and direction.
- 4) Financial knowledge, by being able to read and understand financial statements and reports.
- 5) Healthy fitness, and that he has no health impediment that hinders him from exercising his duties and specializations.

And any other criteria and conditions approved by the General Assembly.

Third: Appointment of the members of the Board of Directors:

- a) The company's bylaws determine the number of members of the Board of Directors, provided that the number of members of the Board is not less than three and not more than eleven, or as determined by the relevant regulations.
- b) The General Assembly elects the members of the Board of Directors for a period not exceeding three years, and they may be re-elected. If the number of the Board members is less than three, the Board of Directors shall invite the Ordinary General Assembly to convene within (sixty) days to elect the required number of members.
- c) That the company notify the Authority of the names of the members of the Board of Directors and their membership descriptions within (five) working days from the date of the commencement of the term of the Board of Directors or from the date of their

¹ Indicative clause



Governance Regulation Abdullah Al-Othaim Markets Company

appointment - whichever is earlier - or any changes that occur to their membership within (five) working days from the date of the changes.

Fourth: Roles and duties of the members of the Board of Directors:

Each member of the Board of Directors performs the following tasks and duties:

- 1) Submit proposals to develop the company's strategy.
- 2) Monitoring the performance of the executive management and the extent to which it achieves the company's goals and objectives.
- 3) Review reports on the company's performance.
- 4) Verify the integrity of the company's financial statements and information.
- 5) Verify that the company's financial control and risk management systems are strong.
- 6) Determine the appropriate levels of remuneration for members of the executive management.
- 7) Expressing an opinion on the appointment and dismissal of members of the executive management.
- 8) Participate in developing plans for administrative succession and replacement in the company's executive positions.
- 9) Compliance with the provisions of the Companies Law, the Capital Market Law, their executing regulations, the relevant laws, and the bylaws when exercising his membership functions on the Board of Directors, and refraining from doing or participating in any act that constitutes an abuse of the management of the company's affairs.
- 10) Attending the meetings of the Board of Directors and the meetings of the General Assembly and not being absent from them except for a legitimate excuse notified to the Chairman of the Board in advance, or for emergency reasons.
- 11) Allocate sufficient time to carry out his responsibilities, prepare for the meetings of the Board of Directors and its committees and participate in them effectively, including asking relevant questions and discussing with the senior executives of the company.
- 12) Studying and analyzing information related to the issues considered by the Board of Directors before expressing an opinion on them.
- 13) Enabling other members of the Board of Directors to express their opinions freely, and urging the Board to discuss issues and seek the opinions of specialists from the executive management of the company and others if the need arises.
- 14) Act on the basis of sufficient information, while exerting the necessary care and attention for the interest of the company and all shareholders.
- 15) Realizing his duties, roles and responsibilities arising from membership.
- 16) Developing his knowledge in the field of the company's activities and business and in the related financial, commercial and industrial fields.
- 17) Resignation from the membership of the Board of Directors, in the event that he is unable to fully fulfill his duties on the Board.
- 18) Taking into account the above, the duties of the independent board member are as follows:
 - a) Expressing an opinion on strategic issues, the company's policies, and its performance, and appointing members of the executive management.
 - b) Ensure that the interests of the company and its shareholders are taken into account and presented in the event of any conflict of interest.
 - c) Supervising the development of the company's governance rules, and monitoring the implementation of the executive management thereof.



Governance Regulation Abdullah Al-Othaim Markets Company

d) In addition to what is assigned to him from time to time by the Board of Directors.

Fifth: Board Member Obligations:

- 1) Not to accept gifts from any person who has dealings with the company, if such gifts would lead to a conflict of interest.
- 2) Exercising his duties with honesty and integrity, putting the interests of the company ahead of his personal interest, and not exploiting his position to achieve private interests.
- 3) Inform the Board of Directors fully and immediately of any interest it has - direct or indirect - in the business and contracts that are made for the company's account. This notification shall include the nature and limits of that interest, the names of any persons concerned with it, and the expected benefit to be obtained directly or indirectly from that interest, whether that interest is financial or non-financial. Or with his participation - directly or indirectly - in any business that would compete with the company, or with his competition with the company - directly or indirectly - in one of the branches of the activity that it conducts. This is in accordance with the provisions of the Companies Law, the Capital Market Law and their executive regulations.
- 4) If a member of the Board of Directors fails to disclose his interest referred to in Paragraph (3) above, the company or any interested party may claim before the competent judicial authority to invalidate the contract or oblige the member to pay any profit or benefit accrued to him from that.
- 5) If those acts or contracts referred to in paragraph (3) above were carried out in violation of their provisions or causing harm to the shareholders, the responsibility for the damages resulting from the work or contract shall be borne by the interested member of the work or contract, as well as by the members of the Board of Directors. Board members opposing the decision are also exempted from responsibility if they explicitly prove their objection in the minutes of the meeting. Absence from attending the meeting in which the decision is issued is not considered a reason for exemption from liability, unless it is proven that the absent member was not aware of the decision or was unable to object to it after learning of it.
- 6) Familiarity with the laws and regulations that require disclosure of any changes to his ownership, any change to his membership in listed joint stock companies, or any change to any of his personal data that requires disclosure.
- 7) Preserving the confidentiality of information and not broadcasting or disclosing any secrets he came across through his membership in the Board of Directors to any of the company's shareholders, unless during the meetings of the General Assembly - or to third parties, as required by the provisions of the Companies Law, the Capital Market Law and their executive regulations.

Sixth: Temporary ban on the transactions of members of the Board of Directors, members of the Audit

Committee, senior executives and the related person:

Members of the Board of Directors, members of the Audit Committee, senior executives of the company, or any person related to any of them, may not deal in any securities of the company during the following periods or the periods specified by the Authority from time to time:



Governance Regulation Abdullah Al-Othaim Markets Company

- 1) During the (15) days preceding the end of the quarter of the fiscal year until the date of announcing and publishing the interim financial statements after examining them in accordance with the accounting and auditing standards approved by the Saudi Organization for Certified Public Accountants.
- 2) During the (30) days preceding the end of the company's fiscal year and up to the date of announcing and publishing the audited annual financial statements.
- 3) Exercising the right to subscribe to and sell priority rights shall be excluded from the prohibition referred to in Paragraph (1,2) above.
- 4) When the membership of the Board member ends or is dismissed, or the membership of any member of the audit committee ends, or the resignation of any of the senior executives from the company, during any of the prohibition periods referred to in (1,2) above. This period (where applicable) applies to such member or chief executive and any person related to any of them.

Seventh: Prohibitions for a member of the Board of Directors:

- 1) Voting on the decision of the Board of Directors or the General Assembly in the business and contracts that are made for the account of the company if he has a direct or indirect interest in it.
- 2) Exploiting or benefiting - directly or indirectly - from the company's assets, information, or investment opportunities presented to it in his capacity as a member of the Board of Directors, or offered to the company. This includes opportunities that fall within the company's activities, or that the company wishes to benefit from, and the prohibition applies to a board member who resigns in order to exploit investment opportunities - directly or indirectly - that the company wishes to benefit from and of which he learned during his membership in the Board of Directors.
- 3) Voting on decisions in favor of a member acting on his behalf in the meetings of the Board of Directors, if it is prohibited for the representative to vote on them.
- 4) Doing or participating in any acts or practices involving manipulation or misleading, or declaring incorrect data.
- 5) Disclosure of any inside information to any other person, or trading based on inside information.
- 6) Voting on the prohibited items specified by the system in the meetings of the General Assembly.

Eighth: Main functions of the board of directors:

Taking into account the terms of reference for the General Assembly in the Companies Law and its executing regulations and the company's basic law, the Board of Directors of the company shall have the widest powers to manage the company and direct its business to achieve its objectives. The board of directors of the company is responsible for its business, even if it delegated committees, entities, or individuals to exercise some of its competencies. In all cases, the board of directors may not issue a general or indefinite mandate. Among the tasks and competencies of the board of directors are the following basic functions:

- 1) Develop plans, policies, strategies and the main objectives of the company, supervise their implementation and review them periodically, and ensure the availability of human and financial resources necessary to achieve them, including:
 - a) The company's comprehensive strategies, main work plans, risk management policies and procedures, reviewing and directing them.
 - b) Determining the optimal capital structure of the company, its strategies and financial objectives, and approving estimated budgets of all kinds.

- c) Overseeing the company's main capital expenditures, owning and disposing of assets.
 - d) Setting performance goals and monitoring implementation and overall performance in the company.
 - e) Periodic review and approval of the organizational and functional structures in the company.
 - f) Verifying the availability of human and financial resources necessary to achieve the company's objectives and main plans.
- 2) Develop systems and controls for internal control and general supervision thereof, including:
 - a) Develop a written policy to address cases of actual and potential conflict of interest for each of the members of the Board of Directors, executive management and shareholders, including misuse of the company's assets and facilities, and misconduct resulting from dealings with related parties.
 - b) Ensure the integrity of the financial and accounting systems, including those related to the preparation of financial reports.
 - c) Ensure the application of appropriate control systems to measure and manage risks, by defining the general perception of the risks that the company may face and presenting them transparently with stakeholders and related parties.
 - d) Annual review of the effectiveness of internal control procedures in the company.
 - 3) Develop clear and specific policies, standards and procedures for membership in the Board of Directors and put them into practice after the approval of the General Assembly.
 - 4) Develop a written policy that regulates the relationship with stakeholders in accordance with the relevant regulations.
 - 5) Developing policies and procedures that ensure the company's compliance with laws and regulations and its commitment to disclosing material information to shareholders and stakeholders, and verifying the executive management's compliance with them.
 - 6) Supervising the company's financial management, its cash flows, and its financial and credit relations with third parties.
 - 7) Proposal to the Extraordinary General Assembly to increase or decrease the company's capital, or to dissolve the company before the deadline specified in the company's bylaws, or to decide its continuity.
 - 8) A proposal to the Ordinary General Assembly regarding the use of the company's agreement reserve in the event that it was formed by the Extraordinary General Assembly and was not allocated for a specific purpose, or the formation of additional financial reserves or allocations for the company, or the method of distributing the company's net profits.
 - 9) Preparing and approving the company's initial and annual financial statements before publishing them.
 - 10) Preparing and approving the annual report of the Board of Directors before it is published.
 - 11) Ensure the accuracy and integrity of the data and information that must be disclosed in accordance with the applicable policies and systems of disclosure and transparency.
 - 12) Establishing effective communication channels that allow shareholders to have continuous and periodic access to the various aspects of the company's activities and any significant developments.
 - 13) Formation of specialized committees emanating from it by decisions specifying the duration of the committee, its powers and responsibilities, and how the Board of Directors will supervise it, provided that the formation decision includes naming the members and defining their tasks, rights and duties, along with evaluating the performance and work of these committees and their members.
 - 14) Determining the types of bonuses granted to the company's employees, such as fixed bonuses, performance-related bonuses, and bonuses in the form of shares, in a manner that does not contradict the regulatory controls and procedures issued in implementation of the Companies Law.



Governance Regulation Abdullah Al-Othaim Markets Company

15) Setting the values and standards that govern work in the company.

Ninth: Competencies of the Chairman of the Board of Directors:

Without prejudice to the terms of reference of the Board of Directors, the Chairman of the Board of Directors shall lead the Board, supervise its workflow and perform its functions effectively. Among his duties shall include the following:

- 1) Calling for board meetings.
- 2) Inviting the General Assembly to convene if requested by the auditor, the audit committee, or a number of shareholders representing at least (5%) of the capital in accordance with the conditions approved by the regulations.
- 3) Ensure that members of the Board of Directors receive adequate and timely information.
- 4) Ensure that the Board of Directors discusses all key issues effectively and in a timely manner.
- 5) Representing the company before third parties in accordance with the provisions of the Companies Law, its executing regulations, and the company's bylaws.
- 6) Encourage the members of the Board of Directors to exercise their duties effectively and in the interest of the company.
- 7) Ensuring the existence of channels for effective communication with shareholders and communicating their opinions to the Board of Directors.
- 8) Encourage constructive relations and effective participation between each of the Board of Directors and the executive management and between executive, non-executive and independent members, and create a culture that encourages constructive criticism.
- 9) Considering any issue raised by a member of the Board of Directors or raised by the auditor, and consulting with the members and the Chief Executive Officer when preparing the agenda for the meeting of the Board of Directors.
- 10) Holding meetings periodically with non-executive board members without the presence of any executive member of the company.
- 11) Presiding over the meeting of the General Assembly and the meetings of the Board of Directors, and in his absence, he shall be replaced by his deputy, or whomever the Board delegates from among its members for that purpose in the event of his absence and the absence of his deputy.
- 12) Informing the General Assembly when it convenes and based on notifications received from members of the Board of Directors of the business and contracts in which the member has a direct or indirect interest, and fulfilling the statutory requirements in that regard, including obtaining a special report from the company's external auditor.
- 13) Informing the General Assembly when it convenes of the competing businesses that a member of the Board of Directors is engaged in, after the Board verifies that the member is competing with the company's business or competing with it in one of its branches of activity, according to standards issued by the General Assembly, based on the proposal of the Board of Directors - and to be published on the company's website, provided that these works are verified on an annual basis.

Tenth: Overseeing the executive management:

The Board of Directors is responsible for forming the executive management of the company, regulating how it operates, controlling and supervising it, and verifying its performance of the tasks entrusted to it, and for this purpose:

- 1) Develop the necessary administrative and financial policies.
- 2) Verifying that the executive management operates in accordance with the policies approved.



Governance Regulation Abdullah Al-Othaim Markets Company

- 3) Selecting and appointing the CEO of the company and supervising his work.
- 4) Appointing and dismissing a manager of a unit or internal audit department or the internal auditor and determining his remuneration, if any.
- 5) Holding periodic meetings with the executive management to discuss the course of work and the obstacles and problems encountered, and to review and discuss important information regarding the company's activity.
- 6) Setting performance standards for the executive management that are consistent with the company's objectives and strategy.
- 7) Review and evaluate the performance of the executive management.
- 8) Develop succession plans for the management of the company.

Eleventh: Symptoms of independence:

An independent member of the Board of Directors must be able to exercise his duties, express his opinions, and vote on decisions objectively and impartially, which helps the Board to take sound decisions that contribute to achieving the interests of the company. The Board shall conduct an annual evaluation of the extent to which the member's independence has been achieved and ensure that there are no relationships or circumstances affecting him, and that an independent member of the Board of Directors shall not, for example but not be limited to, have the following:

- 1) To be the owner of five percent or more of the shares of the company or the shares of another company in its group, or be related to the one who owns this percentage.
- 2) To be a representative of a legal person who owns five percent or more of the company's shares or the shares of another company of its group.
- 3) That he be related to any of the members of the Board of Directors in the company or in another company of its group.
- 4) Is related to any of the senior executives in the company or in another company of its group.
- 5) To be a member of the board of directors of another company from the group of the company nominated for membership in its board of directors.
- 6) That he works or was an employee during the past two years of the company or any party dealing with it or another company in its group, such as auditors and major suppliers, or that he owned controlling shares in any of these parties during the past two years.
- 7) To have a direct or indirect interest in the business and contracts that are concluded for the company.
- 8) That he receives sums of money from the company in addition to the remuneration for membership of the Board of Directors or any of its committees in excess of (200,000) riyals, or more than (50%) of his remuneration in the previous year that he obtained for membership of the Board of Directors or any of its committees, whichever is less.
- 9) To participate in a business that would compete with the company, or to trade in one of the branches of the activity practiced by the company.
- 10) He must have spent more than nine years, consecutive or intermittent, as a member of the company's board of directors.

It is not considered an interest that precludes the independence of the board member, who must obtain a license from the general assembly. The business and contracts that are concluded with a member of the Board of Directors to meet his personal needs, if these



Governance Regulation Abdullah Al-Othaim Markets Company

works and contracts are carried out in the same conditions and conditions that the company follows with all contractors and dealers, and it is within the company's usual activity, unless the Remuneration and Nominations Committee deems otherwise.

Twelfth: Competencies of the executive management:

Taking into account the terms of reference of the Board of Directors according to the provisions of the Companies Law and its executing regulations and the company's basic law, the executive management is responsible for executing the company's plans, policies, strategies and main objectives in order to achieve its objectives, and its duties include the following:

- 1) Executing the company's internal policies and regulations approved by the Board of Directors.
- 2) Proposing a comprehensive strategy for the company, main and interim work plans, policies and mechanisms for investment, financing, risk management, and plans for managing emergency administrative conditions and executing them.
- 3) Suggesting the optimal capital structure for the company and its strategies and financial objectives.
- 4) Suggesting the company's main capital expenditures and owning and disposing of assets.
- 5) Proposing organizational and functional structures for the company and submitting them to the Board of Directors for approval.
- 6) Executing internal control systems and controls and general supervision over them, including:
 - a) Executing a conflict-of-interest policy.
 - b) Proper application of financial and accounting systems, including regulations related to the preparation of financial reports.
 - c) Executing appropriate control systems to measure and manage risks by developing a general perception of the risks that the company may face and presenting them transparently to the Board of Directors and other stakeholders.
- 7) Effectively implement the corporate governance regulations and propose amendments when needed.
- 8) Implement policies and procedures that ensure the company's compliance with laws and regulations and its commitment to disclose information to shareholders and stakeholders.
- 9) Providing the Board of Directors with the necessary information to exercise its powers and submit its recommendations regarding increasing or decreasing the company's capital, dissolving the company before the term specified in its bylaws, or deciding its continuation. using of the company's contractual reserve (if any), formation of additional reserves, method of distributing the company's net profits.
- 10) Suggesting the policy and types of bonuses granted to employees in their various forms, such as fixed bonuses, performance-related bonuses, and bonuses in the form of shares.
- 11) Preparing periodic financial and non-financial reports on the company's activity in light of the company's strategic plans and objectives, and presenting those reports to the Board of Directors.
- 12) Managing the daily work of the company, conducting its activities and managing its resources in accordance with the company's objectives and strategy.
- 13) Effective participation in building and developing a culture of ethical values within the company.
- 14) Implement the internal control and risk management system, verify its effectiveness and adequacy, and ensure compliance with the risk level approved by the Board of Directors.
- 15) Suggesting and developing internal policies related to the company's work, including defining the tasks, specializations, and responsibilities assigned to the various organizational levels.

16) Suggesting a clear policy for delegating work to it and the way to implement it.

17) Propose the powers delegated to it, the decision-making procedures and the duration of the delegation, provided that it submits to the Board of Directors periodic reports on its practices of those powers.

Thirteen: Distribution of competencies and tasks:

The company must define the organizational structure of specializations and the distribution of tasks between the Board of Directors and the Executive Management in order to improve the efficiency of the company's decision-making and achieve a balance in the powers and authorities between them. For this purpose, the Board of Directors must: Adopting and developing internal policies related to the company's work, including defining the tasks, specializations and responsibilities assigned to the different organizational levels, adopting a written and detailed policy defining the powers delegated to the executive management and a table showing those powers, the method of implementation and the duration of the delegation. The Board of Directors may request the executive management to submit periodic reports on its exercise of the delegated powers, specifying the issues that the Board reserves the power to decide on.

Fourteen: Separation between positions:

The Board of Directors shall appoint a Chairman and Vice-Chairman from among its members and may appoint a Managing Director. It is also not permissible to combine the position of Chairman of the Board of Directors with any executive position in the company, and in all cases no person has the exclusive authority to take decisions in the company.

Fifteen: Board of Directors work procedures:

- 1) Subject to the provisions of the Companies Law, its executing regulations and any policies regulating the work procedures of the Board of Directors, the Board of Directors shall hold regular meetings to exercise its duties effectively, so that at least four meetings are held per year, or whenever the need arises.²
- 2) The Board of Directors meets at the invitation of its chairman or at the request of two of its members.
- 3) The invitation to the meeting must be sent to each member of the Board of Directors at least (five) days prior to the date of the meeting, accompanied by the agenda of the meeting and the necessary documents and information, unless the situation calls for holding the meeting in an emergency. The invitation to the meeting may be sent along with the agenda of the meeting and the necessary documents and information within a period of less than (five) days prior to the date of the meeting.
- 4) The meeting shall not be valid unless attended by at least half of the members of the Board of Directors, provided that the number of attendees shall not be less than three, and in the event that a member of the Board of Directors delegates another member to attend the meetings of the Board, it is not permissible for a member of the Board of Directors to represent more than one member in attending the same meeting, and the delegation must be confirmed in writing, and the representative may not vote on decisions in which the system prohibits the representative from voting in their regard.
- 5) The Board of Directors approves the agenda as soon as it convenes, and in the event that any member objects to the agenda, this must be recorded in the minutes of the Board meeting, and each member has the right to suggest adding any item to the agenda.
- 6) The Secretary of the Board of Directors shall send the draft minutes of the meeting of the Board within (seven) working days from the date of the meeting, and in the event that he did not receive any views or notes about the draft within (seven) days from the date of

² Indicative paragraph



Governance Regulation Abdullah Al-Othaim Markets Company

sending it. The draft minutes are considered final and are printed and signed by the members. The members are provided with a signed copy of the minutes of each meeting as soon as they are signed.

- 7) The decisions of the Board of Directors shall be issued by the majority of the votes of the members present or represented at the meeting, and in case of equality of votes, the side with which the chairman of the meeting voted will prevail. It is also permissible for the Board of Directors to issue decisions by circulation by presenting them to all members separately unless one of them requests - in writing - a meeting of the Board of Directors to deliberate on them, and the decisions taken in this way are presented to the Board in its first meeting following it for approval.
- 8) If any of the members of the Board of Directors has observations regarding the company's performance or any of the issues presented and not decided upon in the meeting of the Board, they must be recorded and what the Board takes or considers taking in the minutes of the meeting. If a member of the Board of Directors expresses an opinion that differs from the decision of the Board, it must be documented in detail in the minutes of the meeting.
- 9) The process of attending the meetings of the Board of Directors must be organized and cases of irregularity in attending those meetings must be dealt with.
- 10) The members of the Board of Directors must attend the meetings in which important and fundamental decisions are taken that affect the status of the company.
- 11) The Board of Directors must exercise its competencies and duties in leading the company within the framework of prudent and effective controls that allow measuring risks, managing them and limiting their effects. It may also, within the limits of its competences, authorize one or more of its members or committees or others to undertake a specific work or actions.
- 12) The Board of Directors organizes its work and allocates sufficient time to carry out the tasks and responsibilities entrusted to it, including preparing for the meetings of the Board and committees, and ensuring coordination, recording and keeping the minutes of its meetings.

Sixteen: Board membership expiration:

Membership in the Board of Directors ends for one of the following reasons:

- Expiry of the term of membership or termination of the member's representation in accordance with any applicable law or instructions.
- Resignation, death or loss of eligibility of the member.
- Issuance of a decision or judgment against the member preventing him from working in companies whose shares are listed on the market during his membership period.
- Dismissal of the member through the general assembly of the company without prejudice to the right of the dismissed to compensation if it occurred for an unacceptable reason or at an inappropriate time. The General Assembly may also - based on a recommendation from the Board of Directors - terminate the membership of any member who has been absent from attending three consecutive meetings of the Board of Directors without a legitimate excuse.

When the membership of a member of the Board of Directors ends in one of the ways of termination, the company must notify the Authority and the Market according to the specified statutory periods, indicating the reasons for that. In the event that a member of the



Governance Regulation Abdullah Al-Othaim Markets Company

Board of Directors resigns and has comments on the company's performance, he must submit a written statement thereof to the Chairman of the Board of Directors, and this statement must be presented to the members of the Board.

Seventeen: Secretary of the Board of Directors:

The Board of Directors shall appoint a trustee from among its members or others, and the necessary conditions and qualifications shall be taken into consideration when appointing him, and his competencies and remuneration shall be determined by a decision of the Board, provided that these competencies include the following:

- 1) Documenting the meetings of the Board of Directors and preparing minutes for them that include the decisions taken, indicating the place, date, start and end time of the meeting, documenting the Board of Directors' decisions and voting results, and keeping them in a special and organized record, writing down the names of the attending members and the reservations they made - if any -, and signing these minutes from all members present.
- 2) Keeping reports submitted to the Board of Directors and reports prepared by the Board.
- 3) Providing the members of the Board of Directors with the agenda, working papers and documents related to it, and any additional documents or information requested by any of the members of the Board related to the topics included in the meeting agenda.
- 4) Verify that the members of the Board of Directors adhere to the procedures approved by the Board.
- 5) Informing the members of the Board of Directors of the dates of the Board meetings well in advance of the specified date.
- 6) Presenting the draft minutes of each meeting to the members of the Board of Directors to express their views on it before signing it.
- 7) Ensure that members of the Board of Directors fully and promptly obtain a copy of the minutes of the Board of Directors meetings, information and documents related to the company's work.
- 8) Coordination between the members of the Board of Directors for any matters related to the nature and tasks of the Board and any of the scheduled or emergency meetings.
- 9) Organizing the disclosure record of the members of the Board of Directors and the executive management in accordance with what is approved by the relevant regulations.
- 10) Providing assistance and advice to the members of the Board of Directors.
- 11) The Secretary of the Board of Directors may not be dismissed except by a decision of the Board.



Governance Regulation Abdullah Al-Othaim Markets Company

Eighteen: Training, support and evaluation³:

The company should pay attention to training and qualifying the members of the Board of Directors and the executive management, and developing the necessary programs for the newly appointed members of the Board and the executive management to introduce the company's workflow and activities, especially its strategy and objectives, the financial and operational aspects of the company's activities, the obligations of the members of the Board of Directors and their tasks, responsibilities and rights, the tasks and terms of reference of the company's committees. And that the company establishes appropriate mechanisms for each of the members of the Board of Directors and the executive management to obtain training programs and courses on an ongoing basis in order to develop their skills and knowledge in areas related to the company's activities.

Nineteen: Providing members with information:

The executive management of the company shall provide the members of the Board of Directors, non-executive members in particular, and the company's committees with all necessary information, data, documents and records, provided that they are adequate and in a timely manner to enable them to perform their duties and tasks.

Twenty: Evaluating the performance of members of the Board of Directors, committees and executive management:

The Board of Directors, based on a proposal from the Nominations and Remunerations Committee, may establish the necessary mechanisms to annually evaluate the performance of the Board, its members and committees, and the executive management, through appropriate performance measurement indicators related to the extent to which the strategic objectives of the company are achieved, the quality of risk management, the adequacy of internal control systems, and so on. The evaluation should include the skills and experiences possessed by the Board of Directors, identify their weaknesses and strengths, and evaluate the work mechanisms of the Board in general. In the individual evaluation of the member, his commitment to perform his duties and responsibilities, including attending the meetings of the Board of Directors and its committees and allocating the necessary time for them, is taken into account. The Board of Directors may make the necessary arrangements to obtain an evaluation by a competent third party every three years whenever possible. And that the non-executive members of the Board of Directors conduct a periodic assessment of the performance of the Chairman of the Board after taking into account the point of view of the executive members. Based on the results of the assessment, aspects of strength and weakness are identified and proposed to be addressed in accordance with the interests of the company.

Twenty-one: Board members' remuneration and compensation:

Board members' remunerations may be a specific amount, attendance allowance for sessions, in-kind benefits, or a specific percentage of profits. It is permissible to combine two or more of these benefits, and these rewards are disbursed in accordance with a policy approved by the General Assembly that is consistent with the general controls established by the relevant regulations.

³ *Indicative clause*



Governance Regulation Abdullah Al-Othaim Markets Company

Part Five: Board of directors' committees

First: General Conditions:

- a) The Board of Directors forms committees according to the company's need, and circumstances, in order to enable it to perform its duties effectively.
- b) The Board of Directors sets the general procedures for the formation of committees, including defining the mission of each committee, the duration of its work, the powers vested in it during this period, and how the Board monitors it. The committee shall inform the Board of Directors of the results it reaches or the decisions it takes transparently, and the Board shall follow up the work of these committees regularly to verify that they are carrying out the tasks entrusted to them.
- c) Each committee shall be responsible for its work before the Board of Directors, without prejudice to the responsibility of the Board for such work and for the powers or authorities delegated to it.
- d) The number of committee members shall not be less than three and not more than five, as determined by the relevant regulations.
- e) The company shall notify the Authority of the names of committee members and their membership descriptions within (five) working days from the date of their appointment, and any changes that may occur within (five) working days from the date of their occurrence.
- f) The chairmen of the committees or whomever they delegate from among their members must attend the general assemblies to answer shareholders' questions.
- g) A sufficient number of non-executive board members must be appointed in committees concerned with tasks that may result in conflicts of interest, such as ensuring the integrity of financial and non-financial reports, reviewing related party deals, nomination for board membership, appointment of senior executives, and determination of remuneration.
- h) The Chairman of the Board of Directors may participate in the membership of committees other than the Audit Committee, provided that he does not assume the chairmanship of these committees in accordance with what is stipulated in the Corporate Governance Regulations issued by the Authority.
- i) No member of the Board of Directors or executive management - unless he is a member or secretary of the committees - is entitled to attend the meetings of the committees unless the committee asks him to listen to his opinion or obtain his advice.
- j) The committee may seek assistance from experts and specialists from inside or outside the company within the limits of its powers, provided that this is included in the minutes of the committee meeting, with the name of the expert and his relationship with the company or the executive management mentioned.
- k) For the validity of committee meetings, the attendance of the majority of its members is required, and its decisions are issued by the majority of votes of those present, and when the votes are equal, the side with which the chairman of the meeting voted will prevail.
- l) Committee meetings must be documented and minutes prepared for them that include the discussions and deliberations that took place, their recommendations and voting results documented, and kept in a special and organized record, indicating the names of those present and the reservations they made - if any -, and these minutes are signed by all the members present.
- m) The Board may form a Corporate Governance Committee, and in this case, it shall delegate to the Committee the competencies prescribed for it in accordance with the provisions of the relevant regulations. The Committee shall follow up the implementation of the governance systems and provide the Board of Directors at least annually with the reports and recommendations it reaches.



Governance Regulation Abdullah Al-Othaim Markets Company

- n) The Board of Directors may form temporary committees to perform specific tasks and then dissolve them or redefine their tasks, provided that the decision to form them includes the time period for completing their tasks.

Second: Audit Committee:

- a) An audit committee of non-executive board members or others, provided that at least one of them is an independent member, is formed by a decision of the company's general assembly and upon a recommendation from the board of directors. The audit committee shall not include any of the executive members, and the number of its members shall not be less than three and not more than five members, and that one of them shall be specialized in financial and accounting affairs. The committee may appoint a secretary from among its members or from others.
- b) The General Assembly, based on a proposal from the Board of Directors, shall issue the Audit Committee's work regulations that include the controls and procedures of the committee's work, its tasks, the rules for selecting its members, how to nominate them, the duration of their membership, their remunerations, and the mechanism for temporarily appointing its members in the event of a vacancy in one of the committee seats.
- c) A person who works, or was working during the past two years, in the executive or financial management of the company, or with the auditor, may not be a member of the audit committee.

Third: Remuneration and Nomination Committee:

- a) By decision of the Board of Directors, the Remuneration and Nomination Committee shall be formed from among the members of the Board or from others, so that the number of its members shall not be less than three and not more than five members, and that the committee shall be chaired by an independent member of the Board of Directors, and the Committee may appoint from among its members or others a secretary for it.
- b) The General Assembly of the company, based on a proposal from the Board of Directors, shall issue the work regulations of the Remuneration and Nominations Committee, provided that these regulations include the controls and procedures of the committee's work, its tasks, the rules for selecting its members, their membership term, and their remunerations.

Part Six: Conflict of interests, and organizing the relationship with stakeholders

First: Dealing with conflicts of interest and related party deals:

Taking into account the provisions of the Companies Law, its executing regulations and related regulations, dealing with cases of conflict of interest and deals or transactions of related parties is carried out in accordance with a policy that regulates cases of conflict of interest, and the following shall be taken into account in that policy:

- 1) Emphasize the members of the Board of Directors, major shareholders, senior executives and others working in the company to avoid cases that lead to a conflict of their interests with the interests of the company and to deal with them in accordance with the requirements of the relevant regulations.
- 2) Provide illustrative examples of cases of conflict of interest commensurate with the nature of the company's activity.
- 3) Develop clear procedures for disclosing conflicts of interest and obtaining licenses and approvals.



Governance Regulation Abdullah Al-Othaim Markets Company

- 4) Obligation to always disclose cases that may lead to a conflict of interest or when this conflict occurs.
- 5) Obligation to abstain from voting or participating in decision-making when there is a conflict of interest.
- 6) Establishing clear procedures when the company contracts or deals with a related party, and this includes informing the Authority and the public without delay of that contract or dealing, if this contract or dealing is equal to or more than 1% of the company's total revenues according to the latest audited annual financial statements.
- 7) Setting procedures to be taken by the Board of Directors in the event of a breach of that policy.

Second: The concept and controls of competing business:

The concept of competitive business includes participating in any business that would compete with the company or its competitors in one of the branches of the activity that it practices as follows: (The establishment of a board member of a sole proprietorship or establishment or his ownership of an effective percentage of stocks or stakes in another company or establishment engaged in an activity similar to that of the company or its group, acceptance of membership in the board of directors of a company or establishment competing with the company or its group, or take over the management of a competing sole proprietorship or a competing company in any form, with the exception of the company's subsidiaries, or the member obtaining a commercial agency or the like, whether apparent or hidden, for a company or other establishment competing with the company or its group). If a member of the Board of Directors wishes to participate in a business that would compete with the company, or compete with it in one of the branches of the activity it is engaged in, the following must be taken into account:

- 1) Inform the Board of Directors of the competing businesses it wishes to practice, and record that notification in the minutes of the Board meeting.
- 2) Non-participation of the interested member in voting on the decision issued in this regard by the Board of Directors and the General Assembly.
- 3) The Chairman of the Board of Directors informs the General Assembly when it convenes, and based on informing the member of the Board of the competing business he is engaged in. This is after the Board of Directors has verified that the Board member is competing with the company's business or competing with it in one of the branches of the activity it is engaged in according to standards issued by the General Assembly - based on a proposal by the Board of Directors - and published on the company's website, provided that these businesses are verified on an annual basis.
- 4) Obtaining a license from the company's general assembly that allows a member of the board of directors to practice competing businesses.

Third: Organizing the relationship with stakeholders:

- 1) The Board of Directors should set clear and written policies and procedures to regulate the relationship with stakeholders in order to protect them and preserve their rights. It includes how to compensate them when their rights as determined by the regulations are violated, and how to settle complaints or disputes that may arise between the company and stakeholders, and rules of professional conduct for managers, workers, customers and suppliers, and maintaining the confidentiality of their information, and the company's



Governance Regulation Abdullah Al-Othaim Markets Company

- social contribution, and stakeholders' access to information related to their activities in a way that enables them to perform their duties, and treating the company's employees in accordance with the principles of justice, equality, and non-discrimination between them.⁴
- 2) The Board of Directors, based on the proposal of the Audit Committee, shall establish the necessary policies and procedures to be followed by the stakeholders in submitting their complaints or reporting the violating practices, taking into account the facilitation of informing the stakeholders of any actions or practices that may be issued by the executive management in violation of the applicable laws. Assign a specialized person to receive complaints and deal with them, assign a phone or e-mail to receive complaints, maintain the confidentiality of notification procedures by appropriate means, and provide the necessary protection for stakeholders.

Part Seven: Disclosure and Transparency

First: Disclosure policies and procedures:

The company carries out the disclosure process in accordance with the regulations and regulations issued by the legislative authorities, and in accordance with the disclosure policy, procedures and supervisory systems followed by the company. The members of the Board of Directors, senior executives and related parties disclose and report their personal interests in accordance with those requirements.

Second: Disclosure policy:

The company is keen to disclose all necessary and essential information of interest to shareholders and stakeholders in order to know it, stand on it, and provide it in a timely and fair manner, in order to enable them to evaluate the performance and results of the company and future expectations for it, and thus help them in making the appropriate decision regarding their investments. So that the company takes into account the accuracy, comprehensiveness, transparency, credibility and equality between shareholders and stakeholders in that information, provided that all the controls and restrictions approved by the company within its professional code of conduct that regulate the disclosure process in accordance with the established controls.

Third: Disclosure policy objectives:

The disclosure policy covers the investor community, current or prospective shareholders and the public, and aims to control the disclosure of material events and information in the appropriate manner, in a fair and complete manner to stakeholders, and to provide quality information, this enables them to review regularly and in a timely manner the company's business, strategic plans, performance results, future expectations, and everything that would provide an opportunity to evaluate the company's performance and thus help them in making wise decisions.

Fourth: Essential Elements of Disclosure and Advertising:

In order to enhance the principle of disclosure and transparency, the company is keen to ensure that the basic information, data and events that are disclosed and announced contain the following elements:

- 1) The disclosure must be clear and correct, reflecting the material event to be disclosed.
- 2) Provide a detailed description of the material event, indicating all related information and related dates.
- 3) Clarification of the factors and justifications that led to the realization of the essential event.

⁴ Indicative paragraph



Governance Regulation Abdullah Al-Othaim Markets Company

- 4) If the material event has a financial impact on the company's financial statements, the financial impact of the event must be mentioned, and if this is not possible, the reason must be stated.
- 5) Care must be taken to ensure that any facts or information relating to the material event are correct and not misleading.
- 6) Not to exclude, delete or hide any information that could affect the content or results of the material event.
- 7) In the event that the material event results in any financial obligation on the company, the announcement must include the terms, duration and value of this obligation, the parties that represent a party to it, and its financial impact on the financial statements.
- 8) In the event that there are related parties associated with the announced event, the company must disclose their data.
- 9) In the event of any transaction between the company and a related party, or if there is any arrangement whereby both the company and the related party invest in any project or asset, or provide financing for it, if this transaction or arrangement is equal to or more than (1%) of the company's total revenues in accordance with the latest audited annual financial statements. The nature of the interest related to the transaction or arrangement, the limits of that interest, the names of any persons involved in it, and the expected benefit to be obtained directly or indirectly from that interest, whether that interest is financial or non-financial, must be disclosed. The percentage of ownership of the relevant persons in the two parties related to the announced event - if any - must also be disclosed.
- 10) The advertisement shall be published through the method specified in the listing rules, and the advertisement shall fulfill all formal requirements.
- 11) The financial statements shall be published on the website of the Market no later than (six) working days from the date of publication of the announcement of the financial results associated with them.
- 12) In the event that the company discloses a material event that may have material future developments, any new material developments that may occur in that event should be disclosed.
- 13) In the event that there are two material events in the company, each of them must be disclosed separately from the other.
- 14) If during the trading period any of the material developments stipulated in (Parts Seven, and Eight) of the Rules on the Offer of Securities and Continuing Obligations or (Part Five) of the Listing Rules occur, the company must wait until the end of the trading period and then announce it on the Market's website.
- 15) Include and observe the statutory requirements from time to time, and all instructions related to advertisements or any required disclosure.

Fifth: Scope of policy application:

This policy is applied to all stakeholders and includes announcements to be made in accordance with regulatory requirements, oral and written statements with the public, the media, financial analysts, and current and potential future investors.

Sixth: The means of disclosure and the authorities authorized to do so:

Disclosure shall be made through the official means designated by the official authorities or regulators for the company's dealing activity, as well as through social media or other advertising means allocated by the company's management such as its website, and any other means approved by the Board of Directors.

Seventh: Authorized spokesperson for the company:



Governance Regulation Abdullah Al-Othaim Markets Company

- a) The Chairman of the Board of Directors and his deputy are the official spokespersons for the company in front of all the media and with the public and the investor community, and that coordination takes place between the Chairman of the Board of Directors and his deputy in this aspect. They may appoint other persons from within the company to speak on its behalf or respond to certain inquiries whenever necessary and deemed necessary.
- b) It is not permissible for any person other than the Chairman of the Board of Directors, his deputy and those assigned by them to make any public statements about the strategies and plans of the company, its main operations and activities, financial performance (current and future), investment opportunities in general, production capacities, litigation and lawsuits, decisions of acquisition and merger, restructuring, decisions to sell and exit certain investments, and other strategic and important initiatives undertaken by the company.
- c) Members of the Board of Directors, all employees of the company, and all concerned persons who are not authorized to speak on behalf of the company must refer all inquiries received from financial institutions, shareholders, and various media outlets to the authorized person directly.
- d) It is known that employees who are not authorized to speak on behalf of the company may deal with the public for some purposes such as (representing the company financially, trade fairs, product launches, recruitment fairs, etc.). Therefore, such employees must receive appropriate training on the restrictions imposed by this policy on disclosures).
- e) In the process of disclosure from any authority authorized to do so, it is taken into account to ensure compliance with the laws and all relevant instructions imposed by the official authorities, ensure that the information to be disclosed is highly accurate, correct and clear, and will promote and establish a strong and sound culture of commitment to disclosure, and that disclosure is in accordance with standards that are consistent with established requirements and current practices.
- f) It is the responsibility of the spokesperson or authorized person for the disclosure process to maintain the confidentiality of the information to be disclosed and to protect it until it is published, and to ensure that all necessary steps are taken to ensure that none of the information and developments to be disclosed are leaked in accordance with the requirements of the applicable regulations.
- g) The company's official spokesperson or his authorized representative must determine the need for advertising or disclosure to respond to any rumors related to the company's reputation or activities.

Eight: Disclosure of material events and developments:

The company must inform the Authority and the public of any material event in accordance with the relevant rules, regulations and instructions.

Ninth: Disclosure of financial information:

- a) The preliminary financial statements must be disclosed, immediately upon their approval by the Board of Directors or whomever it delegates, and signed by an authorized member of the Board and by the Chief Executive Officer, and Chief Financial Officer, in accordance with the relevant rules and regulations.
- b) The company shall prepare and examine the initial financial statements in accordance with the accounting and auditing standards approved by the Saudi Organization for Certified Public Accountants, and disclose them to the public within a period not exceeding (30) working days from the end of the financial period covered by those statements, and as determined by the relevant laws and regulations.



Governance Regulation Abdullah Al-Othaim Markets Company

- c) The company shall prepare and review the annual financial statements in accordance with the approved accounting and auditing standards, and disclose them to the public within a period not exceeding three months from the end of the annual financial period covered by those statements, and as determined by the relevant laws and regulations.
- d) The company discloses the preliminary and annual financial statements through the electronic systems designated for this purpose in the market.
- e) The auditor or the accounting firm that audits the company's financial statements must be registered with the Authority in accordance with the rules for registering auditors of establishments subject to the Authority's supervision.

Tenth: Disclosure of the members of the Board of Directors and the Executive Management:

The company must organize the disclosures of each of its members and the executive management, taking into account the establishment of a record of disclosures of the members of the Board of Directors and the executive management and updating it periodically, and providing the opportunity for the company's shareholders to view the disclosure record.

The company must be notified by the member of the Board of Directors, i.e., the chief executive, of any changes in his data or the data of his relatives, or when he owns and controls a company, whatever its legal form, within the specified statutory period and by filling out the forms designated by the market.

Eleventh: Disclosure of conflict-of-interest cases:

A member of the Board of Directors and the Executive Management shall be committed to the permanent disclosure of cases that may lead to a conflict of interest or when an event or conflict occurs, and he shall be obliged to inform the Board of Directors of this in order to take the necessary action in accordance with the applicable regulations.

The member nominated for membership of the Board shall disclose to the Board of Directors and the General Assembly about such cases in accordance with the established procedures.

And that the member of the Board of Directors or any of the executive management is obliged to inform the Board in the event of his intention to enter into any business that would compete with the company or compete with one of its branches of activity in accordance with what is contained in the applicable rules and regulations. In the event that the member or stakeholder fails to report, the company and each interested party may claim compensation as approved by the regulations.

Twelve: Disclosure of any violation of independence standards:

An independent board member must notify the board of directors in the event of an occurrence that is inconsistent with the independence standards for membership, and he will bear the damages incurred by the company as a result of violating this.

Thirteen: Disclosure of non-public information:

No person may disclose any non-public information about the company.

Fourteen: Inform the Authority and the public about certain events:

The company shall notify the Authority and the public, in accordance with the specified statutory requirements, of the following and any amendments thereto:



Governance Regulation Abdullah Al-Othaim Markets Company

- 1) Any transaction to buy, sell, mortgage or lease an asset at a price equal to or greater than (10%) of the company's net assets according to the latest reviewed preliminary financial statements or audited annual financial statements, whichever is more recent.
- 2) Any indebtedness outside the normal activity of the company in an amount equal to or greater than (10%) of the net assets of the company according to the latest reviewed preliminary financial statements or audited annual financial statements, whichever is more recent.
- 3) Any losses equal to or greater than (10%) of the net assets of the company according to the latest reviewed preliminary financial statements or audited annual financial statements, whichever is more recent.
- 4) Any significant change in the company's production environment or activity, including but not limited to availability and access to resources.
- 5) A change in the CEO of the company or any change in the composition of the members of the Board of Directors or in the Audit Committee.
- 6) Any dispute, including any litigation, arbitration or mediation if the amount of the dispute or claim is equal to or greater than (5%) of the company's net assets according to the latest examined interim financial statements or audited annual financial statements, whichever is more recent.
- 7) Any judicial judgment issued against the Board of Directors or one of its members, if the subject matter of the judgment is related to the work of the Board or one of its members.
- 8) The increase or decrease in the net assets of the company equal to or greater than (10%) according to the latest reviewed preliminary financial statements or audited annual financial statements, whichever is more recent.
- 9) The increase or decrease in the company's total profits equal to or greater than (10%) according to the latest audited annual financial statements.
- 10) Entering into a contract whose revenues are equal to or greater than (5%) of the company's total revenues according to the latest audited annual financial statements, or the unexpected termination of that contract.
- 11) Any deal between the company and a related party or any arrangement whereby both the company and the related party invest in any project or asset or provide financing for it if this deal or arrangement is equal to or more than (1%) of the company's total revenues according to the latest annual financial statements review.
- 12) Any interruption in any of the main activities of the company or its subsidiaries equals or exceeds (5%) of the total revenues of the company according to the latest audited annual financial statements.
- 13) Any proposed change in the company's capital.
- 14) Any decision declaring profits, recommending their declaration, paying shares thereof, or making other distributions to holders of securities listed in the Market.
- 15) Any decision or recommendation not to distribute profits in cases where the company is expected to distribute profits.
- 16) Any decision to call, repurchase, withdraw, redeem or offer to buy the company's securities, the total amount, number and value of the securities.
- 17) Any non-payment decision in respect of debt instruments or convertible debt instruments.
- 18) Any change in the rights associated with any class of listed shares or convertible debt instruments.



Governance Regulation Abdullah Al-Othaim Markets Company

- 19) Any change in the Bylaws or the headquarters of the company.
- 20) Any change of auditor.
- 21) Submitting a liquidation petition, issuing a liquidation order, or appointing a liquidator for the company or any of its subsidiaries under the Companies Law, or starting any procedures under the bankruptcy laws.
- 22) The issuance of a decision by the company or any of its subsidiaries to dissolve or liquidate the company, or the occurrence of an event or the expiry of a period of time that necessitates placing the company under liquidation or dissolution.
- 23) The issuance of any recommendation or decision by the company's authorized person to submit to the court a request to open any of the company's bankruptcy procedures under the bankruptcy law, with an indication of its impact on the company's financial position or the general course of its business.
- 24) The company receives a notification from the court that a third party has applied for the opening of a financial reorganization procedure, the opening of a liquidation procedure, or the opening of an administrative liquidation procedure under the bankruptcy law, with an indication of its impact on the company's financial position or the general course of its business.
- 25) Recording the application for opening any of the company's bankruptcy procedures with the court under the bankruptcy law, with an explanation of the future steps and their time periods, and an indication of the impact of this on the company's financial position or the general course of its business.
- 26) The issuance of the court's judgment - preliminary and final - opening any of the company's bankruptcy procedures under the bankruptcy law, with an explanation of the future steps and their time periods, and an indication of the impact of this on the company's financial position or the general course of its business.
- 27) The issuance of the court's judgment - first instance and final - rejecting the request to initiate any of the company's bankruptcy procedures under the bankruptcy law, or rejecting any of them and opening the appropriate bankruptcy procedure, with an explanation of the reasons for rejection and an indication of its impact on the company's financial position or the general course of its business.
- 28) The issuance of the court ruling - preliminary and final - ending the financial reorganization procedure or ending the preventive settlement procedure for the company under the bankruptcy law, or terminating either of them and opening the appropriate bankruptcy procedure under the bankruptcy law, with an indication of its impact on the company's financial position or the general course of its business.
- 29) Objection before the competent court regarding the initiation or refusal to open any of the bankruptcy procedures under the bankruptcy law, or the termination or non-termination of the preventive settlement procedure or the financial reorganization procedure under the bankruptcy law, with an indication of its impact on the financial position of the company or the general course of its business.
- 30) The issuance of a ruling in the objection referred to in Paragraph (28) of this Article confirming or overturning the court's ruling and deciding the case under the bankruptcy law, with an indication of its impact on the company's financial position or the general course of its business.
- 31) Any substantial developments included in the reports submitted by the company in the bankruptcy procedure opened under the bankruptcy law, with an indication of the impact thereof on the company's financial position or the general course of its business,



Governance Regulation Abdullah Al-Othaim Markets Company

unless the trustee, the bankruptcy committee, or the competent authority decides that they are confidential under the bankruptcy law and its executive regulations.

- 32) Taking a judgment, decision, declaration or order from a court or judicial authority with jurisdiction in the first instance or appeal stage, that could negatively affect the company's exploitation of any part of its assets whose value exceeds (5%) of the net assets, according to the last examined preliminary or audited annual financial statements, whichever is more recent.
- 33) Calling for the company's general assembly and announcing its agenda and results.

Fifteen: Disclosure in the Board of Directors report:

In the interest of the company to enhance the process of disclosure and transparency, and in accordance with the requirements of the Authority, the Board of Directors of the company issues an annual report includes a presentation of the company's operations, and all the influencing factors that the investor needs to be able to evaluate the company's assets, liabilities and financial position, and to provide it to the Authority and disclose it to the shareholders within a period not exceeding (three months) from the end of the annual financial period, it shall be accompanied by its annual financial statements, according to the regulations and laws issued by the Authority, the report of the board of directors must include the following:

- 1) What has been applied of the provisions of the Governance Regulations issued by the Authority, and what has not been implemented, and the reasons for that.
- 2) Names of board members, committee members, executive management, their current and previous positions, qualifications, and experience.
- 3) Names of companies inside or outside the Kingdom in which a member of the company's board of directors is a member of its current and previous boards of directors or one of its managers.
- 4) Composition of the Board of Directors and classification of its members as follows: "Executive Board Member - Non-Executive Board Member - Independent Board Member".
- 5) Actions taken by the Board of Directors to inform its members - especially non-executives - of shareholders' proposals and observations regarding the company and its performance (if any).
- 6) A brief description of the terms of reference of the committees and their tasks, such as the Audit Committee, and the Remuneration and Nominations Committee, indicating the names of these committees, their chairmen and members, the number and dates of their meetings, and the attendance data of the members for each meeting.
- 7) Where applicable, the means relied upon by the Board of Directors in evaluating its performance and the performance of its committees and members, and the external party that carried out the evaluation and its relationship with the company (if any).
- 8) Disclosure of the remuneration policy and how to determine the remuneration of the members of the Board of Directors and the executive management in the company.
- 9) Disclosure of bonuses granted to members of the Board of Directors and Executive Management, directly or indirectly, without concealment or misleading, whether they are amounts, benefits, or benefits. If the benefits are shares in the company, then the value entered for the shares is the market value on the maturity date.
- 10) Clarify the relationship between the granted rewards and the applicable rewards policy, and indicate any material deviation from this policy.



Governance Regulation Abdullah Al-Othaim Markets Company

- 11) Statement of the necessary details regarding remunerations and compensations paid to each of (members of the Board of Directors, five senior executives who received the highest remunerations from the company, provided that they include the CEO, the financial director, and members of the committees).
- 12) Disclosure of rewards shall be in accordance with the schedules specified by the Authority.
- 13) Any penalty, penalty, precautionary measure or precautionary restriction imposed on the company by the Authority or any supervisory, regulatory or judicial authority, with an indication of the reasons for the violation and the party that signed it, and ways to remedy it and avoid its occurrence in the future.
- 14) The results of the annual review of the effectiveness of the company's internal control procedures, in addition to the audit committee's opinion on the adequacy of the company's internal control system.
- 15) Recommendation of the Audit Committee regarding the need to appoint an internal auditor in the company in the absence of one.
- 16) Recommendations of the Audit Committee that conflict with the decisions of the Board of Directors, or which the Board refused to take into account regarding the appointment and dismissal of the company's auditor, determining his fees, evaluating his performance, or appointing the internal auditor, and the justifications for those recommendations, and the reasons for not taking them into account.
- 17) Details of the company's social contributions, (if any).
- 18) A statement of the dates of the General Assemblies held during the last fiscal year and the names of the members of the Board of Directors attending them.
- 19) A description of the main types of activity of the company and its subsidiaries, and in the event that two or more types of activity are described, a statement must be attached to each activity and its impact on the volume of the company's business and its contribution to the results.
- 20) A description of the company's important plans and decisions (including structural changes to the company, expansion of its business, or cessation of operations) and future prospects for the company's business.
- 21) Information related to any risks faced by the company (whether operational risks, financing risks, or market risks) and the policy for managing and monitoring these risks.
- 22) A summary in the form of a table or graph of the company's assets, liabilities, and business results for the last five fiscal years.
- 23) Geographical analysis of the company's total revenues and its subsidiaries.
- 24) Clarification of any material differences in the operating results from the results of the previous year or any expectations announced by the company.
- 25) Clarification of any difference from the accounting standards approved by the Saudi Organization for Certified Public Accountants.
- 26) The name of each subsidiary company, its capital, percentage of the company's ownership therein, its main activity, the country of its main operations, and the country of incorporation.
- 27) Details of shares and debt instruments issued for each subsidiary.
- 28) A description of the company's dividend policy.
- 29) A description of any interest in the category of voting shares belonging to persons (other than members of the company's board of directors, senior executives and their relatives) who have notified the company of those rights under Article (67) of the Rules on the Offer of Securities and Continuing Obligations, and any change in those rights during the last fiscal year.



Governance Regulation Abdullah Al-Othaim Markets Company

- 30) A description of any interest, contractual securities and subscription rights belonging to the members of the Board of Directors of the company, senior executives and their relatives in the shares or debt instruments of the company or any of its subsidiaries, and any change in that interest or those rights during the last fiscal year.
- 31) Information related to any loans owed by the company (whether repayable on demand or otherwise), a statement of the total indebtedness of the company and its subsidiaries and any amounts paid by the company in repayment of loans during the year, the amount of the principal, the name of the donor and its duration, and the remaining amount, and in the absence of loans on the company, a declaration is submitted.
- 32) A description of the categories and numbers of any convertible debt instruments and any contractual securities or memorandums of subscription rights or similar rights issued or granted by the company during the fiscal year, with an explanation of any compensation obtained by the company for that.
- 33) A description of any transfer or subscription rights under convertible debt instruments or contractual securities, subscription right notes, or similar rights issued or granted by the company.
- 34) A description of any redemption, purchase or cancellation by the Company of any redeemable debt instruments, and the value of the remaining securities, distinguishing between the listed securities purchased by the Company and those purchased by its subsidiaries.
- 35) The number of board meetings held during the last fiscal year, their dates, and the attendance record of each meeting showing the names of attendees.
- 36) The number of the company's requests for the register of shareholders, and the dates and reasons for those requests.
- 37) A description of any transaction between the company and a related party.
- 38) Information related to any business or contracts to which the company is a party, or in which a member of the Board of Directors or senior executives or any person related to any of them had an interest. So that it includes the names of those involved in the business or contracts, the nature of these works or contracts, their terms, duration and amount, and if there are no such works or contracts, the company submits a declaration of that.
- 39) An explanation of any arrangements or agreement under which a member of the company's board of directors or a senior executive waived any remuneration.
- 40) An explanation of any arrangement or agreement under which a shareholder of the company has waived any rights to profits.
- 41) A statement of the value of statutory payments that have been paid and due for the payment of any zakat, taxes, fees, or any other dues that have not been paid until the end of the annual financial period, with a brief description of them and an indication of their reasons.
- 42) A statement of the value of any investments or other reserves created for the benefit of the company's employees.
- 43) Acknowledgments of the following:
 - a) That the account records have been properly prepared.
 - b) The internal control system was prepared on sound foundations and implemented effectively.
 - c) There is no doubt about the company's ability to continue its activities.
- 44) If the auditor's report includes reservations about the annual financial statements, those reservations, their reasons and any information related to them must be clarified in the Board of Directors' report.



Governance Regulation Abdullah Al-Othaim Markets Company

45) In the event that the company's board of directors recommends changing the auditor before the end of the period for which he is appointed, the report of the board of directors must contain this and indicate the reasons for recommending the change.

Part Eight: Accounting Auditor

First: Appointment of the auditor:

The general assembly appoints the company's auditor, and determines his remuneration and term of office, based on a nomination by the Board of Directors, taking into account that his nomination is based on the recommendation of the audit committee, that he is licensed and fulfills the conditions decided by the competent authorities, and that his interests do not conflict with the interests of the company. The number of candidates shall not be less than two auditors to audit the company's quarterly and annual accounts, provided that the procedures for appointing the auditor are carried out in accordance with the approved policies and regulations in line with the general provisions issued by the competent authorities.

Second: Duties of the auditor:

- 1) Exerting a duty of care and honesty to the company.
- 2) Inform the Authority in the event that the Board of Directors does not take the appropriate action regarding the suspicious issues it raises.
- 3) To request the Board of Directors to convene the Ordinary General Assembly if the Board does not facilitate its work, and shall be responsible for compensating the damage that befalls the company, shareholders or third parties due to errors committed by it in the performance of its work. If there are multiple auditors and they share the error, they are jointly liable.
- 4) To prepare an objective and independent report in accordance with generally accepted auditing standards, in which he indicates whether the company's financial statements clearly and fairly express the company's financial position and its performance in material aspects, any violations of the provisions of the Companies Law and its executing regulations or the provisions of the company's basic system will be submitted to the annual ordinary general assembly, and the auditor will read his report during the meeting of the general assembly.

Third: Auditor prohibitions:

- 1) Combining the work of the auditor with participating in the membership of the Board of Directors, or carrying out technical or administrative work in the company, or for its interest, even as a consultancy.
- 2) To be a partner of one of the company's founders or a member of its board of directors or his employee or relative to the fourth degree.
- 3) Disclosure to the shareholders in events other than the General Assembly or to third parties of the company's secrets that came to his knowledge due to his work.



Governance Regulation Abdullah Al-Othaim Markets Company

Part Nine: Employee motivation and social responsibility

First: **Motivating employees**⁵:

The company may develop programs to develop and motivate the participation and performance of the employees, provided that they include, in particular, the formation of committees or the holding of workshops, the development of programs for granting shares to the employees or a share of the profits, the establishment of social institutions for the employees that enhance their belonging and loyalty to the company.

Second: **Social responsibility and social work initiatives**⁶:

The general assembly of the company, based on the proposal of the Board of Directors, shall establish a policy that ensures the establishment of a balance between its objectives and the objectives that the society aspires to achieve in order to develop the social and economic conditions of the society. The Board of Directors may develop programs and determine the means necessary to present the company's initiatives in the field of social work, so that it includes indicators for measuring the company's performance with the initiatives it offers in social work, and disclosing the goals of social responsibility that the company adopts to its employees and educating them about it, disclosure of the company's plans in the field of social work in the periodic reports related to the company's activities, and the development of awareness programs for the community to introduce the social responsibility adopted by the company.

Part Ten: Internal Control

- 1) The Board of Directors adopts a system of internal control for the company to evaluate the policies and procedures related to risk management, the implementation of the governance rules adopted by the company, and compliance with the relevant laws and regulations. And that this system includes following clear standards of responsibility at all executive levels in the company and that the transactions of related parties are carried out in accordance with their provisions and controls.
- 2) The company establishes independent units or departments in order to implement the internal control system for assessing and managing risks and internal auditing. The company may also seek assistance from external parties to exercise the tasks and specializations of these units, without prejudice to the company's responsibility for those tasks and functions.⁷
- 3) The Internal Audit Department evaluates the internal control system and supervises its implementation, and verifies the extent to which the company and its employees comply with the applicable laws, regulations, instructions, and the company's policies and procedures.
- 4) The composition and work of the internal audit department shall take into account the following:⁸
 - independence and efficiency.
 - To submit its reports to the Audit Committee.

⁵ Indicative Clause

⁶ Indicative Clause

⁷ Indicative Paragraph

⁸ Indicative Paragraph

- Determine the remuneration of the Director of the Internal Audit Department based on the proposal of the Audit Committee, and in accordance with the company's policy.
 - To be able to view and obtain documents without restrictions.
- 1) The Internal Audit Department operates according to a comprehensive audit plan approved by the Audit Committee, with this plan being updated annually.⁹
 - 2) The Internal Audit Department submits a written report on its work to the Board of Directors and the Audit Committee on a quarterly basis, at least. So that the report includes an evaluation of the internal control system, the results and recommendations, and a statement of the actions taken by each department regarding addressing the results and recommendations of the previous audit, and any observations regarding them, especially in the event of not being addressed in a timely manner, and the reasons for that.¹⁰
 - 3) The Internal Audit Department submits a general written report to the Board of Directors and the Audit Committee regarding the audits conducted during the fiscal year and compares them with the approved plan, and indicates the reasons for any breach or deviation from the plan - if any - during the quarter following the end of the fiscal year.¹¹
 - 4) The Board of Directors determines the scope of the report of the Internal Audit Department based on the recommendation of the Audit Committee and the Internal Audit Department, provided that the report includes, in particular, the procedures for controlling and supervising financial affairs, investments and risk management. evaluating the development of risk factors in the company and the systems in place to face radical or unexpected changes in the market, evaluating the performance of the Board of Directors and senior management in applying the internal control system, including the number of times the Board of Directors was notified of control issues and the manner in which these issues were dealt with, failures in the application of internal controls or weaknesses in their application or emergency situations that affected or may affect the financial performance of the company and the procedure it followed in addressing this failure - especially the problems disclosed in the annual reports of the company and its financial statements -, and the company's compliance with internal control systems when identifying and managing risks, in addition to information describing the company's risk management processes.¹²
 - 5) The company shall keep the internal audit reports and work documents, including what has been accomplished, its findings and recommendations, and what has been taken in their regard.

Part Eleven: Professional and ethical standards

The Board of Directors sets a policy for professional behavior and ethical values in the company, and takes into account, in particular, the following:

⁹ Indicative Paragraph

¹⁰ Indicative Paragraph

¹¹ Indicative Paragraph

¹² Indicative Paragraph



Governance Regulation Abdullah Al-Othaim Markets Company

- 1) The commitment of the members of the Board of Directors, the executive management and the employees of the company to exert a duty of care and loyalty towards the company and everything that would preserve the interests of the company and develop it and maximize its value and put its interests above their personal interest in all cases.
- 2) Representing the board member for all shareholders in the company, and committing to what achieves the interest of the company and the shareholders, taking into account the rights of other stakeholders, and not only the interest of the group that elected him.
- 3) Compliance and commitment of the members of the Board of Directors and senior executives to all relevant laws, regulations and instructions.
- 4) Not to exploit a member of the Board of Directors or a member of the executive management of his job position with the aim of achieving his own interest or others.
- 5) Ensure that the use of the company's assets and resources is limited to achieving its purposes and objectives, and not direct them to achieve private interests.
- 6) Establishing accurate and precise rules that regulate the validity and timing of access to the internal information of the company in a way that prevents the members of the Board of Directors and the executive management and others from benefiting from it or disclosing it to any person, except within the prescribed limits or permissible by law.

Part Twelve: Maintaining Document

The company shall maintain all minutes, documents, reports and other documents required to be kept under these regulations or any other regulations at the company's headquarters for a period of not less than ten years, and that this includes the report of the board of directors and the report of the audit committee, and without prejudice to this period, the company in the event of any lawsuit, (including any existing or threatened lawsuit), claim, or any existing investigation procedures related to those minutes, documents, reports, or documents to be kept until the end of that lawsuit, claim, or existing investigation procedures.

Part Thirteen: Validity and Amendment

First: Validity:

This regulation shall be valid and shall be complied with as of the date of its approval by the Board of Directors. The company's Bylaws and other regulations issued by the Authority and the Ministry of Commerce shall also be considered with regard to any interpretation of what is stated in these regulations.

Second: Regulation is mandatory:

This regulation is mandatory for the company, with the exception of the items in which it is indicated that they are indicative, in accordance with the legislation issued, and any amendments made thereto by the competent official authorities.

Third: Amendment

Taking into account the terms of reference of the General Assembly as stipulated in the regulation, the Board of Directors may decide exceptions other than what is mentioned in these regulations, in order to achieve the company's interests or purposes, and the Board of Directors shall amend and update these regulations according to any changes to the regulations related to them, or what it deems appropriate.