



**SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
CORPORATE GOVERNANCE CODE**

English Translation of the Official Arabic Text

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1. Preamble

This Corporate Governance Code (“the Code”) of Saudia Dairy & Foodstuff Company (SADAFCO), a Joint Stock Company, (“the Company”) is prepared as per the Corporate Governance Regulations of Saudi Arabia issued by the Capital Market Authority (“CMA”) pursuant to resolution No. 2017-16-8 dated 16/5/1438H corresponding to 13/02/2017 based on Companies’ Law issued by the Royal Decree No. M/3 dated 28/1/1437 H corresponding to 10/11/2015 with compliance to Securitization Rules, ongoing obligations, Listing Rules, and SADAFCO’s Bylaw.

This Code defines the rules and policies of the Company’s Corporate Governance, and explains the necessary responsibilities and procedures for a sound Corporate Governance. The successful execution of good practices for SADAFCO’s Governance is beyond effortless compliance with legal requirements. This will be met when honesty, responsibility and accountable practices are performed by all concerned parties within the Company.

Any matter not included in this Code shall abide by Saudi Companies’ Law and its regulations, CMA law and its Executive Regulations, the Company’s bylaw, regulations and resolutions issued by the authorized bodies.

The effectiveness of the Corporate Governance depends on the composition of an independent, committed, and effective Board of Directors. The Board of SADAFCO is responsible for meeting the legislative requirements and governance regulations as declared by the CMA of Saudi Arabia.

This Code provides the required fundamentals for the Board of SADAFCO to set, execute, and control the standards and policies of Corporate Governance for establishing corporate governance practices, legal obligations and work ethics within all SADAFCO’s departments. Therefore, Corporate Governance is considered one of the main tools to improve the efficiency of administrative procedures in the Company, which include, including not limited to, the disclosure of information related to the Company in accordance with relative regulations. Furthermore, this Law aims at ensuring the compliance of SADAFCO in conformity with the rules and mechanisms of the Corporate Governance, and particularly aims at the following:

- Stating the competencies and responsibilities of the Board and the Executive Management.
- Enhancing the role of the Board and the committees and developing their capabilities to enhance the Company’s decision-making mechanisms.
- Achieving transparency, impartiality and equity in the Exchange, its transactions, and the business environment and enhance disclosure therein, and enhancing the Company’s control mechanisms.
- Establishing the general framework for dealing with Stakeholders and protecting their rights, and providing effective and balanced tools to deal with conflicts of interest.
- Enhancing the role of the Company’s shareholders and facilitating the exercise of their rights.
- Raising the awareness of Companies in respect of the concept of professional conduct and encouraging them to adopt and develop such concept in accordance with their nature.

1.1 Enforcement and Implementation Date:

This Code shall be effective as from its approval date by the Board. This Code shall be reviewed regularly upon its approval, and further amendments or updates shall be recommended to the Board by the specialized auditing body.

2. Corporate Governance System:



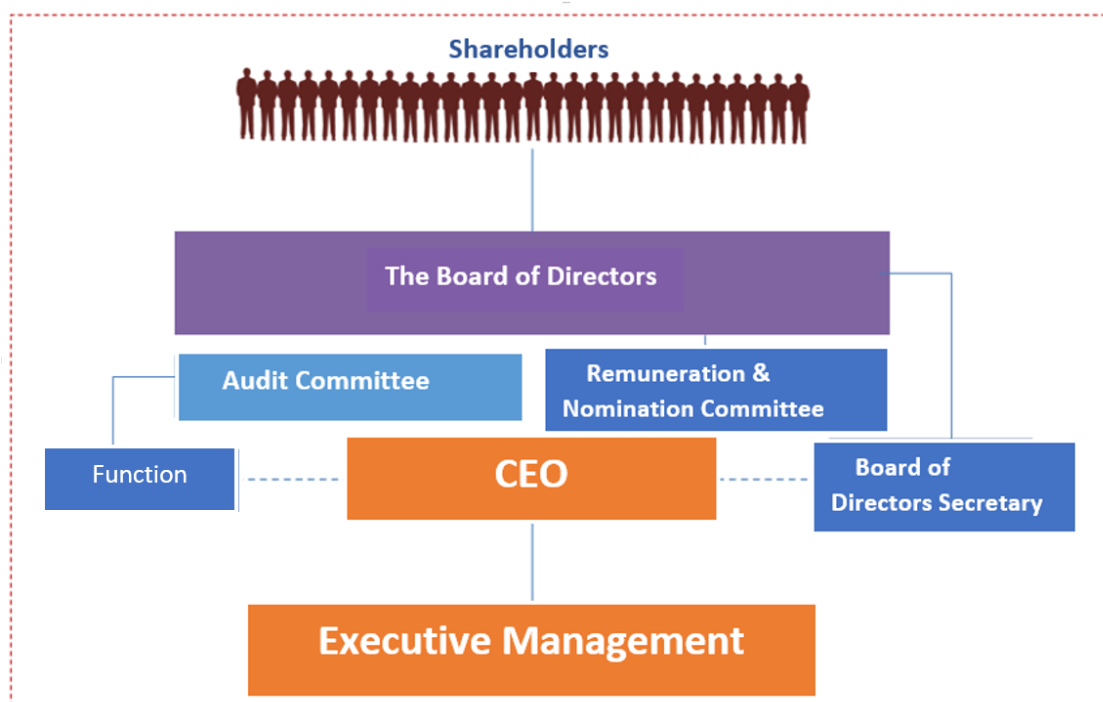
Corporate Governance Code: This Code serves to lead and guide the Company by providing mechanisms to regulate the various relationships between the Board, Executive Directors, Shareholders and Stakeholders.

The relationship between Shareholders and the Board is built on providing capital by Shareholders, which the Board operates to meet the desired targets for the investments of Shareholders, whilst providing fiscal-operational reports on annual basis to highlight the Company performance by the Board.

The role of Shareholders in Corporate Governance involves appointing members of the Board to represent their interests. Alternatively, the responsibility of the Board is to provide strategic guidance for the Executive Management and supervise the performances delivered by the directors of SADAFCO. Therefore, the directors are accountable to the Board and the Board is accountable to the Shareholders through the Annual Ordinary General Assembly.

On the other hand, the external aspect of the Corporate Governance Code is focusing on the relationship between SADAFCO and its Stakeholders, such as the individuals and the institutions in closer contact with its beneficiaries, directly or indirectly. These beneficiaries might be stated in the legislations enacted by the country or by the contracts with SADAFCO through social or geographical relationships. The Stakeholders are the investors, employees, creditors, suppliers, consumers, organizational authorities, government departments, and the community where SADAFCO operates.

3. Organizational Structure of SADAFCO's Corporate Governance:



Organizational Structure of SADAFCO's Governance

The above-proposed structure represents an appropriate structure for the status of SADAFCO, based on the recent international practices regarding Corporate Governances and the requirements of the Saudi CMA. The more SADAFCO develops the more necessity for new structure increases to conform to the Company expansion in due course.

The following is a brief introduction to the main responsibilities of the components of the above structure. Roles and responsibilities of the positions and main structures of the Corporate Governance will be explained thoroughly in following chapters.

3.1 Roles & Responsibilities:

3.1.1. Shareholders:

A Shareholder is any individual, group, or company that owns one or more shares in the Company. Every Shareholder has the right to vote at the general assemblies, and the Company shall avoid any act that might hinder the right of shareholders to vote.

SADAFCO shall make available to the Shareholders complete, clear, accurate and non-misleading information to enable him/her to properly exercise his/her rights. Such information shall be provided at the proper times and shall be updated regularly. The Company shall use the most effective methods in communicating with Shareholders and shall not discriminate among Shareholders in respect of providing information.

The Company shall avoid any procedure that might prevent a Shareholder from voting right, contrary, the Company shall help facilitate voting for the Shareholder regardless the amount of his/her share.

3.1.2. Board of Directors:

The Board is elected by the Shareholders to monitor the Company's affairs and activities. One of the main responsibilities of the Board is to ensure the continuous development of SADAFCO and managing the interests of Shareholders in particular, bearing in mind the interests of Stakeholders internally and externally.

3.1.3. Audit committee:

The Audit Committee assists the Board in monitoring role in connection with accounting systems, external and internal auditing, and, generally, financial reporting systems. In addition, it shall ensure compliance with the SADAFCO's laws and regulations, and abide by internal rules and regulations implemented on the Company's businesses, as well as, comply with related work ethics. Additionally, the committee shall help the Board to determine and maintain an acceptable level of risks that may be faced by the Company, and monitor and manage the Company's main risks regularly.

3.1.4. Remuneration and Nomination Committee:

Remuneration and Nomination Committee shall support the Board in determining the qualified individuals to obtain the membership, submit its recommendations regarding the nomination of the Stakeholders, and its recommendation to the Board for the nominations of each committee of the Board. This committee shall also provide supervision over remunerations of all Board members and executives. Moreover, it has its role to develop and improve SADAFCO's Corporate Governance Code.

3.1.5. The Chief Executive Officer:

The CEO, before the Board, is responsible for effective operating of the Company's assets in accordance with the Company internal regulations and the standards approved by the Board or the General Assembly. The CEO shall act as a link between the Company's Board and the Executive Management Team. The obligatory competencies of the CEO shall be listed in detail therein.

3.1.6. The Secretary of the Board of Directors:

The secretary shall be appointed for specified tasks, significantly ensuring that the Board receives the sufficient recommendations and resources to proceed its legal duties and make sure that the Board records conducted accordingly. In addition, the Secretary shall ensure the compliance of the Board with relative legal requirements as per his monitoring role. The Secretary of the Board functions under the Board and reports to the CEO.

3.1.7. Internal Audit:

The Internal Audit reviews the Company's Corporate Governance Code, Risk Management system, and ensures the Company's compliance with its internal monitoring system. This may be achieved through providing subjective, professional and independent consultations to the Board based on risk management principles in conformity with the Company's values and work standards and ethics of auditing. Internal audit also provides independent assessment for the internal operations as a service provided to the Audit Committee of the Board. The audit functions under the Audit Committee and reports to the CEO.

3.1.8. The Executive Management:

The Executive Management shall be responsible for reviewing the daily responsibilities of the Company management, including providing recommendations and approvals to the Board regarding the strategic

direction of the Company. Then, interpreting this direction and apply it to the different departments of the Company through optimal hiring of human, financial, and asset resources owned by Saudia Dairy & Foodstuff Company to ensure meeting its objectives.

3.1.9. Concerned persons:

Concerned persons include the Board members, the members of the Board's committees, Executive directors, managers, and employees of the Company.

4. SADAFCO Corporate Governance Principles

4.1 Purpose:

Saudia Dairy & Foodstuff Company (SADAFCO) is obliged to improve effective, transparent and accountable Corporate Governance practices through adopting practices that aim at ensuring the efficiency of the Corporate Governance to help the Board execute its duties constructively, and achieve actual monitoring over the Company and its activities. This can be accomplished by complying with the CMA rules and other best international practices, requirements, and legislations.

Therefore, SADAFCO's Board of Directors (the Board) has adopted the following principles in order to promote the Company's value for Shareholders in the long- term:

4.2 Governance Principles:

Rights of Shareholders

The Board shall seek protection and facilitate Shareholders' practices to access their basic rights, including:

- The Board shall make available information related to the Company in timely manner and shall be updated regularly.
- Participating and voting in the Shareholders General Assemblies.
- Electing and removing the Board members.
- Profit-sharing.

A Shareholder has the right to participate in decisions, and the Board shall make available all the fundamental changes in the Company, such as:

- Amending the legal status of the Company, the Bylaw, or any equivalent documents of the Company.
- Authorization of additional shares.
- Extraordinary procedures, including transferring some/ all the assets that in effect result in the sale of SADAFCO.

Fair Treatment of Shareholders:

The Board the Company is obliged not to discriminate among Shareholders, including minority shareholders and foreign shareholders, nor prevent them from accessing any of their rights. In addition, the Board and Executives are requested to disclose any material interest directly or indirectly affecting the Company.

Shareholders must know their voting rights before investing with the Company. These rights shall be existing until a further amendment by the General Assembly is made. Shareholders may participate in the discussion or resolution of this amendment.

Any amendments to voting rights for different classes of shares in the Company shall be submitted to the General Assembly to be approved by the majority of the selected shares in addition to the approval of the concerned government bodies.

The Company shall ensure an appropriate procedures of general assemblies to allow fair treatment for all Shareholders. Such procedures shall not be expensive nor complex.

The Company shall take all necessary procedures to prevent internal trading and abusive acts for personal interests. This may occur in case of abusing a close relation with the Company, including controlling Shareholders, to harm the Company and the investors. Similarly, internal trading that includes abusive and illegal exercises toward the CMA regulations; such act is prohibited by the Company.

The members of the Board and the senior executives are obliged to inform the Board regarding any activity, family or private relationship outside the Company that may affect their decision in respect of a particular transaction or issue affecting the Company. Accordingly, in case of a disclosure of a financial interest by a person, that person shall not contribute to a decision relating to a transaction to avoid conflict of interest.

The Role of Stakeholders in SADAFCO governance

The Board shall recognize the rights of the Stakeholders, and encourage cooperation between the Company and the Stakeholders to increase the Company's value and guarantee benefit for all through creating employment opportunities and ensuring sustainable and good financial performance of the Company to benefit the country's economy.

The company is obliged to seek the ability of the Stakeholders, including the employees, to deliver their concerns freely to the Board regarding any illegal or immoral practices, provided that it is not permissible to comprise their right in respect of the freedom to deliver such matter to the Board.

Disclosure & Transparency

Based on the principle of transparency for all material matters regarding the Company, including the financial status and the Company's Corporate Governance performance, the Board shall make such information accurate, complete and available once delivered by the Board, and without delay.

The Company defines the material information as the information that may affect the investment decisions if it was neglected or misused.

Such principle includes, including not limited, material information regarding:

- The Company's financial and operational results.
- The Objectives of the Company.
- Large amount of share and voting rights.
- Related party transactions.
- Potential risks that may influence the Company's performance.

The Company shall ensure the compliance of the preparation and disclosure of all financial information related to the Company's activity with the certified finance and accounting standards. A certified external independent auditor shall conduct annual reviews to provide the Board of the Company and Shareholders with objective assurance regarding the financial data, reflecting the financial position of

the Company fairly of different financial aspects. The external auditors are responsible before the Shareholders and the Company to perform financial auditing duties efficiently and professionally based on the industry standards.

Responsibility of the Board

The Board shall ensure the Company's strategic guidance and effective overseeing of the Executive Management to meet the interests of the Company's Shareholders. Based on acquiring all necessary information to perform their duties furthermore, the Board shall ensure fair treatment for all shareholders.

Among the key functions and competencies of the Board are the following:

- 1) Reviewing and guiding the Company's strategy, laying down key plans and policies (risk policy, annual budgets and action plans) and performance objectives; supervising their implementation. In addition, overseeing the main capital expenditures of the Company and its existing investments.
- 2) Ensuring the effectiveness of SADAFCO'S corporate governance practices, ensuring to provide the necessary human resources to meet this objective and deeming changes when necessity arises, including:
 - a. Setting a comprehensive strategy for the Company, key business plans, policies and mechanisms of the risk management and review and guide them.
 - b. Determining the most appropriate capital structure for the Company, its strategies and financial objectives, and approving all kinds of estimated budgets.
 - c. Overseeing the main capital expenditures of the Company and the acquisition or disposal of assets.
 - d. Setting performance indicators, and monitoring the implementation thereof and the overall performance of the Company.
 - e. Reviewing and approving the organizational and human resources structures of the Company on a periodic basis.
 - f. Ensuring that the financial and human resources required for achieving the objectives and main plans of the Company are available.
- 3) Selecting, remunerating, overseeing the replacement of the Executive seniors, and supervising succession planning.
- 4) Balancing the interests of the executive seniors and the Board members in accordance with the long-term interests of the Company and its shareholders.
- 5) Ensuring the integrity and transparency of the Board members' nomination and election process.
- 6) Monitoring and resolving potential conflicts of interest of the Management, Board members, and shareholders, including misusing the assets of the Company and related parties transaction.
- 7) Ensuring the effectiveness and safety of financial and accounting systems and reporting channels, including external auditing, and ensuring of existing suitable monitoring systems, particularly risk management control, financial and operational overseeing systems. In addition, ensuring compliance with rules and standards in connection with the Company's activities, and setting rules and procedures for internal control and generally overseeing them, including:
 - a. Developing a written policy to remedy actual and potential conflicts of interest scenarios for each of the Board members, the Executive Management, and the shareholders. This includes misuse of the

Company's assets and facilities and the mismanagement resulting from transactions with Related Parties.

b. Ensuring the integrity of the financial and accounting rules, including rules relating to the preparation of financial reports.

c. Ensuring the implementation of appropriate control procedures for risk assessment and management by generally forecasting the risks that the Company may encounter and creating an environment that is aware of the culture of risk management at the Company level and disclosing such risks transparently to the Stakeholders and parties related to the Company.

d. Reviewing the effectiveness of the Company's internal control procedures on an annual basis.

8) Supervising the process of disclosure and communication.

In addition to its competencies, including the responsibilities of the Board stated in the Company's Bylaw, Companies Law, Cooperate Governance Regulations issued by the CMA, and other effective and implemented regulations in the Kingdom.

The Company will ensure that the Board is able to practice an independent and objective judgment over the Company's affairs through nominating sufficient number of the Board members, non-executives, who can conduct an independent judgment in case of a potential conflict of interests. Key competencies include ensuring the integrity of the financial and non-financial reports, reviewing related parties transactions, nominating the Board members and senior executives, determining remunerations. On the other hand, the extent of the responsibilities of the committees and numbers of its members shall be specified by the Board upon formation, as well as its obligated procedures. Accordingly, the Board shall disclose such information.

5. Rights of Shareholders

5.1 Fair Treatment of Shareholders and rights related to shares

The Board is obliged to seek shareholders' rights protection to ensure fairness and equality among them. The Board and the Executive Management of the Company is obliged not to discriminate among shareholders who own the same class of shares nor prevent them from accessing any of their rights. The Company shall specify such information in its internal policies and necessary procedures to guarantee that all shareholders exercise their rights.

All rights related to shares shall be guaranteed to the shareholder, and particularly the following:

1) The right to a share of the distributable profits.

2) The right to a share of the company's assets upon liquidation.

3) To attend the General or Special Shareholders Assemblies, take part in their deliberations and vote on their decisions. Any shareholder regardless the amount of his/ her share has the right to attend Ordinary General Assemblies, or his/ her deputy. The deputy shall not be a Board member or one of the Company's employee.

4) To dispose of his shares in accordance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations.

5) To enquire and request viewing the books and documents of the Company, including the data and information related to the activities of the Company and its operational and investment strategy without prejudice to the interests of the Company or breach of the Companies Law and the Capital Market Law and their implementing regulations.

6) To monitor the performance and activities of the Board.

7) To hold Board members accountable, to file liability lawsuits against them and appeal for nullification of the resolutions of the General and Special Shareholders Assemblies in accordance with the conditions and restrictions provided in the Companies Law and the Bylaws of the Company.

8) To have preemptive rights to subscribe for new shares issued in exchange for cash unless otherwise specified in the Company's Bylaws, or when the Extraordinary General Assembly suspends the preemptive rights as per Article (140) of the Company's Law.

9) To record his/her name in the Company's shareholders register.

10) To request to view a copy of the Company's Bylaws unless the Company publishes it on its website.

Shareholders will be provided with sufficient information on due course regarding the agenda and date of the Assembly at least 21 days prior to the meeting, as well as all related information and matters that will be decided during the assembly.

Shareholders will have the opportunity to raise questions to the Board, including the questions regarding annual external auditing.

11) To participate in material decisions, such as nominating and electing Board members.

12) To express their views on remuneration policy, which shall be approved by them, of the members of the Board, committees and Executive Management.

In addition to other rights guaranteed to shareholders as per the Company's Bylaws, or any other applicable laws in the Kingdom.

5.2 Shareholders access to information and communication with them

The Board shall make available to the shareholder complete, clear, accurate and non-misleading information to enable him/her to exercise his rights properly.

SADAFCO's Bylaws and its internal regulations specify all necessary procedures and measures to enable shareholders exercising all their lawful rights.

The method used to provide information to the shareholders shall be clear and detailed and shall include a list of the Company's information that the shareholders may obtain. Such information shall be made available to all shareholders of the same class. The Company shall use the most effective methods in communicating with shareholders and shall not discriminate among shareholders in respect of providing information.

The Board shall ensure communication between the Company and the shareholders based on the common understanding of the strategic objectives and interests of the Company. The Chairman of the Board and the Chief Executive Officer shall inform and discuss the remaining Board members of the opinions of the shareholders.

No shareholder may intervene in the operations of the Board or the work of the Executive Management of the Company unless he/she is a member of its Board or its management team; or unless his intervention is through the Ordinary General Assembly according to its powers or within the limits and situations permitted by the Board.

5.3 Distribution of Dividends

The Company's Bylaws shall prescribe the percentage of the net profits to be distributed to the shareholders after setting aside the statutory reserve and the other reserves. The Board shall establish a clear policy for the distribution of dividends to achieve the interests of the shareholders and the Company as per the Company's Bylaw, included in the Board report.

The shareholder is entitled to receive his/her share of dividends as per the decision of the General Assembly in respect of the distribution of dividends to shareholders or the Board resolution on distributing interim dividends. The resolution shall specify the record date and the distribution date, provided that the resolution shall be executed as per the Regulatory Rules and Procedures issued pursuant to the Companies Law related to Listed Joint Stock Companies.

6. Code of Conduct

6.1. Purpose

This Code of Conduct and Ethics (the "Code") includes the policies in relation with the standards of ethical practices of the Board members, committee members, executives, directors and employees (jointly referred to as "concerned persons") are expected to comply with these standards while carrying out their duties before SADAFCO.

Moreover, this policy sets forth certain standards whereby persons are expected to comply with while carrying out the Company's affairs. In order to facilitate the process of making decisions in conformity with the legal commitments and the competencies stated in the Company's policy, as well as reinforcing the accountability and honesty.

The concerned persons are expected to be responsible for ensuring SADAFCO's functions in a way that maximize the Company's business opportunities, taking into consideration all legal and regulatory requirements and minimize the possibility of encountering unaccepted legal and regulatory risks.

6.2. Values

Concerned persons shall carry out all their duties with care and due diligence as per the Group's values. All Concerned Persons will conduct themselves in such a way that their honesty is beyond question and will not behave in a manner that has the potential to bring SADAFCO's image into disrepute.

6.3. Compliance with Laws, Rules, Internal Requirements, and Policies:

The Board members, committee members, and Executive Management members shall comply with all statutory and internal disclosure requirements in a timely manner. There are no such charters that may predict all unexpected situations; however, the Company is expecting the concerned persons to fulfill their duties with due integrity and loyalty and maintain a professional independent judgment, avoiding any harmful and wrongful acts while carrying out all their duties and responsibilities on behalf of the Company.

All concerned persons have to understand and follow the Code. In addition, all concerned persons are expected to perform their work with honesty and integrity in any areas not specifically addressed by this Code. A violation of the Code may result in appropriate disciplinary action including the possible termination from employment, without additional notice. The Code sets out general principles to guide employees in making ethical decisions. As such, nothing in the Code prohibits or restricts the Company from taking any disciplinary action within the law on any matters relative to employee practices, whether or not they are expressly discussed in this policy. SADAFCO'S Board is responsible for the final explanation of this Code of Conduct.

6.4. Abusing Position of Authority

All concerned persons shall not use their positions or the Company's properties for their personal gain. Similarly, they are not allowed to occupy the time of the Company's employees for their personal benefit.

6.5. Conflict of Interest

All concerned persons shall avoid any conflict of interest between themselves and the Company. A conflict of interest is a situation in which a concerned person has a competing professional or personal interest. Such competing interests can make it difficult to fulfill the employee's duties effectively and objectively. This might also arise when concerned persons or their relatives receive improper personal benefits as an advantage of the concerned person's position.

Concerned persons should disclose any potential or actual conflict of interest. Moreover, any actual or potential conflict of interest with the interest of the Board's and Committees' members shall be reported to the chairman of the Board and the chairman of the Audit Committee immediately. Accordingly, Executives, managers and employees should report such conflict of interests to their line managers.

Concerned persons may be appointed as SADAFCO's representatives at the subsidiaries, provided that such appointment shall not affect any role or duty of any concerned person whilst carrying out his/ her competences or duties as a concerned person ethically, thus realizing SADAFCO's interests.

6.6. Accepting Gifts

All concerned persons shall not receive or offer gifts of significance or personal benefits of any value from external parties doing business with the Company if this could influence their decisions. No gift shall be received from a supplier, vendor, contractor or customer unless if a refusal to accept it would be discourteous or otherwise harmful to the Company and if the gift has unsubstantial value of not more than SAR 2,000. Such acceptance shall be approved by their Management. All directors and employees shall report to their line managers upon receiving such gifts. In the situation of gifts sent to the Board's and Committees' members, those members shall report this to the chairman of the Board and the chairman of the Audit Committee. In all cases, the Management shall be informed when receiving gifts without regard to their financial values.

6.7. Invitations & Hospitality

In general, acceptance of an ordinary business invitation such as lunch, dinner, an event, etc., is appropriate if it is of a reasonable nature and is in the course of a meeting or another occasion, with the purpose of discussing a bona fide business or fostering business relations. All concerned persons shall report such invitations. Accordingly, all directors, managers and employees shall inform their line managers about such invitations, similarly, members of the Board and its committees shall report such invitations to the chairman of the Board and the chairman of the Audit Committee.

6.8. Outside Activities

All concerned persons are prohibited from engaging in any "freelance", "moonlighting" activity or "employment" that adversely affects the quality or quantity of work performed in the Company, competes with the Company's activities, implies sponsorship or support by the Company of the outside employment or organization, adversely affects the Company's reputation, or uses of or interferes with the Company's time, facilities, resources or supplies.

6.9. Interests in Other Businesses

It is a case of potential conflict of interest for any concerned persons, their spouses or any other immediate family members (referred to as "family members") when they have a directly or indirectly financial interest (e.g., as an investor, lender or Board Member) in a competitor, customer or supplier with whom that concerned person or his/ her managers deal as an employee at the Company. Accordingly, employees must immediately disclose any such interests to their supervisor. Therefore, an

employee must disclose to his/ her supervisor any employment or consulting relationship that a family member has with a competitor, customer or supplier with whom the employee has dealings.

6.10. Corporate Opportunities

All concerned persons have a duty to advance the Company's legitimate interests when the opportunity to do so arises. Therefore, concerned persons are prohibited from:

- Gaining personal interests through the opportunities discovered through the use of the Company's property, information or position.
- Competing with the Company.

6.11. Harassment

All concerned persons are committed to a working environment free from harassment, including discrimination, victimization and bullying, and in which there is nothing more important than the dignity of the individual. Based on that, all concerned persons are responsible for helping others to ensure that they do not suffer any form of harassment. Any concerned person who suffers from harassment will receive the full support of the Board and executive directors to put an end to it.

6.12. Nepotism Disclosure

The Company does not prevent the employment of relatives, and it does not wish to take a part in consensual relationships between co-workers. However, precautions shall be taken to ensure that individuals of the Company are not influenced by close personal relationships. Particularly, concerned persons may not directly supervise or participate in decisions regarding the hiring, retention, promotion or compensation of other concerned persons with whom they have a close personal relationship. The Company defines "close personal relationship" as relationships between family members, spouses, fiancés, children, grandchildren, siblings, nieces, nephews, parents, grandparents, aunts, uncles, and their spouses and any other relationships that reasonably might be perceived as potentially compromising a concerned person's ability to make independent and unbiased decisions on behalf of the Company.

6.13. Employees Relations

This Code requires the concerned persons, regardless their executive levels, to strive to meet the following objectives:

- To respect every employee, worker, representative, importer, or contractor as an individual with dignity.
- To equally treat all employees, workers, representatives, suppliers, or contractors, without any discrimination of their race, color, gender (female or male), religion, age, origin, nationality, or disability.
- To ensure an environment free of harassment based on race, color, gender (female or male), religion, age, origin, nationality, or disability.
- To afford training opportunities for all employees to improve their skills, consistent with the needs of the Company.
- To encourage promotions among employees, consistent with the needs of the Company, whenever employees are qualified.
- To ensure that each manager personally knows his/ her employees, two levels directly below his/her level, personally to enable effective communication between the manager and his/ her employee.
- To take any suggestion by external consultants as to enhance operations as an opportunity to improve skills rather than as criticism.
- To provide safe, healthy and orderly workplace.

- To ensure providing uniformly and fair exercises for compensations and benefits in which to attract, reward, and retain qualified employees.

6.14. Safety

The Company is obliged to provide a safe workplace for all concerned persons. In addition, there are laws and regulations imposed on the Company to provide protection and safety for its employees, thus preventing risks. Accordingly, all concerned persons who are present at the Company's facilities should follow safety guidelines and procedures adopted by the Company. If employees have any concerns or questions regarding health and safety hazards at any Company facility, they shall bring those concerns to the attention of their managers immediately.

6.15. Confidential Information

All concerned persons are requested to maintain confidentiality of information entrusted to them, unless if the disclosure of such information was authorized or obliged by legal authorities. "Confidential Information" includes all non-public information that might be of use to competitors, or harmful to the Company or its customers if disclosed.

6.16. Fair Dealing

All concerned persons shall endeavor to deal fairly with all Company's customers, suppliers, competitors, and employees. It is not permissible for any person to take advantage, conceal, manipulate, abuse privilege information, misrepresenting facts or any other unfair dealing practices.

6.17. Bribery and Corruption

Bribery takes place when an employee offers, receives, or accepts anything valuable in exchange of a special privileged favor by a company, government authority or official. It also occurs when the Company's secures an unfair advantage over its competitors through secret and corrupt dealings with prospective customers. Bribery is illegal and any concerned person, who requests, takes part, strives for bribery or any kickbacks, or strives to participate in a similar activity, will be subject to a strict disciplinary procedures that may result in termination of employment. The Company reserves the right to refer such matters to the specialized authorities for possible criminal prosecution.

6.18. Protection and Proper Use of the Company's Information and Assets

All concerned persons shall protect the assets of the Company and use it properly. Theft, carelessness, and waste practices may affect the Company's profitability directly. Thus, the Company's assets must be used only for the authorized activities of the Company and its subsidiaries by the authorized employees or their designees. This includes the tangible, including vehicles and office equipment such as, phones, scanners, computers, furniture, and supplies, and intangible assets.

The Company's email must be restricted primarily to Company business, and any confidential information shall be handled carefully. Passwords must be required to access sensitive documents and data. The Company reserves its right at any time- without notice- to monitor and inspect all electronic communications data and information transmitted on the network and electronic files located on personal computers owned by the Company or computers on the premises used in company business.

Third party software is used to enhance employee's productivity and performance. Therefore, employees are liable for illegal software use. To the extent permitted under applicable laws, employees, contractors and temporary employees shall assign to the Company any invention, work of authorship, composition or other form of intellectual property created during the period of employment.

6.19. Advertising and Promotional Activities

False, misleading, and deceptive marketing activities to sell the Company's products are prohibited. Everyone shall realize that healthy and proper advertising practices are priority to ensure good reputation of the Company with its customers and the public. Therefore, all advertisements attracting actual and potential customers should be truthful and based on facts. In addition, all advertising activities made in catalogues, brochures, leaflets, posters, newspapers, magazines or other prints as well as non-printable media, must be substantiated before publication or dissemination.

6.20. Accurate Record Keeping & Reporting

All concerned persons shall keep record of the Company's operations in its books, logs, records, and reports and keep it in a comprehensive system subject to internal work and disclosure guidelines to encourage compliance with the Company's rules, regulations and laws. All concerned persons must use reasonable endeavors to ensure that the Company's reports and documents, including financial reports, are clear and true. Falsification of any document is prohibited. All documents and communications authorized or legally mandated for disclosure to the public shall be fair, full, accurate, understandable and timely. All concerned persons shall comply with the requirements and standards to prepare reports, as well as the internal rules, regulations, and instructions. In addition, all concerned persons shall not enter into agreements on behalf of the Company, when the Company does not wish to be committed with.

6.21. Influence on the Auditing Process

Concerned persons may not circumvent the audit, who is in charge of auditing and reviewing the Company's financial statements, to force, manipulate, or mislead him. Such improper influencing actions are:

- Offering a bribe or any other financial benefit, including offering future employments or contracts not in relation with auditing services.
- Providing inaccurate or misleading information to the audit, including legal analysis.
- Threatening to cancel or actual cancelation of contracts relevant or irrelevant to auditing if the auditor objected the Company's accounting practices.
- Seeking to remove a partner from auditing process if he objected the Company's accounting.
- Physical threats or blackmailing.

6.22. Environment

The Company realizes that its business affects the environment. Therefore, the Company is committed to ensure reducing this impact where practicable. In order to fulfill this commitment, the Company will ensure to provide materials and resources that are sustainable and can be recycled, and to use it effectively with the minimum of wastes. Where practicable, the Company will use technologies, materials, and processes that do not have adverse impact on the environment. It will work to minimize the impact when this impact is unavoidable, and will ensure that its suppliers and contractors have the same objectives.

6.23. Contracting with the Government

All rules, laws, and regulations applicable to contracting with the government may impose special requirements. Failure to comply with such requirements may result in criminal offense. Therefore, all concerned persons must comply with these requirements and refer any questions related to this compliance to the specialized individuals in the Company or outside counsel when necessary.

6.24. Reporting Unethical or Illegal Behavior

All concerned persons shall encourage ethical behavior, and encourage employees to speak up to their supervisors, managers, and other concerned persons, when in doubt about a particular situation. Unethical behavior at work has a serious impact on the Company, which may include imposing

finances or warning letters by the Capital Market Authority or any other regulatory bodies, or may affect the Company's reputation. Concerned persons must report any illegal or unethical behavior the moment they are informed of it. Thus, all executives, managers, and employees must report any illegal or unethical behaviors to their line managers or supervisors. In case if the manager/supervisor hesitated to raise the employee's concerns, he/she can be confident to speak up with an independent third party to raise their concerns on the Hotline.

Any Board and Committee member shall report any illegal or unethical behavior to the Board Chairman and the Audit Committee Chairman. Violations will be investigated and actions will be taken by the appropriate personnel or the Board as necessary. The Company will not allow any retaliation for disclosures made in reporting violations.

6.25. Corporate Governance and Accountability

The Company shall be committed to high standards of corporate governance. The Board shall be accountable before the shareholders and others for the Company's activities, as well as the effective practices performed within the Company. Board members shall ensure that the Company complies with all instructions stated in applicable regulations.

6.26. Review and Amendments

To ensure effectiveness and adequacy, this Code will be assessed periodically. The Company may review and amend the terms of this Code from time to time to ensure compliance with the amendments of applicable laws. An appropriate disclosure will be made in case of any amendments.

In addition, if an amendment to this Code is made or granted, appropriate disclosure will be made as per the requirements of CMA. For further information regarding this Code, you can refer to the Executive Management.

7. Whistle Blowing Policy

7.1. Purpose

Any person (whistle blower) with well-intention raising a secret or anonymous concern regarding a potential wrongful behavior. Whistle blowers are not those who report through ordinary administrative channels for the public.

This policy ensures to protect all members of the Board and its committees, executives, and employees (concerned persons) who work for SADAFCO and reported, with good faith, any suspected violations by any Board member or concerned person.

This policy aims to facilitating reporting procedures and encouraging concerned persons to reveal any wrongdoings or bad behaviors immediately. This policy will also ensure protection for concerned persons from any victimization or detriment upon making a disclosure.

7.2. Introduction

This policy encourages all employees to report potential violations in preparing financial reports, or any wrongdoings as soon as possible, in an appropriate manner.

This policy was developed for the following purposes:

- To support our values; respect for all, integrity, quality, and passion.

- To respect human rights and humanity, and no discrimination acts shall be performed against employees or acts violating human rights based on race, nationality, religion, beliefs, gender, or any other reason.
- To cultivate a proper environment to help employees perform their duties effectively. Relations between the Board and other employees shall be based on mutual respect and teamwork, bearing in mind that any offense such as harassment and abusing authority of position is an affront to the dignity of human and will not be tolerated at workplace.
- To treat colleagues fairly and respectfully, and help them to develop, improve, work with the team and strive for change.
- To take a resolute stance against any criminal groups or anti-social practices.
- To ensure employees can raise any matters of genuine concerns without fear of reprisals.
- To establish a clear and transparent mechanism to deal with doubts and concerns.

This policy does not only include improper practices in matters of financial reporting, but also includes the following:

- Fraud.
- Corruption, bribery, and blackmailing.
- Criminal offences.
- Non-compliance with legal and regulatory commitments.
- Injustice.
- Jeopardize the safety of individuals.
- Unauthorized use of Company's funds.
- Other unethical conduct.
- Concealing the abovementioned practices.

7.3. Principles

- All raised concerns will be treated fairly and clearly.
- The Company will not tolerate harassment of any kind to harm the reporter.
- Any person who raised a concern reserves the right to keep his/her identity as secret, unless agreed otherwise.
- The Company assures that the whistle blower will know who will handle his concerns.
- The Company will ensure protection for such persons from any victimization or detriment as a result of having made a disclosure, even if the disclosure was false but was made with good faith. However, other disclosures made maliciously, in bad faith, will be excluded from such protection.

7.4. Reporting Mechanism

Any employee, reasonably and with well-intention believes that there are malpractices occurring at the workplace shall report to his/her line supervisor immediately. If this employee hesitated to bring this information to his/her supervisor, he/she shall report to Human Resources Director.

The employee can be confident to speak to an independent third party to raise his/her concerns on the Hotline. These concerns will be reported to the Company without revealing the identity.

This appointed party will receive reports through appropriate channels and investigation resources to deal with complains, when necessity arises, it will route this concern to the Audit Committee to reach a decision.

Reporting employees (whistle blowers) will be informed of the progress of the investigation, and how to communicate the investigator. The Company will provide remarks and opinions as practicable, without jeopardizing the privacy of others.

The Company will not disclose the identity of the employee who reported his/her concerns. However, the whistle-blower's identity could still become apparent to third parties (as an evident to the court) during the course of an investigation. The Company will take proper actions regarding informing the employee.

If the whistle blower has followed all the necessary procedures and he/ she still has some concerns that cannot be discussed with abovementioned parties, he/ she may refer their concerns and complaints to the dedicated complaints handling team.

7.5. Inaccurate Reporting

The malicious use of this Code may lead to disciplinary actions against the complainant, up to and including termination of employment.

7.6. Review and Amendments

The effectiveness and efficiency of this Code shall be assessed periodically. The Company may review and amend the terms of this Code from time to time in conformity with the amendments of related practices and laws.

8. Disclosure and Transparency Policy

8.1. Purpose

The purpose of the disclosure and transparency policy is to ensure that the Board will endeavor to assure disclosing all material information pertaining to SADAFCO timely and accurately, including financial situation, position, performance, and governance of the Company.

8.2. Disclosure Presumptions

This policy obliges SADAFCO to the principle of maximum disclosure; meaning that all Executive Directors of SADAFCO will deal with collecting, controlling and disclosing information by the disclosure presumption except for the cases when such disclosure may represent a real risk for one of the Company's interests- unless there is a higher public interest requires otherwise. Based on that, all information must be disclosed immediately unless if the Company believes that such disclosure as per the rules and laws applied in Saudi Arabia would result in unjustified prejudice to the Company, in addition, such disclosure would not mislead investors in relation to the necessary facts and circumstances to assess related securities. Therefore, the Company may request an exemption for disclosure or time-delay. In such case, related information statement and time-delay reasons shall be confidentially presented to the authority. However, the authority may approve or reject such request. In case if the request was approved, the authority, at any time, may require an announcement of any information related to the exemption.

8.3. Clear, Fair, and not Misleading Disclosure

Any disclosure provided by the Company shall be full, clear, correct, and not misleading. Such disclosure shall be released by the methods specified in Listing Rules.

8.4. Disclosure of Material Information

SADAFCO shall report to the CMA and public, without further delay, regarding any material development relevant to its activities and unavailable for the public, which may affect its assets, liabilities, or its financial position of its general business framework or its subsidiaries. These may affect, reasonably, the price of listed securities, or may result in recognizable influence on the Company's ability to meet its obligations related to debt instruments.

The Company shall assess the possibility of benefiting any investor from the development information to make decisions that serve his/her investment interests.

Any major developments and information must be disclosed to the public prior to the trading period in accordance with the adopted dates.

The Company shall immediately disclose to the Authority and public about any of the following developments, whether they are material in accordance with the Rules of offering securities and ongoing obligations or not:

- 1- Any transaction for purchasing, selling, leasing, or mortgaging an asset at a price equals or more than 10% of the Company's net assets, according to the most recent initial audited financial statements or the audited annual financial statements, whichever is most recent.
- 2- Any indebtedness out of the ordinary course of the Company equal or more than 10% of the Company's net assets, according to the most recent initial audited financial statements or the audited annual financial statements, whichever is most recent.
- 3- Any losses equal or more than 10% of the Company's net assets, according to the most recent initial audited financial statements or the audited annual financial statements, whichever is most recent.
- 4- Any significant change in the Company's production environment or activity, including not limited to, availability and capability of acquiring resources.
- 5- Replacement of the CEO, the formation of the Board members, or the Audit Committee.
- 6- Any dispute, including litigation, arbitration or mediation, if the amount of the dispute or claim equals or exceeds 5% of the Company's net assets, according to the latest initial audited financial statements or the audited annual financial statements, whichever is most recent.
- 7- Any judicial judgment issued against the Board or one of its members, if the subject matter of the judgment relates to the work of the Board or one of its members.
- 8- The increase or decrease in the Company net assets with an amount equals or more than 10% according to the most recent initial audited financial statements or the audited annual financial statements, whichever is most recent.
- 9- Increase or decrease in the Company's gross profit equal or more than 10% according to the most recent initial audited financial statements or the audited annual financial statements, whichever is most recent.
- 10- Entering into a contract of revenues equal or more than 5% of the gross revenues of the Company according to the most recent initial audited financial statements or the audited annual financial statements, or the unexpected termination of such contract.
- 11- Any transaction between the Company and related party, or any arrangement in which the Company and the related party invest in a project or asset, or to provide financing in case if such transaction or arrangement equal or more than 1% of the gross revenues of the Company according to the latest audited annual financial statements.
- 12- Any interruption of the main activities of the Company or its subsidiaries, if any, equals or more than 5% of the gross revenues of the Company according to the latest audited annual financial statements.
- 13- Any amendments to the Bylaw or Headquarters' relocation.
- 14- Change/ Replacement of the legal accountant.
- 15- Applying for liquidation, issuance of liquidation order, or appointing a liquidator for the Company or its subsidiaries as per the Companies Law, or commencing any bankruptcy procedures.
- 16- Issuance of dissolution or liquidation resolution by the Company or its subsidiaries, or occurrence of a situation or due date leading to liquidate or dissolve the Company.

- 17- Any judgment, resolution, declaration, or order issued by the court or any judicial body, whether during initial or appellate stages, that may adversely affect the Company by exploiting of any part of its assets with a gross value more than 5% of its net assets, according to the most recent initial audited financial statements or the audited annual financial statements, whichever is most recent.
- 18- The invitation of the Special or General Assembly and its agenda.
- 19- Results of the Special or General Assembly meeting.
- 20- Any proposed change in the Company's capital.
- 21- Any decision of dividends announcement, recommendation of announcement, payment of some its shares, or any other distributional procedures to holders of listed securities.
- 22- Any decision or recommendation not to distribute dividends in cases where the Company is expected to distribute dividends.
- 23- Any decision to summon, repurchase, withdraw, redeem or purchasing offer of its securities, total amount, number and value of securities.
- 24- Any decision not to pay in respect of debt instruments or convertible debt instruments.
- 25- Any change in the rights associated with any class of listed shares or convertible debt instruments into listed shares.

8.5. Disclosure of Financial Information

- a. The Company shall disclose its annual and initial financial statements of Q1, Q2, and Q3 of the financial year to the CMA and public immediately after its approval and before publishing it to shareholders or others. This approval shall be as follows:
 - 1- In respect of initial financial statements, they shall be approved upon the ratification by the Board and signature by the authorized member of the Board, CEO, and the CFO.
 - 2- In respect of the annual financial statements, they shall be approved and signed in accordance with the provisions of the Companies Law.
- b. Through online systems dedicated to the purpose of the Saudi Stock Exchange, the Company shall disclose its initial and annual financial statements.
- c. The Company shall prepare and examine its initial financial statements in accordance with the accounting and auditing standards approved by the Saudi Organization for Certified Public Accountants and shall disclose them to the public within a period not exceeding 30 days from the end of the financial period covered by those lists.
- d. The Company shall prepare and audit its annual 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 three months from the end of the annual financial period covered by those lists. The Company shall disclose these financial statements within a period of not less than fifteen calendar days prior to the date of the Annual General Assembly of the Company.
- e. The Company shall ensure that the Chartered Accountant, who audits the financial statements and any partner, complies with the rules and regulations of the Saudi Organization for Certified Public Accountants regarding the ownership of any shares or securities of the Company or any of its subsidiaries, ensuring the independence of the Chartered Accountant and any partner or employee in his office.

8.6. Disclosure of the Board Report

The Company shall provide required information, including a presentation of its last year operations, as per the Corporate Governance Regulations to the CMA and disclose it to the Shareholders within a period not exceeding three months from the end of the financial annual period. The mentioned information shall include all factors affecting the Company's businesses that the investor needs to assess the Company's assets, liabilities, and financial status. The Company shall make a copy of the mentioned

information available in the Company's head office, its website, and Tadawul website in order to enable Shareholders to get a copy thereof. Such report of the Board shall include the following:

- 1) Implemented and non-implemented provisions of Corporate Governance Rules and regulations, and justifications therefor.
- 2) Names, qualifications, experiences and current and previous positions of the Board and committees members and Executive Management.
- 3) Names of the companies inside and outside the Kingdom in which a Board member is a member of their current or previous Board member or manager.
- 4) Composition of the Board and classification of its members, as follows: Executive Directors, Non-Executive Director, or Independent Director.
- 5) Procedure taken to the Board to inform its members, Non-Executive Directors in particular, of the shareholders' suggestions and remarks on the Company and its performance.
- 6) A brief description of the competencies and duties of the committees, such as the audit committee, the nomination committee and the remuneration committee indicating their names, names of their chairmen, names of their members, the number of their respective meetings, dates of those meetings and the members' attendance details of each meeting.
- 7) Where applicable, the means used by the Board to assess its performance, the performance of its committees and members and the external body which conducted the assessment and its relation with the Company, if any.
- 8) Disclose the remuneration of the Board members and Executive Management as stated in Article (93) of Corporate Governance Rules and regulations.
- 9) Any punishment, penalty, precautionary procedure or preventive measure imposed on the Company by the CMA or any other supervisory, regulatory or judiciary authority, describing the reasons for non-compliance, the imposing authority and the measures undertaken to remedy and avoid such non-compliance in the future.
- 10) Results of the annual review of the effectiveness of the internal control procedures of the Company and the opinion of the audit committee with respect to the adequacy of the Company's internal control system.
- 11) The audit committee's recommendation on the need for appointing an internal auditor for the Company, if there is no internal auditor.
- 12) The audit committees recommendation with conflict with Board resolution or those which the Board disregards relating to the appointment, dismissal, assessment or determining the remuneration of an external auditor, as well as justifications for those recommendations and reasons for disregarding them.
- 13) Details of the Company's social contributions, if any.
- 14) A list of the dates of the General Assembly meetings held during the last fiscal year and the names of the Board members who attended them.
- 15) A description of the main scope of activities of the company and its affiliates. If there are two or more, a statement showing each activity and how it affects the company businesses and results shall be attached.
- 16) A description of the company's significant plans and decisions (including changes to the structure, expanding the company's operations or halting them) and the future expectations.

- 17) Information on any risks facing the company (operational, financial or market related) and the policy of managing and monitoring these risks.
- 18) A summary in a form of table or graph showing the company's assets, liabilities and results of the last five fiscal year or since the incorporation date, whichever is shorter.
- 19) Geographical analysis of the company's and its affiliates' revenues.
- 20) Any material differences in the operational results compared to the preceding year's results, along with any expectations announced by the company.
- 21) Any inconsistency with the standards approved by the Saudi Organizations for Certified Public Accountant.
- 22) Name of each affiliate company, its capital, the company's ownership percentage, the main scope of business, country of operation and country of incorporation.
- 23) Details of shares and debt instruments issued for each affiliate company.
- 24) A descriptions of the dividends distribution policy.
- 25) A description of any interest in a class of voting shares held by persons (other than the company's directors, Senior Executives and their relatives) who have notified the company of their holdings in accordance to applicable rules and regulations, together with any change to such interests during the last fiscal year.
- 26) A description of any interest, contractual securities or rights issue of the Board members, Senior Executives and their relatives on shares or debt instruments of the company or its affiliates, and any change on these interest or rights during the last fiscal year.
- 27) Information on any loans (payable upon request or not), a statement of the total indebtedness of the company and its affiliates, any amounts paid by the company in repayments of loans during the year, the amount of the principal debts, the creditor name, the loan term and remaining amount. In case there is no debts, a declaration thereof shall be presented.
- 28) A description of the class and number of any convertible debt instruments, contractual securities, preemptive right or similar rights issued or granted by the company during the fiscal year, as well as stating any compensation obtained by the company in this regard.
- 29) A description of any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted by the company.
- 30) Description of any redemption, purchase or cancellation by the company of any redeemable debt instruments and the value of such securities outstanding, distinguishing between those listed securities purchased by the company and those purchased by its affiliates.
- 31) The number of Board meetings held during the last financial year, their dates and the attendance record of each meeting listing the names of the attendees.
- 32) Numbers of company's requests of shareholders records, dates and reasons thereof.
- 33) A description of any transaction between the company and any Related Party.
- 34) Information relating to any transaction or contract to which the company is a party and in which a director of the company, a Senior Executive or any person related to any of them is or was interested, including the names of persons in relation, the nature, conditions, durations and the amount of the business or contract. If there are no such transactions or contracts, the company must submit a statement thereof.

35) A description of any arrangement or agreement under which a director or a Senior Executive of the company has waived any remuneration.

36) A description of any arrangement or agreement under which a shareholder of the company has waived any rights to dividends.

37) A statement of the value of any paid and outstanding statutory payment on account of any zakat, taxes, fees or any other charges that have not been paid until the end of the annual financial period with a brief description and the reasons therefor.

38) A statement as to the value of any investments made or any reserves set up for the benefit of the employees of the company.

39) Declarations that:

a. the Company's records are prepared in the correct method.

b. The system of internal control is sound in design and has been effectively implemented.

c. There are no significant doubts concerning the company's ability to continue its activity.

40) If the external auditor's report contains reservations on the annual financial statements, the Board report shall highlight this mentioning the reasons and any relevant information.

41) If the Board recommended replacing the external auditor before the end of its term, the report shall indicate this mentioning the reasons for the replacement recommendation.

42) With regard to the Audit Committee's disclosure, the Audit Committee's report shall include details of its performance of its competencies and duties stated in the Companies Law and Its Implementing Regulations, provided that the report contains its recommendations and opinion on the adequacy of the internal and financial control systems and risk management systems in the Company.

43) The Board shall regulate the disclosures of each of its members and the members of the Executive Management, maintaining a register for the disclosures of the Board members and the Executive Management and updating it periodically based on disclosures required as per the Companies Law, the Capital Market Law and their implementing regulations. Moreover, the Board shall make such register available for review by the Company's shareholders free of charge.

8.7. Disclosure Regarding CG:

The Company shall disclose material information regarding CG policies and procedures. In particular, the Company shall disclose the following:

- Powers delegation among Stakeholders, Executive Directors and Board's members.
- Nomination of Board's members policy.
- Conflict of interests' policy.
- Number of Board's meetings.
- The Company's objectives- in addition to creating maximum Stakeholders value- and explaining these objectives.
- Voting system and electoral process of Board's members.

8.8. Disclosure of Annual General Assembly Date:

The date, place and agenda of the General Assembly shall be announced at least twenty one (21) days prior to the date thereof; the invitation shall be published on the website of the Exchange, the Company's website and in a daily newspaper distributed in the province where the Company's head office is located. The Company shall be using methods of contemporary technologies to invite Shareholders.

8.9. Disclosure Regarding Corporate Social Responsibility:

The Company shall disclose its corporate social responsibility policies and procedures related to employees, community and environment at least once a year.

8.10. Disclosure to the Regulatory Bodies:

The Company shall disclose the following to the concerned regulatory bodies:

- The termination or resignation of a Board member, together with an explanation, such changes of positions shall be disclosed to the CMA and Tadawul within the regulatory times.

8.11. Disclosure of Major Shareholders Transactions of Shares and Convertible Debt Instruments:

- a) Any person shall notify the Exchange upon owning 5% or more of the shares or interests of any class of the Company's shares with voting eligibility or convertible debt instruments within a period not exceeding the end of the third trading day following the execution of the transaction or the occurrence of the event leading to such ownership or interest. Such notice shall include a list of persons who have an interest in the shares or convertible debt instruments that they own or control.
- b) The person referred to in paragraph (a) of this Article shall notify the Exchange of any change to the list of persons referred to in paragraph (a) of this Article, whether as a result of an event requiring the addition of a person to that list or the exclusion of any person already included therein, within a period not exceeding three trading days following the event that caused the related change.
- c) For the purposes of this article, when calculating the total number of shares or convertible debt instruments to which any person has an interest, the person is considered to have an interest in any convertible shares or instruments owned or controlled by any of the following persons:
 - Relatives of the mentioned person.
 - A company owned by the mentioned person.
 - Any other persons acting in agreement with the mentioned person to obtain interests or exercise voting rights in the Company's convertible shares or debt instruments.
- d) The notices referred to in this article shall be in accordance with the forms prepared in this regard, provided that the notice referred to in paragraph (a) of this article shall at least contain the following information:
 1. Names of persons owning or having the right to dispose shares or convertible debt instruments.
 2. Details of the acquisition process.
 3. Details of any financial support from another person for the acquisition or financing loans.

8.12. Restrictions on Transactions of Board members and Senior Executives:

(a) Members of the Board, members of the Audit Committee, senior executives or any person related to any of them may not deal in any securities of the Company during the following periods:

1. Within 15 calendar days prior to the end of the financial quarter until the date of disclosure of the Company's initial financial statements upon the required examination to be disclosed as per the Regulations.
2. Within 30 calendar days preceding the end of the financial year until the date of disclosure of the audited annual financial statements.

(b) The exercise of the right to subscribe and sell priority rights shall be excluded from the limitation referred to in paragraph (a).

(c) Upon the resignation of a member of the Board, any of the members of the Audit Committee or any of the senior executives of the Company during the limitation periods referred to in paragraph (a) above, this period applies (where applicable) to that resigning member, senior executive or any related person to any of them.

8.13. Language of Announcements, Notices and Disclosure Forms

- a. Any notice to the Saudi Stock Exchange (Tadawul) and any disclosure to the public shall be made by the Company in Arabic and the Company shall translate any of these into English and shall be through the system specified by the Saudi Stock Exchange (Tadawul) for this purpose and shall be on regulatory dates.
- b. Arabic shall be the adopted language for explaining and interpreting any notice or disclosure provided by the Company. In case of any discrepancy between the Arabic and English versions, the Arabic version shall be considered.
- c. Any disclosure to the public shall include information about the identity of the Company and any persons related to the disclosure, the subject matter of the disclosure, its date and timing, in accordance with the executive regulations and rules of the Saudi Stock Exchange (Tadawul). The Company shall comply with the obligatory disclosure forms in preparing the disclosure or the required report as per the laws, rules and regulations issued by the specialized authorities.

8.14. Review and Amendments:

The CEO is the Company's spokesperson and explaining this policy falls under his responsibility. The Audit Committee shall review this policy periodically, and provide remarks and recommendations, when necessary, to the Board for discussion and approval.

9. Conflict of Interests Policy

9.1. Purpose

This policy shall be applied to all persons “concerned persons” who are obliged to perform duties with honesty towards SADAFCO. This policy aims at explaining the practices that will prevent conflicts of interests with the concerned persons. In addition, this policy is intended to assist the Board members to manage potential conflict of interests appropriately as per legal requirements to meet the accountability and transparency objectives of the Company.

Conflict of interests may result in financial losses, statutory penalties, and adversely affect reputation, therefore, this policy endeavors to ensure to fulfill the commitments listed in (General Obligations of Work) by setting out a minimum of measures that must be applied to:

- Identify and disclose potential conflict of interest cases.
- Assess the risks resulted from the identified and disclosed conflict of interest cases.
- Resolve conflict of interest.
- Record examples of conflict of interests and document how they arise, and how to deal with them eventually.

9.2. Conflict of interests: General Definition

A conflict of interests is considered as actual or potential interests of a concerned person in any measure undertaken by the Company, leading to, or implying that it will lead to personal gains for that person.

In other words, Conflicts of interests occur in companies when a person's own interests interfere in any way with the interests of the company as a whole.

Most successful companies recognize and respect the fact that their board members have their own interests and have the right to engage in multiple activities, provided that such activities do not, in any way, lead to conflict with the interests of the company as a whole. Furthermore, conflict of interest can be determined by the following situations:

- Abusing a position of authority, information, or opportunities for the Company- while carrying out his/ her duty within the Company- for his/her own gains or for external parties unduly.
- When an employee or his/her relatives perform any type of work for suppliers, sub-suppliers, or competitors.

Conflict of interests may occur when a person takes actions or has interests that may make it difficult for him/ her to perform his/ her work for the Company objectively and effectively. It also may arise when a person or his/her family members receive illegal personal benefits for his/ her position in the Company. Loans to or guarantees of obligations to individuals or their family members may lead to conflict of interest. In addition, this conflict of interests mostly arises when a person works for the Company and, at the same time, works for the Company's competitor, customer, or supplier.

From comprehensive aspect, the definition of conflict of interest includes any bias or manifestation of bias in decision-making that would reflect the dual role of the concerned person.

9.3. General Obligations of Business

As a part of the values and principles of business, SADAFCO set out an obligation imposed in its dealings with business partners to ensure the following:

- That SADAFCO is performing its due businesses with honesty, dignity, respect, quality, and fairness.
- That SADAFCO awards its contracts and selects its business partners on the basis of objective and fair standards, bearing in mind the high ethical standards.
- That all concerned persons must maintain morality when offering and accepting gifts.
- That all concerned persons will not abuse the authority of their positions illegally to achieve personal benefits and gains.

9.4. General Requirements Associated with All Concerned Persons

9.4.1. General Obligations:

All concerned persons shall:

- Always act in the best interests of SADAFCO.
- Act with honesty and integrity.
- Avoid situations that may adversely affect the Company's reputation, or lead to imposing a fine or regulatory sanction.

- Not to offer or receive gifts or favor, financial or any other type of gifts, or enter into compensation arrangements that may lead to a potential conflict of interest.
- Not to enter into any transaction or arrangement that may result in a conflict of interest.
- Not to use his/her position illegally to achieve personal gain illegally.

9.4.2. Disclosure Duty

All concerned persons shall promptly disclose, to their line supervisors (to the Board if that person is a Board member) and the Audit Committee of the following:

- The occurrence or possibility of any conflict of interests.
- The occurrence of any situation that may be considered as a conflict of interests.
- The occurrence or possibility of personal or competing interests.
- Any incident that may appear to be a personal or competing interest.
- Any actual or potential violation of this policy (General Obligations of Business) stated in this policy.
- Any incident that may appear to be an actual or potential violation of this policy (General Obligations of Work).
- The occurrence or possibility of act of temptation.
- Any occurrence that may appear to be an actual temptation or temptation.

The CMA and the public shall be notified, without delay, of any transaction between the Company and a related party or any arrangement in which the Company and a related party shall invest in any project or asset or provide financing for it.

Any information pertaining to the Company's businesses, contract in which the Company is a party, or business in which one of the Board members, CEO, or CFO has interests in shall be disclosed in the Board's report if there are any transactions or contracts. The company must submit a declaration.

Any disclosure of information conducted under this section shall be accompanied by all relevant data and details.

9.5. Additional Requirements Associated with the Board's Members

9.5.1. General Obligations

In addition to the prescribed obligations under this section (General Requirements Associated with All Concerned Persons) stated in this policy, the Board's members shall be committed with the obligations stated in (Additional Requirements Associated with the Board's Members).

9.5.1. 1 Personal Interest by a Board Member

- 1- A Board member may not have any direct or indirect interest in the Company's activities and contracts, unless an authorization by the Ordinary General Assembly was provided otherwise (renewed every year). The Board member shall notify the Board with any direct or indirect interest in the Company's activities and contracts, such notification shall be included in the meeting's minutes. This member may not involve in voting at the Shareholders assemblies on the resolution in this regard. The Board chairman shall report any businesses and

contracts in which any of the Board members might have direct or indirect interest to the Ordinary General Assembly. Such report should be provided with special report by the Company's external auditor.

- 2- If a Board member failed to disclose his/ her interest as mentioned above, the Company or any stakeholder may claim before judicial body for contract termination or to oblige the member to make any profit or benefit that has been achieved.

9.5.1. 2 Competing Activities of the Board Members

Any Board member shall not participate in any business that would compete with the Company, or its sub-activities; otherwise, the Company will reserve the right to claim for a proper compensation before the judicial bodies, unless he/she has a prior authorization of the General Assembly (renewed every year).

9.5.1. 3 Board Members' Cash Loans & Guarantees

- 1- The Company shall not give any type of loans to any Board member or Shareholder, or to guarantee any loan to be made by any of them with third parties.
- 2- Clause (1) does not include the loans and guarantees approved in accordance with the Company bylaw provisions and by the Ordinary General Assembly resolution in which the Company offers as incentives to motivate employees.

9.5.1. 4 Remuneration Policy

Any Board member may not set his/ her own remuneration policy, and it is mandatory to prevent him/ her from participating in any voting in the General Assembly meeting in this regard.

9.5.2. Information Disclosure Duty

All Board members shall disclose to the Board and Audit Committee promptly regarding all the information and details listed below:

- Any actual or potential violation of (General Requirements) section mentioned in this policy.
- The occurrence of any event that may be considered as a violation chapter (General Requirements).

Any disclosure hereby shall be provided with relevant information and details.

9.5.3. Exclusion

Any Board member with interest shall be excluded from any discussion, trading, voting at the level of the Board, the General Assembly of Shareholders or any Board's committee in connection with the existence of the consequences of conflict of interest and / or in connection with that transaction or arrangement.

9.6. Investigation Process

9.6.1. Investigation through Audit Committee

The audit committee shall investigate all disclosures in conformity with (Disclosure Duty) section set forth in this policy. This Committee shall:

Regarding any related transaction or arrangement, the Committee shall approve it as being fair, correct, and reasonable for the interest of the Company.

In case of violating this policy, the committee shall consider any necessary disciplinary or corrective action.

The Audit Committee may request the concerned person or Board member with the interest to disclose detailed information.

Following the completion of all necessary investigations and the exercise of all necessary due diligence, the Audit Committee shall prepare and send a report to the Board recommending the course of action.

9.6.2. The Final Decision in respect of the Disclosure of General Requirements, or the ones proceeding as per (Disclosure Duty) section in this policy

The Board has the right to take actions regarding (Disclosure Duty) chapter revealed hereby. The decision of the Board shall be issued at the sole discretion of the Board. The Board shall be focused on the interests of SADAFCO, and the development and realization of its objectives.

The Board may conduct its own investigations and maintain, or omit, the recommendations of the Audit Committee's report in whole or in part. The Board may make a decision without waiting for the report and recommendations of the Audit Committee.

9.6.3. The Final Decision in respect of the Disclosure of General Requirements or those decisions being made as per (Disclosure Duty) chapter in this policy

9.6.3. 1. Competencies of Decision Making

Shareholders General Assembly is the only body with the authority to offer necessary delegations under this section (General Requirements), or to decide on violation to the provision of the mentioned chapter.

9.6.3. 2. Notices to Shareholders General Assembly

The Board Chairman shall notify the Assembly, upon convening, with all the transactions and contracts in which one of the Board members has a personal, whether direct or indirect, interest in. This notice shall include a special report by the Company's external auditor.

The Board reserves the right to conduct special investigations, and provide its special report and recommendations to Shareholders General Assembly

9.6.3. 3. The Shareholders General Assembly' Resolutions

Shareholders (non-stakeholders) shall vote at Shareholders General Assembly on the following:

- Determining whether the circumstances mentioned in the two sections (Personal Interest of the Board Members) and (Competing Activities of the Board Members) as set forth in this Policy will be approved as fair, equitable and reasonable conditions for

SADAFCO (and any approval granted in this respect must be renewed annually as long as the transaction or arrangement are in force).

- Take any appropriate disciplinary or corrective action if one of the Board members has breached the provisions of section (additional requirements relating to Board members).

9.7. Documents

9.7. 1. Meeting Minutes

Meetings minutes of the Board and its committees document and describe in detail any action taken by the members of the Board or the committees regarding the implementation of this policy.

Such minutes shall include the names of all Board members (or the members of the concerned committee), attendees, or participants. In addition, it shall describe the discussions, deliberations, voting processes, or any resolutions therewith.

Moreover, the Board's annual report shall include and describe those situations in which this policy has been implemented, and particularly shall state the following:

- Contracts, transactions, or arrangements that have been approved despite the situation of an actual or potential conflict of interest.
- Any sanctions or corrective actions taken in case of any irregularities.

9.7. 2. Declarations

All concerned persons must provide a signed declaration confirming the following:

- He/ she received a copy of this policy.
- He/ she read and understood this policy.
- He/ she agreed to comply with this policy.

9.8. Interpretation of this policy

9.8. 1. The Policy

The purpose of this policy is to clarify and state further, not to replace, the applicable regulations that manage conflict of interests.

9.8. 2. Non-Exhaustive

Personal and competing interests listed in (General requirements for all concerned persons) section is considered as non-exhaustive. Moreover, as explained in section (Conflict of Interests: General Definition), conflict of interests cases may arise during different situations; this shall require a broad-concept.

9.8. 3. Diligence

All concerned persons shall always be responsible for scrutinizing their contracts, transactions, outside business interests, and external relations to avoid any potential conflict of interests. Therefore, they have to disclose promptly any necessary information. Accordingly, they are expected to recognize and avoid situations of conflict of interests, and adhere to the highest ethical standards. Concerned persons shall

avoid not only actual conflict of interest but also any potential one. As such, any arising conflict of interests may be harmful to SADAFCO, leading to questioning its credibility.

9.8.4. Disclosure Consequences

The disclosure as stated in section (Information Disclosure Duty) does not necessarily imply an actual conflict of interest or that such conflict, if any, is a sufficiently material conflict to be of a practical significance. If that is the case, a full disclosure of all relative facts and circumstances then it will result in a negative impact on SADAFCO's interests.

9.9 Review and Amendments

To ensure that the Company's activities are in compliance with this policy. This policy will be reviewed periodically, and it will be assessed for its effectiveness and efficiency. The Audit Committee will provide remarks and recommendations, if any, to the Board for review and approval.

10. Relations with Stakeholders

10.1 Purpose

This chapter aims at clarifying the policies for managing affairs pertaining to relations with stakeholders under the Board of Directors of SADAFCO.

10.2 Relations with Stakeholders: Overview

Stakeholders are individuals or group of individuals with direct or indirect stake in the Company and can affect or be affected by the company's activities, objectives, and policy. Shareholders, executive directors, employees, customers/ consumers, creditors, banks, vendors, local community, and the government are the main stakeholders. The below table illustrates stakeholders' interest and influence on any company:

Interests & Powers of Stakeholders

The stakeholder	Interests/ concerns	Influence and power
Shareholders	Growth of profits	Voting at the General Assemblies
Banks and other lenders	Payment of benefits and loans, assessing credit class of the Company	May withdraw bank facilitations and affect credit classification of the Company
Board members and executive directors	Salaries, job satisfaction, and position	Decision making They have detailed information
Employees	Wages and salaries, job security, job satisfaction and motivation	Workers turnover, and quality of service
Suppliers	Long-term contracts, prompt payment of liabilities	Pricing, quality, and product availability
Customers/ consumers	Reliable quality, good value, and customer service	Revenues, lasting work relation, and jeopardize or safeguard reputation
Community	Environment, and local jobs	Indirectly through the government or civil bodies
Government	Legally operating, jobs	Regulations and rules

Companies investing their times to promote their relations with stakeholders enjoy more success. Unlike other companies that are unaware of the key element of success, which is building trust, and providing support to stakeholders.

Good relationships with stakeholders help the Company in many ways, such as:

- Strengthening loyalty
- Enabling making the right decisions.
- Challenges and problems recognition.
- Assessing solving problems.
- Supporting and encouraging knowledge sharing.

10.3 Policies pertaining to the relations with stakeholders:

10.3.1 Overview

The Company's Board of Directors is committed to the highest ethical standards, as the Company desires its stakeholders to have strong faith and commitment towards it. The key to success of SADAFCO for building relationships with stakeholders is strong faith and commitment.

10.3.2 Shareholders

The Company is committed to creating sustainable shareholder value to achieve distinguished financial returns and act in the Shareholders' best interest efficiently as possible.

10.3.3 Customers and Suppliers

The Company is committed to providing excellent services and value-adding solutions. It also seeks to deal with customers and suppliers in a straightforward and honest manner. The Company additionally seeks to build and maintain good relations with its customers and suppliers, ensuring to protect the confidentiality of information related to them.

10.3.4 Employees

The Company is committed to treating its people with dignity and providing equal employment opportunities for all employees, including recruiting, compensation, professional development and promotion.

The Board believes in providing safe and healthy working conditions, respecting human and employees' rights.

The Board of the Company expects from its employees to speak out when they see unethical practices. The Company additionally does not want others to request its employees to work unethically; alternatively, the Company shall not request anyone to act unethically.

10.3.5 Community

The Company is committed to contributing to the overall quality of life wherever it operates and to use resources responsibly to preserve the environment. The Board wants communities to count on the Company contributions in civilian, charitable and other activities to improve the community.

Furthermore, the Company shall adopt the following meaningful standards aiming at developing successful relations with Stakeholders:

- Institutions/ individuals whom may be influenced by the Company's operations will be informed by its activities, and shall be allowed to participate with transparency and explicitly in all problems and opportunities affecting them.

- Stakeholders shall be provided with accurate and timely information regarding the Company's activities. The Company shall bear in mind all Stakeholders' needs and concerns when making decisions.
- The Company will require Stakeholders' opinions regarding the Company's decisions related to the activity.
- The Company will encourage Stakeholders to determine the suitable method of deliberation, and will make every effort to respond accordingly.
- The Company respects each and every Stakeholder's culture and values. In case of unresolvable dispute, the employees of the Company will always respect differing perspectives and make sure to solve problems as soon as possible.

10.4. Stakeholders Relations

A Stakeholder is a person, group, institution, or system that can affect or be affected by the Company's actions.

Formulation and generalization Code of ethics and conduct is one of the effective methods to manage Stakeholders relations. One of the chapters of this Code guides the Company to be committed with the legal requirements relating to legit Stakeholders.

The Audit committee will make sure of applying the appropriate corrective measures or recommending them to solve problems fully in case of violation occurred against one of the Stakeholders' rights.

The Board shall be responsible for the formulation of the Company's nature and culture, and ensure compliance with the Code of Conduct, including the Management Stakeholders Requirements. The Company's Code shall solve legal obligations as well as providing means for employees to report any potential abusive practices to the Board and directors without fear of reprimand.

The list of Stakeholders' with related legal, contractual and trade considerations includes:

- Employees.
- Customers.
- Creditors.
- Institutional investors
- Banks/ lenders.

10.4.1 Employees

In overall, the Board is not liable for any credit's legal obligations of its employees. However, the Board must recognize the following:

- The importance of supporting the employee and ensuring his/ her compliance to meet the Company's objectives.
- The specified obligations imposed as per other legislations, including professional health and safety laws.

10.4.2 Customers

In a nutshell: there is no business without customers. This highlights the importance of customers to the Company and its Board. Not only the Executive Management is responsible for understanding the needs and concerns of customers and accordingly promptly respond, but also the Board that has to consider the best way to deal and solve customers' complaints. Reports and statistics about key problems of customers' complaints shall be reported to the Board.

10.4.3 Creditors

The Board positive responsibility towards creditors has been discussed and confirmed under legal and judicial cases, therefore it must be a key focus in insolvency situations.

10.4.4 Institutional Investors

Decisions made by investors are based on the information received. Most of these pieces of information are delivered by the Company itself. Consequently, it is important to understand and respond appropriately to the needs and expectations of the investors and such institutional investors shall carry voting privilege in terms of shareholders' demands.

The Company needs to ensure that it balances the expectations and demands of institutional investors against the interests of shareholders as a whole, and to ensure a fair, equitable and consistent treatment of all shareholders.

10.4.5 Banks & Lenders

The Company shall pay careful attention to its obligations toward banks and financial institutions. Many lenders will have covenants in place that require the Company to adhere to predetermined ratios and other requirements in order to fulfill financing arrangements.

Board members need to have a clear understanding of these requirements and ensure that management are effectively monitoring the financial position of the Company to ensure these covenants are not breached, to avoid penalties or other consequences. In addition, the Company should establish open communication with its financiers, engaging them in periodic dialogues and responding positively to their information needs and requests. A positive relation between the Company and lenders is a key element for entering into, renewing, adjusting or extending credit facilities.

10.4.6 Community

Environmental regulations, economic activities' rules and public expectations are requiring companies to be socially responsible in their operations within the community. Although they are not considered as credit liabilities, they are legal and ethical obligations that must be recognized as a part of the business and the decision making process. Failure to understand community issues and not responding appropriately to them may adversely affect the Company financially and can cause other consequences.

10.4.7 Mechanisms to Resolve Disputes and Complaints of Stakeholders

In the event where a complaint arose, whether directly through the Company or the CMA, by a shareholder or in the case of a complaint or dispute arose between a stakeholder and the Company, the shareholder or stakeholder must contact the Company's Investor Relations Officer, the Board Secretary, Audit Committee and/ or Executive Management within two (2) working days in order to review, respond, and take the appropriate corrective measures or recommendation to efficiently resolve the issue. The Company must respond to complaints within (10) ten working days following the date of receiving them from the shareholder, stakeholder or the CMA.

10.5 Review & Amendments

To ensure that the Company operates in compliance with this policy, the Board shall review and assess the effectiveness and adequateness of his policy on a periodic basis. The Audit Committee shall provide notices and recommendations for amendments, whenever needed, to the Board for review and approval.

11. Confidentiality Policy

11.1 Purpose

This policy is intended to provide the Board with a basic understanding of their responsibilities to protect the confidentiality of the important affairs of the Company. The policy aims at helping the

Board in managing the confidential information to meet the Company's objectives and as per the legal requirements and accountability standards.

11.2. Maintaining Confidentiality

Confidential information refers to any information or properties owned by the Company, whether or not owned or developed by SADAFCO, which is not generally known other than through SADAFCO, and which a Board member may obtain through any direct or indirect contact with SADAFCO.

The Board reserve its right to review this type of information and act accordingly. This information or documents may consist of the Company's personal information, its employees, current and future business, its products and services, logs of the Company's activities, implanted and under-process plans, financial statements, or any other public information that requires security.

All Board members, and its committees, must maintain the confidentiality of internal matters and updates important for the Company and avoid discussions directly or indirectly with externals, except for the obligations of ordinary duties in conformity with the applicable laws and rules.

Unauthorized disclosure of the Company's internal information (or any information regarding shareholders, subsidiaries, or partners) may result in serious problems for the Company or any related person. Any questions raised regarding whether a piece of information is confidential or not, the Board members shall discuss this matter with the Board chairman.

The Board has the right to prevent any unauthorized person from accessing confidential information. If that is the case, the Board shall report to the chairman.

Any act of non-compliance with this policy by any Board member could result in disciplinary action up to and including termination of membership.

11.3. Statement of Confidentiality

All Board members shall sign a declaration affirming the following:

- I have received a copy of this policy.
- I have fully read and understood this policy.
- I agree to comply with this policy.

11.4. Review and Amendments

The Board shall review and assess this policy for the effectiveness and adequateness periodically. The Audit Committee shall provide notices and recommendations for amendments, whenever needed, to the Board for review and approval.

12. Board of Directors Charter

12.1 Purpose

The Company's Board of Directors (hereinafter referred to as "the Board") is elected by the shareholders of Saudia Dairy & Foodstuff Company (hereinafter referred to as "the Company" or "SADAFCO") to monitor and control the Company's business representing all shareholders. Similarly, the Board shall manage with due diligence the Company and everything that will protect its interests and maximize its capability. The Board is responsible of its businesses, and in case of authorizing committees, body, or individuals to perform its specialties, such authorization must not be general nor without specified duration.

12.2 Organization

- 1- Employees and Executive directors shall implement and control the Company's activities directed by the CEO and the supervision of the Board to enhance long-term value for the Company and its shareholders. The Board members shall be elected by shareholders to monitor Executive Management and provide recommendation accordingly.
- 2- Cumulative voting shall be used in electing the Board for three years by the shareholders at the GA.
- 3- A member of the Board is required to be professionally capable and has the required experience, knowledge, skill and independence as per the Company's regulations and laws.
- 4- The Board shall consist of seven members, including independent and non-executive members, provided that such numbers shall not be less than three and not more than eleven.
- 5- One of the Board members shall be appointed as the chairman. Another member shall be appointed as vice chairman in the absence of the chairman, or whom is delegated by the majority of Board members (they have the right to appoint a managing director). The Board shall convene meetings according to the dates determined by the chairman or upon the request of at least two members or the Auditor.
- 6- The Board shall convene no less than two meetings per year. The chairman of the Board shall, as reasonably possible, prepare and distribute agendas of the Board meetings. The invitation to the meeting shall be sent to each of the Board members no less than five days prior to the date of the meeting. Meetings shall be chaired by the chairman or his deputy (if the chairman is absent). The meeting shall not be valid unless attended by the majority of the Board members.
- 7- Each member has the right to vote only once. In case of a tie, the chairman or his deputy (if the chairman is absent) shall have the casting vote.
- 8- The Board has formed the following committees to facilitate the Board to perform its monitoring duties:
 - Audit Committee.
 - Remuneration & Nomination Committee.
- 9- The Board may form other committees by the votes of the majority of the Board. Each committee's charter shall determine its responsibilities.
- 10- The Board shall appoint the members of the remuneration and nomination committee. The Board may exclude the members at the discretion of the Board. Audit Committee members are appointed by the Board as per the recommendation of the remuneration and nomination committee and shall be approved by the SGA in the Company. Committees' members shall be professionally capable and has the required experience, knowledge, skill and independence as per the Company's regulations and laws.
- 11- Committees shall report to the Board any updates of their activities and provide appropriate recommendation regularly.

12.3 Meetings

- Board members are expected to attend the Board and committees meetings that they work in and convene sufficient number of meetings as needed to perform their responsibilities properly.
- The agenda and the necessary documents and information related to the meeting shall be sent to the Board or committees' members five days prior to the meeting.
- The Board shall keep record of its meetings. The Board may convene and conduct remote meetings via audio or video conferencing. Accordingly, the Board may issue through passing resolutions by circulation without prejudice to the Company's bylaw by presenting them to all members separately, unless one of the members requires a meeting of the Board in writing for purposes of deliberation. Such resolutions shall be brought before the Board at its first subsequent meeting.

12.4 Main Functions of the Board

Without prejudice to the competencies of the General Assembly as per the Companies Law and Its Implementing Regulations and the Company's bylaws, the Board shall have the broadest powers in managing the Company and guiding its activities to achieve its objectives. Among the main functions and competencies of the Board are the following:

1) Laying down the plans, policies, strategies and main objectives of the Company; supervising their implementation and reviewing them periodically. Also, ensuring that the human and financial resources required to fulfill them are available, including:

- a. Setting a comprehensive strategy for the Company, key business plans, policies, and mechanisms of the risk management and review and guide them.
- b. Determining the most appropriate capital structure for the Company, its strategies and financial objectives, and approving all kinds of estimated budgets.
- c. Overseeing the main capital expenditures of the Company and the acquisition or disposal of assets.
- d. Setting performance indicators, and monitoring the implementation thereof and the overall performance of the Company.
- e. Reviewing and approving the organizational and human resources structures of the Company on a periodic basis.
- f. Ensuring that the financial and human resources required for achieving the objectives and main plans of the Company are available.

2) Setting rules and procedures for internal control and generally overseeing them, including:

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

3) Setting forth specific and explicit policies, standards and procedures for membership in the Board, without prejudice to the obligatory provisions in the Corporate Governance regulations, to be **implemented**.

4) Developing a written policy that regulates the relationship with Stakeholders pursuant to the provisions of Corporate Governance Rules/ Regulations.

5) Setting policies and procedures to ensure the Company's compliance with the laws and regulations and the Company's obligation to disclose material information to shareholders and Stakeholders, and ensuring the compliance of the Executive Management with these policies and procedures.

6) Supervising the management of the Company's finances, its cash flows as well as its financial and credit relationships with third parties.

7) Providing recommendations to the Extraordinary General Assembly as to what it deems appropriate regarding the following:

- a. Increasing or decreasing the share capital of the Company.
- b. Dissolving the Company before the end of its term as specified in its bylaws or deciding the continuity of the Company.

8) Providing recommendation to the Ordinary General Assembly as to what it deems appropriate regarding:

- a. Using the consensual reserve of the Company, if such has been formed by the Extraordinary General Assembly and has not been allocated to a specific purpose.
- b. Forming additional financial allocations or reserves for the Company.
- c. The method of distributing the net profits of the Company.

9) Preparing the Company's interim and annual financial statements and approving them before publishing them.

10) Preparing the Board report and approving it before publishing it.

11) Ensuring the accuracy and integrity of the data and information which must be disclosed pursuant to the applicable policies and systems in respect of disclosure and transparency.

12) Developing effective communication channels allowing shareholders to continuously and periodically review the various aspects of the Company's businesses as well as any material developments.

13) Forming specialized committees of the Board pursuant to resolutions that shall specify the term, powers and responsibilities of such committees as well as the manner used by the Board to monitor such committees. Such resolutions shall also specify the names of the members and their duties, rights and obligations and shall evaluate the performance and activities of these committees and their members.

14) Specifying the types of remunerations granted to the Company's employees, such as fixed remunerations, remunerations linked to performance and remunerations in the form of shares without prejudice to the Regulatory Rules and Procedures issued pursuant to the Companies Law related to Listed Joint Stock Companies.

15) Setting the values and standards that govern the work at the Company.

16) Oversight over the Executive Management:

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

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

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

12.5 Distribution of Powers and Duties

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

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

12.6 Separation of Positions

- a) Without prejudice to the provisions of the Company's bylaws, the Board appoints a chairman, a vice chairman and may appoint a managing director of its members.
 - b) It is prohibited to hold, at the same time, the position of chairman of the Board and any other executive position in the Company, including the positions of the managing director, the Chief Executive Officer, or the general manager, even if the Company's bylaws provided for otherwise.
 - c) The Board shall define the competencies and specify the responsibilities of the chairman, the vice chairman, and the managing director (if any) explicitly and in writing if the Company's bylaws has no reference thereto.
 - d) In all cases, no person shall have the sole and absolute power to take decisions in the Company.

12.7 Powers and Duties of the Chairman of the Board

Without prejudice to the competencies of the Board, the chairman of the Board shall be responsible for leading the Board and supervising its operations and the effective performance of its duties. The competencies and duties of the chairman of the Board shall in particular include the following:

- 1) Ensuring that the Board members obtain complete, clear, accurate and non-misleading information in due course.
- 2) Ensuring that the Board effectively discusses all fundamental issues in due course.
- 3) Representing the Company before third parties in accordance with the Companies Law and Its Implementing Regulations and the Company's bylaws.

- 4) Encouraging the Board members to effectively perform their duties in order to achieve the interests of the Company.
- 5) Ensuring that there are actual communication channels with shareholders and conveying their opinions to the Board.
- 6) Encouraging constructive relationships and effective participation between the Board and the Executive Management on the one hand, and the Executive, Non-Executive and Independent Directors on the other hand, and creating a culture that encourages constructive criticism.
- 7) Preparing agendas of the Board meetings, taking into consideration any matters raised by Board members or the external auditor and consult with the Board members and the Chief Executive Officer upon preparing the Board's agenda.
- 8) Convening periodic meetings with the Non-Executive Directors without the presence of any executive officers of the Company.
- 9) Notifying the Ordinary General Assembly while convening of the businesses and contracts in which any Board member has direct or indirect interest, the notification shall include the information provided by the member to the Board as per paragraph (14) of Article (30) of Corporate Governance Rules/Regulations; this notification shall be accompanied by a special report of the Company's external auditor.

12.8 Tasks and Duties of the Board Members

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

- 1) Providing proposals to develop the strategy of the Company.
- 2) Monitoring the performance of the Executive Management and the extent to which it has achieved the objectives and purposes of the Company.
- 3) Reviewing reports related to the performance of the Company.
- 4) Ensuring the integrity and impartiality of the financial statements and information of the Company.
- 5) Ensuring that the financial control and risk management systems are sound.
- 6) Determining the appropriate level of remunerations of the members of the Executive Management.
- 7) Expressing opinions as to the appointment and dismissal of members of the Executive Management.
- 8) Participating in developing the succession and replacement plans of executive positions within the Company.
- 9) Complying fully with the provisions of the Companies Law, Capital Market Law, their implementing regulations, the relevant regulations and the bylaws when performing his/her duties as a member of the Board and abstaining from taking or participating in any action that constitute mismanagement of the Company's affairs.
- 10) Attending the Board and the General Assembly meetings, and not being absent except for legitimate excuse of which the chairman of the Board shall be notified by prior notice, or for emergency reasons.
- 11) Allocating sufficient time to fulfill his/her responsibilities and preparing for the Board and its committees meetings and effectively participating therein, including raising relevant questions and carrying discussions with the Senior Executives.
- 12) Studying and analyzing all information related to the matters looked into by the Board before expressing an opinion on the same.

13) Enabling other Board members to express their opinions freely, and encouraging the Board to deliberate on the subjects and obtain the views of the competent members of the Company's Executive Management and others, when necessary.

14) Notifying the Board fully and immediately of any interest, either direct or indirect, in the businesses and contracts that are executed for the Company's account, the notification shall include the nature and extent of such interest, the names of concerned persons, and the expected benefit to be obtained directly or indirectly from interest whether financial or non-financial. The concerned member shall abstain from voting on any decisions issued in connection therewith in compliance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations.

15) Notifying the Board fully and immediately of his/her participation, directly or indirectly, in any businesses that may compete with the Company or lead to competing with the Company, directly or indirectly, in respect of any of its activities, in compliance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations.

16) Refraining from disclosing or announcing any secrets he/she came across through his/her membership in the Board to any shareholder of the Company, unless such disclosure is made during the meetings of the General Assembly, or to a third party, in pursuance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations.

17) Working on the basis of complete information, in good faith and with the necessary care and diligence for the interest of the Company and all shareholders.

18) Recognizing his/her duties, roles and responsibilities arising from the membership.

19) Developing his/her knowledge in the field of the Company's business and activities and in the related financial, commercial and industrial fields.

20) Resigning from the membership of the Board if he/she is unable to fully fulfill his/her duties in the Board.

12.9 Duties of the Independent Director

Without prejudice to the CG Regulations, an Independent Director of the Board shall effectively participate in the following duties:

1) Expressing his/her independent opinion in respect of strategic issues and the Company's policies and performance and appointing members of the Executive Management.

2) Ensuring that the interest of the Company and its shareholders are taken into account and given priority in case of any conflicts of interest.

3) Overseeing the development of the Company's Corporate Governance rules, and monitoring the implementation of the rules by the Executive Management.

12.10 Support

- The Board shall be competent in monitoring the Company's activities by accurately investigating any issues raised, consequently, reserve the right to access any logs, records, facilities, employees of the company. In addition, it may retain external consultants and auditors and their expenses shall be paid by the Company.

- The Board may call for a meeting with the Banks of the Company's investors and financial analyst of the company.

The Board, committees, or any subsidiary may request a meeting with the external legal consultants and/ or auditors.

12.11 Review and Amendments

The Board shall review this charter periodically as it deems it necessary.

13. The Board of Directors' Manual

13.1 Preamble

The role of the Board of Saudia Dairy & Foodstuff Company (hereinafter referred to as “the Company” or “SADAFCO”) is to ensure a subjective and independent vision of the Company’s decisions and oversee the Executive Management performance. Therefore, the objectives of this guide is to help the Board members of SADAFCO to recognize their responsibilities effectively and provide recommendations in order to enhance the effectiveness while performing their roles.

13.2 Professional Judgment Rule

As a Board member- this rule indicates that if you made a decision pertaining the Company’s operations and met a number of requirements, you will be considered to carry out your duties with due diligence toward that decision. Those requirements are:

- Made the decision in good faith and for a proper purpose.
- You do not have any material and personal interest in the matter of the decision made.
- You followed the required steps in order to be fully aware that you made the right decision.
- You are convinced that the decision made will serve the best interests of the Company.

13.3 Powers and Duties of the Executive Management

Without prejudice to the competencies entrusted to the Board pursuant to the provisions of the Companies Law and Its Implementing Regulations, the Executive Management shall be responsible for implementing the plans, policies, strategies and main objectives of the Company in order to achieve its purposes. The competencies and duties of the Executive Management shall include the following:

- 1) Implementing the Company’s internal policies and rules approved by the Board.
- 2) Suggesting the Company’s comprehensive strategy as well as the principal and interim business plans and the policies and mechanisms for investment, financing, risk management and emergency administrative circumstances management plans and implementing them.
- 3) Proposing the most appropriate capital structure for the Company and its strategies and financial objectives.
- 4) Proposing the main capital expenditures of the Company and acquiring and disposing of assets.
- 5) Proposing the organizational and human resources structures of the Company and presenting them to the Board for approval.
- 6) Implementing internal control systems and procedures, and generally overseeing them, which include:
 - a. Implementing the conflicts of interest policy.
 - b. Correctly applying the financial and accounting procedures, including the procedures relating to the preparation of financial reports.
 - c. Applying appropriate control systems for measuring and managing risks by generally forecasting the risks that the Company may encounter and creating an environment which is aware of the culture of risk mitigation at the Company level, and transparently disclosing them to the Company’s Board and other Stakeholders.

- 7) Implementing the Company's Corporate Governance rules effectively, to the extent they do not conflict with the provisions of Corporate Governance Rules/ Regulations, and proposing amendments thereto if needed.
- 8) Implementing policies and procedures to ensure the Company's compliance with the laws and regulations and its obligation to disclose material information to shareholders and Stakeholders.
- 9) Providing the Board with the information required to exercise its competencies and provide recommendations regarding the following:
- a. Increasing or decreasing the share capital of the Company.
 - b. Dissolving the Company before the end of its term as specified in its bylaws or deciding the continuity of the Company.
 - c. Using the consensual reserve of the Company.
 - d. Forming additional reserves for the Company.
 - e. The method for distributing the net profits of the Company.
- 10) Proposing the policy and types of remunerations granted to employees, such as fixed remunerations, remunerations linked to performance and remunerations in the form of shares.
- 11) Preparing periodic financial and non-financial reports in respect of the progress achieved in the business of the Company in light of the strategic plans and objectives of the Company, and presenting such reports to the Board.
- 12) Managing the daily business and activity of the Company, in addition to managing its resources in the most appropriate form in accordance with the objectives and strategies of the Company.
- 13) Participating effectively in building and developing a culture of ethical values within the Company.
- 14) Implementing internal control and risk management systems and ensuring that they are effective and efficient, and ensuring compliance with the level of risks approved by the Board.
- 15) Proposing and developing internal policies related to the business of the Company, including specifying the duties, competencies and responsibilities assigned to the various organizational levels.
- 16) Proposing a clear policy to delegate tasks to the Executive Management and the method for implementing such policy.
- 17) Proposing the powers to be delegated to the Executive Management, the procedures for decision-making and the period of delegation, provided that it shall present periodic reports to the Board in respect of its exercise of such powers.

13.4 The Relation between the Executive Management & the Board

The relation between the Executive Management and the Board is very critical; therefore, such relation must be fostered by separating the responsibilities. The Executive Management shall be:

- Accepting accountability.
- Performing the duties within the scope of its specialty and competencies.
- Ensuring the proper level of skills and resources.
- Proceeding according to key performance indicators entrusted to meet the Company's objectives.

However, the Board- at all times- shall assume the power for the Company's success.

13.5 Delegation of Powers

All decisions and acts made by the Company falls under the Board competencies. Therefore, the Board shall specify policies in order to guide organizational behavior, such as Code of Conduct, Risk Management policy and Remuneration and Compensations policy. Aiming at meeting the objectives of this policy, the Board shall set out measures and procedures to implement such policies. In addition, the Board shall be responsible for assessing the effectiveness and adequateness of the policies and procedures. However, we must understand that the role of the Board in establishing these policies in general dose not overlap the daily operations of the Executive Management. Therefore, the Board shall set forth policies that clarify the limits of powers delegation in order to make every committee aware of its responsibilities and roles.

The Board is authorized to enter into an agreement of obligation, make decision or act on behalf of the Company. However, such authorization is not in line with the idea of having an Executive Management team that has the necessary competencies and does not recognize the need of practical necessities- for sure it is not appropriate that the Board must sign each and every cheque and approve all transactions. Therefore, delegation of powers is a mechanism in which the power will be delegated to the CEO and other directors in the Company while maintaining the delegation of such competencies or legal responsibilities of the Board.

The below should be followed in order to meet the effectiveness of delegation of powers:

- A delegation of powers must be written in clear and simple language.
- It must include the actual or potential activities of the Company.
- It must be suitable to facilitate the effective operation of the Company.
- It must be aiming at enabling the Executive Management to make decisions of the operational matters of the Company.
- It must determine the scope and level of communication competence for each administrative level regarding expenses within or outside budget planning.
- Informing all employees regarding those competences to enable each individual to recognize his/her responsibilities.
- Such delegation must be accompanied by the appropriate supervising, leading, and monitoring levels to verify the validity of the delegation, its duration, and its level of commitment.
- Providing periodical reviews to ensure the integrity of the delegation.

The Board may set out and determine the limits of its responsibilities and the responsibilities of the Executive Management through a statement of the Board specialties or a similar document. The Board should conduct the duties that fall on its shoulders and oversee the performance of the Executive Management pertaining the delegated competencies. The data in respect of the specialties of the Board or/ and the competencies of the Executive Management may be public.

13.5.1 The Documents of Delegation of Powers

As any other policy, the nature and structure of competencies will vary from one company to another. What really matters to one Company and should be approved by its Board may only need to be approved by the organizational department in other companies. It is important for such policy to be in line with the risk-taking capacity approved by the Board. Usually, delegation of powers is expressed financially or non-financially, and shall cover the following powers:

- Agreement on strategic commitments.
- Covering costs associated with material and ordinary operations of the Company.
- Requiring financial expenses from the Company.
- Engage in contractual obligations, for example, finance leases and collateral coverage.
- Obligation to pay premiums.

- Making decisions in employees- related matters, such as appointing, dismissing, determining remuneration/ salary, promotions, allowances, and training and hiring contractors and temporary staff.
- Proceeding with or ending the prosecution of third parties.
- Conducting specific treasury (cash) operations.
- Payment approval.

13.6 Formation and Structure of the Board

Successful boards work together for shareholders interest. A successful board of directors is not controlled by one member or a single unit and does not require its members to be specialized in all walks of life. That being said, a successful board is not formed without advanced planning, but through due diligence, effort, and intellect for accurate investigation and proper election of its members in conformity with the Company's requirements in tackling all current challenges and opportunities and lead the company towards the future. The Board works in partnership with Executive Directors ensuring to provide real monitoring and offering guidance and advice achieving added value for the Company.

13.6.1 Size of the Board

The Board shall consist of not less than three members and not more than eleven members (the number of current Board members is seven).

13.6.2 Selection of Board Members

Individuals are reviewed and nominated as Board members by the Remuneration and Nominations Committee before the entire Board. The Board shall approve the final selection of candidates for election by shareholders. Cumulative voting will be used at the election of Board members. This method allows shareholders to have a number of votes equal to their number of shares. This method is used to elect members of the Board and the shareholder to use all his/ her votes for one candidate or separate them into a number of candidates without double voting. This method facilitates the use of voting rights for minority shareholders and increases their chances of voting on their preferred Board member. Following the election of the shareholders to the Board, the Chairman of the Board shall make formal invitations to members to join the Board of Directors.

13.6.3 Board Members Qualifications

The Board reviews annually the qualifications and skills of the Board including the composition of the Board as a whole. The assessment includes the qualifications and independence of members, practical background, age, skills and experience - all in accordance with the needs of the Board.

13.6.4 Members Independence

The purpose of identifying and appointing Board members with great independence is to ensure that the Board has members who are able to use their best professional judgment for the absolute benefit of the Company- judgments that are not in conflict with a real or perceived interest.

- **In accordance with CMA regulations, an "Independent Board Member"** is a member of the Board that is fully independent in his/ her status and decisions.
- An independent Board member must be able to exercise his/ her functions, express opinions and vote on decisions objectively and impartially, so that the Board can make the right decisions that contribute to the interest of the Company.
- The Board should conduct an annual assessment of the extent of the member's independence and ensure that there are no relationships or circumstances that affect or can affect it as well as that none of the following lack independence indicators apply:

- 1- To be the owner of five percent or more of the shares of the Company or of the shares of another company of its group or has a relationship with the owner of this percentage.
- 2- To be a representative of a person of legal status who owns five percent or more of the shares of the Company or of another company in its group.
- 3- To have a relationship with any of the members of the Board in the Company or in another company of its group.
- 4- To have a relationship with any of the senior executives of the Company or in another company of its group.
- 5- To be a member of the Board of another company of the Company's group nominated for the Board membership.
- 6- To be an employee or previously worked at the Company during the last two years or any other party or group of companies, such as auditors and senior suppliers, or has been the holder of control shares with any of these parties during the past two years.
- 7- To have a direct or indirect interest in the business and contracts that are done for the Company.
- 8- To receive money from the Company in addition to the remuneration of the membership of the Board or any of its committees.
- 9- To participate in work that would compete with the Company, or to have deals in one of the sub-activities operated by the Company.

13.7 Policies and Standards for the Membership of the Board:

13.7.1 Objectives:

As per Companies' Law, its Executive Regulations, Corporate Governance Regulations issued by the Board of the Capital Market Authority and the Corporate Bylaw, this policy was prepared and it shall not be amended, only on the basis of a recommendation by the Shareholders' General Assembly for an approval, unless the regulations and instructions issued by such authorities include otherwise.

This policy aims at specifying the required standards, conditions and measures for the membership of the Company Board of Directors, provided that the members shall be competent and have the required experience, knowledge, skills and independence, to perform their duties.

Every shareholder in the Company has the right to nominate himself, another person or more, for the membership of the Board, within the scope of his ownership percentage of the capital, after meeting the conditions of the membership, in accordance with the provisions of this regulation.

13.7.2 Policies and Standards for the Membership of the Board:

In addition to any rules, procedures or conditions issued by the concerned bodies in relevant with the formation of the board of directors and the standards of its membership, a board member shall have the following:

1. Competency: He/ she shall have the academic qualifications and proper professional and personal skills as well as an appropriate level of training and practical experience related to the current and future businesses of the Company and the knowledge of management, economics, accounting, law or governance, as well as the desire to learn and receive training.
2. He/ she shall not work for any auditor of the Company or has any kinship with that auditor or with any sister or subsidiary companies.
3. He/ she shall have experience and knowledge of the Company's activities, purposes, work, and the risks faced by the company.
4. Understanding Arabic and English languages.

5. Ability to lead: He/ she shall have leadership skills to enable him to delegate powers in order to enhance performance and apply best practices in effective management and compliance with professional ethics and values.
6. Ability to guide: He/ she shall have the technical, leadership, and administrative competencies as well as the ability to take prompt decisions, and understand technical requirements and developments related to the job. He shall also be able to provide strategic guidance and long-term planning and have a clear future vision.
7. Financial Knowledge: He/ she shall have the ability to read and understand financial statements and reports.
8. Physical fitness: He/ she shall not suffer from any health issue that may hinder him from performing his duties and responsibilities.
9. He/ she shall have a good reputation and has never convicted a crime involving moral turpitude or dishonesty; unless he has been rehabilitated, or violated any of the laws and regulations of Saudi Arabia or any other country.
10. He/ she shall not be insolvent, bankrupted, or became unqualified for the Board membership, as per any applicable law or instructions of Saudi Arabia.
11. He/ she shall have the desire to accept the membership and absolute readiness to comply with his duties as a Board member.
12. His/ her nomination should not violate the relevant laws and regulations.
13. The Board member shall not be a Board member for more than five joint stock companies listed in the Capital Market, at the same time.
14. He/ she shall be fully legally competent.
15. He/ she shall not be a government employee.
16. He/ she shall represent all shareholders and comply with conducting what achieves the Company's interest, in general, and not what achieves the interest of the group which he represents or that which voted for his appointment at the Board.
17. The independent member shall be completely independent in his/ her position, decisions and not applicable to any matters affecting independence stated in Corporate Governance Regulation.

13.7.3 End of Membership:

The membership of the Board expires at the end of his membership duration or upon the end of the member power/authority, according to any law or instructions applicable in the Kingdom or by his resignation, death, conviction of any crime against honor and honesty, bankrupt, insolvency or lack of authority. However, the Ordinary General Assembly has the right, at any time, to dismiss all or any Board members without prejudice to the dismissed member right towards the company for claiming the remunerations if the dismissal is without a valid reason or untimely. The Board member can resign, provided that this shall take place in a suitable time, otherwise he will be responsible before the Company for the losses resulting from his resignation. In case of conflict of interests, the member has the option to get an authorization from the General Assembly, to be renewed each year, or to resign. Upon the recommendation of the Board, the General Assembly may terminate the membership of board member who fails to attend three consecutive Board meetings without a valid reason.

If one of the memberships expired due to end of membership, the Company shall notify the CMA and Saudi Exchange Market “Tadawul” immediately and state the reasons.

If one of the members resigned and has remarks on the Company’s performance, he/ she may provide the Board Chairman with a written statement, and such statement must be reviewed by the Board members.

13.7.4 Nomination Measures for the Board of Directors Membership:

A. The Company shall announce the opening of nomination for the Board membership on Saudi Exchange Market “Tadawul” and the Company’s website; to invite persons wishing to apply for the Board membership. The nomination will remain opened for one month, at least, from the date of the announcement, according to Corporate Law, Corporate Governance Regulation and the instructions of Capital Market Authority or any following amendments.

B. Any person who wishes to be nominated for the Board membership and fulfils the standards mentioned above, shall follow the bellow procedures:

1. The nominee shall submit nomination application to the Remuneration and Nomination Committee, during the period determined in the announcement of the nomination for the Board membership, provided that all the required documents according to the announcement are to be attached to the nomination application. Some of these are the nominee’s resume, qualifications and work experiences. He/she should also fill up the form, or forms, specified by the CMA, which are available on CMA website, and submit it along with his/her nomination application, clear copy of national I.D, or passport for non-Saudis, and his/her contact information, for individuals and the commercial register for companies and institutions.

2. In case if the nominee had a previous membership of the Company Board he/ she should attach with the nomination notice a statement from the Company Management about the last term in which he/ she had a Board membership, including the following:

- The number of Board meetings held during each year of its term. The number of meetings attended by the member him/ herself, as well as his/ her attendance percentage of total meetings.
- Names of permanent committees in which the member participated, the number of meetings held by each committee of those committees during every year of its term, number of meetings attended by the member as well as his attendance percentage of the total meetings.
- Summary of financial results achieved by the Company during each year of its term.

3. The nominee should clarify, upon nomination, the type of membership, i.e. if the member is an executive, non-executive or independent. Also, the nominee should show the nature of his membership, i.e. if the member is nominated personally or he/ she is representing a legal personality.

4. The nominee should submit a list of the joint stock companies whose board of directors membership had been previously occupied by him, in addition to a list of companies or establishments whose management or ownership he/ she shares and which practices businesses similar to the company ones.

C. Remuneration and Nomination Committee shall revise the nomination applications submitted, according to the previous rules and specify a list of nominee names for voting for the election, by the General Assembly. The Capital Market Authority is to be provided with the resumes of the Board membership nominees in addition to the forms of Capital Market Authority which should be filled and signed by the nominees, and attached to the nomination applications, according to the followed instructions and regulations.

D. The Company publishes in the Saudi Market Exchange (Tadawul) and the company Website information about the nominees to the Board membership, upon publishing the invitation of holding the

General Assembly, provided that this information includes a description of the nominees' experiences, qualifications, skills, jobs in addition to their previous and current memberships. The Company will make an available copy of this information at its headquarter.

E. Any nomination applications sent to the Remuneration and Nomination Committee after the end of the duration specified in the announcement of opening will be secluded. The Committee should comply with and apply any remarks from the concerned bodies about any nominee.

F. Voting at the General Assembly will be confined to those who nominated themselves, according to the policies, standards and measures mentioned above. The accumulative voting method will be used in Board election.

G. The Company should notify the Authority of the Board of Directors' member names and their membership types within five working days of the date of commencement of the Board term, or the date of assignment - whichever is earliest, as well as any changes in their membership, within five working days of the date of changes.

13.7.5 Revision and Enforcement:

1. The Board of Directors shall revise this regulation, as needed, and recommend any further amendments to be approved by the Shareholder General Assembly, at the earliest General Assembly meeting.
2. This regulation will be effective and enforceable from the date of its approval by the Company Shareholders General Assembly.
3. Texts or rules, whatsoever, not stated in this regulation, will be subject to the application of the Saudi Companies' Law, the Capital Market Authority and its Executive Regulations and decisions issued by the concerned bodies.
4. This regulation will be published, after an approval by the Shareholders General Assembly, on the Company's website or via any other medium for enabling the shareholders, the public and the stakeholders to review it.

13. 8. Board Meetings

13.8.1 Frequency and Schedule of Board Meetings

- The Board shall convene no less than two meetings per year. Board members shall be informed in advance regarding the date and place of the periodical meetings. Board members shall attend Board meetings and committees' meetings to which they are entitled as members.
- The Board shall convene a meeting upon the invitation of its chairman or upon a request from two of its members. The invitation to the meeting shall be sent to each of the Board members no less than five days prior to the date of the meeting accompanied by its agenda and the necessary documents and information, unless circumstance require convening an emergency meeting, the invitation accompanied with the agenda and necessary documents and information may be sent within a period less than the five days. The meeting shall not be valid unless attended by half of the Board members, provided that the number of attendees shall not be less than three.
- If any member of the Board has any remarks in respect of the performance of the Company or any of the matters presented and which was not resolved in the Board meeting, these remarks shall be recorded and the procedures taken or to be taken by the Board in connection therewith must be set forth in the minutes of the Board meeting.
- If a member of the Board expresses an opinion differs from the Board resolution, such opinion must be recorded in details in the minutes of the Board meeting.
- The Attendance of Board meetings, and dealing with cases of irregular attendance by members of such meetings shall be organized.

- An Independent Director of the Board shall make every effort to attend all meetings in which important and material decisions affecting the position of the Company are made.
- The Board shall approve the agenda once the Board meeting is convened. If any member of the Board raises an objection in respect of this agenda, such objection shall be recorded in the minutes of the meeting.

13.8.2 Meeting Duration

The duration of the meeting must be adequate to discuss all raised issues thoroughly.

13.8.3. The Agenda of Meetings

The Chairman shall set out the agenda of each Board meeting.

Members may propose any item to be added to the agenda, and may discuss any unlisted matter during the meeting. The Chairman in coordination with the Board Secretary and CEO shall determine the subjects that must be reviewed or to be decided upon by the Board. The Executive Management may be requested to provide reports or written documents, as needed, to add items in the list of the meeting agenda.

The meeting agenda may require relative visuals to be presented before the Board.

Members of the Executive Management may be allowed to attend the meeting for the purpose of discussing one of the agenda's articles, whenever necessity arises.

13.8.4. Conducting Board Discussions

The Chairman must ensure the following:

- Providing clear and organized environment to discuss the raised issues.
- Facilitating the participation of all members to provide feedbacks and opinions.
- Providing sufficient time to the members to consider all matters.

In addition, the Chairman must maintain a balanced discussion, and avoid discussion-dominating. Usually, the Chairman will allow discussing raised matters until reaching board consensus or an equivalent result. When consensus fails, the Board shall approve one of the following alternatives:

- The Board members need additional information.
- Postponing taking action pertaining to a specific matter.
- Additional or external recommendation.
- In case of strong disagreements, the Chairman must resolve the issue to make a decision.

13.8.5. Disseminating of Board Worksheets

Any meeting agenda, supporting documents, and proposed decisions must be distributed to Board members within five days prior to the meeting.

All Board members shall review these sheets before the meeting. Members wishing to add articles to the agenda of coming meetings shall notify the Board in advance in order to add the articles in the list of the agenda. Any member with concerns regarding any article of the agenda shall raise his/ her concern one week prior to that meeting.

The Executive Management shall answer all the questions raised by the members before the meeting date. Answers of the Executive Management shall be delivered to all members.

13.8.6. Board Members' Meeting Preparations

Preparation includes reviewing Board sheets, reading and analyzing documents and files received before the meeting and identifying any uncertain matters or given documents. Board members shall receive all documents and worksheets related to the meeting- besides the agenda- five days prior to the meeting. These documents include:

- A report pertaining to operational activities in the Company by the CEO- which summaries the key events that influenced the activity since previous meeting date.
- Financial performance report, focusing on key performance indicators and strategic performance.
- The previous meeting minutes.
- Required steps of action, identifying the responsible person and the expected implementation date of each step.
- Sheets about specific matters for discussion, decision or review.

13.8.7. The Executive Management at the Board Meetings

The individuals of the Executive Management are expected to participate at the Board meetings and present what falls under their responsibility to clearly and profoundly notify the Board members with the Company's operations.

13.8.8. Meeting Minutes and Decisions Made

Meeting minutes are registers of the discussed matters, decisions made, actions and steps established upon the meetings of the Board and its committees. As legal and organizational obligations are great responsibility of the Board members, minutes are very significant registers to show what the Board members have done to fulfill their responsibility toward taking care of the Company.

Minutes must be clear, briefed and properly organized without misleading information nor uncertainty. Meeting minutes shall not be redundant or literal record of dialogues. It should clearly reflect the decisions by the Board or the committees and must captures the nature of the collective agreement of actions taken by the Board.

It is useful to include in those minutes the evidences that led to such actions. This includes covering all discussed matters and raised questions and any additional information requested for the meeting or helped the Board to make its decisions, which were not mentioned in the preparation papers. There might be circumstances that enforce the Board to make unintended, unpractical, decisions in one matter; accordingly, in such situation the proposed decision must be signed by all members.

Generally, minutes are prepared by the Board Secretary from the remarks recorded during the meeting. Then the Chairman will review the draft within a week after the meeting and request a proper editing, if any.

The Board members should promptly receive the edited minutes upon the Chairman review, or within a week after the review, at most. Board members must review the minutes to ensure that all the discussions of the meeting are included in the minutes properly and as expressed.

13.9. Board Committees

Committees allow Board members to pay more attention to the Company's important matters as offered during the planned meetings for the whole Board. Committees are an effective method to distribute work between Board members, providing opportunities to consider specific matters thoroughly.

13.9.1. Efficiency of the Committees

There are many steps that will help to make the committee more effective, regardless its role. These steps include:

- Forming an official written charter for each committee.
- Appointing the appropriate chairman.
- Appointing appropriate Board members, non-executives and have the experience to handle under-discussion matter.
- Requiring committees to provide Board members with their opinions and updates in regular basis.
- Ensuring that the committee will receive independent and professional advisory.
- Imposing absolute transparency over the committee's activities.

- Ensuring the appropriate support for administrative affairs.

The most important role of the committees is to meet the needs of the Board to ensure efficiency, and opposed to merely meeting a sufficient number of committees.

13.10. The Worksheets of the Board

There are no such things as specific form, style, or content to prepare the worksheets of the Board. These requirements vary from one company to another. What really matters is that these requirements meet the needs of the Board. However, there are requirements applied to all companies to ensure professional efficiency in preparing worksheets that represent it effectively to help the Board understand and discuss the content.

The worksheets provided to the Board must be summarized and serve this purpose, including information related to no-actions or under-discussion matters to assist the Board, whenever necessary, to make the right and insightful decisions. The worksheets of the Executive Management may not be reformulated and provided to the Board, because such content differs from in required information. Such Information may be fundamental to conclude the content of the Board worksheets. However, the worksheets of the Board must be prepared with the consideration of the Board's needs. Bearing in mind that non-executive members do not engage in the Company's daily activities.

The purpose of every worksheet provided to the Board must be highlighted. This is a very important step to enable the Board recognizing the requirements of the Executive Management to fully prepare for the Board meetings. Accordingly, worksheets shall be separated into the three following categories:

- For information and review- documents with the purpose of informing the Board with specific matters, such as press release and financial information.
- For decision to be made- matters to take action about.
- For discussion and reaction- matters to be discussed before the issuance of final recommendations, such as proposed ideas that need the Board reaction during the planning phase instead of representing them only when the need arises.

13.10.1. Board Guidelines

The official guidelines of reporting to the Board, approved by the Board, is a basic method aiming to understand the requirements of the Board. These guidelines determine the form, technique, and content of the Board's papers. In addition to the administrative measures in connection to its due date, reviewing process and approval by the Board.

These papers must highlight that distribution of papers is monitored by the Board, and this is an important specialty of the Board especially over the E-papers distribution.

The Board shall ensure reporting these guidelines to all employees involved in the preparation of these papers. It is appropriate to provide internal support to senior employees by providing educational programs, examples and samples to understand the style and content of the Board papers.

In conclusion, it is important that the Board worksheets should be in brief. As for performance reports, they must reflect the related certified key performance indicators and not redundant.

One of the significant presentation requirements of the Board worksheets is to present a readable and understandable content. Some of the requirements include the following:

- Papers must be summarized, accurate and readable, using clear terms and avoiding, as possible, the technical complex terms. Font size must not be less than 10.
- Planning a logical sequence for the content topics.
- Writing in brief bullet points style instead of including paragraphs.
- Using the appropriate indicators of the Company's needs that are used in monthly performance results.

- Including charts and analyzing tables to summarize information, attract and help the reader understand.
- Including topics for graphs to reflect the message explained by chart analysis.

13.11. Administrative Matters

13.11.1. Board Performance & Assessment

The Board shall conduct annual assessment in order to determine the attained success and whether its committees complied with their duties or not. The Board shall receive remarks from all members. Moreover, the Board performance will be assessed annually to be discussed at the end of the financial year.

Such assessment focuses on the contributions of the Board, particularly the areas that the Board or the Executive Management consider can be improved.

To assess the extent to which the Board has succeeded, the Board shall periodically (for example, once a year) review the achievements and whether the Board complied with its responsibilities or not.

One of the assessment methods is to compare its activities with its charter. Since the Board is conducting its assessments, it is useful to employ an external body for supervision to conduct the assessment without any bias, partiality or favor. Moreover, the external view will enrich the discussion for the interest of the Company.

13.11.2. The Board Confidentiality

The Board members must maintain the absolute confidentiality of the Board resolutions, deliberations and the contained meeting-related information, except for the specified information by the Board or the information available for public by the Company.

13.11.3. Deliberations with Third Parties

Communication with outsiders are conducted by the CEO or CFO on the behalf of the Company, or by the assigned representatives of the Company. Any Board member shall refuse to answer any questions raised by outsiders – including informal social relationships- and shall refer them to the CEO.

13.12. How to Run Board Meetings

The Board works mainly as determined by senior Chairman of the Board and his personal style. Some of the Boards still adopt formal style during meetings, requiring members to ask for the chairman's permission in advance to engage in the discussion. However, recently Boards are less formal to enable Board members involving in the discussion without an advanced permission.

Your participation as a member in managing Board discussions must reflect the significance of your role and common social niceties, such as:

- Give an appropriate chance to your colleagues to let them speak, whilst maintain the meeting control by the Chairman.
- Interventions/ contributions shall be brief, well-considered, data-based and direct.
- Harsh language, emotional or aggressive behaviors against someone is impermissible by no means, no matter how you care about the subject of the discussion.
- The discussion must be opened, honest and providing sufficient time to discuss important matters.

13.12.1. Decision Making

The traditional approach of voting on all issues is no longer in use during Board meetings. A great attention is being paid upon making decisions by the majority of votes by focusing on reaching an agreement of the entire members regarding a certain matter. If you –as a Board member- firmly oppose a certain decision made, you can record your objection in the meeting minutes. It is preferable to consider this method as a last resort and not a standing practice.

Similarly, these days it is not necessary to have matters “moved” or “seconded” before decision is made, unless directed by the Chairman otherwise.

13.12.2. Resolving Potential Conflict of Interests

In accordance with the provisions of the Law, the Company's Bylaws and any other relevant statutory requirements, the Board is authorized to organize its meetings and deliberations, including procedures to be applied if there is a conflict of declared or actual interests or which may also be considered by any of its members. A conflict of interest arises when a Board member has a personal interest in operations, contracts or activity related to the Company, which may detract from its objectivity and independence in the performance of its duties. A member of the Board has specific responsibilities under the Companies Regulations and the Corporate Governance Regulations and their Implementing Regulations. Such responsibilities force him/her to disclose any personal interests in any matter relating to the affairs of the Company as soon as possible and in accordance with the requirements of the Law.

It is common for a member of the Board to be asked, on a periodic basis, to provide the Company with a list of personal interests so that the Governing Council can identify any possible conflict of interest. The Board member is responsible to keep the Board informed of his/ her actions and personal interests whether or not he is asked to do so and whether the interests are substantial or not. This include:

- Notifying the Company of any affairs in which it has - or may be perceived by others - a conflict of interests.
- Avoiding intervention in decisions related to conviction or conflict of interest.

13.12.3. Other Issues of Conduct

Board members must comply, at any time, with the following:

- Judging matters independently.
- Obtaining sufficient and efficient information to be constant with final results of the discussion.
- Maintain confidential information as Board member under “cohesion/ solidarity of Board members”
- Once you take a decision, remember that “cohesion/ solidarity of Board members” may affect the Company; therefore, it must not be questionable.
- Comply with all work ethics and code of conduct applicable in the Company.

13.13. Code of Conduct

The policy of code of conduct is an official document of the Company’s values and ethics. Such document must be:

- Providing guidance to the members and the necessary practices to maintain the trust in the Company’s integrity.
- Enhancing individuals’ personal and public responsibilities to report or investigate reports of unethical behaviors.
- Ensuring compliance with legal requirements and other obligations towards stakeholders.

The Company adopted Code of Conduct Policy that highlights the required standards of practices to meet the interests of all Stakeholders (This Law includes a copy of Code of Conduct Policy).

13.14. Guiding & instructing Board Members

The new Board members will be provided with initial guidance by the Board to introduce their responsibilities, strategic plans, financial and accounting matters, risk management issues, compliance programs, code of conduct policy, executive directors and independent auditors in the Company.

In the purpose of introducing the duties of the Board members to meet their responsibilities in regard with continuing learning and enhancing their knowledge of the Company and its operations and governance updates, it is appropriate to provide Board members with the following:

- Documents that include information relative to the Company's activity to compare the Company's status and the status of competitors.
- Field visits to the operational facilities and other fields of the Company as part of the Board meeting agenda.
- Legal review, at least once a year, to go through lawsuits and issues related to corporate governance.

13.15. External Consultancy

The Board has the competences to require the assistance of experts or consultants, including legal consultant as what the Board considers, without the consultation or approval of the CEO.

The Company will provide necessary funds, as per the Board estimation, to pay for the services of any consultant or expert.

13.16. Convening Annual General Assembly Meetings

The main role of the Board is the responsibility toward the Company's shareholders. The Annual General Assembly is the forum in which the Board is gathered with shareholders to discuss the Company's performance and deliberate some matters that need the Board's approval. The shareholders provide capital; therefore, the AGA is important to discuss the different issues related to the performance of the Company.

13.17. Preparation of Annual General Assembly Meetings

One of the key elements for convening successful general assemblies is presented in the specified time for the meeting's preparations and arrangements.

An important element of a successful General Assembly is the time allotted for the preparation and organization of the Assembly. Preparing for a meeting in a careful manner is required to pass the right message about the Company especially in difficult situations.

The objectives of the Company should be defined from the meeting and work to meet them. What should shareholders know? What is required to be accomplished at the Assembly meeting? The goal may be as simple as delivering a clear future vision that any shareholder can repeat in one sentence, or provide a simplified explanation (without the use of complex technical terms) to illustrate the results of the company's performance so that each shareholder can understand the factors leading to the annual operating results.

The Chairman of the Board shall refer to successes and compromise or, where appropriate, make concessions. It is also likely that the CEO will address the General Assembly and make his remarks on the company's operational and financial performance since the last General Assembly held. The association must balance the discussion of the Company's performance and address problems. The Chairman of the Board and the CEO shall coordinate so that their statements are consistent and that their conversations do not interfere unnecessarily.

It is desirable to anticipate the questions that will be raised during the Assembly so that the Board can prepare appropriate answers in advance, especially those that will be addressed to the Chairman of the Board so that he can answer them in the presence of shareholders.

The Executive Management shall inform the Board prior to the Assembly on matters of interest to shareholders or those raised by them since the last Assembly convened, making sure that they are fully informed of any matter affecting the Company. Members of the Board shall ensure that any issue raised by shareholders in the last Assembly has been properly addressed.

Each candidate for the election or re-election of the Board membership must know in advance how to present him/herself and know what he/she wants shareholders to know about his/her skills and experience and his/her ability to contribute and pave the way for a better future for the Company. Each member must submit a copy of his/her resume to each shareholder in advance in order to familiarize them with his/her qualifications prior to the election process.

It is essential that the Board member be prepared for any significant potential for the success of the General Assembly. The Board members should therefore recall their presentations and answers to the questions raised so that they can show the shareholders their ability to respond and overcome difficult situations. The board member must ensure that he/she understands the facts of the meeting, its composition, its management strategy and when and on what subject he/she must speak.

There is a statutory obligation for independent auditors to attend General Assemblies to answer any questions raised by shareholders regarding the audit functions or the preparation and contents of the audit report. The Chairman of the Board shall have the opportunity to ask questions to independent auditors regarding the audit functions or the preparation of the contents of the audit report.

The Board of Directors shall prepare for each financial year of the Company a balance sheet, a profit and loss account, a report on the operations of the Company, the financial position of the Company and the proposed method of distribution of dividends. The Chairman of the Board shall sign such documents and shall make copies of them to the shareholders at the Company's headquarters at least fifteen days prior to the date of the General Assembly. The Company shall publish in a daily newspaper distributed in the area where the Company's Head Office is located, the Company's annual balance sheet, the profit and loss account and a comprehensive summary of the report of the Board and the report of the independent auditor.

The date, place and agenda of the General Assembly shall be announced on the Tadawul website of the Company and the website of the Company and in a daily newspaper distributed in the area where the Company's headquarters is located at least twenty two (21) days from the invitation and the agenda to the Administration The Ministry of Commerce and Investment within the period specified for publication.

13.18. Annual GA Post-meeting Arrangements

After the end of the General Assembly, there are a number of tasks to be completed. The minutes of the meeting shall be prepared by the Secretary of the Board, which contents shall reflect all the proceedings, discussions and deliberations of the meeting and the results of the voting, including the number of the proxy attendance. Any items for which comments have been recorded during the General Assembly must be addressed and any undertakings to be followed (e.g. investigation of a specific issue as a result of a shareholder inquiry). Shareholders must be able to obtain a copy of the minutes of the meeting within two weeks after the date of the Assembly. Shareholders shall be notified and any delay shall be justified on the date of distribution of the minutes of the meeting. A copy of the minutes of the meeting distributed to the shareholders shall be the same as the original record without amendment, summary or any restrictions.

Any obligations imposed upon the Company after the General Assembly meeting must be complied with, and the CMA must be provided with the minutes of the meeting, the screening record, the attendance and the results of the vote on the agenda with all required documents. It may be advisable after the General Assembly that the Board and Executive Management hold a mini-meeting to discuss what went well and not during the General Assembly and what should be done as an improvement for future General Assemblies. Such a debate would help in the good planning of the next General Assembly.

13.19. The Secretary of the Board

The Board shall appoint a secretary among its members or a third party, whose competencies and remunerations shall be specified by a Board resolution, unless the Company's bylaws include provisions in connection therewith. The Secretary of the Board may not be dismissed except pursuant to a decision of the Board.

The main responsibilities of the Board Secretary are to ensure that the Board receives the resources and advice necessary to perform its duties entrusted to it and to verify that the actions of the Board members reflect their performance of such duties. This is one of the increasingly important roles of secretaries.

13.19.1. Duties and Responsibilities of the Board Secretary

In order for the Secretary of the Board to perform these duties and responsibilities, he/ she will ensure the following:

13.19.1.1 Providing assistance to the Board

He/ she must devote most of his/her time to supporting the members of the Board. His/ her duties in this regard include the following:

13.19.1.1.1 Organizing Board Meetings

The Secretary of the Board of Directors is responsible for organizing the meetings of the Board. Although the meetings of the Board are mainly the responsibility of the Chairman, the Secretary of the Board is responsible for organizational and administrative matters, such as:

- Preparing meetings of the Board calendar.
- Assisting the Chairman in preparing the agendas of meetings.
- Sending notifications of meetings to all members of the Board.
- Distribution of ballot papers to members of the Board.
- Compilation of written opinions from members of the Board not present at the meeting,
- Delivering written opinions to the Chairman of the Board.
- Documenting the meetings of the Board and preparing minutes thereof, including the discussions and deliberations.
- Indicating the place, start and end date of the meeting, documenting the decisions of the Board and the results of the vote, keeping them in a special and orderly register, and recording the names of the members present and the reservations made by them, if any. Such register must bear the signatures of all attendees.
- Retaining reports submitted to the Board and reports prepared by the Board.
- Providing Board members with the agenda of the Board working papers, documents and information, and any additional information requested by any of the members of the Board relevant to the topics covered in the meeting agenda.
- Ensuring the compliance of Board members with the procedures approved by the Board.
- Informing Board members of Board meeting dates in advance of the date specified.
- Presenting the drafts of the minutes to the members of the Board for their views before signing them.
- Ensuring that members of the Board receive a copy of Board meetings, information and documentation related to the company, the complete minutes, in a timely manner.

- Coordinating among Board members.
- Regulating the disclosure record of the Board members and the Executive Management in accordance with the laws and regulations

In addition, the Secretary of the Board shall assist in meeting the procedures of the Board meetings. He/she must also work with the Chairman to prepare draft minutes of meetings. He/she shall briefly provide information to newly elected members on the following:

- The Company's procedures governing the work of the Board.
- Resolutions in force for the Annual General Assemblies and the Board.
- Availability of information required for Board members to enable them to perform their duties properly.

13.19.1.1.2 Board Access to Information

The Secretary of the Board plays a vital role in assisting Board members in obtaining the information they need to make sound decisions, so the Secretary of the Board allows the Board members a full and timely access to the following:

- Minutes of Board meetings.
- Decisions adopted by the CEO.
- Documents from the CEO.
- Minutes of meetings and reports prepared by the external legal auditor.
- Documents / papers for financial statements.

13.19.1.1.3 Providing Legal Support to Board Members regarding Governance Matters

The Secretary of the Board shall promptly notify the Chairman of the Board of any irregularities of the Company's procedures whenever and wherever he/ she becomes aware of such violations. Such violations include:

- Alleging illegal behaviors or overstepping the limits by Company officials or other Company employees in the performance of their legal duties and obligations,
- Violations of the procedures of organizing AGA, meetings of the Board, disclosure of information or protection of shareholders' rights.

13.19.1.2 With regard to the protection of shareholders' rights

13.19.1.2.1 Organizing the Annual General Assembly meetings

The Secretary of the Board plays an important role in organizing the AGA meetings. Among his/ her duties are the following:

- Preparing a shareholders attendance list,
- Responding to procedural questions related to the Assembly and addressing problems related to the preparation of the Assembly.
- ensuring the retention of minutes of the voting results and the minutes of the General Assembly,
- Ensuring that everyone is bound by the registration procedures to attend the General Assembly,
- Distribute materials (documents) to attendees before and during the General Assembly.

13.19.1.2.2 Enforcement of shareholders' rights

Secretary of the Board shall:

- Ensure that the Company records all submitted complaints by shareholders.
- Distribute and direct the queries provided by the shareholders to the relevant departments and specialists of the company.

13.19.1.2.3 With regard to compliance with disclosure policy and transparency

The Board Secretary plays an important role in assisting the Board and CEO of the Company in fulfilling their obligations to disclose information in a timely manner to the shareholders of the Company, the Capital Market Authority and the Saudi Stock Exchange (Tadawul). The role of the Secretary of the Board in respect to the disclosure of information is as follows:

- Ensuring that the Company operates in accordance with the procedures for the preservation and disclosure of information related to the Company.
- Ensuring secure retention of Company's documents.
- Facilitating shareholders access to information in accordance with all applicable laws.

13.19.2 Qualifications of Secretary of the Board

A full-time employee who allocates all of his/ her time and effort to this task can perform the functions of the Secretary of the Board. When the Board selects this member, the Board must ensure that he/she has high qualifications and skills by assessing his/her education, practical experience, professional background and skills. The Board is responsible for formulating a detailed job description of the duties and responsibilities of the Secretary of the Board and the employment contract. The basic qualifications of the Secretary of the Board include:

- Has a strong presence and good communication skills.
- Understands the Companies Law and the Securities Law.
- Able to mediate between different parties and reach consensus.
- Understands the company's activity.
- Is capable of scrutinizing details, flexible and Creative.
- Knows how overcome the bureaucratic thinking in the company.
- Detecting signs of future events and notifying management early.
- Is able to anticipate the ideas of the Chairman and members of the Board of Directors.

13.19.3. Independence of the Secretary of the Board

In order to work for the Company and its shareholders, the Secretary of the Board of Directors must be protected against any influence of the Executive Management or any other parties. Therefore, the Secretary of the Board must be accountable to and operate under the supervision of the Board of. The Secretary of the Board shall not be a person relative to the Company or its officers, such as being a relative of the CEO or a business partner of the Company.

Qualifications and skills of the Secretary of the Board of Directors	Functions of the Secretary of the Board of Directors with regard to the Board of Directors	Functions of the Secretary of the Board of Directors with regard to the Annual General Assembly
<ul style="list-style-type: none"> • Understands the company's law and financial market regulations • Mediates between and achieve consensus of members, • Understands the company's activity, • Tends to scrutinize details, flexible and creative, • Knows how to overcome the bureaucratic thinking in the company, • Recognize the indicators of the surrounding area and provide Management with early warnings, • Anticipate the needs of the Chairman and members of the Board, • Has a strong presence and good communication skills, • Has a university degree in law, finance, accounting, management or equivalent with relevant practical experience of not less than three years; or have at least five years relevant practical experience. 	<ul style="list-style-type: none"> • Addresses organizational matters for Board meetings, • Explains the procedural requirements of the laws, charters and internal regulations of the Company, • Provides initial training for new elected members, • Helps members of the Board to access information and knows the Company's documents, • Records minutes of Board meetings, • Be committed to meeting procedures, • Communicates with and collects votes from members of the Board and brings together the views of Board members, • Informs all members of the Board of the dates of the meetings. 	<ul style="list-style-type: none"> • Responds to procedural questions during the AGA and addresses the problems related to the preparation and holding of AGA, • Sends the report of AGA results to the shareholders - if requested. • Maintains the minutes of the voting results and the AGA. • Ensures compliance with the procedures of the AGA, • Disseminates the materials (documents) during the AGA.

14. The Policy of Remunerations and Compensations of the Board of Directors Members, Committees and Executive Management

14.1. Objectives: This policy is prepared as per Companies' Law, its Executive Regulations, Corporate Governance Regulations issued by the Capital Market Authority and the Corporate Bylaw, and shall not be amended only upon a recommendation by the Shareholders' General Assembly for an approval, unless the regulations and instructions issued by such authorities include otherwise.

This policy aims at attracting persons with academic, technical, administrative qualifications, retaining and training them to perform their duties professionally and effectively to commensurate with the company's activities and purposes. In addition, it aims at setting clear and specific standards and conditions explaining to shareholders the Company's terms, conditions, and procedures for granting remunerations to the members of the Board of Directors, Committees, and Executive Management.

14.2. Rules & Standards of Remunerations & Compensations:

Without prejudice to the provisions of the Companies' Law, Capital Market Authority Regulations, and their Executive Regulations, and the Corporate Bylaw, remuneration policy shall take into account the following:

- 1- To be consistent with the Company's strategy, objectives, and required skills of the Company management, provided that it shall be fair and commensurate with member's scope of specialty, the duties and responsibilities performed by the Board members, and the objectives designated by the Board to be achieved during the financial year.
- 2- To provide remuneration in order to encourage the members of the Board of Directors and the Executive Management to achieve the success of the Company and its long-term development, by for example making the variable part of the remuneration linked to the long-term performance.
- 3- To determine remuneration based on job level, duties and responsibilities, educational qualifications, practical experiences, skills, and level of performance.
- 4- To be consistent with the magnitude, nature and level of risks faced by the company.
- 5- To take into consideration other companies' practices in determining remunerations, and avoid the disadvantages of such comparison in leading to unjustifiable increases of remunerations and compensations. The remunerations of the Board of Directors' members may vary based on the members' experiences, duties, and number of sessions attended.
- 6- To attract talented professionals, retain and motivate them without exaggeration.
- 7- Such remuneration shall be reasonably sufficient for attracting, motivating, and retaining qualified and experienced members.
- 8- Such remuneration shall be prepared in coordination with the Nomination and Remuneration Committee for new appointments, and based on the recommendation of the Nomination and Remuneration Committee.
- 9- To take into consideration the company scope of business, magnitude, and the experiences of its Board of Directors members.
- 10- To suspend or reclaim remuneration when determined that such remunerations were set based on inaccurate information provided by a member of the Board or the executive management, in order to prevent abuse of power to obtain unmerited remunerations.
- 11- In case of regulating the grant of Company's shares to the Board members and the Executive Management, whether newly issued or purchased by the Company, such action is supervised by the Nomination and Remuneration Committee and shall follow the Corporate Bylaw and the related regulations and policies of Capital Market Authority.

14.3. The Remunerations of the Board Members:

- 1- The remuneration of the Board of Directors' members consists of a certain amount of money, attendance allowance, in kind, or a percentage of net profit- two of the mentioned benefits may be combined together. In case if the remuneration is a percentage, Articles (24) and (50) of the Company's Bylaw Article (76) of Corporates' Law must be followed, and the amount of the member's benefits shall not exceed more than SAR(500,000) annually. The member is entitled to the remuneration from the effective date of membership.
- 2- The Board report to the Ordinary General assembly shall be comprehensive, including all benefits received by the members during the financial year, remunerations, expense allowances etc., the cash received by members, as employees and executives, or as per their exerted efforts including their technical, administrative, and consulting performances. In addition, the report shall include, the number of sessions attended by every member from the last date of the General Assembly meeting, pursuant to the Companies Law, Capital Market Authority Regulations and its Executive regulations.

- 3- The remunerations of the independent members of the Board shall not be a percentage of the achieved Company's incomes, or based, directly or indirectly, on the Company's profitability.
- 4- Remunerations may vary as per the member's experience, specialty, duties, independence, and the number of sessions attended along with other considerations.
- 5- The Board of Directors may not vote for the remuneration article of the Board' members during the Shareholders General Assembly.
- 6- A member of the Board may receive a remuneration or salary for any additional executive, technical, administrative, or consulting performances assigned by the Company, in addition to the received remuneration as a member of the Board and its committees as per the Companies Law, the Corporate Bylaw, CMA Regulations and its Executive regulations.
- 7- Remunerations in form of shares may be granted for the Board of Directors members after meeting the bylaws and procedures in this regard.
- 8- The Company shall cover the cost of traveling-ticket for members living outside Jeddah city.
- 9- The Company shall cover the cost of five- star hotels stay and tickets, whenever the meeting is convened outside Jeddah city.
- 10- All round-trip tickets for members shall be on the First and Business classes.

14.4. Remunerations of Committees:

The work regulation of each committee shall include the remunerations pertained to its members.

14.5. Remunerations of the Executive Management: The remuneration of the Executive Management includes:

- 1- Basic monthly salary to be paid at the end of every Gregorian month.
- 2- Allowances, including but not limited to, housing allowance or providing residence, transportations allowance or providing a car, telephone allowance, and children education allowance.
- 3- Insurance advantages, including but not limited to, medical insurance, and life insurance.
- 4- Fixed remunerations and compensations as per contracts of labor with senior executives. They may receive annual remunerations based on the performance assessment and the achievement of the annual results of the Company specified by the Board. The assessment of the senior executives is mainly based on their professional performance during the year and their achievement of the company's strategic goals.
- 5- Other advantages, including but not limited to, annual leave, annual airway travel tickets, and end of service remuneration.

14.6. Revision and Enforcement:

1. Remuneration and Nomination Committee is specialized in the periodical revision of this policy, assessing effectiveness in achieving its purposes. This policy is subject to periodical updating and revision- when needed, by the Remuneration and Nomination Committee. Any suggested amendments shall be presented by the committee to the Board.

The Board will analyze and revise these amendments and submit recommendations for the approval of the Shareholders General Assembly.

2. This policy will be effective and enforceable from the date of its approval by the Company Shareholders General Assembly.

3. Texts or rules, whatsoever, not stated in this policy, will be subject to the application of the Saudi Companies' Law, the Capital Market Authority and its Executive Regulations and decisions issued by the concerned bodies.

4. This policy will be published, after an approval by the Shareholders General Assembly, in the company website or via any other means for enabling the shareholders, the public and the stakeholders to review it.

15. Audit Committee Policy

15.1. Preamble

This policy is issued as per Companies' Law, its Executive Regulations, the Corporate Bylaw, and Clause (c) from Article (54) of Corporate Governance Regulations issued by the Board of the Capital Market Authority. This clause states that "The Company's General Assembly shall, upon a recommendation of the Board, issue a regulation for the audit committee which shall include the rules and procedures for the activities and duties of the committee, the rules for selecting its members, the means of their nomination, the term of their membership, their remunerations, and the mechanism of appointing temporary members in case a seat in the committee becomes vacant."

15.2. Formation of Committee & the Term of its Membership

a) An audit committee shall be formed by a resolution of the Company's Ordinary General Assembly as per the Board of Directors' nomination. The members of the audit committee shall be three members from shareholders or others, provided that at least one of its members is an independent Director and that no Executive Director is among its members, and one of its members is specialized in finance and accounting. The committee members are elected in accordance with the company's activities.

b) The Chairman of the audit committee shall be an elected member by the majority of the committee's members within the first meeting.

c) The committee shall appoint a secretary among its members, company employees, or the secretary of the Board within the first meeting after the formation.

d) The term of the committee membership shall not exceed the period of the term of the Board, three years.

e) The Chairman of the committee or his deputy shall attend the General Assembly Meetings and answer any questions raised by the shareholders.

f) Any person who works or has worked in the Company's Finance Department, the Executive Management or for the Company's external auditor during the preceding two years may not be a member of the audit committee.

g) The Company shall provide the CMA with the names of the members and the types of their memberships in such Board's committees within five (5) days of their appointment, and shall notify the Authority of any changes thereto within five (5) days of the date of such changes.

h) In case a seat in the committee becomes vacant, the Board of Directors can appoint a temporary member, who shall have relevant experience and efficiency. The Authority shall be notified within (5)

working days prior to the date of appointing, and the appointment shall be presented at the Assembly during its first meeting. The new appointed member shall cover his/her period of time.

i) The committee membership ends by the end of its term or by the end of the member's time as per any law, regulation, or proceeding rules in the KSA. However, the Assembly may dismiss all or any of the committee members without prejudice to the dismissed member's right for compensation if the dismissal was unacceptable for any reason, provided that any member of the committee may resign.

15.3. Audit Committee Meetings

1) The audit committee shall convene periodically, provided that at least four, or more, meetings are held during the Company's financial year by a written invitation by the Chairman of the committee. The invitation may be hand-delivered, sent by e-mail or mail. The committee may run remote meetings and issue resolutions by circulation and present them to every member, unless if a member requested a meeting for discussing matters regarding the recent resolution. The resolutions by circulation shall be presented to the committee during its first meeting. The committee meetings are valid if attended by the majority of its members. Resolutions of the committees shall be issued by a majority of the votes present and, in case of a tie, the chairman of the relevant committee shall have the casting vote. In order to appoint a deputy by a member he/ she shall comply with the following:

a) The issued proxy must be in writing and specified for a certain meeting.

b) A committee member shall not be appointed as a deputy for more than one member at the same meeting.

2) The audit committee shall convene periodically with the Company's external auditor and internal auditor, if any. The internal auditor and the external auditor may call for a meeting with the audit committee at any time as may be necessary.

3) In case if a member was not able to attend due to circumstances beyond his control, as traveling, he may attend remotely as by using methods of contemporary technologies and shall be signed as present.

4) Except for the Secretary and the committee members, any Board or Executive member shall not attend meetings, unless requested by the committee otherwise.

5) Documenting the meetings and preparing minutes therefor, which shall include the discussions and deliberations carried during such meetings, and recording the decisions of the Board and voting results and retaining them in a special and organized register, and including the names of the attendees and any reservations they expressed (if any),. Such minutes shall be signed by all of attendees.

6) The committee may gather in separated sessions during its meetings with the Executive Management, Internal Auditors and the Company's Accounting Auditor to discuss and review any related matters, if necessary.

15.4. Competencies, powers and responsibilities of the Audit Committee

The audit committee shall be competent in monitoring the Company's activities and ensuring the integrity and effectiveness of the reports, financial statements and internal control systems. The duties of the audit committee shall particularly include the following:

15.4.1) Financial Reports:

1) Analyzing the Company's interim and annual financial statements before presenting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness and transparency;

2) providing its technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable, and contain information that

allows shareholders and investors to assess the Company's financial position, performance, business model, and strategy;

3) analyzing any important or non-familiar issues contained in the financial reports;

4) accurately investigating any issues raised by the Company's chief financial officer or any person assuming his duties or the Company's compliance officer or external auditor;

5) examining the accounting estimates in respect of significant matters that are contained in the financial reports;

6) examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon;

7) reviewing, with the Executive Management, Accounting Auditor and the Internal Audit department, Separately, the following:

- ❖ Any significant conflict between the Management and the independent auditors or the Internal Audit department regarding the financial statements.

- ❖ Any difficulties raised during auditing, including obstacles or barriers, in the framework or in accessing any required information.

8) The committee shall discuss with the accounting auditor the quality, appropriateness, and acceptability of the Company's accounting standards and disclosure of financial information practices as followed currently in the company to issue financial statements, without the attendance of the Executive Management.

15.4.2 Internal Audit:

1) examining and reviewing the Company's internal and financial control systems and risk management system;

2) analyzing the internal audit reports and following up the implementation of the corrective measures in respect of the remarks made in such reports;

3) monitoring and overseeing the performance and activities of the internal auditor and internal audit department of the company, if any, to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties. If the Company has no internal auditor, the committee shall provide a recommendation to the Board on whether there is a need to appoint an internal auditor; and

4) providing a recommendation to the Board on appointing the manager of the internal audit unit or department, or the internal auditor and suggesting his/ her remunerations.

15.4.3 Accounting Auditor:

1) providing recommendations to the Board to nominate external auditors, dismiss them, determine their remunerations, and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts;

2) verifying the independence of the external auditor, its objectivity, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards;

3) reviewing the plan of the Company's external auditor and its activities, and ensuring that it does not provide any technical or administrative work that are beyond its scope of work, and provides its opinion thereon;

4) responding to queries of the Company's external auditor; and

5) reviewing the external auditor's reports and its comments on the financial statements, and following up the procedures taken in connection therewith.

15.4.4 Ensuring Compliance:

- 1) reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith;
- 2) ensuring the Company's compliance with the relevant laws, regulations, policies and instructions;
- 3) reviewing the contracts and proposed Related Party transactions, and providing its recommendations to the Board in connection therewith; and
- 4) reporting to the Board any issues in relation with what it deems necessary to take action on, and providing recommendations as to the steps that should be taken.

15.4.5 Risk Management

Audit committee shall carry out the following responsibilities to keep fulfilling its role with regard to risk management:

Defining risks

- Ensuring adequate the necessary structures, operations, and responsibilities to determine and control the main risks encountered by the Company.
- Encouraging managers to raise awareness of risks at the different departments of the Company.

Risks Record

- Ensuring that the Company maintain an updated record of the Company's strategic and operational risks.
- Reviewing risks based on the strategy of risk management.
- Reviewing the Risk Record at least once a year.

Risk Policies & Measures

- Ensuring that the Company has an updated strategic risk management connected to the policies and measures in compliance with regulatory and legal requirements and Code of Conduct.
- Fostering and supervising the implementation of risk management and relevant policies.
- Ensuring the effective continuity of operational performance of the policies and measures of risk management.

Reports

- receiving quarterly reports regarding complaints and incidents and ensuring effective solving.
- Adopting and approving necessary steps to go over significant incidents or apply the external or internal audit recommendations by the internal or independent auditors.

Risk Management Training

Providing recommendations to the Board regarding the training requirements of risk management for the Board members and employees based on the training needs test in the Company.

15.4.6 Other Duties:

- 1) reviewing the subjects reported by the Board, and reporting its recommendations back to the board to take actions on, or issuing resolutions if requested by the Board. The Board is always responsible for such resolutions;

- 2) reviewing the qualifications of the employees internal auditors department, having the reasonability to replace, reappoint, or dismiss the internal audit manager department, and constantly assessing the performance of the internal audit department;
- 3) ensuring the implementation of the corrective measures in respect of the matters, complains and conflicts raised by stakeholders;
- 4) reviewing any resolutions issued by the Executive Management, for consultation, delivered by the auditors regarding significant accounting issues;
- 5) ensuring the capability of the department to respond to the suggestions of the internal auditors in reasonable period of time; and
- 6) the Committee is authorized to perform its monitoring role, by investigating any related matter, having the absolute freedom to access all the company's books, logs, documents, facilities, and employees, and may call for consulting assistance, as appointing internal or external experts and specialists, the appointment shall be recorded on the meeting's minutes, along with the name of the expert/ specialist and his/her relation with the company or the Executive Management.

In order to perform its duties, the audit committee may:

- 1) review the Company's records and documents.
- 2) request any clarification or statement from the Board members or the Executive Management.
- 3) request that the Board calls for a General Assembly Meeting if its activities have been impeded by the Board or if the Company has suffered significant losses and damages.

15.4. 7 Reports of the Audit Committee:

- a) The committee shall prepare reports assessing the efficiency of the company's internal monitoring system, and summarizing recent activities within its scope of work. Provided that the Board shall show the commitment of providing adequate copies of this report at the headquarter, 21 days at least prior to the meeting due date, in order to provide any shareholder requests a copy of the report, provided that the report shall be read during the meeting.
- b) The committee shall submit summary reports to the Board after each meeting.

15.4. 8 Conflict between the Audit Committee and the Board

If a conflict arises between the recommendations of the audit committee and the Board resolutions, or if the Board refuses to put the committee's recommendations into action as to appointing or dismissal the company's external auditor or determining its remuneration, assessing its performance or appointing the internal auditor, the Board's report shall include the committee's recommendations and justifications, and the reasons for not following such recommendations.

15.4.9 Providing Remarks

The audit committee shall develop arrangements that enable the Company's employees to confidentially provide their remarks in respect of any inaccuracies in the financial or other reports. The audit committee shall ensure that such arrangements are implemented through an adequate independent investigation in respect of the error or inaccuracy, and shall adopt appropriate follow-up procedures.

15.5. Remuneration of the Audit Committee:

- 1) The remuneration for each member of the committee is SAR (10,000) per meeting.

- 2) The Company shall cover the cost of traveling-ticket for members living outside Jeddah city.
- 3) The Company shall cover the cost of five- star hotels stay and tickets, whenever the meeting is convened outside Jeddah city.
- 4) All round-trip tickets for members are on the First and Business classes.
- 5) The Board annual report shall include all the remuneration granted to each member.

15.6. Revision & Enforcement:

- a) The content of this policy shall be reviewed as per the recommendation of the Board, if needed, provided that any further amendments shall be reported to the General Assembly of the Shareholders for approval, at the upcoming meeting.
- b) After the approval of the General Assembly of the Shareholders, this policy shall be effective.
- c) Items not included in this policy are subject to the Saudi Companies' Law, the CMA and its Executive Regulations, the Corporate Bylaw, and other resolutions issued by such authorities.
- d) This policy shall be available, after the approval, in the company website or via other means to facilitate the access of shareholders, stakeholders and the public.

16. Remuneration and Nomination Committee Policy

16.1. Objective: This policy is prepared as per Corporates' law, its Executive regulation, Corporate Governance Regulation issued by the Capital Market Authority and the Company Bylaw. The aim of the formation of Remuneration and Nomination Committee is to verify the appropriateness of the Board and Executive Management Members compensations and remunerations and ensure conformity with the Company strategy. Also it shall ensure the independence of the Board Members and their nomination shall be in accordance with the membership policies and standards, approved by the Shareholders General Assembly and according to the conditions stated in the Corporates law, its Executive regulation, the Company By-law, Capital Market law, its executive regulations. In addition, it will be responsible for the assessment of the Board Members, and its committees, and the supervision of administrative replacement plans in the Company's Executive Management. The committee will be responsible for its work before the Board and will analyze, within the scope of its specialty, any work submitted by the Board, and it shall deliver its recommendations to the Board to make resolution thereto.

According to clause (7) of Article (50) of Corporate Governance Regulation which states that "a Company may combine remuneration and nomination committees into one committee named remuneration and nomination committee. In such case, the remuneration and nomination committee must satisfy the requirements related to any of and practice all specialties prescribed."

16.2. Rules of Selecting Members of Remuneration and Nomination Committee, the process of their Nomination and Membership Duration:

1. A committee named Remuneration and Nomination Committee is to be formed, by a resolution from the Company Board. It should be formed of three members, other than the Executive Board Members, provided that they include, at least, an independent member, and the committee members are to be selected in a way that

guarantees the availability of varied skills and experiences, appropriate for the company works and activities.

2. The committee members may include independent board members, and may request the assistance of the non-executive members, or other than the Board members, whether they are shareholders or else.

3. The chairman of the Board may be a member of Remuneration and Nomination Committee, provided that he should not be the chairman of the committee.

4. The committee chairman should be one of the independent members and should be assigned in the first meeting of the committee, after its formation.

5. The committee assigns a secretary among its members or assigns the Board secretary as a secretary for it, or assigns one of the company employees, during its first meeting, after its formation.

6. The committee membership ends by the end of its duration or by the end of the member validity/eligibility, according to any valid law or regulation or instructions in the Kingdom. However, the Board can, at any time, remove/seclude all the committee members or some of them, and the committee member can resign from the committee membership.

7. The committee can form sub-committees and authorize them of specific jurisdictions, when necessity arises.

8. The committee`s membership duration should not exceed the Board membership duration, which is three years.

9. If the status/position of one of the committee`s members has become vacant, the company Board should assign a member in the vacant status/position, provided that he is to be experienced and competent.

10. The Company should notify the CMA of the committee member names and their membership status within five working days from their assignment date. Also, any changes related to that should be notified within five working days, from the date of the occurrence of those changes.

11. The committee chairman or the person deputing him from its members, should attend the general assemblies, for answering the queries of shareholders.

16.3. Committee Meetings

1. The Remuneration and Nomination Committees shall hold periodical meetings, each year/six months, at least, and whenever necessity arises, by an invitation by the committee chairman. The invitation is to be in writing and it can be hand-delivered, sent by post, or e-mail, five days prior to the meeting date. Any member of the committee or the Board chairman can request the committee chairman to call the committee for a meeting, and it can hold a meeting remotely, and issue resolutions by circulation through presenting them to all members, unless one of the members requests, in writing, a meeting of the committee

for discussing the matters included in the resolution. The resolutions issued by circulation will be presented to the committee during its upcoming meeting. The Remuneration and Nomination Committee meeting is valid by the attendance of the majority of its members. Resolutions of the committees shall be issued by a majority of the votes present and, in case of a tie, the chairman of the relevant committee shall have the casting vote. In order to appoint a deputy by a member he shall comply with the following:

- A. The proxy is to be fixed by writing, and in connection with a specific meeting.
 - B. The committee member should not be a deputy for more than one member at the same meeting.
2. In case that the committee member is not able to attend, on his behalf, any of the committee`s meetings, due to his/her travel, or for any other urgent reason, he/she can participate in the committee`s meetings via modern technology means “group telephonic conversation“. Such participation, in this case, will be considered as attended.
 3. No Board or Executive Management member, except the committee secretary and its members, has/have the right to attend its meetings, only in case that the committee requested his opinion and recommendation.
 4. The committee meetings documents and minutes should be prepared, including the discussions carried during such meetings; documenting its recommendations and voting results and retaining them in a special log. The committee presents brief reports to the board, after each meeting.

16.4. Duties and Responsibilities of Remuneration and Nomination Committee

16.4.1 Remunerations:

1. Preparing a clear-cut policy for the remunerations of the Board` members, committees and the Executive Management, submitting the policy to the Board for consideration, for an approval by the General Assembly, provided that it should be taken into consideration, in that policy, to follow standards related with performance, revealing them, and verifying their enforcement.
2. Explaining the relation between the granted remunerations and the applicable remuneration policy, along with indicating any crucial breach of this policy.
3. Periodical reviewing of remuneration policy and evaluating its efficiency in achieving goals.
4. Recommendation to the Board for the remunerations of the Board` members, committees and company senior executives, according to the approved policy.

16.4. 2. Nominations:

1. Proposing clear-cut policies and standards for the membership of the Board and executive management.

2. Recommendation to the Board to nominate and re-nominate members, according to the approved policies and standards, these nomination shall not include any person who previously convicted a crime in relation with dishonesty.
3. Preparing a description for the capabilities and qualifications required for the board membership and occupation of the executive management positions.
4. Determining the amount of time that the member shall allocate to the activities of the Board.
5. Annual revision for the necessary requirements of skills or experiences appropriate for the membership of the Board and the positions of Executive Management, along with highlighting weaknesses and strengths of the Board and the Executive Management, and proposing solutions that serve the company's interest.
6. Revising the Board and Executive Management structure, and submitting the recommendations in relevant with the changes that can be done.
7. Annually, ensuring the independence of the independent members in the Board and the absence of any conflict of interests, if the member of the board also acts as a member of the Board of another company.
8. Providing a job description for the executive, non-executive, and independent members in addition to senior executives.
9. Setting special procedures in case of vacancy of the status of one of the Board or senior executive members.
10. Determining weaknesses and strengths of the Board and the Executive Management, and recommending solutions that serve the company interest.
11. Setting a mechanism for training the new board members and introducing them to the company duties and activities, to enable them to perform their work competently.
12. Analyzing and reviewing the company organizational structure and reviewing the Executive Management and the company senior executives' performance.

In addition to the above-mentioned duties, Remuneration and Nomination Committee has the right to:

1. Investigating and enquire any subject within its duties and specialties or any subject requested by the board.
2. Reviewing the company records and documents and requesting any clarification or indication from the board or executive management members or the company employees, for the purpose of inquiry about any information.
3. The committees may seek assistance from any experts or specialists, whether internal or external, within the scope of its powers. This shall be included in the minutes of the committee meeting; the minutes states the name of the expert and his relation to the Company or its Executive Management., and the company may request the attendance

of any employee, manager, the company lawyers, or the independent auditors, for holding a meeting with the committee or with any of its members or consultants.

16.5. Nomination Procedures

A. When nominating a Board member, the nomination committee shall take into consideration the provisions of these Regulations and the requirements stated by the Corporate Governance regulation, and what the Authority decides regarding requirements and availability of membership standards in the Board approved by the Shareholder General Assembly.

B. The number of nominees to the Board whose names are presented to the General Assembly shall be more than the number of the available seats to give a chance to the General Assembly to select the Board members among those nominees.

16.6. Publication of Nomination Announcement:

The Company shall publish the nomination announcement on the websites of the Company and the Exchange and through any other mean specified by the Authority; to invite persons wishing to be nominated to the membership of the Board, provided that the nomination period shall remain open for at least a month from the date of the announcement.

16.7. The Remunerations of Remuneration and Nomination Committee

1. The Remunerations of Remuneration and Nomination Committee Members will be SAR 10,000 for each committee member, for each meeting of the committee.
2. The Company covers the costs of travel tickets for the committee members living outside Jeddah city.
3. The Company covers the costs of 5-star-hotel-stay and tickets for all the committee members, in case of holding the meeting outside Jeddah city.
4. All travel tickets (round-trip) for the committee members will be on first and business classes.
5. The annual Board report should include a list of remunerations granted to every member of the committee members.

16.8. Revision and Enforcement

1. The content of this policy will be revised, as needed, upon a recommendation by the Board, provided that these amendments are to be submitted to the Shareholders General Assembly for approval in the nearest meeting.
2. This policy will be effective and enforceable from the date of its approval by the company Shareholders General Assembly.
3. Texts or rules, whatsoever, not stated in this policy, will be subject to the application of the Saudi Companies' Law, the Capital Market Authority and its Executive Regulations and decisions issued by the concerned bodies.

4. This policy will be published, after an approval by the Shareholders General Assembly, in the company website or via any other means for enabling the shareholders, the public and the stakeholders to review it.

17. Dividend Distribution Policy

The Dividend Distribution Policy is prepared as per the requirements of Article (9) of Corporate Governance Regulations, Companies Law and Corporate Bylaws.

17.1 . Payment Date of Dividends:

The Board shall execute the General Assembly resolution regarding distribution of dividends to the registered shareholders who owned shares on the eligibility date within 15 days from the due date determined in the General Assembly resolution, or Board resolution for distributing interim dividends.

Dividends shall be paid to the shareholders in the place and date determined by Board.

17.2. Dividends Distribution Announcement:

1- Announcement for the Distribution of Interim Dividends.

The company is obliged to make a prompt disclosure and announcement on TADAWUL, whenever a resolution is made by the Board for the distribution of interim dividends on a biannual or quarterly basis. Moreover, it shall provide the CMA with a copy of the Board resolution after the issuance.

2- Announcement for the Distribution of Annual Dividends.

Based on the Board recommendation, the Shareholders General Assembly shall vote for the distribution of annual dividends. The Company is committed to the Board resolution to recommend an annual dividend to the General Assembly for voting and immediately should disclose and announce that on TADAWUL website.

The announcement issued by the company should include the following:

- **Date of the Board resolution.**
- Distribution period (annual, interim, biannual or quarterly).
- **Total distributed amount.**
- **Number of shares entitled for dividends.**
- **Distribution amount per share.**
- **Distribution percentage to the nominal share value.**
- **Date of entitlement.** The eligibility will be to those shareholders who owned shares on the eligibility day, and registered in the Securities Depository Centre on the end of the second trading day following the eligibility day.
- **Date of distribution** (In case if distribution date is not fixed), “Date to be announced” shall be mentioned.

17.3. Sources and Amounts of Dividends:

a) The company's annual net profits shall be distributed as follows:

1. 10% of the net profits are to be set aside to form the company's statutory reserve. The Ordinary General Assembly may choose to stop this reserve once it reaches 30% of the capital paid.
2. The Ordinary General Assembly based on the proposal of the Board may set aside (10%) of the net profits to form voluntary reserve to be allocated to the determined objective or objectives as per the resolution made by the Shareholders Ordinary General Assembly.
3. The Ordinary General Assembly may resolve to form other reserves to meet the interests of the company, or to ensure the distribution of fixed dividends for shareholders, as possible. The mentioned assembly may likewise deduct amounts from the net profits to establish social institutions for the company's employees or to assist the performance of such institutions.
4. The balance thereafter shall be distributed among the shareholders in a proportion representing (5%) of the paid up capital.
5. Subject to the provisions laid down in Article 76 of the Companies' Law and Article 24 of the Company Bylaws, a proportion of (10%) of the balance shall thereafter be allocated to remunerate the Board of Directors, provided that the remunerations and financial benefits for each Board member shall not exceed SAR 500,000.

b) Distribution of interim dividends:

A Company may distribute interim dividends to its shareholders on a biannual or quarterly basis after fulfilling the following legal requirements:

- 1) The issuance of annual resolution by the General Assembly authorizing the Board to distribute interim dividends.
- 2) The company shall enjoy regular positive profitability.
- 3) The company shall enjoy reasonable liquidity, and able to reasonably foresee the scale of its profits.
- 4) The Company shall have distributable profits based on the latest audited financial statements. These profits shall be sufficient to cover the proposed dividend distribution, after deducting the amounts distributed and capitalized of the dividends, after the date of these financial statements.

In addition to any official requirements that may be requested by any of the concerned bodies in KSA.

17.4. Eligible Shareholders for Dividends:

The entitlement of receiving dividends is for shareholders who owned shares in the due date specified in the Board resolution to distribute biannual or quarterly basis interim dividends, which will be announced on TADAWUL. Alternatively, it is for those who owned the shares at the end of trading day of AGM meeting, and AGM approval to distribute annual dividends. The resolution shall highlight the entitlement and distribution dates, provided that this resolution shall be implemented in accordance with the stated rules and procedures issued for the implementation of the Bylaws of the listed joint stock companies.

17.5. Revision and Enforcement:

1. The Board shall revise the content of this policy, as may be necessary.
2. This policy will be effective and enforceable after the approval of the Board on

3. Texts or rules, whatsoever, not stated in this policy, will be subject to the application of the Saudi Corporates' Law, its regulations, Capital Market Authority law and its executive regulations, the Company Bylaws and resolutions issued by the concerned bodies.

18. Internal Control & Monitoring Systems

The Board shall ensure applying, implementing and complying with the internal control and monitoring systems as stipulated in this Code, the policies adopted by the Company or in the relevant regulations and rules on all the Company's financial, operational and administrative activities approved by the Board and implemented by the Executive Management and the Company's employees. Accordingly, the Board shall ensure the following:

- a) The internal audit unit is separate from the executive management, through reporting functionally to the Audit Committee and administratively to the CEO. Internal audit assesses the efficiency and effectiveness of internal control, governance and risk management systems to protecting the interests and assets of the Company and achieving its objectives. The Internal Audit shall submit a written report about its work to the Board and the Audit Committee on a regular basis, including an evaluation of the internal control system of the Company, its findings and recommendations, the procedures taken by each department to address the results, recommendations of the previous audit, and particularly untimely solutions and causes of unsolved ones. The Internal Audit functions in accordance with a comprehensive audit plan approved by the Audit Committee. The main activities and operations should be reviewed at least once a year.
- b) Conflicts of interest- The management shall take the necessary measures to avoid appointments that may lead to conflicts of interest, as well as to identify and resolve situations that may exist. To meet this purpose, the management shall educate the Company's employees on the importance of compliance in this area, and takes some steps such as obtaining written assurances from them in this regard.
- c) Financial Reporting - The Financial Management Department follows policies and procedures designed to prepare accurate financial reports in accordance with applicable local regulations and international accounting standards and to be issued in a timely manner.
- d) Risk Management - The management establishes and implements an effective and structured management to identify and control risks that may hinder the Company in meeting its objectives. To this end, and for systematic risk management, the Company's management develops and documents a risk management strategy and policy in a dedicated register.
- e) Internal Control System - The executive management of the Company ensures the existence of effective internal control systems by developing, documenting, implementing and following up the implementation of the policies and procedures governing the various departments and operations in the Company in a manner that regulates the responsibilities, powers and procedures. In addition to ensuring strict controls that contain compliance with Company policies, regulations, and government regulations, the Board has adopted the Code of Conduct Whistle Blowing Policy to provide appropriate guidance to employees on work ethics and professional conduct, as well as to provide secure communication channels that guarantee the rights of all parties. These policies also strengthen the Company's rules and procedures to adhere to the principles of corporate governance to achieve the highest degree of transparency,

discipline and accountability, encouraging employees and customers to report violations that may affect their business, interests, reputation and assets whenever they notice a violation. So that the amount will be assessed and protected by the Company.

- f) Delegation of powers - The various commercial transactions and financial payments are approved and implemented according to the system of delegation of authority approved by the Board, which was considered in preparing the internal control system of the Company in a manner that ensures the protection of the assets and interests of the company.
- g) Board Committees - In the course of carrying out its responsibilities, the Board shall delegate certain functions to the management of the Company and some committees such as its Audit Committee, which will mainly assist in supervising the activities of the Company's external and internal auditors, in addition to other tasks such as ensuring the integrity of the internal control the effectiveness of risk management. The adequacy of the internal control structure and of the Company and the procedures established are assessed to verify compliance with the laws and regulations, and the following, application and compliance with internal control systems shall be reviewed periodically by the Audit Committee and submitted to the Board of Directors in this regard.
- h) External auditors - The Board also obtains assurance about the accuracy and validity of the financial statements and complies with established accounting principles, using external audit services provided by reputable international audit firms.
- i) The Board assesses policies and procedures related to risk management and applies the provisions of the Company's corporate governance rules, compliance with relevant regulations and rules, ensuring clear standards of responsibility at all levels of the Company's executive and related parties' transactions and conflicts of interest in accordance with the special provisions and controls of the Company.

The Company may also use external entities or offices to exercise the functions and duties of the risk assessment and risk management units and departments, and the internal audit. This shall be without prejudice to the Company's responsibility for these functions and responsibilities.

19. Risk Management Policy & Strategy and Risk Appetite

First: Risk Management Policy

Terms & Definitions

Business Process Integration - Comprises the activities, tasks and steps required to ensure business processes are designed and operated to reflect all obligations and that these processes are fully embedded in the business to effectively manage all types of organizational risks.

Risk - Effect of uncertainty on objectives. Where an effect is a deviation from the expected — positive and /or negative. Objectives can have different aspects (such as financial, health and safety, and environmental goals) and can apply at different levels (such as strategic, organization-wide, project, product and process). Risk is often characterized by reference to potential events and consequences or a combination of these.

Risk Appetite - Addresses the balance of risk and reward that the organization is willing to accept. It highlights the amount of risk that the organization is willing to accept whilst detailing the associated decisions' authorities.

Risk Drivers - Addresses root causes of risks through risk analysis techniques such as Fishbone diagram.

Risk Management - Coordinated activities to direct and control an organization with regard to risk.

Risk Profile - Comprises the catalogue of risks, defined with root causes and potential likelihood and impact.

Risk Strategy - Encompasses how the business aims to integrate risk management into its strategy of delivering stakeholder value and meeting its business objectives. It aids decision making and effective use of scarce resources.

Stakeholders - Persons or organizations that can affect, be affected by, or perceive themselves to be affected by a decision or activity.

1. Introduction

This document provides the policy for the Risk Management within Saudia Dairy & Foodstuff Company (SADAFCO). This policy defines details of the scope and purpose of Risk Management along with key policies that govern the Risk Management practices at SADAFCO.

2. Purpose of the Policy

It is imperative that our business remains resilient; to achieve this, a structured Risk Management policy will be implemented and maintained across SADAFCO.

At SADAFCO; our primary concern is the safety and well-being of our staff, stakeholders, and the environment together with our capability to maintain the key activities which support achieving our objectives. Practical and robust Risk Management is vital to respond to any major threat or risk that could damage our organization and core services.

3. Scope of the Policy

The scope of this policy covers all SADAFCO functions and departments. Other entities or functions outside SADAFCO operations are out of the scope of this policy.

4. Risk Management Strategy

SADAFCO shall have an approved clear statement of SADAFCO's risk management mission, vision and a set of objectives aligned to SADAFCO's overall strategy.

SADAFCO Risk Management Strategy shall be reviewed and approved as per SADAFCO's Delegation of Authority Limits Matrix (DAL).

SADAFCO shall ensure the availability of financial resources to support the Risk Management operations and initiatives. SADAFCO is committed to provide the required resources and training programs to the Risk Management process in order to achieve its Risk Management objectives.

5. Risk Appetite

SADAFCO shall have approved clear statements of risk appetite and tolerance limits for the top risks at SADAFCO.

SADAFCO's overall strategy shall be reviewed to ensure consistency with SADAFCO's Risk Appetite.

SADAFCO Risk Appetite shall be reviewed and approved as per SADAFCO's DAL.

6. Risk Management Integration

SADAFCO management shall ensure Risk Management activities are integrated within the day-to-day decision making process at SADAFCO.

SADAFCO management shall consider Risk Management in any major change that takes place in any program or initiative, or as a result of any change in SADAFCO operations. In addition, SADAFCO shall consider risk management in all contractual aspects on a regular basis.

SADAFCO management shall assign the Risk Management responsibility to Executive Management Team at SADAFCO, including risk management activities and risk identification.

Assessment, treatment and monitoring shall be conducted in-house by adopting a standard process to manage risks, or by outsourcing the process to a third party consultant.

7. Risk Profile

SADAFCO Risk Profile shall be reviewed and updated on an annual basis, and shall be approved as per SADAFCO's DAL.

8. Reviews and Changes to the Risk Management documents

The ERMS, and all other subsequent changes, reviews and amendments to it, shall be reviewed and approved regularly as per the following table:

Documents	Periodical Review/Approval	Responsibility of Review	Approval of Modifications
Risk Management Policy	Every 3 Years	Executive Management Team	Board of Directors
Risk Strategy and Appetite	Annually	Executive Management Team	Board of Directors
Risk Profile	Annually	Executive Management Team	Chief Executive Officer (CEO)

9. Custody and Archiving of the Risk Management Documentation

Executive Management Team & CEO are deemed responsible for the safekeeping and maintenance of the Risk Management relevant documentation. Archiving process for the Risk Management documentation shall follow SADAFCO's archiving guidelines.

10. Access to the Risk Management Documentation

Access to the Risk Management documentation shall be granted to SADAFCO employees authorized by the CEO.

Second: Risk Management Strategy and Risk Appetite

1. Risk Management Strategy

1.1. Definition of Risk Management Strategy

Risk Management Strategy is the backbone and the enabler of any Risk Management Function, and is considered a key factor in the success of any Risk Management Initiative.

- Risk Management Mission is SADAFCO’s mission with respect to the treatment of the loss of exposures. It is necessary in order to have effective management and administration of the risk management practices. Risk Management Mission has the advantage of raising awareness of the key stakeholders about the risk management process at SADAFCO.
- Risk Management Vision outlines what SADAFCO wants to be pertaining to risk management practices; it is the long-term view of Risk Management at SADAFCO and concentrates on the future.
- Risk Management Objectives are the means by which SADAFCO shall ensure achievement of its Risk Management Mission and Vision effectively and efficiently. Risk Management Objectives depict the Risk Management functional objectives that would align the risk management practices with SADAFCO’s overall expectations and strategic direction.

Risk Management Strategy will assist SADAFCO in the following:

- a) Set the tone for SADAFCO management with emphasis on the importance of Risk Management and culture at SADAFCO.
- b) Raise awareness of all SADAFCO’s employees on Risk Management.
- c) Achieve and demonstrate good governance practices.
- d) Promote strong assurance to stakeholders.
- e) Improve reputation and public trust.
- f) Focus on outcomes rather than processes and practices only.

1.2. SADAFCO’s Overall Strategy

SADAFCO’s overall approved Strategy is set as below:

Vision Statement

“To be the brand of choice”

Mission Statement

“Develop, produce, and market a range of nutritious food propositions, for consumers of all age groups, and create maximum shareholder value through team work”

Values

- a) Integrity
- b) Respect for all
- c) Passion
- d) Quality

Objectives

Theme	Objectives
Market	<ul style="list-style-type: none">• Build profit growth through “Saudia” Brand• Continuously improve efficiency and effectiveness of sales across all depots• Expand into new geographies and channels• Expand Trade marketing
Operations	<ul style="list-style-type: none">• Improve planning/forecasting efficiencies• Create lean procurement• Increase manufacturing capability• Continue to improve supply chain
Organization & People	<ul style="list-style-type: none">• Build HR Capability• Create and stimulate SADAFCO to learn• Commit to Saudization and diversity• Live the values and have fun
Finance	<ul style="list-style-type: none">• Achieve financial targets

1.3. SADAFCO’s Risk Management Strategy

In-line with SADAFCO’s approved strategy, the following elements comprise SADAFCO’s Risk Management Strategy:

Risk Management Mission Statement:

“The Risk Management Function aims at developing enterprise-wide risk management practices through which risks are identified, understood and proactively managed in-line with SADAFCO’s strategic directions.”

Risk Management Vision Statement:

“Throughout the coming three years, our vision is to provide more resilience into our operations through successful implementation of an Enterprise Risk Management Framework.”

Risk Management Objectives:

Short Term Objectives:

- To comply with Saudi Capital Market Authority (CMA) requirements
- Identify, assess, treat and monitor key strategic risks in order to support the achievement of SADAFCO’s strategic goals and objectives.

Long Term Objectives:

- Develop and implement an effective and efficient risk management framework for: identifying, assessing, analyzing, evaluating, responding, monitoring and reporting risks at SADAFCO.

- Integrate various risk management concepts into a framework within which a common definition is established, components are identified, and key concepts are described.
- Establish response teams able to effectively manage risks that may affect SADAFCO’s strategy and operations.
- Establish a risk aware culture across SADAFCO.
- Build a strong infrastructure utilizing best practices to facilitate effective functioning of the Risk Management process.

2. Risk Appetite Framework

2.1. Introduction

Risk appetite is the amount of risk, at a general level, that SADAFCO is willing to accept in pursuit of its objectives. It is an expression of the willingness/capacity of SADAFCO to tolerate high/low levels of exposure to risk and volatility in order to achieve its strategic objectives.

Setting risk appetite is a subjective process which balances the expected returns that can be generated by taking risks and the corresponding potential for loss. Used effectively, risk appetite provides a structure within which opportunities can be pursued and downsides mitigated by setting out which, why and how much risk the business is willing to take.

SADAFCO’s Risk Appetite Frameworks provide management with clarity of risk desirability and a holistic perspective of balancing risk and reward. When deployed as a reference point for the business’ control environment, the framework can help to prevent businesses from either taking unacceptable or too little risk.

The Risk Appetite is defined as: “An expression of the nature and quantum of risk or uncertainty which an organization is willing to take or accept to achieve its objectives”
 While Risk Tolerance is defined as: “The level of variation an organization is willing to accept relative to the achievement of a specific objective – its capacity to take risk”

2.2. SADAFCO’s Risk Appetite Statements

Risk Appetite and Tolerances are combined together in clear “Risk Appetite Statements” for SADAFCO, which are categorized as per SADAFCO’s Strategic themes as follows:

Theme	Risk Appetite Statements
Market	<ul style="list-style-type: none"> • We will have zero tolerance for any risk that would reduce our market share for “Saudia” brand. • We will not tolerate any risk that would increase our sales wastage beyond 0.5% of the total sales. • We will not tolerate any risk that would decrease our direct retail coverage below 85%.

	<ul style="list-style-type: none"> We will have zero tolerance for any risk that adversely affects our products quality. We will not tolerate any risk that causes a decrease in our incremental revenue of 1% of the target incremental percentage.
Operations	<ul style="list-style-type: none"> We will not tolerate any risk that would increase production loss beyond 1%. We will not tolerate for any risk that would increase Raw Material loss beyond 1%. We will not tolerate for any risk that would decrease our Overall Equipment Effectiveness (OEE) below 77%. We will not tolerate for any risk that would cause a reduction of 10% of the capacity utilization targets. We will not tolerate for any risk that would cause a reduction of 10% of the target cold chain capacity. We will not tolerate an outage of our IT systems for more than 24 hours.
Organization & People	<ul style="list-style-type: none"> We will not tolerate vacancy of key position at SADAFCO for more than 90 days.
Finance	<ul style="list-style-type: none"> We will have zero tolerance for any risk that causes loss of critical assets at SADAFCO. We will not tolerate any risk that causes deviation from budget by more than 15%. We will not tolerate any risk that causes a decrease of 10% on the target net profit. We will have zero tolerance to violations to the Saudi Capital Market Authority (CMA) requirements.

Third: Risk Rating Matrix

		Impact مستويات التأثير				
		Very low منخفض جداً	low منخفض	Medium متوسط	High عالي	Very high عالي جداً
Likelihood إحتمالية الحدوث	Very High عالي جداً					
	High عالي					
	Medium متوسط					
	Low منخفض					
	very low منخفض جداً					

Likelihood explanation

شرح احتمالية الحدوث

Level المستوى	Description الشرح
Very high عالي جدا	The event is expected to occur in most circumstances الحدث واقع في أغلب الظروف
High عالي	The event will probably occur in most circumstances هناك احتمال قوي أن يقع الحدث في أغلب الظروف
Medium متوسط	The event will occur at some time احتمال أن يقع الحدث في بعض الأوقات
Low منخفض	The event may occur only in exceptional circumstances الحدث لا يقع إلا في ظروف استثنائية
Very Unlikely منخفض جداً	Events like this are extremely rare أحداث مثل هذه نادرة للغاية

Risk rating colors legend

شرح الالوان المستخدمة لتقييم المخاطر

Low خطر منخفض	
Medium خطر متوسط	
High خطر عالي	

Impact explanation

شرح مستويات التأثير

Level	Example detail description
Very high	Huge financial loss, serious reputation loss, employees risk death خسائر مالية ضخمة، وخسارة سمعة خطيرة، خطر الموت للموظفين
Very Likely	Major financial loss, reputation losses, employees may suffer extensive injuries, loss of production capability الخسائر المالية كبيرة، وخسارة سمعة، قد يعاني الموظفون إصابات كبيرة، وفقدان القدرة على الإنتاج
Moderately Likely	High financial loss, many customers suffer loss but no general reputation loss خسارة مالية عالية، العديد من الزبائن يعانون من الخسارة ولكن لا خسارة للسمعة
Unlikely but could happen	Medium financial loss, few customers suffer loss, employees may require first aid treatment if hurt خسارة مالية متوسطة، وعدد قليل من الزبائن يعانون من الخسارة، قد يتطلب الموظفون الإسعافات الأولية
Very Unlikely	Low financial loss, no customer loss, work-around خسارة مالية منخفضة، لا خسائر لدى العملاء، العمل حول

20. (Annex a) Implementation Mechanisms of Code of Conduct

The Board of SADAFCO is responsible for law enforcement and the compliance of employees at all levels. Implantation mechanisms may be used to ensure the necessity of distributing and raising awareness in regard to this policy. These mechanisms include and not limited to the following:

1. Electronic copy of the policy shall be made available for employees and the public in the Company's website.
2. It is very important to update this policy occasionally, in adequate manner, to adapt the applicable laws and rules in the Kingdom of Saudi Arabia or the change in the Board's direction.
3. This policy must be understandable, short and clear to every employee. Use simple and concise language in the explanation of each article.
4. Punishments of violations must be clear and in brief and misconceptions must be avoided.
5. Taking all the necessary full measures for dealing with violations of this policy. Without exceptions, such punishments must be explained within the Human Resources Policies. Accordingly, employees must understand the significance of the aforementioned.
6. Periodical workshops for code of conduct policy shall be conducted to engage employees in group discussion and representing related detailed studies.

7. A copy of this policy shall be at easy-access location to enable all employees to review it.
 8. Providing English copy through the channels stated in this document.
 9. Providing support to the implementation of this policy locally and externally with all partners.
- The Company may adopt other mechanisms to ensure compliance with this policy, as it deems appropriate.