

CHAPTER I: FORMATION OF THE COMPANY

Article (1) – Formation

stc (the “Company”) was established as a Saudi Joint Stock company pursuant to the Royal Decree No. M/35 dated 24th Dhul Hijja 1418H in accordance with these Articles of Association. Upon the issuance of the Companies Law by the Royal Decree No. M/3, dated 28/01/1437H, the Articles of Association of the Company have been amended as follows:

Article (2) – Name of the Company

The name of the Company shall be Saudi Telecom Company (STC), a Saudi listed joint stock company.

Article (3) – Objectives of the Company

The objectives of the Company are:

- a. Creating, managing, operating and maintaining fixed and mobile communication networks, systems, and infrastructures as needed, which will help achieve digital transformation;
- b. Providing subscribers with the various communication and information technology services, maintaining and managing them;
- c. Preparing the plans and studies necessary for developing, implementing, and providing communication and information technology services from all technical, financial and administrative aspects; and preparing and implementing communication and information technology training plans, and providing consultancy services related directly or indirectly to its work or activities;
- d. Expanding and developing telecommunication, information technology networks, systems, and infrastructures by using the latest devices and equipment in the field of communication technologies especially in the area of providing and managing services, applications, and software;
- e. Providing comprehensive communication and information technology solutions, including, (communication and information technology, managed services, cloud services, content management, data center services, big data, digital services, e-commerce, devices and equipment, software, applications, etc.);
- f. Providing customers with information, technologies and information based systems, including the preparation and distribution of telephone directories, business directories, pamphlets, information and data, and providing the communication means required to transfer internet services in a manner that shall not contradict the Cabinet Resolution No. (163) dated 23/10/1418H; and providing general computer services and other activities related to telecommunications and services provided by the Company whether for media, business or advertising purposes or any other purposes deemed fit by the Company;
- g. Wholesale and retail trade, importing, exporting, purchasing, owning, renting, manufacturing, marketing, selling, developing, designing, installing, and maintaining equipment, components and parts of the various telecommunication networks, including fixed, mobile and private networks as well as computer software, other intellectual properties; and providing other services and carrying out contracting works related to the various telecommunication networks;
- h. Real estate investment and the consequent actions such as selling, purchasing, renting, managing, developing and maintaining such real estates;
- i. Entering into and executing loan agreements, owning fixed and movable assets to achieve the Company's purposes;
- j. Providing administrative and financial support and other services for subsidiaries;
- k. Providing development and training services, asset management and development, and other related services;
- l. Providing solutions that support decision-making, business intelligence and data investment;

m. Providing supply chain services and other services.

The Company shall carry out its aforesaid activities in accordance with applicable laws and upon obtaining the necessary and required licenses and permits from competent authorities and bodies.

Article (4) – Participation and Ownership in Companies

This Company shall have the right to set up companies by itself (companies of limited liability or closed joint stock ones) in accordance with the Saudi Companies Law. Additionally, the Company shall be entitled to possess an interest or a shareholding in existing companies or merge into same, and shall also be entitled to partner with third parties to form joint stock companies or limited liability companies or any other entities whether inside or outside the Kingdom of Saudi Arabia, having fulfilled all the relevant legal requirements and set regulations. The Company may dispose of such interests or shareholdings provided it will not act as a broker.

Article (5) – Head Office of the Company

The Company's head office shall be in the city of Riyadh. The Board of Directors may establish branches, offices or agencies for the Company within or outside the Kingdom of Saudi Arabia.

Article (6) – Term of Existence of the Company

The term of existence of the Company shall be Ninety-Nine (99) Gregorian years commencing from the date of the Royal Decree No. M/35 dated 24th Dhul Hijja 1418H of establishing the Company. In addition, the Company's term may always be extended for a similar term(s) or a shorter one(s), by a resolution of the Extraordinary General Assembly taken at least one year prior to the expiration of the term of the Company.

CHAPTER II: CAPITAL AND SHARES

Article (7) – Capital of the Company

The share capital of the Company shall be SAR 20,000,000,000, (twenty thousand million Saudi Riyals) divided into 2,000,000,000 (two billion) nominal shares of equal value of SAR 10 (ten Saudi Riyals) each.

Article (8) – Subscription for Shares

The Shareholders have subscribed for the full capital stock and have fully paid its value totaling 2,000,000,000 (two billion) shares the value of which is SAR 20,000,000,000, (twenty thousand million Saudi Riyals).

Article (9) – Preferred Shares

In accordance with guidelines set by the Competent Authority, the Company's Extraordinary General Assembly may issue, buy preferred shares, transform ordinary shares into preferred shares or vice versa. Such preferred shares shall be non-voting shares in the Shareholders' General Assemblies. Such shares shall give their holders a percentage of net profits greater than that given to ordinary shareholders, having allocated the statutory reserves. Without prejudice to the above, the Extraordinary General Assembly may stipulate further conditions and provisions related to preferred shares.

Article (10) – The issuance of Shares

The shares shall be nominal and may not be issued at less than their nominal value. However, the shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to an independent item under Shareholders' equity, and may not be distributed as profits among Shareholders. A share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining to the share, and they shall be jointly responsible for the obligations arising from the ownership of the share.

Article (11) – Selling Non-Fully Paid Shares

- a. A shareholder shall pay the share value at the times set therefor. If the shareholder fails to pay on the due date, the Board of Directors may sell such shares in a public auction or a security market, as the case may be, in accordance with the directives of the Competent Authority, after having warned the shareholder by means of a registered letter.
- b. The Company shall recover what is due to it from the sale proceeds and refund the balance to the shareholder. If the sale proceeds are insufficient to cover the Company's dues, then the Company may recover the entire amount due from the shareholders' wealth.
- c. However, the defaulting shareholder, who fails to pay until the day of selling, may still, in such a situation, pay the value due plus the expenses incurred by the Company in such regard.
- d. If this is done, then the Company shall cancel the share sold in accordance with the provisions of this Article, and shall give the purchaser a new share bearing the same number of the cancelled share, a notation of which shall be made in the Shareholders Register stating the new owner's name.

Article (12) – Acquiring, Selling and Mortgaging the Company Shares

The Company may buy, sell, or mortgage its own shares in accordance with directives set by the Competent Authority, and such shares so acquired shall not be voting in the Shareholders' Assembly Meetings. In addition, the Company may purchase its own shares to allocate same as part of staff share scheme in accordance with the directives issued by the Competent Authority in this regard. Furthermore, the Company may sell treasury shares at one or several stages as per the relevant directives set by the Competent Authority.

Article (13) – Shares Negotiation and Shareholders Register

The Company shares shall be negotiable in accordance with the Capital Market Law alongside the regulations, rules, and directions issued from the Capital Market Authority.

Article (14) – Increase of Capital

- a. After verifying the economic efficiency and having obtained the approval of the Competent Authority, the Extraordinary General Assembly may decide to increase the Company's capital one or several times by issuing new shares of the same nominal value of the original shares provided that the original capital have been paid in full. It shall not be required that the capital be fully paid up in case the unpaid portion of the capital is related to shares issued against converting debt instruments or debenture bonds into shares and are not expired yet following the period specified for converting same to shares.
- b. The Extraordinary General Assembly may in all cases allocate shares issued upon increasing capital or a portion thereof for the Company employees and subsidiaries or some of them, or any of such cases. Shareholders shall not have preemptive rights to subscribe for said shares issued for the Company employees.
- c. Upon the issuance of the resolution of the Extraordinary General Assembly of raising capital, shareholders shall have preemptive rights to subscribe for the new cash shares. The shareholders shall be notified of the preemptive rights vested in them by notice to be published in a daily newspaper addressing the capital increase resolution and the conditions and duration of subscription and the dates of commencement and expiration of same, or by written notice to the shareholder by registered mail.
- d. Shareholders may sell or give up their preemptive rights starting from the issuance of Extraordinary General Assembly of resolution of raising capital until the last day specified for subscription for new shares attached to such rights in accordance with the directives of the Competent Authority.
- e. The new shares shall be allotted to the shareholders with preemptive rights who have expressed their desire to subscribe thereto, in proportion to the preemptive rights owned by them of the total preemptive rights resulting from the increase of capital provided that the number of shares allotted to them shall not exceed the number of new shares they have applied for. The remaining new shares shall be allotted to the shareholders with preemptive rights who have asked for more than their proportionate share, in proportion to their preemptive rights of the total preemptive rights resulting from the increase of capital, provided that their total allotment does not exceed the number of new shares they have asked for. Any remaining new shares shall be offered for public subscription unless otherwise specified by the Extraordinary General Assembly or the Capital Market Law.

Article (15) – Decrease of Capital

- a. The Extraordinary General Assembly may reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses, in which case only capital may be lowered beyond the limit specified in Article (54) of the Companies Law. In addition, such resolution shall be issued only after reading the Auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company, and the effect of the reduction on such obligations.
- b. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within 60 (sixty) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

CHAPTER III: BONDS

Article (16): Bonds and Sukuk

- a. The Company may issue negotiable and indivisible debt instruments or financing sukuk of equal value as per provisions of the Companies Law.
- b. Subject to a resolution from the Board of Directors and in accordance with the Capital Market Law and other related regulations can issue any kind of negotiable debt instruments, whether in Saudi Riyal or otherwise, inside and outside the Kingdom of Saudi Arabia, such as bonds and sukuk whether such have been issued at the same time or in a series of issues, or in one or more programs as set from time to time. In addition, the Board shall be entitled to take all necessary actions and procedures in this regard.
- c. The Company may issue debt instruments or financing sukuk convertible to shares upon a relevant resolution from the Extraordinary General Assembly stating the maximum number of shares which may be issued in return for such instruments or sukuk, whether such instruments or sukuk have been issued at the same time or in a series of issues, or in one or more schemes for issuing debt instruments or financing sukuk. The Board of Directors shall, without the need for a new approval from the Extraordinary General Assembly, issue new shares in return for such instruments or sukuk whose holders wish to convert, upon the expiration of the conversion period specified for the holders of such instruments or sukuk. The Board of Directors shall take whatever procedures it deems appropriate to amend the Company's Incorporation Document in connection with the number of issued shares and capital. In addition, the Board of Directors shall notarize the completion of procedures of each capital increase in the manner specified herein to notarize the resolutions of the Extraordinary General Assembly.

CHAPTER IV: MANAGING COMPANY AFFAIRS

Article (17) – Board of Directors

The Company shall be managed by a Board of Directors composed of 9 (nine) members to be appointed by the Shareholders' Ordinary General Assembly for a term not exceeding 3 (three) Gregorian years. A shareholder shall be entitled to nominate himself or one or more persons to be a member of the Board of Directors within the limit of such shareholder's portion of the Company capital.

Article (18) – Board Membership Expiration

Membership of the Board of Directors shall be terminated upon the expiration of the appointment period. Termination of membership shall also occur if the member becomes unsuitable for membership under any law or regulations prevailing in the Kingdom. However, the Ordinary General Assembly may re-appoint the Board Directors, and may also dismiss all or some of the Board Directors without prejudice to the dismissed Director's right to compensation if dismissal was due to groundless reasons or was made in an inappropriate time. In addition, a Board Director may resign provided that such resignation shall be in a suitable time; otherwise he shall be liable before the Company for any damage resulting from his resignation.

Article (19) – Vacancies

If the office of a Board Director becomes vacant, the Board may appoint another member in the vacant position temporarily at the Board's discretion. Such new member must be qualified and experienced. Additionally, a notice of such appointment shall be sent to the Competent Authority within a period of five business days as of the date of appointment, provided also that such appointment is put forward before the first meeting of the Ordinary General Assembly for endorsement. The term of office of the new member designated to fill a vacancy shall only extend to the term of office of his predecessor. In case the number of the members of the Board of Directors falls below the quorum required for the proper convening of the Board meetings as stated in the Companies Law or these Articles, the Ordinary General Assembly shall be called for a meeting by the remaining members within a period of sixty (60) days in order to appoint the necessary number of Board members.

Article (20) – Powers of the Board of Directors

In accordance to the powers conferred on the General Assembly, the Board of Directors shall be vested with full powers to manage the business of the Company, supervise its affairs, and to set its general policies to achieve its objectives as per provisions of the Companies Law. For such purposes, the Board of Directors shall be empowered, for example and not limited to, the following powers:

- a. Approving the Board of Directors' Charter, as well as the financial, managerial, technical, and investment Charters of the Company alongside the accounting policies and internal control systems and update same regularly; approve and operate Company action plans; approve annual budget; and approve social corporate responsibility allocation and donations. In addition, the Board may authorize officers in the Company to sign on its behalf as per the controls the Board sets.
- b. Forming committees which help the Board carry out its duties including the Nomination and Remuneration Committee together with other committees which the Board establishes. In addition, the Board shall control over the performance of its committees regularly and coordinate among them for the expedient resolution of matters referred thereto.

- c. Opening, managing, operating, and closing bank accounts; withdraw and deposit; opening credits; appointing authorized signatories and determining and revoking their powers; signing all papers, documents, and commercial papers, including cheques, bills, bonds to order, and endorsing same; making transfers; issuing bank guarantees, applying and obtaining credit facilities, dealing in treasury products, e-banking, and all other bank transactions; and investing an operating Company funds in local and international markets, whether inside or outside the Kingdom, and giving authorizations for such investments.
- d. Approving and signing financing agreements, financial derivatives, and other commercial, financial, financing funds and institutions, and other banking agreements, of whatever durations in addition to loan agreements of terms exceeding three years, including governmental financing institutions and funds, commercial banks, finance houses, credit companies, and any other credit bodies, and granting authorizations in loan agreements regardless of their durations.
- e. Providing proper financial facilities for companies in which the Company holds, whether directly or indirectly, shareholdings or shares regardless of their durations, and the Board may provide guarantees and mortgages to creditors of such companies, and giving priority for settling such companies' debts over repaying the Company's liabilities. The Board may also provide investment, managerial, technical, credit, and financial support and treasury management for such companies and providing loans thereto. The Board may as well provide surety for any of such companies, which all shall be subject to the Board's discretion as deemed appropriate for serving the Company's best commercial objectives.
- f. Carrying out any and all acts and actions serving the Company's objectives.
- g. The Board of Directors may discharge the Company's debtors of their debt obligations towards the Company as deemed appropriate for serving its objectives after the Company's taking of whatever the Board sees fit of actions to collect such debts; issuing financial guaranties and bonds; issuing fine and performance guarantees regarding Company business for any third party whenever the Board considers, at its discretion, that would serve the Company's objectives; executing all kinds of bank transactions and agreements; providing bank guarantees and any other guarantee documents; giving priority to paying third party debts and the like; and allowing third parties to use all or any part of the facilities given to the Company or the companies in which the Company participates.
- h. Disposing of the Company's assets, properties, and real estate properties in return for the fair consideration as approved by the Board; providing guarantees for creditors; mortgaging, redeeming mortgage, and giving authorization in same; selling, buying, leasing, renting, transferring ownership, collecting and delivering price and sold items; and providing some assets, properties and real estates of the Company as an in kind share in the capital of a company in which the Company participates.
- i. Representing the Company in its relations with third parties, before governmental and private bodies and all executive authorities and bodies, all companies, institutions, individuals, commercial banks, financial institutions, exchanges, any and all governmental financing institutions and funds of all titles and powers, and other lending bodies; clearing and receiving Company's products at customs, and submitting applications and data in such regard and signing them; receiving mail parcels; applying for visas from the Ministry of Labor, paying their fees; granting exit and re-entry visas and final exit visas; transferring sponsorship and assigning same; applying for visit visas; applying for and obtaining Iqama cards, labor permits and renewing same; establishing offices and branch offices; applying for and renewing commercial registrations for branches and making amendments thereto including any omissions, additions, modifications, or deletions; applying for and renewing licenses of whatever kind, and making amendments thereto including any omissions, additions, modifications, or cancellations; entering bids, tenders, and auctions, whether independently or in conjunction with other persons or companies or through a consortium; carrying out transactions on behalf of the Company; collecting payments, paying, and receiving dues at third parties' liabilities; and accepting gifts.
- j. Applying for commonage settlement, assigning and sorting same; applying for ownership and titles deeds; applying for deeds amendment, sorting, alternative declaration of same; applying for a replacement for lost titles deeds and submitting applications for obtaining copies thereof, annotating or correcting same; correcting and amending measurements and borders of real estate properties; consolidating deeds into one deed or more; applying for and obtaining new deeds; signing and receiving legal deeds; selling, buying, transferring ownership and accepting same, collecting and delivering, and signing same before public notary; paying, receiving, and delivering price; adjoining properties, deeds of titles, sorting and dividing; applying for the modification of plans; leasing, renting, collecting, and paying; signing contracts and agreements including without limitation, bills of sale, purchase contracts, leases, renting contracts, service agreements, agency agreements, franchising agreements, insurance contracts, and other contracts the Company needs to carry out its business activities.

- k. Establishing companies and amending their articles of association and signing on behalf of the Company on articles of association and amendment annexes of companies of whatever kind, in which the Company participates, regardless of the content of such amendments, including those amendments related to raising/lowering capital stock, assigning and selling shares and shareholdings as per relevant laws; accepting shares and shareholdings assigned to the Company; transforming or merging companies; selling and buying some or all shares and shareholdings of companies; liquidating and removing records of companies; requesting, accepting, and negotiating putting shares and shareholdings held by the Company to public or private placement whether inside or outside the Kingdom of Saudi Arabia taking into consideration legal requirements, and appointing Company representatives in managing any other subsidiary company or in which the Company participates; attending the partners' assemblies, shareholders' meetings, board meetings, board of management meetings, voting thereat on behalf of the Company, and signing the resolutions and minutes of meetings of partners' assemblies, shareholders' meetings, board meetings, and board of management meetings.
- l. Selecting legal attorneys, revoking powers of attorney, appointing the Board Secretary, Company Chief Executive Officer and staff, determining their remuneration, benefits, terms and conditions of their employments and terminating their contracts, and contracting service providers, such as law, engineering, accounting, and auditing firms, and other firms.
- m. Signing agreements and deeds before the notary public and official bodies, and granting powers of attorney.
- n. The Board of Directors may, within the limits of its jurisdiction, authorize and delegate one or more of its members or a third party to undertake a specific function or functions and to authorize them to sub-delegate such powers to others.

Article (21) – Remuneration of Board of Directors

Remuneration of the members of the Board of Directors for discharging Board duties shall be a specific amount and an allowance for attending Board meetings in accordance with laws and regulations issued in this respect. In addition, a Board member shall be eligible for a reward for whatever technical, managerial or advisory duties he is assigned. The report submitted by the Board of Directors to the General Assembly shall contain a comprehensive statement of all payments made to the members of the Board during the fiscal year; rewards, expenses and other benefits. Such report shall as well contain a statement of payments made for the Board members for being officers or managers or in consideration for technical, administrative or consultancy assignments carried out by them alongside a statement of number of Board meetings or the sessions each Director attended as of the date of the last meeting of the General Assembly.

Article (22) – Powers of Board Chairman, Vice-Chairman, and Board Secretary

- 1- The Board of Directors shall appoint a Chairman and a Vice-Chairman from among its members. The person holding the Chairman position may not hold any other executive position in the Company.
- 2- The Board Chairman or Vice-Chairman, in the absence of the Chief Executive Officer, shall have the powers: to represent the Company in its relationships with others and before the judiciary, notaries public, all government departments, commissions for settlements of disputes of all degrees and any and all other bodies; to represent the Company in buying, selling, and transferring ownership of lands and real estate properties; to sign the articles of association of the companies in which the Company participates, and any other contracts and agreements; and to delegate some or all of these powers to any other person or persons. The Board of Directors shall specify the Chairman's duties not herein stated.
- 3- The Board of Directors shall appoint a Secretary from among its members or others, and such Secretary shall be assigned the duties set forth in the Charters issued by the Competent Authority, and the Board of Directors shall also specify any other duties assigned to the Board Secretary.
- 4- The term of office of the Chairman, Vice-Chairman, and the Secretary – if the Secretary is a Board member – shall not exceed their respective term of service as Board Directors, and they may be re-elected at any time by the Board. In addition, the Board may at any time remove any of them without prejudice to their right to compensation if dismissal was due to groundless reasons or was made in an inappropriate time.

Article (23) – Board Meetings

The Board of Directors shall be convened at least four (4) times a year upon a call by the Chairman. Such call shall comprise the agenda. The Board Chairman shall call for a meeting if so requested by any two (2) Board members. Board meetings shall be held at the Company head office or at any other place the Chairman selects. Besides, the Board may invite whomever it considers helpful for their information or experience, and those invitees shall not be entitled to vote at such meetings. A Board meeting may be held and a Director may take part in its deliberations and vote at proposed resolutions using one of the modern technological means subject to the regulating directives.

Article (24) – Quorum and Resolutions

A Board meeting shall not be a valid meeting unless attended by at least five (5) members. In the event that a member of the Board of Directors gives a proxy to another member to attend the Board meetings on his behalf, then such proxy shall be given accordance with directives issued by the Competent Authority. The Board resolutions shall be passed with the approval of the majority vote of the members present in person or represented by proxy. In case of a tie, Director presiding over the Board shall have a casting vote.

Article (25) – Board Deliberations

The Board deliberations and resolutions shall be drawn in minutes to be signed by the Board Chairman, attending Directors, and the Secretary. Such minutes shall be recorded in a special register to be signed by the Board Chairman and the Secretary.

CHAPTER V: SHAREHOLDERS ASSEMBLIES

Article (26) – Attending General Assemblies

- 1- Each Shareholder shall have the right to attend the Shareholders' General Assemblies. In addition, each Shareholder may authorize another Shareholder, other than the members of the Board of Directors or employees of the Company, to attend the General Assembly on his behalf in accordance with the directives issued by the Competent Authority.
- 2- Shareholders' General Assemblies may be held and a Director may take part in its deliberations and vote at proposed resolutions using one of the modern technological means in accordance with the controls issued by the Competent Authority.

Article (27) – Competencies of Ordinary General Assembly

Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened whenever needed.

Article (28) – Competencies of Extraordinary General Assembly

The Extraordinary General Assembly shall have the power to amend the Company's Incorporation Document except for such provisions as may be impermissible to be amended under the law. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling originally within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

Article (29) – Manner of Convening General Assemblies

- 1- The Shareholders' Ordinary or Special Assemblies shall be convened by convocation from the Board of Directors. The Board of Directors shall convoke a meeting of the General Assembly if requested to do so by the Auditor, the Audit Committee, or a number of Shareholders representing at least five percent (5%) of the Company's capital. The Auditor may invite the General Assembly to convene if the Board does not invite it within thirty (30) days of the date the Auditor's request.
- 2- The invitation for convening the General Assembly shall be published in a daily newspaper circulated in the Company's head office at least twenty-one (21) days prior to the time set for such meeting. However, sending such invitations at the date specified to all Shareholders with registered letters may be sufficient. A copy of the invitation and the agenda shall be sent, within the period set for publication, to the Ministry of Commerce and Investment and the Capital Market Authority.

Article (30) – Record of Attendance at the Meetings of the General Assemblies

Before the time specified for the Ordinary or Special General Assembly, Shareholders wishing to attend shall register their names in the ad hoc list maintained at the Company head office.

Article (31) – Quorum of Ordinary General Assembly

A meeting of the Ordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting:

- a. A second meeting shall be held within an hour following the time set for the first meeting provided that the invitation to hold the first meeting shall state the possibility of holding such meeting;
- b. Or an invitation shall be made for a second meeting to be held within a period not less than twenty (20) days and not exceeding (30) thirty days from the date of the previous meeting. Such invitation shall be published in the manner prescribed in Article (29) hereof.

In all cases, the second meeting shall be valid regardless of the number of the shares represented therein.

Article (32) – Quorum of Extraordinary General Assembly

A meeting of the Extraordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting:

- a. A second meeting shall be held within an hour following the time set for the first meeting provided that the invitation to hold the first meeting shall state the possibility of holding such meeting;
- b. Or an invitation shall be made for a second meeting to be held under the same conditions stated in Article (29), and Article (31) - (b) of this Incorporation Document.

In all cases, the second meeting shall be deemed valid if attended by a number of Shareholders representing at least 1/4 (one-quarter) of the Company's capital.

In case quorum cannot be attained at the second meeting, an invitation shall be made to a third meeting which shall be held under the same conditions applicable to Article (29) hereof. The third meeting shall be deemed valid irrespective of the number of shares represented therein having obtained the consent of the Competent Authority.

Article (33) – Voting Rights

Each Shareholder shall have one vote for each share held at the General Assemblies. Cumulative voting must be used when electing the Board of Directors. Each Shareholder may authorize another Shareholder, other than the members of the Board of Directors or employees of the Company, to attend the General Assembly, on his behalf.

Article (34) – Assembly Resolutions

Resolutions of the Ordinary General Assembly shall be adopted by an absolute majority of the shares represented thereat. Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two thirds of the shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's term of existence, dissolving the Company prior to the expiry of the period specified therefor under this Incorporation Document or merging the Company with another company, then such resolution shall be valid only if adopted by a majority of 3/4 (three-quarters) of the shares represented at the meeting.

Article (35) – Discussions at the Assembly Meetings

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the members of the Board and the Auditor in this respect. The members of the Board or the Auditor must answer the Shareholders' questions to the extent that does not expose the Company's interest to any damage. If the Shareholder considers the answer to the question unsatisfactory, then he may refer the issue to the General Assembly and its decision in this regard shall be conclusive and binding.

Article (36) – Chairing the General Assemblies and Preparing the Minutes

- 1- The Shareholders' General Assembly meetings shall be presided over by the Board Chairman or, in his absence, the Vice-Chairman, or the Director designated by the Board from among its members in the absence of the Chairman and the Vice-Chairman.
- 2- Minutes shall be written for the meeting showing the number of the Shareholders present in person or represented by proxy, the number of the shares held by each, whether of the principal or the agent, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the chairman of the Assembly, the Secretary and the canvasser.

CHAPTER VI: AUDIT COMMITTEE

Article (37) – Committee Formation

An Audit Committee shall be formed by a resolution of the Ordinary General Assembly. Such Committee shall comprise from 3 to 5 members who shall be non-Executive Board Directors, whether from Shareholders or others. Such resolution shall determine the duties of the Committee, its functioning controls, and remunerations of its members. If the office of the Audit Committee member becomes vacant, the Board of Directors may appoint a member in the vacant position temporarily, and such appointee shall be experienced and competent to fill such post. The Ministry and the Capital Market Authority must be notified of such appointment within a period of five (5) business days as of the date of appointment. In addition, such appointment is to be put forward before the first meeting of the Ordinary General Assembly for endorsement. The term of office of the new member designated to fill a vacancy shall only extend to the term of office of his predecessor.

Article (38) – Meeting Quorum

For a valid meeting of the Audit Committee, the majority of its members is required to attend. In addition, the Committee decisions shall be passed by the majority of attending members. In case of a tie, the Committee Chairman shall have a casting vote.

Article (39) – Committee Competencies

The Audit Committee shall be responsible for overseeing the Company business, and for such purpose, the Committee shall be given access to the Company records and documents, and shall also request any explanation or statement from the Board of Directors or the Executive Management. In addition, the Audit Committee shall be entitled to ask the Board of Directors to call the General Assembly to convene if the Board obstructs the Committee functions or should the Company experience serious losses or damage.

Article (40) – Committee Reports

The Audit Committee shall examine the Company financial statements, reports, and notes submitted by the Auditor, and shall express its comments, if any, thereon. In addition, the Committee shall prepare a report of its opinion of the sufficiency of the Company internal control system alongside any other activities it carried out within its competence. The Board of Directors shall file sufficient copies of such report at the Company head office at least twenty-one (21) days before the date specified for the General Assembly such that each Shareholder shall be given a copy thereof. Such report shall be read at the General Assembly meeting.

CHAPTER VII: AUDITOR

Article (41) – Appointment of Auditor

The Company shall have one auditor or more to be selected from among the auditors licensed to work in the Kingdom of Saudi Arabia. The Auditor's appointment, his compensation and term of office shall be fixed by the Ordinary General Assembly. The Ordinary General Assembly may further dismiss the Auditor without prejudice to his right to compensation if dismissal was due to groundless reasons or was made in an inappropriate time.

Article (42) – Auditor's Powers

The Auditor shall have access at all times to the Company's books, records and any other documents, and may request statements, notes, information, and clarifications as he deems necessary. He may further check the Company's assets and liabilities, etc. of what is within his scope of work. The Chairman shall help the Auditor perform his duties, and should the Auditor encounter any difficulties in this regard, he shall state same in a report to be submitted to the Board of Directors. In case the Board does not facilitate the Auditor's duties, the Auditor shall be required to ask the Board to hold an Ordinary General Assembly to consider the matter.

CHAPTER VIII: THE COMPANY'S ACCOUNTS AND DISTRIBUTION OF PROFITS

Article (43) – Financial Year

The Company's fiscal year shall be twelve (12) Gregorian months and shall commence as on the 1st of January and shall expire on the 31st of December of each Gregorian year.

Article (44) – Annual Accounts

- 1- The Board of Directors shall prepare at the end of each fiscal year an inventory of the Company's financial statements, a report on the Company's activities and its financial position for the preceding fiscal year and the Board's proposals as to the distribution of the net profits. The Board of Directors shall put such documents at the Auditor's disposal at least forty-five (45) days prior to the convening of the General Assembly.
- 2- The documents stated in paragraph (1) above, shall be signed by the Chairman of the Board of Directors, Chief Executive Officer, and Chief Financial Officer, and copies thereof shall be available at the Company's head office for the Shareholders' review at least twenty-one (21) days prior to the time set for convening the General Assembly.
- 3- The Chairman of the Board of Directors shall provide Shareholders with the Company's financial statements, Board of Directors' report, Auditor's report unless all such documents are published in a daily newspaper circulated in the Company's head office. In addition, the Chairman shall also send copies of such documents to the Ministry of Commerce and Investment and the Capital Market Authority at least fifteen (15) days prior to the date set for convening the General Assembly.

Article (45) – Distribution of Profits

The Company's annual net profits shall be allocated as follows:

- 1- Ten percent (10%) of the annual net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve totals thirty percent (30%) of the Company's paid-up capital.
- 2- The Ordinary General Assembly may, upon request of the Board of Directors, set aside a specific percentage of the annual net profits to form a consensual reserve to be allocated for the purpose or purposes decided by the General Assembly.
- 3- Ordinary General Assembly may form other reserves at the portion that would serve the Company's best interest or would ensure distributing constant profits, as much as possible, amongst Shareholders. Besides, the Ordinary General Assembly may allocate from the net profits amounts to establish social institutions for the Company employees or to support existing social institutions.
- 4- Out of the balance of the profits, if any, there shall be paid to the Shareholders an initial payment of five percent (5%) of the Company paid-up capital.
- 5- Subject to provisions in Article (21) hereof, and Article (76) of the Companies Law, the Ordinary General Assembly may allocate a portion of the remaining amount to be paid as compensation to the Board of Directors provided that entitlement of such remuneration shall be in proportion to number of sessions the member has attended.
- 6- The Ordinary General Assembly may, upon proposal from the Board of Directors, distribute the remaining balance (if any) among Shareholders in the form of an additional dividend. In addition, the Company may pay interim dividend to its Shareholders on a bi-annual or quarterly basis in accordance with the directives issued by the Competent Authority upon authorization issued by the Ordinary General Assembly to the Board of Directors to distribute such interim dividend.

Article (46) – Dividends Maturity

A shareholder shall be paid his dividend share subject to a resolution by the General Assembly, and such resolution shall state the date of maturity and distribution. Eligibility for dividends shall be for Shareholders registered in the Shareholders' Register at the end of the day specified for maturity. The dividends to be distributed amongst Shareholders shall be paid at the place, dates, and in the manners to be specified by the Board of Directors as per instructions issued by the Competent Authorities.

Article (47) – Distribution of Dividends of Preferred Shares

- 1- In the event of non-distribution of profits for any fiscal year, profits of forthcoming years shall not be distributed before the portion specified in Article (114) of the Companies Law is paid to the owners of preferred shares for that year.
- 2- If the Company fails to pay the said portion of the profits specified in Article (114) of the Companies Law for a period of three consecutive years, the Private Assembly of these interest holders may, in accordance with Article (89) of the Companies Law, resolve to either attend the General Assemblies of the Company and participate in the voting thereof, or to designate representatives on their behalf in the Board of Directors, in accordance with their share of the Company capital. This shall remain the case until the Company manages to fully pay the priority profits for past years specified for the owners of such shares.

Article (48) – Company Losses

- 1- At any time of the fiscal year, if the Company's losses total half of its paid-up capital, then any officer of the Company or the Auditor, once he is aware of such fact, must notify the Chairman of the Board, and the Chairman, in turn, must immediately notify the Board, and latter shall, within a period of fifteen (15) days of being notified of same, call the Extraordinary General Assembly for a meeting within forty-five days of the date the Board is notified of such losses. The Extraordinary General Assembly shall consider whether to raise or lower the Company capital stock in accordance with the Companies Law, such that losses should be lowered beyond half of the paid-up capital, or to decide whether the Company shall be dissolved prior to the expiry of the term specified therefor under these Articles.
- 2- The Company shall expire under the Companies Law in case the Extraordinary General Assembly does not convene within the period specified in Paragraph (1) above hereof, or if the meeting thereof fails to decide upon the subject, or even if the Assembly decides to raise the capital in accordance with the conditions stated in this Article but each increase is not subscribed for within the ninety (90) days following the issuance of the Assembly's resolution of increasing the Company capital.

CHAPTER IX: DISPUTES

Article (49) – Liability Action

Each Shareholder shall have the right to file a liability action, vested in the Company, against the members of the Board of Directors if they have committed a fault which has caused some particular damage to such Shareholder, provided that the Company's right to file such action is still valid. The Shareholder must notify the Company of his intention to file such action.

CHAPTER X: DISSOLUTION AND WINDING UP OF THE COMPANY

Article (50) – Company Expiration

Immediately upon the expiry of its term of existence, the Company shall be liquidated, and shall retain its legal personality to the extent needed for liquidation. Voluntary liquidation shall be made pursuant to a resolution by the Extraordinary General Assembly whose resolution shall appoint the liquidator and specify his powers and fees in addition to the restraints on his powers and the duration needed for liquidation. The duration of voluntary liquidation shall not exceed five years and may not be extended except with a judicial order. Besides, the powers of the Board of Directors shall cease upon the Company's winding up. However, the Board of Directors shall remain responsible for the management of the Company and shall be considered as liquidators for third parties until liquidator is appointed. The Shareholders' Assemblies shall remain through the liquidation period and shall maintain their competencies to the extent that they do not interfere with the competencies of the liquidator.

CHAPTER XI: CONCLUDING PROVISIONS

Article (51) – The Companies Law

The Companies Law shall apply to all other matters not specifically provided for herein.

Article (52) – Publication of Incorporation Document

This Incorporation Document shall be filed and published in accordance with the Companies Law and its Implementing Charters.