

Resolution No. (108) of 2021

Regarding

Amending Some Provisions of Module Fifteen (Corporate Governance) of the Executive Bylaws of Law No. (7) of 2010

Having Perused:

- Law No. (7) of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and its Executive Bylaws and their amendments; and
- CMA Board of Commissioners Resolution passed in its meeting No. (33) of 2021 held on 22/09/2021;

The Following Was Resolved

Article (1)

Module Fifteen (Corporate Governance) of the Executive Bylaws of Law No. (7) of 2010 is hereby amended pursuant to Annex (1) attached to this Resolution.

Article (2)

Appendix 2 (Structure of Corporate Governance Report Form) of Module Fifteen of the Executive Bylaws of Law No. (7) of 2010 is hereby amended pursuant to Annex (2) attached to this Resolution.

Article (3)

The minimum percentage and number of independent members shall be adhered to in accordance with item (3) of Article (2-2) of Module Fifteen (Corporate Governance) of the Executive Bylaws of Law No. (7) of 2010. This shall be, at most, in the first meeting of the ordinary general assembly to be held after the end of 2021. During such meeting, the new members of the company's board of directors shall be re-elected after the end of the membership term of the board.

Article (4)

The concerned bodies shall execute this Resolution, each within its jurisdiction. This Resolution shall come into force from the date of its issuance, and it shall be published in the Official Gazette.

Prof. Ahmad A. Al-Melhem
Issued on: 26/09/2021

Annex No. (1)

| # | Module | Chapter | Article | Text before Amendment | Text After Amendment |
|---|---------|---------|---------|---|---|
| 1 | Fifteen | Two | 2-2 | <p>Without prejudice to the provisions of the <u>Companies Law and its Executive Bylaws</u>, the following must be complied with upon Board composition:</p> <p>1. Board shall be composed of sufficient members so that it can form the required number of committees derived from it and subject to governance rules requirements.</p> <p>2. Upon Board composition, variety of experiences and specialized skills must be considered to enhance the efficiency of undertaking resolutions.</p> <p>3. Majority of <u>Members of a Board of Directors</u> must be <u>Non-Executive Members</u>. It shall include one independent member at least. However, independent members shall not exceed half the <u>Members of a Board of Directors</u>.</p> | <p>Without prejudice to the provisions of the <u>Companies Law and its Executive Bylaws</u>, the following must be complied with upon Board composition:</p> <p>1. Board shall be composed of sufficient members so that it can form the required number of committees derived from it and subject to governance rules requirements.</p> <p>2. Upon Board composition, variety of experiences and specialized skills must be considered to enhance the efficiency of undertaking resolutions.</p> <p>3. Majority of <u>Members of a Board of Directors</u> must be <u>Non-Executive Members</u>, and that at least 20% of the members of the board of directors are independent members. In the event of a fraction in the result of calculating the ratio, the result is rounded to the next whole number, provided that the number of independent members does not exceed half of the <u>Members of a Board of Directors</u>.</p> |
| 2 | Fifteen | Nine | 9-10 | <p>The company shall allow all shareholders to exercise the right of voting without placing any obstacles preventing such voting, as voting shall be an important</p> | <p>The company shall allow all shareholders to exercise the right of voting without placing any obstacles preventing such voting, as voting shall be an important</p> |

| | | | | |
|--|--|--|--|---|
| | | | <p>right for shareholders and it shall not be cancelled under any circumstances.</p> <p>The company shall ensure that all shareholders exercise such rights through the following:</p> <ol style="list-style-type: none"> 1. Shareholders shall exercise the right of voting granted thereto with equal treatment by the company. 2. Shareholders shall vote as principal or by proxy, with providing shareholders with the same rights and duties, whether as principal or by proxy. 3. Shareholder shall be informed with all the standards that govern the voting process. 4. Provide all information related to voting rights for current shareholders and potential investors and ensure availability of information for all shareholders. 5. All shareholders owning the same type of <u>Shares</u> shall be entitled to vote on any changes related to the rights of shareholders through a call for holding the shareholders' general assembly. 6. Vote to elect <u>Members of a Board of Directors</u> in the general assembly through mechanisms set forth by the company memorandum of association and articles | <p>right for shareholders and it shall not be cancelled under any circumstances.</p> <p>The company shall ensure that all shareholders exercise such rights through the following:</p> <ol style="list-style-type: none"> 1. Shareholders shall exercise the right of voting granted thereto with equal treatment by the company. 2. Shareholders shall vote as principal or by proxy, with providing shareholders with the same rights and duties, whether as principal or by proxy. 3. Shareholder shall be informed with all the standards that govern the voting process. 4. Provide all information related to voting rights for current shareholders and potential investors and ensure availability of information for all shareholders. 5. All shareholders owning the same type of <u>Shares</u> shall be entitled to vote on any changes related to the rights of shareholders through a call for holding the shareholders' general assembly. 6. Vote to elect <u>Members of a Board of Directors</u> in the general assembly through mechanisms set forth by the company memorandum of association and articles of association and in context of those set forth in the <u>Companies Law and its Executive Bylaws</u> and this Module, with taking into consideration the permission included in the |
|--|--|--|--|---|

| | | | | |
|--|--|--|---|--|
| | | | <p>of association and in context of those set forth in the <u>Companies Law and its Executive Bylaws</u>, with taking into consideration the permission included in the <u>Companies Law</u> to adopt the <u>Accumulative Voting</u> system in this regard, considering this one of the governance best practice. In addition, it is necessary to develop a mechanism providing a brief introduction of candidates for the <u>Members of a Board of Directors</u> before voting. This will give shareholders a clear concept of the professional and technical skills of candidates and other experience and qualifications thereof.</p> <p>7. All categories of shareholders shall have an opportunity to hold the Board of Directors accountable for the roles entrusted thereto.</p> <p>8. No fees shall be charged for attendance by any category of shareholders to the general assembly and no preferential advantage shall be exclusively granted to any category of shareholders.</p> | <p><u>Companies Law</u> to adopt the <u>Accumulative Voting</u> system in this regard, considering this one of the governance best practice. In addition, it is necessary to develop a mechanism providing a brief introduction of candidates for the <u>Members of a Board of Directors</u> and the capacity on which he wishes to nominate himself (executive/non-executive/independent) before voting. This will give shareholders a clear concept of the professional and technical skills of candidates and other experience and qualifications thereof.</p> <p>7. All categories of shareholders shall have an opportunity to hold the Board of Directors accountable for the roles entrusted thereto.</p> <p>8. No fees shall be charged for attendance by any category of shareholders to the general assembly and no preferential advantage shall be exclusively granted to any category of shareholders.</p> <p>9. The candidate, as an independent member, shall submit a declaration to the Ministry of Commerce and Industry acknowledging that he meets the independence controls stipulated in this Module.</p> <p>10. In the event that is not possible to obtain the required minimum number of independent <u>Members in the Board of Directors</u> through the elections of the <u>Members of the Board of Directors</u> at the meeting of the general assembly. The required number shall be met by replacing the non-independent <u>Members of the Board of Directors</u> who</p> |
|--|--|--|---|--|

| | | | | | |
|--|--|--|--|--|--|
| | | | | | <p>obtained the fewest votes with independent members through a separate election process among the non-winning candidates of this category, provided that the replacement process takes place at the same meeting.</p> <p>In the event that the <u>Members of the Board of Directors</u> were appointed in accordance with the provisions of Article (188) of Law No. 1 of 2016 on the Promulgation of the <u>Companies Law</u>, the <u>Shareholders</u> who have representatives on the <u>Board of Directors</u> may participate with other <u>Shareholders</u> in electing the remaining independent members of the <u>Board of Directors</u> within the limits what exceeds the percentage used in appointing his representatives to the <u>Board of Directors</u>.</p> |
|--|--|--|--|--|--|

Annex No. (2)

Appendix 2

Structure of Corporate Governance Report Form

Rule I

Construct a Balanced Board Composition

- Brief on the composition of the Board of Directors, as follows:

| Date of electing / appointing the Secretary | Qualifications and experiences | Classification of the Member (Executive/Non-Executive/ Independent), Secretary | Name |
|---|--------------------------------|--|------|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

- Brief on the Company's Board of Directors' meetings, through the following statement:

Board of Directors Meetings in (year)

| Number of Meetings | Meeting No. (...) held on/..../.. | Meeting No. (...) held on/..../.. | Meeting No. (...) held on/..../.. | Meeting No. (...) held on/..../.. | Meeting No. (...) held on/..../.. | Meeting No. (...) held on/..../.. | Name of Member |
|--------------------|--|--|--|--|--|--|---|
| | | | | | | | 1) (Chairman of the Board of Directors) |
| | | | | | | | 2) (Vice Chairman of the Board of Directors) |
| | | | | | | | 3) (Independent Member) |
| | | | | | | | 4) Member |
| | | | | | | | 5) Member |

* The sign (a) shall be marked in the event of the attendance of the Board Member of the meeting.

* All Board of Directors meetings held during the year should be included in the table.

- A summary of how to apply the requirements of registration and coordination and keeping the minutes of meetings of the Board of Directors of the company.
- An acknowledgment by the independent member that the controls of independence are available. A copy of the acknowledgement shall be attached to the report.