



# Alkhabeer Capital Corporate Governance Manual

Sixth Version  
Approved by the Board of Directors  
2018





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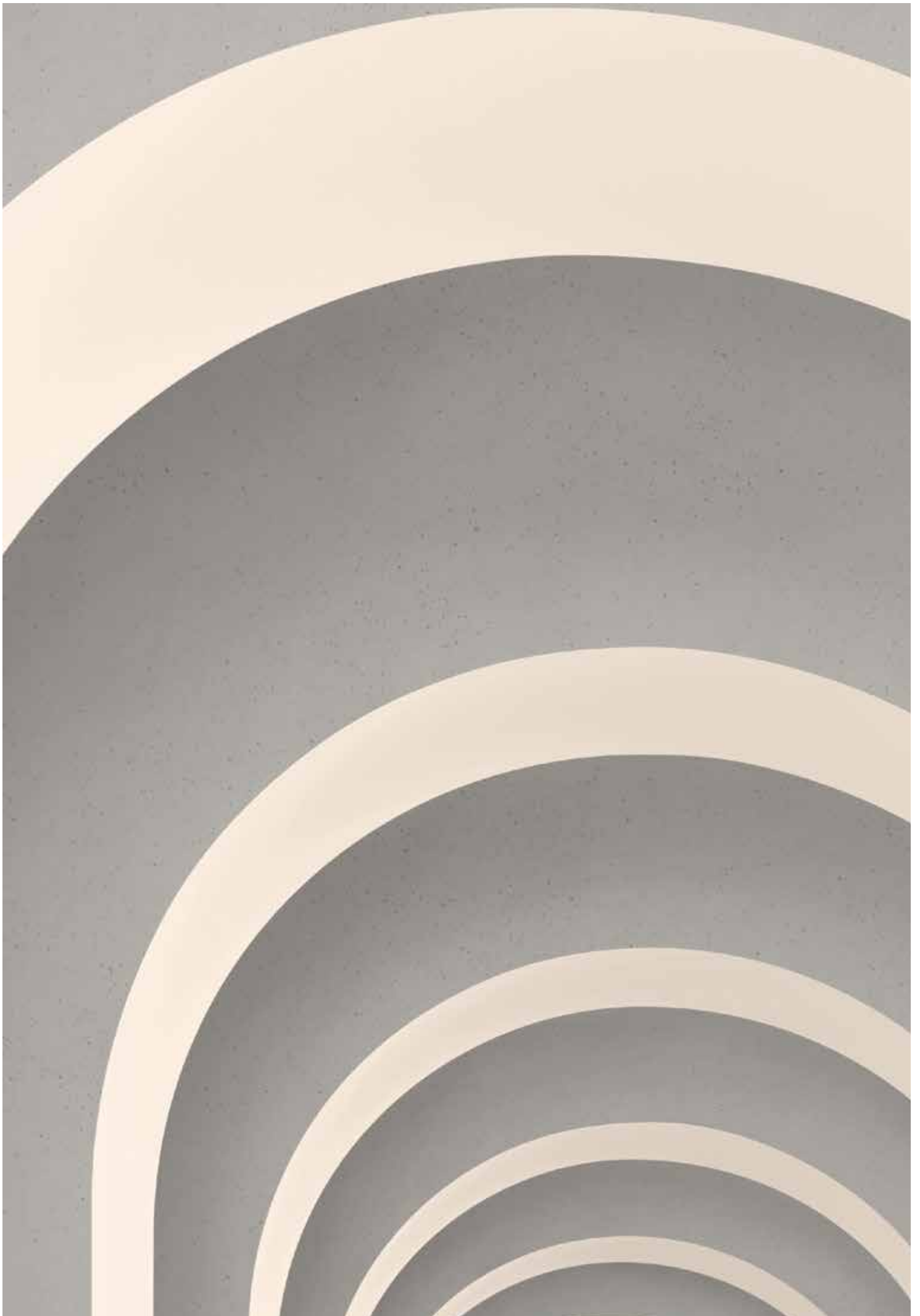
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# ABBREVIATIONS

|                          |  |
|--------------------------|--|
| <b>AC</b>                | Audit Committee                                    |
| <b>AKC</b>               | Alkhabeer Capital                                  |
| <b>BIC</b>               | Board Investment Committee                         |
| <b>BOD</b>               | Board of Directors                                 |
| <b>CC</b>                | Compliance Committee                               |
| <b>DCSD</b>              | Director Corporate Services Division               |
| <b>CEO</b>               | Chief Executive Officer                            |
| <b>CFO</b>               | Chief Financial Officer                            |
| <b>CMA</b>               | Capital Markets Authority                          |
| <b>CS</b>                | Corporate Secretary                                |
| <b>DCEO</b>              | Deputy Chief Executive Officer                     |
| <b>DRG</b>               | Director Risk and Governance                       |
| <b>DIR</b>               | Directors  |
| <b>DIRECTOR - IT</b>     | Director Information Technology                    |
| <b>DR*</b>               | Direct Reports*                                    |
| <b>ED</b>                | Executive Director                                 |
| <b>ERMC</b>              | Enterprise Risk Management Committee               |
| <b>FC/AM</b>             | Financial Controller / Accounting Manager          |
| <b>GRCD</b>              | Governance, Risk and Compliance Division           |
| <b>HOA</b>               | Head of Administration and Government Affairs      |
| <b>HOCM</b>              | Head of Compliance and MLR                         |
| <b>HOHC</b>              | Head of Human Capital                              |
| <b>HOI</b>               | Head of Internal Audit                             |
| <b>HOL</b>               | Head of Legal Department                           |
| <b>IC</b>                | Investment Committee                               |
| <b>IPO</b>               | Initial Public Offering                            |
| <b>KPIS</b>              | Key Performance Indicators                         |
| <b>NRC</b>               | Nomination and Remuneration Committee              |
| <b>SA</b>                | Senior Accountant                                  |
| <b>SAR</b>               | Saudi Arabian Riyals                               |
| <b>SCC**</b>             | Shari'a Compliance Consultant**                    |
| <b>SENIOR MANAGEMENT</b> | ED, CEO, DCEO & Chiefs                             |
| <b>SOCPA</b>             | Saudi Organization of Certified Public Accountants |
| <b>SVP</b>               | Senior Vice President                              |
| <b>TC</b>                | Travel Coordinator                                 |

\* Direct Reports: Any person reporting directly to the Executive Director or to the CEO

\*\* Alkhabeer Capital is Shari'a Compliant Company and all Shari'a related issues will be handled by a third party Shari'a Consultant



# 1. INTRODUCTION

Sound corporate governance is an important component in creating and sustaining shareholder value while ensuring behaviour is ethical, legal, and transparent.

Alkhabeer Capital (hereinafter referred to as “the Company” or “Alkhabeer”), believes corporate governance is fundamentally concerned with creating sustainable shareholder value, without ignoring the interests of other stakeholders in the company such as; employees, partners, customers and the community at large.

This corporate governance manual provides a basis for promoting the highest standards of corporate governance at Alkhabeer. This Manual has been developed in accordance to the “Corporate Governance regulations” set by the Capital Markets Authority (CMA) which is applicable to publicly listed companies in Saudi Arabia as part of the company’s plan to become listed in the near future. Further, this manual relates to the Company Policies, and internationally recognized practices.

The practices set out in this manual apply to Alkhabeer, insofar as they are capable of being applied to the practice of sound corporate governance, and will be reviewed regularly, once every year and updated if required. The Board of Directors approves any changes done to this manual, to ensure that Alkhabeer remains at the forefront of global best practice while maintaining sustainable ethical standards.

Where the provisions in this corporate governance manual are not in line with Company Policies, Capital Markets Authority (CMA) regulations or the Company’s Articles of Association, the Company Policies, CMA regulations and Articles of Association shall always prevail.

## 1.1 PURPOSE AND SCOPE

The purpose of the corporate governance manual is to:

- Document the corporate governance policies and procedures of Alkhabeer Capital.
- Serve as means of defining and clarifying the responsibilities associated with all personnel responsible for originating and processing documents and records pertaining to the Board and its Committees.
- Provide shareholders, the Board of Directors, and management with a tool to address governance related issues.

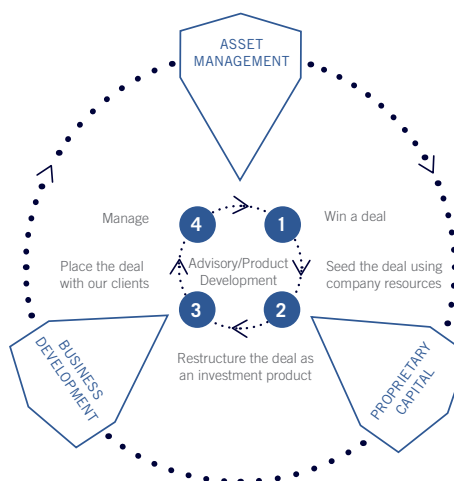
## 1.2 BUSINESS MODEL OF THE COMPANY

AKC’s business model is a function of three departments: Asset Management Division (“AMD”), Proprietary Capital Department (“PCD”), and Business Development Division (“BDD”) that work in synchrony on key steps:

- Sourcing, assessing and closing deals;
- Seeding the deals;
- Restructure / Package the deal as an investment product;
- Placing the deal to suitable investors; and
- Managing the product/s post-closing

Proprietary Capital is relied upon to underwrite deals and fuel the engine of growth; thus capturing opportunities and allowing clients to co-invest at the appropriate stage.

AKC's business model can be summarized as follows:



### 1.2.1 COMPANY RISK APPETITE

Risk Appetite Statement is the strategic articulation by the Board of the risks the company is willing to manage in pursuit of its business plan and is willing to undertake.

The Board delegates to the Senior Management the management of risks within the Company's business model and the approved investment policy.

A certain level of risk is inherent in any business and Alkhabeer Capital's risk appetite should be a satisfactory trade-off between the level of risk and the likely level of returns (or costs) limited to as much as possible to the business model and investment policy.

## 1.3 MEASUREMENT AND ACCOUNTABILITY

### 1.3.1 MANAGING COMPANY PERFORMANCE

It is expected that the Company management will use corporate KPIs as dashboards to help the Company achieve its stated goals set in the 5 years Business plan and its annual budget which provides:

- Alignment, visibility, and collaboration across the Company by allowing the Board to define, monitor, and analyze business performance via KPIs.
- The foundation for enabling the Company collective functions to more effectively align their business strategy with execution.

#### 1.3.1.1 KEY PERFORMANCE INDICATORS

The structure of the corporate KPIs stems from the balanced score-card methodology to measure performance against priorities, and attempts to look beyond typical financial indicators by measuring non-financial indicators and to ensure the alignment with the mission and vision of the Company.

Accordingly, Corporate KPIs comprise:

- Financial KPIs; reflect lagging indicators that measure the tangible outcomes of the strategy.
  - Customer KPIs; reflects the value proposition that defines the source of value.
  - Operations KPIs; reflect the continuous innovation, improvement and automation of business processes to drive efficiency and effectiveness within the regulatory framework.
  - People KPIs; reflect the empowerment and alignment of the company's single most valuable intangible asset to drive improvements to the strategic process and its implementation.
-

### 1.3.1.2 BENCHMARK

While benchmarking itself is not finance-specific, proper benchmarking often uses financial-specific indicators to assess the Company's rank among its peers. The key financial indicators that are usually used in benchmarking process against peers are:

|                            |                          |
|----------------------------|--------------------------|
| 1. Assets under Management | 2. Return on Equity      |
| 3. Return on Assets        | 4. Return on Investments |
| 5. Profit Margin           | 6. Current Ratio         |
| 7. Debt to Equity          | 8. Efficiency Ratios     |

### 1.3.1.3 IMPLEMENTING COMPANY WIDE PERFORMANCE MANAGEMENT SYSTEM

The Company recognizes that it is the contribution of the employees that drives business results and hence the need for a simple, transparent and consistent performance management system (PMS) to communicate and assess employees against the set performance targets. The performance management system is also a tool to identifying potential areas for improvement and development of employees.

## 1.4 ACCESS

The GRCD will be the ultimate custodian of this manual.

The contents of this manual, other than areas to be disclosed on the corporate website, are confidential and are intended for internal use of the Company only.

This manual should always be kept in a read-only status and must not be copied or revealed to third parties without the express written permission of the CEO. Requests for circulation of soft copies of this manual are to be made only to designated personnel, i.e. the CEO.

## 1.5 UPDATING AND APPROVING THE MANUAL

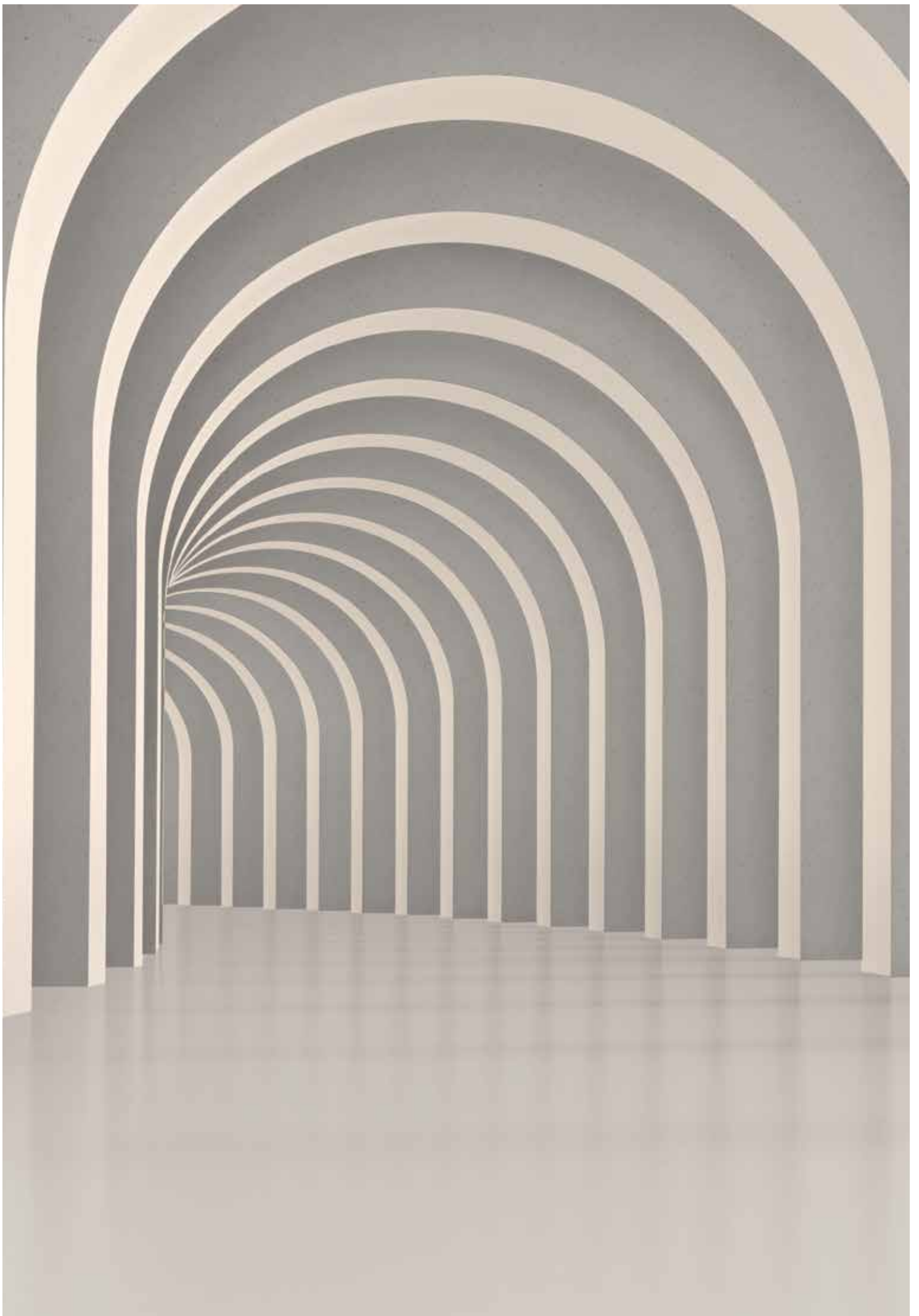
This manual - and any amendments to it - must be reviewed by BIC, Shari'a Compliance & approved by the Board of Directors.

- This manual is intended to serve as a living document. It is expected to be updated with modifications and additions annually.
- In case an issue arises which has not been addressed in this guide, leading practice must be followed. The issue must also be addressed in future updated versions of the manual.
- All updates must be done in accordance to the update procedures mentioned in this manual in response to the changing needs and requirements of Alkhabeer.
- The Authority Matrix and as per CMA regulations will be reviewed on annual basis and updated if needed. The Board should approve the reviewed / updated version.
- All AKC's policies and procedures to be reviewed on annual basis.

The table below shows the manual version information relating to the version number, version date, section (s) amended (as per TOC), and page number where the change or addition has been made. In the “Page Number” section, links will direct the user to the mentioned slide to promptly trace the changes or additions done.

| <b>S</b> | <b>VERSION NUMBER</b> | <b>VERSION DATE</b> | <b>SECTION</b> | <b>PAGE NUMBER</b> | <b>APPROVAL</b> |
|----------|-----------------------|---------------------|----------------|--------------------|-----------------|
| <b>1</b> | 1 <sup>st</sup> Issue | April 2009          | N/A            | N/A                | BoD             |
| <b>2</b> | 2 <sup>nd</sup> Issue | October 2011        | N/A            | N/A                | BoD             |
| <b>3</b> | 3 <sup>rd</sup> Issue | July 2014           | N/A            | N/A                | BoD             |
| <b>4</b> | 4 <sup>th</sup> Issue | June 2015           | N/A            | N/A                | BoD             |
| <b>5</b> | 5 <sup>th</sup> Issue | January 2017        | N/A            | N/A                | BoD             |
| <b>6</b> | 6 <sup>th</sup> Issue | December 2018       | N/A            | N/A                | BoD             |
| <b>7</b> |                       |                     |                |                    |                 |
| <b>8</b> |                       |                     |                |                    |                 |
| <b>9</b> |                       |                     |                |                    |                 |

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## 2. RIGHTS OF THE SHAREHOLDERS AND GENERAL ASSEMBLY

### 2.1 POLICY ON COMMUNICATING WITH SHAREHOLDERS

#### 2.1.1 SCOPE

Alkhabeer recognizes that dealing with shareholders effectively is critical to achieving business objectives. The objective of this policy is to ensure the continuous, proactive and systematic process conveying to all shareholders developments and operational changes at Alkhabeer.

Directors are responsible to all shareholders as a group, in doing so various mechanisms exist for making Directors accountable to their shareholders.

#### 2.1.2 THE RIGHTS OF ALKHABEER SHAREHOLDERS

Basic shareholder rights include the right to:

1. Share in the profits of the corporation in the form of dividends or retained earnings.
2. Elect, supervise and remove members of Alkhabeer's Board or Directors.
3. Participate and vote in general assembly meetings.
4. Obtain relevant and material information without prejudice to Alkhabeer's interests and without any potential conflict of interest on a regular and timely basis, in accordance with CMA regulations and Company Policies.
5. Request access to Alkhabeer's records and documents under authorization from the Board or the General Assembly.
6. Secure method of ownership registration.
7. File responsibility claims against the Board of Directors.
8. Conveyance, disposition or transfer of shares.
9. Share of Alkhabeer's assets upon liquidation.

Approve fundamental corporate changes, such as:

1. Amendments to Alkhabeer's Articles of Association and by-laws.
2. The authorization of additional issuance of shares.
3. Extraordinary transactions that affect the value of Alkhabeer shares.
4. Upon listing of Alkhabeer Capital on the Saudi Stock Exchange (Tadawul), the General Assembly shall, upon a recommendation of the Board of Directors, issue the rules for the appointment of the members of the Audit Committee and define the term of their office and the procedure to be followed by the Committee.
5. Upon listing of Alkhabeer Capital on the Saudi Stock Exchange (Tadawul), the General Assembly shall, upon a recommendation of the Board of Directors, issue the rules for the appointment of the members of the Nomination and Remuneration Committee and define the term of their office and the procedure to be followed by the Committee.

Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership should be discussed.

Markets for corporate control should be allowed to function in an efficient and transparent manner.

The exercise of ownership rights by all shareholders, including institutional investors, should be facilitated. Shareholders, including institutional shareholders, should be allowed to consult with each other on issues concerning their basic shareholder rights, subject to exceptions to prevent abuse.

### 2.1.3 THE RIGHTS OF SHAREHOLDERS RELATED TO THE GENERAL ASSEMBLY

A General Assembly shall convene once a year at least within the six months following the end of the company's financial year.

The General Assembly shall convene upon a request of the Board of Directors. The Board of Directors shall invite a General Assembly to convene pursuant to a request of the auditor or a number of shareholders whose shareholdings represent at least 5% of the equity share capital.

Date, place, and agenda of the General Assembly shall be specified and announced by a notice, at least 10 days prior to the date the meeting; via registered mail and emails.

Electronic and efficient means shall be used in communicating with shareholders. Shareholders should have the opportunity to participate effectively and vote in the General

Assembly meetings of Alkhabeer and be informed of the rules, including voting procedures that govern general shareholder meetings.

Directors may not be granted any proxies by the Shareholders to represent them in General Assembly meetings.

A shareholder may, in writing, appoint any other shareholder who is not a Director and who is not an employee of the Alkhabeer to attend the General Assembly meeting on his behalf.

Shareholders shall be allowed the opportunity to effectively participate and vote in the General Assembly; they shall be informed about the rules governing the meetings and the voting procedure.

Arrangements shall be made for facilitating the participation of the greatest number of shareholders in the General Assembly including, among other things, determination of the appropriate venue and time.

In preparing the General Assembly's agenda, the Board of Directors shall take into consideration agenda items requested by shareholders; shareholders holding not less than 5% of the company's shares are entitled to add one or more items to the agenda, upon its preparation.

Shareholders shall be entitled to discuss matters listed in the agenda of the General Assembly and raise relevant questions to the board members and to the external auditor. The Board of Directors or the external auditor shall answer the questions raised by shareholders in a manner that does not prejudice the company's interest.

Matters presented to the General Assembly shall be accompanied by sufficient information to enable shareholders to make decisions.

Shareholders shall be enabled to peruse the minutes of the General Assembly; the company shall provide the Authority with a copy of those minutes within 10 days of the convening date of any such meeting.

The CMA shall be immediately informed of the resolutions of the General Assembly.

### 2.1.4 THE EQUITABLE TREATMENT OF ALL SHAREHOLDERS

Alkhabeer's corporate governance framework ensures the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective reprimand for violation of their rights. Alkhabeer's statement on the equitable treatment of shareholder's is based on:

- All shareholders of the same series of share class are treated equally
  - Minority shareholders being protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of reprimand.
-

- Insider trading and abusive self-dealing will be prohibited.
- The independence of Directors and key personnel shall be disclosed in a form of not having interest in any transaction or matter they vote or decide upon.

### 2.1.5 CUMULATIVE VOTING

All voting for Board candidates must be cast via a system of cumulative voting as outlined below:

1. Every Alkhabeer shareholder must have a number of votes that is equal to the number of shares that are held by the shareholder.
2. Shareholders may give a number of votes to a single Board candidate or distribute them amongst such number of candidates as chosen by the shareholder, provided that the number of distributed votes does not in any way exceed the number of shares effectively held by the shareholder.
3. Processes and procedures for general shareholder meetings should allow for equitable treatment of all shareholders. Alkhabeer procedures should not make it unduly difficult to cast votes.
4. Voting is a fundamental right of a shareholder, which may not, in any way be denied or restricted.

### 2.1.6 COMMUNICATING WITH SHAREHOLDERS

Shareholders must have access to full and accurate information to enable them to fully and equally exercise their rights without any discrimination; provided that such information, accurate and regularly and timely submitted and updated.

Information from Alkhabeer to its shareholders will be comprehensive, in the form of a management memo, however the Board of Directors shall give due diligence to what is being disseminated as a part of these memos. Such memos will be provided and updated regularly and within prescribed times. Alkhabeer's Articles of Association shall specify the procedures and precautions that are necessary for the shareholders to exercise all of their lawful rights.

Additionally, Alkhabeer must produce an Annual Report that provides shareholders with a summary of key financial information, a review of the performance of Alkhabeer, material factors affecting earnings, and disclosure details of any dividend declared.

The contents of this report should include, as a minimum:

1. An income statement;
2. Balance sheet;
3. Cash flow statement;
4. Statement showing, either (i) changes in equity, or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders; and
5. Selected explanatory notes that are material to an understanding of the current period.
6. Chairman's Message
7. Operations Report
8. Annual Shari'a review certificate.
9. Corporate Governance Disclosure.

(The below statement applies only in case AKC is publicly listed)

It shall be permissible for Alkhabeer not to issue a press announcement regarding any given information, if its senior management has reasonable grounds to believe that the revealing of such information will lead to serious damage to its interests, and there has not been, nor will be, any dealing in its shares by members of the Board of Directors and senior management and their relatives to the first degree on the basis of the information not announced to the public, provided that Alkhabeer furnishes to the CMA such information. Furnishing information to shareholders that is false, or data such as to affect the market value of Alkhabeer securities and an investors decision to invest or otherwise is not permitted and will be reported to the applicable authorities.

### **2.1.7 POLICY ADMINISTRATION**

This process will be structured and overseen by the Board and Committees Governance Division. The Board - through the ED with the help of the Corporate Secretary -will be kept informed of the content and timely information provided to shareholders.

## **2.2 STAKEHOLDER RELATIONSHIP POLICY**

### **2.2.1 SCOPE**

This policy provides guidelines for relationship management with stakeholders with Alkhabeer. This policy shall regulate dealings with stakeholders with a view of protecting their respective rights.

### **2.2.2 POLICY REQUIREMENTS**

In instances where indemnifying the stakeholders is required as a result of a contravening of their rights, the Board shall act upon the issue in accordance with CMA regulations and Saudi Law.

Any disputes or complaints that may arise between a stakeholder and Alkhabeer shall be governed by an amicably constructive process that will be approved by the ED, Board of Directors and General Assembly.

## **2.3 DIVIDEND POLICY**

### **2.3.1 PURPOSE & SCOPE**

This policy is designed to ensure that the process for the determination, declaration and distribution of dividends at Alkhabeer Capital is clear, transparent and is in the best interests of both the Company and its Shareholders. The objective of this dividend policy is to allow for a fair payment to shareholders in comparison with other similar companies, with sufficient free cash flow for Alkhabeer's own development.

Dividends will be determined and paid in accordance with Alkhabeer Capital by-laws.

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### 2.3.2 APPROACH

Each year, the Board of Directors estimates a minimum dividend for the year, which is subject to reduction or increase at the end of the year based on certain circumstances, including restrictions under Laws in the Kingdom and changing market conditions

On an annual basis and at the end of the year, the Board of Directors (in consultation with the ED, CEO, Chief's, CFO and major shareholders) may recommend to the General Assembly to distribute dividends as a percentage of capital.

This percentage of capital will take into account business performance, potential investment opportunities, stability of the Company's earnings, the availability of alternative sources of capital and the market's possible reaction to declared amounts. Elements that determine the percentage of capital to be distributed as dividends include:

1. The method of declaration and payment.
2. Whether payment of dividends are in cash, shares (scrip or stock dividend) or a combination of both.
3. Share (stock) splits and share (stock) repurchase are prohibited; and
4. Dividends will be paid to the holder of those shares as registered in at the Securities Depository Center as they appear at the end of trading on the day on which the General Assembly is convened.

Dividends are declared and approved at the annual General Assembly of shareholders, based on recommendations of the Board of Directors.

Shareholders shall be entitled to their dividends within a specified period from the General Assembly's approval of the percentage of capital to be distributed as dividends. The Board of Directors will ensure that the timeline is strictly adhered to and that the exact date of payment should be declared in advance.

### 2.3.3 DIVIDENDS DISTRIBUTION:

In accordance to the approved by-laws of Alkhabeer Capital.

### 2.3.4 POLICY ADMINISTRATION

This policy will be reviewed by the Board of Directors and approved by the shareholders in the General Assembly meeting. The Policy will be communicated in the Board of Directors Report and the Company website.

This policy will be revised as needed by the Board of Directors while sparing no effort to ensure the consistency and transparency of its implementation over the years.



# 3. MANAGING THE BOARDS AFFAIRS

The foundation of proficient corporate governance is an effectively functioning, and well-informed Board of Directors (hereinafter referred to as the “BOD” or “the Board”). Ideally, the Board should have a mix of experienced, professionally acclaimed executive, nonexecutive, and Independent Directors who appreciate the issues put forward by management and understand their fiduciary responsibilities towards Alkhabeer’s shareholders.

## 3.1 ROLE OF THE BOARD

Alkhabeer’s business is conducted by its employees and senior management, led by the CEO, with oversight from the ED and the Board. The current CEO was appointed for a period of 5 years. The Board appoints the ED to work with the CEO to elect/appoint other senior management members, who are charged with managing the business of the Company. The Board shall determine the powers to be delegated to senior management and the procedures for taking any action and the validity of such delegation.

The Board has the responsibility of overseeing, counselling and directing the corporate officers to ensure that the interests of Alkhabeer and its shareholders are being served. The Board acts on a fully informed basis, in good faith, with due diligence and care, always keeping in mind the best interest of the Company and stakeholders.

The Board shall delegate oversight of key areas of responsibility to specific committees who will report to the full Board with their analyses and recommendations. Those committees will meet periodically in accordance with their approved charters at AKC premises.

### 3.1.1 OBJECTIVES

The Board is responsible to the shareholders for creating and delivering sustainable value through the management of Alkhabeer’s businesses. It should therefore determine the objectives and policies of the Company to deliver such value, providing and approving of the overall strategic direction within a framework of rewards, incentives and controls. The Board must ensure that management strikes an appropriate balance between promoting long- term growth and delivering short-term objectives.

The Board is also responsible for ensuring that management maintain a system of internal control which provides assurance of effective and efficient operations, accurate financial reporting and compliance with laws and regulations. In carrying out this responsibility, the Board must consider Alkhabeer’s business and reputation, the materiality of the financial and other risks inherent in the business and the relative costs and benefits of implementing specific controls.

The Board is also the decision-making body for matters important to Alkhabeer as a whole because of their strategic, financial or reputational implications or consequences.

### 3.1.2 BOARD RESPONSIBILITIES

(To be read in collaboration with Alkhabeer’s Authority Matrix – Appendix E)

The basic responsibility of the Directors is to exercise their reasonable business judgment on behalf of the shareholders. In discharging this obligation, Directors rely on, among other things, the Company’s officers, outside advisors and auditors.

The Board’s general oversight responsibilities include, but are not limited to, the following:

1. Oversight of the Company, including its control and accountability systems.

2. On an annual basis, reviewing and approving a “Board of Directors Report” based upon the CMA's latest requirements dated 31/10/2018.
  3. Providing adequate support and resources to the CEO.
  4. Promoting the Company's image within “Alkhabeer” and to the external community.
  5. Approving the strategic objectives of Alkhabeer.
  6. Determining the most appropriate capital structure for Alkhabeer, approving annual financial statements, annual reports and any other public documents / sensitive reports.
  7. Reviewing and ratifying systems of risk management and internal compliance and control and code of business conduct.
  8. Approving and monitoring the progress of major capital expenditures, capital management and acquisitions and divestitures.
  9. Ensuring management's objectives and activities are aligned with the expectations and risk identified by the Board.
  10. Deciding on the performance objectives of the Company and supervising the implementation thereof and overall performance of the Company
  11. Monitoring / assessing the performance of the Board Committees, management and any major projects.
  12. Conducting a regular follow-up with the committees of the Board to verify adherence to their assignments.
  13. Aligning key executive and Board remuneration with the longer term interests of the Company and its stakeholders.
  14. Ensuring a formal and transparent Board nomination and election process.
  15. Reviewing and approving the organizational and functional structure of Alkhabeer on a periodical basis.
  16. Laying down rules for internal control systems and supervising them through its sub-committees, which include:
    1. Establishing a written policy that would regulate conflict of interest and remedy any possible cases of conflict by members of the Board of Directors, Executive Management and Shareholders.
    2. Ensuring the integrity of the financial and accounting procedures including procedures related to the preparation of the financial reports.
    3. Ensuring the implementation of control procedures appropriate for risk management.
    4. Reviewing annually the effectiveness of the internal control systems.
  17. Evaluating the ED and CEO's performance and reviewing the Company's succession plan for the CEO.
  18. Monitoring and managing potential conflicts of interest of the Board, management and other stakeholders, including misuse of corporate assets and abuse in related party transaction.
  19. Ensuring that the activities of the Board of Directors, and committees thereof, are exercised as specified in Alkhabeer's Authority Matrix (See Appendix E)
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20. Ensuring that the authority of the Board of Directors is exercised in accordance with Article 20 of Alkhabeer's by-laws.
21. Reporting to shareholders.
22. Approving the annual budget, including capital expenditure and major acquisition/disposal of assets.
23. The BOD has the right to request any information that is seen beneficial or essential in the interest of the Company directly from management or through the respective sub-committees assuming no conflict of interest.
24. Members of BOD shall not be entitled to enter into loans (for more details, kindly refer to Article 20 of Alkhabeer Capital's by-laws)
25. Reviewing and approving a Corporate Governance Code for Alkhabeer Capital that does not contradict the provisions of this regulation and amending it whenever necessary.
26. Laying down specific and explicit policies, standards and procedures, for the membership of the Board of Directors.
27. Outlining a written policy that regulate the relationship with stakeholders, such policy must cover the following:
  1. Mechanisms for indemnifying the stakeholders.
  2. Mechanisms for settlement of complaints or disputes that might arise between Alkhabeer Capital and the stakeholders.
  3. Suitable mechanisms for maintaining good relationships with customers and suppliers.
  4. A code of conduct for Alkhabeer Capital Board of Directors, executives and employees.
  5. Alkhabeer Capital's social contributions.
28. Deciding policies and procedures to ensure Alkhabeer Capital's compliance with the laws, regulations and Shari'a. Additionally Alkhabeer Capital's obligation to disclose material information to shareholders, creditors and other stakeholders.
29. Without prejudice to the competences of the General Assembly, Alkhabeer Capital's Board of Directors shall assume all the necessary powers for Alkhabeer Capital's management. The Board of Directors shall avoid issuing general or indefinite power of attorney.
30. A member of the Board of Directors represents all shareholders.
31. The Board of Directors shall ensure that a procedure is laid down for orienting the new board members of Alkhabeer Capital's business and, in particular, the financial and legal aspects, in addition to their training, where necessary.

### 3.2 ROLE OF THE CHAIRMAN

#### 3.2.1 OBJECTIVES

The Chairman of the Board is pivotal in creating the conditions for overall Board and individual Director Effectiveness, both inside and outside the Boardroom.

#### 3.2.2 KEY RESPONSIBILITIES

It is the Chairman's responsibility to lead the Board and facilitate constructive contribution by all Directors to ensure the Board functions effectively as a whole in discharging its responsibilities.

The role of the Chairman and the ED or CEO must not be held by the same person. The Chairman's specific responsibilities include, but are not limited to, the following:

1. Ensuring the Board provides leadership and vision to the Company.
2. Promoting the highest standard of corporate governance.
3. Approving the board agenda, incorporating any feedback from the ED and Corporate Secretary.
4. Promoting the Company's image within "Alkhabeer" and to the external community.
5. Chairing both Annual and Extraordinary General Meetings.
6. Managing Board meetings to ensure that sufficient time is allowed for the discussion of complex or contentious issues.
7. Ensuring Board minutes properly reflect Board decisions.
8. Ensuring clear structure for and the effective running of Board Committees.
9. Ensuring that the Board has the relevant information required for effective decision making.
10. Developing an ongoing relationship with the ED and CEO. As the major point of contact between the ED and the CEO and the Board, the Chairman should be fully aware of the day-to-day matters of interest to Directors.
11. Ensuring effective communication with shareholders and ensuring that Board members develop an understanding of the views of major investors.
12. Encouraging active engagement by all members of the Board.
13. Promoting effective relationships and open communication, both inside and outside of the Boardroom, between non-executive Directors and the executive team.
14. Taking the lead in providing an induction programme for new Directors, to be facilitated by the NRC that is comprehensive, formal and tailored.
15. Facilitating in identifying and addressing the development needs of individual Directors, with a view to enhance the overall effectiveness of the team.

### 3.3 ROLE OF THE DIRECTORS OF THE BOARD

#### 3.3.1 OBJECTIVES

The primary objective of all Directors is to constructively challenge and help develop proposals on strategy and business development.

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### 3.3.2 KEY RESPONSIBILITIES

As Board members, the Directors responsibilities will include, but are not limited to, the following:

1. Providing entrepreneurial leadership to the Company within a framework of prudent and effective controls which enable risk to be assessed and managed.
2. Allotting ample time for performing their responsibilities, including preparation and attendance for Board meetings, and those of permanent and adhoc committees.
3. Disclosing any conflicts of interest.
4. Non-Executive Directors shall develop procedural rules for Alkhabeer's Governance and supervise and monitor their implementation.
5. Setting Alkhabeer's values and standards and ensuring obligations to its stakeholders and others are understood and met.
6. Acting in good faith, with diligence, and in the best interests of the Company and the shareholders while avoiding conflicts with personal interests.
7. Constructively challenging and helping develop proposals on strategy.
8. Making reasonable inquiries to ensure that Alkhabeer is operating efficiently, effectively and legally towards achieving its goals.
9. Undertaking diligent analysis of all proposals placed before the Board.
10. Encouraging constructive debate in the Boardroom and ensuring all relevant issues are given due consideration before decisions are made.
11. Scrutinizing the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance.
12. Being personally satisfied with the attainment of corporate goals achieved in a manner in line with the corporate risk appetite.
13. Ensuring the integrity of financial information and that financial controls and systems of risk management are robust and defensible.
14. Ensuring that at least one member of the Board of Directors is considered a financial expert.
15. Upholding the principles of Shari'a.

### 3.3.3 THE SOUND JUDGEMENT RULE

"The Sound Judgment Rule" provides that, if a Director, or group of Directors, makes a decision in relation to the business operations of Alkhabeer and meets a number of specific requirements, then the Directors will have discharged their duty to act with care and diligence.

The specific requirements that must be met are that:

Decision made must be in good faith for a proper purpose and shall be in the best interests of the Company.

A Director should not have a material personal interest in the subject matter of the decision. When and if such interest or conflict exists, such Director shall properly disclose, and if necessary, reclude themselves from involvement in the decision on the subject matter.

Directors shall take steps to inform themselves on the subject matter of the decision to the extent that he/she reasonably believes to be appropriate.

#### 3.4 BOARD COMPOSITION

1. As per CMA regulations, the Board of Alkhabeer Capital will have at a minimum three (3) members to a maximum of eleven (11) members. AKC has nine (9) member, in line with the General Assembly's decision date 8/5/2015.
2. The Board must maintain a suitable balance between the numbers of Executive, Non-Executive and Independent Directors. At minimum, not less than four (4) members shall be independent, while a majority of Directors shall be Non-Executive Directors.
3. The Company will determine the independence criteria for its Directors (see Section 3.7 of this manual)
4. The Chairman of Alkhabeer will not be its ED or CEO or hold any other executive position in the company.
5. The Board of Alkhabeer, in consultation with the ED and based on the recommendation of the NRC will determine the Board size and composition of all its subsidiaries.

#### 3.5 TERM AND NOMINATION OF DIRECTORS

The General Assembly will vote on the nominees, as proposed by the Board, for election as Directors every three (3) years. Unless otherwise provided by the Company's Articles of Association, Directors may be continually reappointed to their posts.

The independent directors will be contracted for a period of one year only. NRC will recommend to the BOD for renewal at end of the year. However, the independent directors will be appointed for up to 6 years after which specific notification with the renewal request will be sent to the board for their approval.

The Chairman and a Vice Chairman of the Board will be elected by the Board.

Where possible, the Board should engage in a disciplined process to determine, in light of the opportunities and risks facing the Company, what competencies, skills, and personal qualities it should seek in new Board nominations in order to add value to the Company.

Board should ensure that prospective candidates fully understand the role of the Board and the contribution they are expected to make, including the commitment of time and energy that the Company expects of its Directors.

#### 3.6 CORE COMPETENCIES OF THE BOARD

Contemporary best practice in corporate governance suggests that the Board or Directors of Alkhabeer should possess the following core competencies:

1. Accounting and Finance: Expertise in financial accounting and corporate finance, including trends in debt and equity markets.
  2. Business Judgement: Directors have a record of making good business judgements.
  3. Management: Directors who understand and keep abreast of general management "best practices" and their application in complex and rapidly evolving business environments.
  4. Crisis Response: Directors who are capable and can respond to a short term or prolonged crisis.
  5. Industry Knowledge: One or more members with appropriate and relevant industry- specific knowledge and experience.
  6. International Markets: Business experience in international markets.
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7. Leadership: Directors who understand and possess empowerment skills and have a history of motivating high-performing talent.
8. Strategy/Vision: Directors who are able to provide insight and direction by encouraging innovation, conceptualizing key trends, evaluating strategic decisions, and continually challenging Alkhabeer to sharpen its vision.

### 3.7 DIRECTOR INDEPENDENCE

For non-executive Directors to achieve independence, they should be independent of management and free from any business or other relationship which could materially interfere or reasonably be perceived to materially interfere with the exercise of their independent judgement. Please refer to Appendix "B" of this manual for independence guidelines for non-executive Directors. A member of the Board of Directors shall not act as member of the Board of Directors of more the five (5) joint stock companies at the same time. Moreover, a member of the Board of Directors shall not act as a member or advisor to the Board of Directors of a company offering competitive services to Alkhabeer. The Compliance Committee will review the independence of Directors on a yearly basis to ensure it complies with Company Policies and CMA regulatory amendments. Corporate secretary shall provide the Compliance Department with all required documents to verify the independency of the Board members.

### 3.8 BOARD OF DIRECTOR ORIENTATION AND CONTINUING EDUCATION POLICY

#### 3.8.1 PURPOSE

The Director Orientation and Continuing Education Policy is to set forth Alkhabeer's process for orientation for newly appointed Directors and to familiarize them with the role of Alkhabeer's Board of Directors, its committees, its Directors, and the nature and operations of Alkhabeer's business activities. This policy also indicates the elements of education for the Board of Directors, thus ensuring they maintain the skill and knowledge necessary to meet their obligations as Directors.

#### 3.8.2 ORIENTATION OF NEW DIRECTORS

All new Directors must participate in an orientation exercise that will be administered by a member of the Management at Alkhabeer. This orientation may include presentations by the ED, CEO and senior management to familiarize new Directors with Alkhabeer's strategic plans, significant financial, accounting and risk management issues, compliance programs, the Code of Business Conduct, its principal officers, and internal and independent auditors.

In addition, the orientation will include visits to Alkhabeer headquarters and, to the extent practical, Alkhabeer's significant facilities.

It is important that Directors stay up-to date in relation to matters relevant to the Company, the industry and the particular areas of expertise for which they have been invited on to the Board in the first place. In particular, a Director must have:

1. An appropriate level of knowledge of the industry Alkhabeer operates in.
2. Clear understanding of Alkhabeer's business operations.
3. Clear understanding of Alkhabeer's financial position.
4. Clear understanding of Alkhabeer's strategy and direction.

5. High level knowledge of the business risks that may affect its success.
6. Access to relevant background's information on key employees and the other members of the Board.

In addition, the corporate secretary shall provide the new Directors with Alkhabeer Induction Package containing the following:

|  |  |
|--|--|
| a) A brief history of Alkhabeer  | g) Company by-laws   |
| b) Organizational chart  | h) Schedule of Upcoming Board and Committee Meetings         |
| c) Corporate governance manual   | i) Financial statements for the past two (2) years           |
| d) The Code of Business Conduct for Board Members (which is to be reviewed and signed) | j) List of carried forward items from the last Board meeting |
| e) Current corporate business plans  | k) Annual Reports for the last two (2) years                 |
| f) The last 4 BOD minutes of meeting   |  |

#### 3.8.3 CONTINUING EDUCATION

It is recommended that all Directors are encouraged to attend, at the Company's expense, Director continuing education programs offered by various organizations. The Corporate Secretary will inform Directors of the exact dates of such programs.

The following actions will be taken to ensure the continuing education of Directors:

1. Senior management will provide to Directors on a regular basis pertinent articles and materials relating to Alkhabeer's business, its competitors, corporate governance and regulatory issues.
2. Senior management will provide to all Directors subscriptions to pertinent magazines and journals.
3. Regular presentations to Directors by key Alkhabeer executive's regarding business activities, proposed business activities and relative performance of Alkhabeer versus competitors.
4. Presentations to Directors by the HOHC, HOL and HOCM on new legal and regulatory requirements respectively.

## **3.9 DIRECTOR REMUNERATION**

### **3.9.1 PURPOSE**

The remuneration of each of the Board of Directors shall be paid in accordance with the approved Board remuneration policy of Alkhabeer Capital. Sum of the Board remunerations shall not exceed 2.5% of the net profits as stipulated in article 76 of the Saudi Companies Law.

### **3.9.2 REMUNERATION POLICIES FOR DIRECTORS**

The NRC will annually review and make recommendations to the Board on remuneration policies for Alkhabeer Directors (including fees, travel expenses and other benefits). Once approved by the Board, the details of the Director Remuneration policies for all Directors should be documented. (Refer to the approved BOD Remuneration Policy).

## **3.10 PERSONAL LIABILITY**

The Chairman and members of the Board shall be liable towards the Company, the shareholders and third parties for all acts of fraud, power abuse, illegal acts and violation of the Articles of Association. With the exception of the previous sentence, the Chairman and members of the Board will not be held personally liable with regards to the obligations and liabilities of Alkhabeer. AKC insures through Professional Indemnity policy.

## **3.11 DIRECTOR ACCESS TO OFFICERS AND EMPLOYEES**

Directors require full and free access to officers and employees of the Company and its subsidiaries. All Directors should have access to the advice and services of the Corporate Secretary, who is responsible to the Board in ensuring that Board procedures are followed and that the applicable rules and regulations are complied with. Any questions with regards to the removal of the secretary should be a matter for the Board as a whole.

## **3.12 INDEPENDENT ADVICE AND JUDGMENT**

The Board and its Committees may seek legal, financial or other expert advice from a source independent of management, at the Company's expense and without prior approval of the Company.

All Directors should bring an independent judgement to bear on issues of strategy, performance, resources, including key appointments, and standards of conduct.

## **3.13 OUTSIDE BOARD MEMBERSHIPS**

It is the policy of Alkhabeer that Directors of Alkhabeer in any case shall not serve as Directors or hold equivalent positions in more than five (5) joint stock companies during the year.

It is also Alkhabeer policy that, while the Company acknowledges the value in having Directors and officers with significant experience in other businesses and activities, each Director is expected to ensure that other commitments, including outside Board memberships, do not interfere with their duties and responsibilities as members of the Company's Board and that no Director shall sit on the Boards of Alkhabeer's competitors.

### 3.14 AUTHORITY MATRIX

The objective of the matrix is to provide, at all times, a clear definition with regards to who will set and maintain a sufficient degree of control over Alkhabeer's operations in line with their fiduciary responsibilities to the Board of Directors. The matrix provides sufficient degree of flexibility to the executive and senior management team so that the day-to-day affairs and operations of the Company can be carried out in an efficient, flexible and realistic manner (see Appendix "E").

Alkhabeer's operations are governed by instructions and decisions issued in the following order of precedence:

1. The by-laws defines the authorities of the BOD and the ED.
2. The Board of Directors and the ED may empower certain authorities to the Committees, CEO or the Senior Management as outlined in the authority matrix..
3. The CEO has the authority to delegate by issuing an order in writing any portion of the powers conferred by this Authority Matrix to him. However, the delegator will continue to have the ultimate responsibility for all the actions taken by the delegate.

#### **OTHER KEY ITEMS TO NOTE:**

1. The elements of the Authority Matrix will prevail when in conflict with existing operational policies and procedures.
2. This Authority Matrix excludes any authorities that are reserved for the General Assembly.
3. The Direct reports have the authority to approve activities within their departments or divisions that are not mentioned in this Matrix.

### 3.15 RESIGNATION OF DIRECTORS

Upon a board member presenting his resignation, the NRC in coordination with the board of directors shall look for the reasons behind the resignation and act accordingly. The General Assembly reserves the right, at all times, to dismiss requests for resignation all or any of the Directors even though the Articles of Association provide otherwise.

On the resignation of a Director, Alkhabeer shall promptly notify the CMA and shall specify the reasons for such termination if required.

### 3.16 TERMINATION OF DIRECTORS

The Board of Directors, based on the recommendation of the NRC, may expel a BOD member in cases where the director may:

1. Cause a financial loss to the Company;
  2. Adversely affect, disrupt or interfere with the business operations and activities of the Company;
  3. Take any action which adversely affects the safety or soundness of the Company;
  4. Disrupt or interfere with the activities of any committee or board meeting, or the election of any officer, director, or committee person of AKC;
  5. Conduct his business affairs with AKC in a manner contrary to the safe and sound operations of the Company;
  6. Cause embarrassment or public disfavour to the reputation of the Company;
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7. Commit any crime; or
8. Harass, in any way, manner or form, any volunteer, member or staff person of the Company.

The Board of Directors may recommend to the General Assembly to dismiss any board member who did not attend three (3) consecutive meetings without legitimate reasons.

The General Assembly reserves the right, at all times, to dismiss all or any of the Directors. In addition, the General Assembly may set Board attendance policy, which must be implemented accordingly. On the termination of a Director's membership, Alkhabeer shall promptly notify the CMA and shall specify the reasons for such termination.

## 3.17 BOARD MEETINGS

Board meetings should be conducted in an open and inclusive atmosphere that allows for healthy debate by all members of the Board.

### 3.17.1 QUORUM

A Board Meeting will not be valid unless attended by at least five (5) members out of nine (9), as per the by-laws of the company.

### 3.17.2 BOARD AGENDA

The ED establishes the agendas for Board meetings and circulates them to other Board members or other relevant persons through the Corporate Secretary, after seeking approval from the Chairman of the Board.

Each Director is free to suggest items for the agenda, and each Director is free to raise subjects that are not on the meeting agenda before the commencement of the Board meeting.

The careful preparation of the agenda enhances board productivity, and strengthens its strategic and advisory role. At every regular Board meeting Directors should:

1. Review and approve the minutes of the last meeting;
2. Review tabled meeting minutes of key Board Committees;
3. Review outstanding major action items from previous meetings;
4. Discuss emerging issues that could affect Alkhabeer;
5. Receive reports from the CEO on operational and performance matters and strategic issues;
6. Monitor managements performance and its expectations for variances;
7. Review operations for the year-to-date and forecasts covering the remainder of the relevant accounting period;
8. Review annual reports;
9. Review and decide on stewardship issues; and
10. Review and ratify reports from committees.

The Board should have a formal schedule of matters and reserved appropriate time for items that require decision-making. Information and data that are important to the Board's understanding of the matters to be covered at a Board meeting will be distributed to the Directors before the meeting. Directors should review in advance any materials sent to them in order to take part in a meaningful deliberation at the meeting. Once convened, the Board shall approve the agenda. Should any objection be raised at this time, the details of such objection shall be entered in the meeting minutes.

#### **3.17.3 FREQUENCY OF MEETINGS**

Meetings of the Board of Directors of Alkhabeer shall be held at least every 3 months upon written request from the Chairman, or upon written request submitted by at least two of the Directors and approved by the Chairman. Board meeting invitations should be sent to the Board members at least 14 days before the meeting date.

#### **3.17.4 DURATION OF MEETINGS**

The length of Board meetings should be sufficient to give appropriate attention to the issue at hand. Board meetings can vary significantly in duration. It is essential that the meeting should be long enough to cover the agenda in appropriate detail.

### **3.18 BOARD PAPERS**

Board papers should be concise standalone documents that present the information the Board requires to fully understand the issues being raised and make appropriately informed decisions.

The purpose of each Board paper should be clearly stated. This is particularly important in assisting the Board in understanding management's requirements and appropriately preparing for Board meetings. This can be achieved by allocating each Board paper into one of three distinct categories:

1. For informative purposes: papers aimed at keeping the Board informed of matters, for example, relevant press clippings and financial information.
2. For decision: matters put forward that require the Board's decision.
3. For discussion and input: discussion of matters prior to final recommendations, for example, providing concept papers seeking the Board's input throughout the planning phase, rather than simply when a final decision is required.

Formal guidelines for Board reporting are to be approved by the Board annually to ensure the Board's requirements are clearly understood. These guidelines will set out the form, presentation and content requirements for Board papers, together with administrative procedures in relation to the time of submission and process for review and approval.

The guidelines should also provide that the control over distribution of Board papers rests with the Board. This is particularly important when distribution is undertaken electronically.

The Board should ensure that these guidelines are communicated to all staff via corporate secretary, that may be responsible for the preparation of Board papers. It is recommended to offer internal support to key personnel in the form of educational or briefing programs and to distribute sample or template documents illustrative of the recommended style.

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### 3.19 COMPLETE AND TIMELY INFORMATION

The Board must insist that management advise it of all material corporate developments and that this information is complete and provided on a timely basis. Matters reported to the Board, or submitted for its consideration, should be adequately documented. Reliance on what is purely volunteered by management is unlikely to be enough in all circumstances and further enquires may be required. The Board should have separate and independent access to Alkhabeer's senior management and the Corporate Secretary. Information provided should include:

1. Relevant background and explanatory information;
2. Copies of disclosure documents;
3. Budgets, with explanations on material variances between projection and actual results;
4. Forecasts;
5. Balanced and understandable monthly management accounts and prospects; and
6. Non-financial performance indicators in a KPIs format.

It is important that what is ultimately presented to the Board is concise and performance reports reflect relevant and approved Key Performance Indicators ("KPIs") and not superfluous information.

#### 3.19.1 INFORMATION TO BE DISTRIBUTED PRIOR TO MEETINGS

Information packages regarding the Company's business and performance will be distributed to all Directors prior to Board meetings. In addition, business updates and information regarding recommendations for action by the Board at a meeting shall be made available to the Board before at least 7 calendar days of the meetings to allow review, consideration and follow up on any pertinent items.

##### THE PACKAGE DISTRIBUTED WILL INCLUDE:

1. An agenda and the supporting papers including;
  - A- The CEO's update – providing an overview of major events impacting the business since the last meeting.
  - B- A financial performance report, focussing on KPIs and strategic performance.
2. Minutes of the previous meeting.
3. An action items list, noting responsible persons and dates for completion.
4. Papers on specific issues for decision, discussion or information.

### 3.20 BOARD AND COMMITTEES MINUTES & ACTION ITEMS

Minutes are the record of the issues discussed, decisions made and actions arising from the Board and Committee meetings. Minutes of meetings are to be kept, signed and preserved as a complete, accurate and objective account of the proceedings of meetings.

Minutes should be clear, concise, well structured (preferably in chapters for ease of reference) and unambiguous. They should not contain superfluous information nor be a verbatim recording of the dialogue at the meeting.

The minutes must clearly set out the decisions of the Board or Committee made during the course of the meeting and reflect the consensus nature of Board decisions. With chairman approval the minutes may also document the process the Board has worked through in reaching its decisions. This may include recording matters discussed, questions asked of management and any additional information requested.

The recording of the minutes by any board member is considered to be illegal. Only the corporate secretary can record the meeting, and this record shall be destroyed after having the final minutes approved. The detailed procedures for taking the Minutes of meetings and recording them are covered in details in the Corporate Secretary Policy.

#### **3.20.1 FINALIZING MINUTES**

The process of finalizing minutes of each meeting is as follows:

1. Minutes will generally be prepared by the Corporate Secretary from notes taken during the meeting.
2. A draft will be provided for BOD's and committee members review within 7 working days after the meeting.
3. Board members will review the draft minutes and shall provide his/her comments if any within 10 calendar days from the date of receiving the Minutes otherwise it will considered as approved.
4. All minutes will be signed by all members attending the meeting.
5. The Corporate Secretary shall keep and control the minutes in a special register and the original signed minutes shall be kept in a fireproof safe for 10 years in accordance with CMA regulations.

#### **3.21 OUTSTANDING ISSUES ADDRESSED TO MANAGEMENT**

The Board may often identify additional information it requires, initiatives it would like management to implement, or other matters for management action or attention.

In order to keep track of these matters, an "action items" list should be maintained by the Corporate Secretary to be updated after each meeting and distributed along with the minutes of the meeting. The action item list will contain a brief description of the actions to be taken, cross referenced to the relevant item in the minutes. The list should also note the responsible person and the date by which the action is to be completed.

A review of the action items should be a standing item on the Board's agenda to ensure management are progressing with specific tasks in line with the Board's expectations.

#### **3.22 VOTING**

Resolutions shall be adopted by absolute majority at a rate of 75% of votes of those present or represented.

A Director may delegate another Director to vote on his behalf during his absence. In this case, the Director will have two (2) votes provided that a Director is not allowed to hold more than one (1) proxy. Voting by electronic means shall be permitted as long as electronic conferencing media is confirmed.

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The Corporate Secretary shall record in the minutes of meeting all votes against every Board resolution or on any matter submitted for a vote. This record will also include any instances of abstaining from voting, all proxy votes, video/ Telephone conference votes, and will disclose the same when:

1. Such disclosure is required by applicable law or regulation,
2. A stakeholder expressly requests such disclosure, or
3. A proxy vote is contested.

## **3.23 ROLE OF THE CORPORATE SECRETARY**

### **3.23.1 OBJECTIVES**

The Corporate Secretary appointment, contract renewal, termination and resignation will be approved by the Board of Directors of Alkhabeer Capital, and will be reporting functionally to the chairman of the board and administratively to the ED.

The Corporate Secretary plays a significant role in ensuring that meetings are run efficiently and resolutions of the Board are acted upon on a timely basis.

### **3.23.2 KEY RESPONSIBILITIES RELATED TO THE BOARD**

The Corporate Secretary is generally responsible for carrying out the administrative and legislative requirements of the Board, in particular:

1. Ensuring an annual calendar of board meetings is maintained and updated every quarter after the most current meeting
2. Distributing board action points in a timely manner to the concerned parties.
3. Ensuring that the agenda is complete and that it caters for all requirements such as code of conduct, independence confirmation, formation of board committees, and approval of committee charters.
4. Ensuring that the Board agenda is developed in a timely and effective manner for review and approval by the Chairman.
5. Ensuring, in conjunction with the ED, that Board papers are developed in a timely and effective manner.
6. Ensuring standardised formats for all Board papers and reports.
7. Coordinating, organizing and attending meetings of the Board and shareholders, and ensuring that correct procedures are followed.
8. Ensuring that agenda of the meeting and all required reading materials are submitted at maximum 7 calendar days before the Board meeting.
9. Drafting and maintaining minutes of Board meetings at maximum 7 working days after the adjournment of the Board meeting.
10. Distributing Board resolutions in an appropriate and timely manner.
11. In conjunction with the ED and other senior management, carrying out the instructions of the Board and giving practical effect to the Board's decisions.
12. Ensuring that all votes are as per the voting matrix of the Board and the committees meetings.

13. Responsible of announcing the voting results for each Board and committee member right after voting.
14. Maintaining the records approved and disapproved items for each Board and committee member.
15. Meeting statutory reporting requirements in accordance with relevant legislation.
16. Working with the Chairman and the ED to establish and deliver leading practice governance.
17. Maintaining a list of action points listing all outstanding action points.

#### **3.23.3 KEY RESPONSIBILITIES RELATED TO SHAREHOLDERS**

The Corporate Secretary is responsible of the shareholder communications, on-going maintenance of shareholder records, shareholder statistical data, and company stock transfers. In addition, the Corporate Secretary is responsible of following related to the Annual Shareholders meeting:

1. Development agreement with the external Attorney.
2. Obtaining the approval of the Ministry of Commerce.
3. Sending invitations to shareholders.
4. Coordinating and arranging the venue logistics of the meeting.
5. Take the attendance of board members and appropriate management representatives
6. To assist in drafting the Chairman's speech.
7. Overseeing conduct of the meeting and keeping order.

#### **3.23.4 CORPORATE RECORDS**

The Corporate Secretary must maintain appropriate corporate records, such as Minutes of the Board meetings and its committees, the General Assembly meetings' documents, and the contracts of external consultants and independent Board members and all Board Committees. The detailed procedures for taking the Minutes of meetings and recording them are covered in details in the Corporate Secretary Policy.

### **3.24 CONFLICT OF INTEREST WITHIN BOARD**

- a) A Board member shall not, without a prior authorization from the General Assembly, to be renewed each year, have any interest (whether directly or indirectly) in the company's business and contracts. The activities to be performed through general bidding shall constitute an exception where a Board Member is the best bidder. A Board Member shall notify the Board of Directors of any personal interest he/she may have in the business and contracts that are completed for the company's account. Such notification shall be entered in the minutes of the meeting. A Board Member who is an interested party shall not be entitled to vote on the resolution to be adopted in this regard neither in the General Assembly nor in the Board of Directors. The Chairman of the Board of Directors shall notify the General Assembly, when convened, of the activities and contracts in respect of which a Board Member may have a personal interest and shall attach to such notification a special report prepared by the company's auditor.
  - b) A Board Member shall not, without a prior authorization of the General Assembly, to be renewed annually, participate in any activity which may likely compete with the activities of the company, or trade in any branch of the activities carried out by the company.
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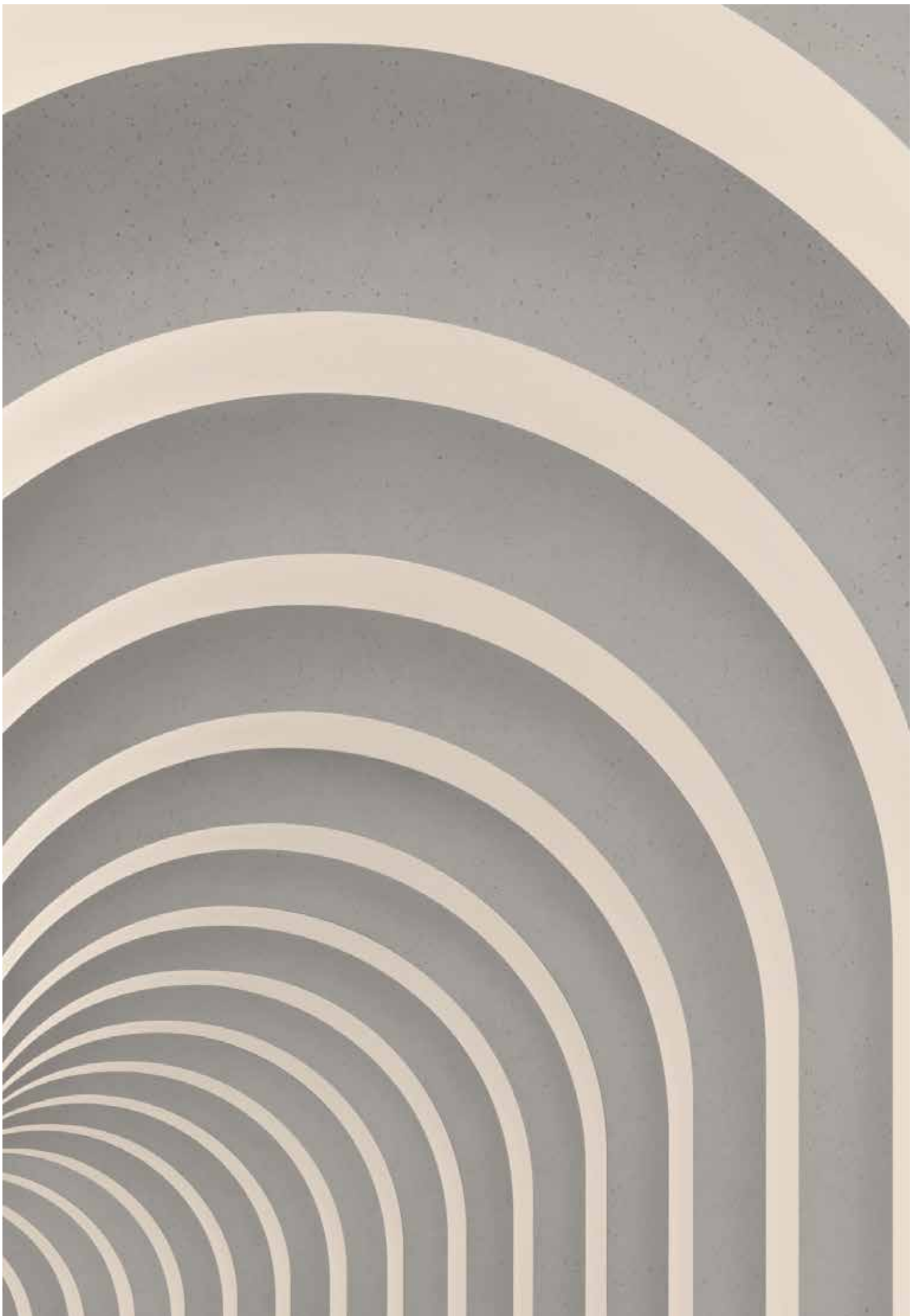
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- c) The company shall not grant cash loan(s) whatsoever to any of its Board Members or render guarantees in respect of any loan entered into by a Board Member with third parties, including banks and other fiduciary companies.

In addition, the company developed and implemented a detailed Conflict of Interest Procedures which is included in the Compliance Manual of AKC.

A Conflict of interest occurs when an individual or organization is involved in multiple interests, one of which could directly and significantly affect the individual's professional actions or decisions.

It is AKC policy that board members and employees of AKC and others acting on behalf of AKC and its affiliates must be free of conflict of interest that could adversely influence their judgment and objectivity in conducting AKC's business activities.

Conflict of Interest Disclosure form to be renewed every calendar year for all Board members, and also in the occurrence of any arising conflict of interest at any time.





# 4. BOARD COMMITTEES

The Board should establish the following committees to assist it in discharging its oversight responsibilities; each Committee will have documented and approved Charter (Refer to Appendix "C"):

- Audit Committee
- Nomination & Remuneration Committee
- Board Investment Committee

Committees will have the authority to act within the mandate provided by their respective Committee charters which is in accordance with CMA regulations while informing the Board of Directors of the recommendations or decisions that have been taken.

The Committees may invite the Chairman of the Board, ED, CEO, senior management, the internal and external auditors and other personnel whom it deems necessary to attend its meetings.

## 4.1 AUDIT COMMITTEE

The purpose of the Audit Committee is to assist the Board in fulfilling their oversight responsibilities for the integrity of the financial statements, independent external auditor's qualifications and independence; and performance of Alkhabeer's Internal Audit Department.

## 4.2 NOMINATION & REMUNERATION COMMITTEE

The purpose of the Committee is to assist the Board in fulfilling their oversight responsibilities, for the independence of Board members and the integrity of the remuneration strategy at Alkhabeer.

## 4.3 BOARD INVESTMENT COMMITTEE

The purpose of the committee is to review and approve the Company's investment policies, strategies, transactions and monitor the performance of the Company's investments. The Committee shall also oversee the Company's capital and financial resources.



# 5. SENIOR MANAGEMENT AND MANAGEMENT COMMITTEES

Management Committees play an important role in Alkhabeer as both leaders and decision-makers. In providing leadership, accountability and management to the organization, these committees assist the CEO in executing the strategic objectives and set requirements of the Board and shareholders of Alkhabeer. Currently, the following Management Committees will be formed or already exist at Alkhabeer:

## 5.1 ROLE OF THE ED

1. Serving as a primary contact for the Board of Directors, Committees and stakeholders, and providing regular communication on the Company's performance and future direction.
2. Participating in the communities social initiatives to help build investor relationships.
3. Supervising and monitoring the performance of the CEO and prepare him to become the ED.
4. Approving the budget and business plan before submission to BIC and BOD.
5. Promoting Alkhabeer's image and business objectives to the external community and acting as the public relations officer with regards to establishing and maintaining relations with third parties and in the market in general.
6. Managing IPO file of AKC and representing AKC in front of external parties in any matters related to the IPO file.
7. Reviewing and approving all AKC investments and ensure their alignment with the investment policy and overall strategy of the firm while ensuring a prudent risk management process.
8. Recommending the lead governance practices to the Board, and ensure its implementation accordingly.
9. Managing all litigation, whether brought against or by Alkhabeer, and representing Alkhabeer in court before third parties, and/or delegating this authority to appropriate personnel.
10. Supervising the Boards and Committees Governance Division.

## 5.2 ROLE OF THE CEO

### 5.2.1 OBJECTIVES

The primary role of the CEO is to define and execute the business vision, mission, and organisational strategy, duly approved by the Board with the overall objective of contributing to Alkhabeer's vision of enhancing all of its businesses. The CEO is responsible for Alkhabeer's overall operations, profitability and sustained growth. The CEO will develop Alkhabeer's strategic vision, supervise the preparation of the operational and business plans and direct Alkhabeer towards the achievement of its objectives.

The CEO is expected to achieve business objectives, forecasts and targets approved by the Board, and ensure that all business units are managed efficiently in terms of key resource allocation and profitability.

The CEO has the right to delegate part or all of his authority if needed to the DCEO and other Chiefs.

It is imperative that the CEO to review on his return, all commitments that the delegated individual entered into in order to ensure that control is maintained and exposure to risk is minimised.

### 5.2.2 KEY RESPONSIBILITIES

(This section should be consulted in collaboration of Article 21 of Alkhabeer's Articles of Association)

The CEO's specific responsibilities include, but are not limited to, the following:

### 5.2.3 STRATEGIC PERFORMANCE

1. Define and advocate Alkhabeer organisation, values and culture.
2. Executing the Company's overall strategic plans and ensuring that objectives set by the Board are met.
3. Direct and finalize Alkhabeer's strategy and approve and endorse all final investments, projects, and deals.
4. Providing input and ensuring the development of an effective and dynamic organizational structure that is well suited to the Company's strategic goals.
5. Leading critical negotiations and agreements that have a strategic/crucial impact on the Company's continuity, success or development.
6. Reviewing the proposed acquisitions of new business ventures, in conjunction with senior management, and endorsing them.
7. Promoting Alkhabeer's image and business objectives to the external community and acting as the public relations officer with regards to establishing and maintaining relations with third parties and in the market in general.
8. Supporting senior management in developing the goals, objectives and budgets for their respective functions.
9. Reviewing operating results of the Company, comparing results to established objectives and ensuring appropriate measures are taken to correct any deviations.
10. Overseeing the adequacy and soundness of Alkhabeer's financial structure.
11. Overseeing the adequacy and soundness of Alkhabeer's risk management structure.
12. Overseeing and supervising all the divisions and departments within AKC except for the Boards and Committees Governance Division which will report to the ED.
13. Reviewing the developing organizational structures, policies and procedures and endorsing them to the Board.
14. Overseeing the implementation of any information technology system and ensuring their effectiveness.
15. Upholding the principles of Shari'a.

### 5.2.4 REPORTING POLICY

1. Approving the periodic and year-end financial reports and all management reports.
  2. Endorsing the Annual Financial Statements to the Audit Committee.
  3. Reviewing the reports, recommendations and issues presented by senior management, and providing feedback and direction as required.
  4. Reporting on a regular basis to the Board on Alkhabeer's plans, performance, issues and any other important matters.
-

5. Performing periodic evaluation of direct reports and ensuring the existence of a continuous self-development program for senior management.
6. Preparing periodic and ad-hoc reports to the Board as deemed necessary and reviewing and taking appropriate actions on documents prepared by direct reports and other concerned entities.
7. Supporting the internal audit and risk management process.
8. Ensuring the existence of proper corporate wide risk management procedures and activities.
9. Supporting the Audit Committee to ensure the effectiveness and adequacy of implemented internal audit programs.

#### **5.2.5 LEGAL REQUIREMENTS**

1. Ensuring appropriateness of the legal status of Alkhabeer and the full adherence to all applicable authorities, including legal courts, municipal authorities, regulatory bodies, mediation panels, arbitration panels, governmental authorities, and any other bodies.
2. Appointing agents or legal counsel to represent Alkhabeer where and if necessary

#### **5.2.6 COMMUNICATION AND PERFORMANCE EVALUATION**

1. Communicating business progress to the Board and Employees.
2. Encouraging and regulating internal and external communication and creating a transparent and collaborative working environment.
3. Ensuring the existence of proper and effective communication across the Company.
4. Deciding on the recruitment of senior management with the consultation of Alkhabeer's current senior management
5. Establishing performance measures for senior management.
6. Managing the performance of senior management and assuming responsibility for their development, including regular performance reviews and development plans.
7. Ensuring the existence of succession plans for all key managerial positions.
8. Performing other duties as delegated by the Board of Directors and its Committees.

### **5.3 ROLE OF THE MANAGEMENT**

Alkhabeer's business is conducted by its employees and senior management, under the direction of the CEO. In carrying out the Company's business, CEO and senior management are accountable to the Board, and ultimately to the shareholders. Management's primary responsibilities broadly cover the oversight of the day-to-day operations of Alkhabeer's business, strategic planning, budgeting, financial reporting and risk management. In fulfilling these responsibilities, the CEO and senior management must balance the unique relationships between and amongst the Company, its network of employees, investors and customers.

#### **5.3.1 OBJECTIVES**

The primary role of management is to make decisions about the overall purpose and direction of Alkhabeer and to ensure that resources are properly utilized to meet the aims and objectives of the Company. The management plays an important role in the Company as both leaders and decision-makers.

### 5.3.2 KEY RESPONSIBILITIES

Management's key responsibilities include, but are not limited to, the following:

1. Providing the Board with appropriate and timely and accurate information.
2. Providing the Board with periodic reports on the exercise of delegated powers.
3. Making recommendations to the CEO over Alkhabeer's strategic direction and translate the strategic plan into the operations of the business.
4. Being alert to relevant trends in the industry and the Company's operating environment.
5. Acting as a conduit between the Board and the Company.
6. Developing, implementing and updating policies and procedures.
7. Implementing and managing Alkhabeer's risk management and internal control frameworks.
8. Implementing development schemes as necessary for all Directors to enhance their knowledge and skills in order to facilitate their sound participation as Directors.
9. Managing Alkhabeer's human, physical and financial resources to achieve the Company's objectives and efficiently operate the business.
10. Assuming day to day responsibility for the Company's conformance with relevant laws, regulations and its compliance framework.

### 5.3.3 RELATIONSHIP BETWEEN MANAGEMENT AND THE BOARD

The relationship between management and the Board is critical and must be supported by a clear segregation of responsibilities.

Management must:

1. Be accountable
2. Operate within delegated authorities
3. Have an appropriate level of skills and resources
4. Perform against the established KPIs to deliver the objectives of the Company
5. At all times, the Board must be in control
6. Compile a list of tasks and authorities maintained by the Board and those delegated thereby upon the Management.

## 5.4 MANAGEMENT COMMITTEES

### 5.4.1 INVESTMENT COMMITTEE

The Investment Committee (IC) has the overall responsibility to review and approve investment initiatives, within the authority levels mandated to it via Alkhabeer's Authority Matrix, ED, CEO and the Board. Further, it will also review the activities of its sub- committees, namely:

1. Product Development Committee;
  2. Capital Markets Investment Committee; and
  3. Asset-Liability Management Committee.
-

#### **5.4.2 COMPLIANCE COMMITTEE**

The Compliance Committee will oversee Alkhabeer's compliance with laws and regulations set by regulators. Additionally, the committee will review internal policies and procedures regularly while advising management on best practices in compliance.

#### **5.4.3 PEOPLE MANAGEMENT COMMITTEE**

The PMC oversees the development of staff, retention of talent, timely performance evaluation, and growth of its people being its foremost valuable assets, and has the overall responsibility of taking key managerial decisions in relation thereto.

#### **5.4.4 ENTERPRISE RISK MANAGEMENT COMMITTEE**

The ERM Committee's primary goal is to evaluate, monitor and report practices relating to strategic risks, market and liquidity risks, credit and counter party risks, operational risks, reputational risk, regulatory or contractual risks, financial risks, information risks, legal risks and environmental risks.

#### **5.4.5 INFORMATION TECHNOLOGY COMMITTEE.**

The primary purpose of the Committee is to approve the IT strategy, supervise its implementation, and oversee the IT functionality from a business, compliance and risk point of view to ensure proper segregation of duties.

### **5.5 SUCCESSION PLANNING PROGRAM**

Alkhabeer recognizes the need to be able to find the right people with the right skills and competencies to be able to fill key roles within the Company. Succession planning is a specific aspect of Alkhabeer's workforce development planning process that intends to embrace in order to facilitate the growth and learning of all employees.

A good succession-planning program aims to identify high growth individuals, train them and feed the pipelines with new talent. In doing so, Alkhabeer will ensure replacements for key job incumbents in executive, management, technical, and professional positions are in line with the company's vision for growth, profitably and sustainability. The succession plan is updated on annual basis based on the update organization structure and the existing employees.

### **5.6 CORPORATE SOCIAL RESPONSIBILITY POLICY**

Alkhabeer is well aware of the importance of contributing to social services, help building social development and increasing the awareness of safety and preserving the environment. In this regard, Alkhabeer exerts its efforts via submitting donations to legally registered society. This usually performed within Company approved controls, policies, procedures and budget. Board of Directors must approve the policies and procedures that regulate the social activities of Alkhabeer.

Further, Alkhabeer is well aware of its social responsibilities and gives high priority to supporting its role as a national company that cares about achieving the cultural and civilization aspects of its community. When defining its objectives and strategies, Alkhabeer is keen on overlooking maximization of profits and achieving commercial objectives in favour of integration with its environment and abiding by high social values. Hence, Alkhabeer has always worked on having deep connections with its community and environment.

In alignment with the Code of Business Conduct, Alkhabeer will ensure that all matters of Corporate Social Responsibility are considered and supported in its operations and administrative matters and are consistent with Alkhabeer stakeholders' best interests. Alkhabeer is committed to becoming one of the leaders in the field of Corporate Social Responsibility.





# 6. INDEPENDENT CONTROL FUNCTIONS

## 6.1 INTERNAL AUDIT

Alkhabeer has in place an independent Internal Audit Function, through which the Board, senior management, and stakeholders are provided with reasonable assurance that its key organization and procedural controls are effective, appropriate, and complied with. Internal Audit has access to any information or any staff at the Company as well as the full authority to perform the tasks assigned to the Internal Audit. The Internal Audit Unit shall be a permanent function at Alkhabeer. The scope of internal audit coverage is organisation-wide with no department, business unit, subsidiary or venture of Alkhabeer being exempt from audit and review. The Internal Audit Unit will be governed by an Internal Audit Charter and Internal Audit Manual approved by the Audit Committee. The Charter will be reviewed every year and updated and approved every two years by the Audit Committee.

## 6.2 EXTERNAL AUDIT

### 6.2.1 SCOPE

External auditors express an opinion on the fairness with which a Company presents, in all material respects, its financial positions, its results of operations, and its cash flow. These standards require the external auditors to state whether, in their opinion, the financial statements are presented in conformity with accounting principles and to identify those circumstances in which such principles have not been consistently observed in the preparation of financial statements.

### 6.2.2 SELECTING AN EXTERNAL AUDITOR

The Audit Committee will consider the appointment of the external auditor in conjunction with senior management and will then make a formal recommendation to the Board and the General Assembly.

The external auditor should display the following characteristics;

Devote sufficient time, resources and skills to understand business processes and transactions as part of the procedures for the audit of the financial statements.

Provide timely information to the Audit Committee on critical accounting policies and practices and highlight potential issues requiring disclosures.

### 6.2.3 TERM OF EXTERNAL AUDITOR

The term of the external auditor is one (1) year from the date of appointment and will be re-appointed on an annual basis by the General Assembly.

### 6.2.4 SCOPE OF ACTIVITIES

The external auditor shall be limited in the scope of their activities. In providing consulting and/or non-audit services, the external auditor should ensure that the services provided are not related to the work they are to carry out at Alkhabeer. Additionally, external auditors are specifically prohibited from providing the following services:

1. Feasibility Studies
2. Share Valuations
3. Finance Department reorganization
4. Accounting or Bookkeeping Services

5. Act as Alkhabeer Management
6. Administer share and pension schemes
7. Act as custodian of Alkhabeer assets
8. Receive commissions from Alkhabeer
9. Enter into a joint venture with Alkhabeer
10. Have material close relationships with Alkhabeer

In instances whereby the Board of Directors does not approve a Committee's recommendations on the election, appointment, resignation, or dismissal of an External Auditor, the Board will include a statement in its Board of Directors Report articulating the reason(s) for their disapproval.

### **6.2.5 INDEPENDENCE**

The external auditor must be Independent of Alkhabeer both in fact and appearance to ensure that the external auditor is capable of exercising objective and impartial judgement on all issues encompassed within its engagement. The external auditor is not independent if it, directly or indirectly, maintains a financial, employment or business relationship with Alkhabeer or provides services which:

Create a mutuality of interest;

Place the auditor in a position to audit its own work;

Result in the auditor acting as an Alkhabeer manager, Alkhabeer employee, or Alkhabeer shareholder; or

Put the auditor in the role of advocate for Alkhabeer.

### **6.2.6 RESPONSIBILITIES OF THE EXTERNAL AUDITOR**

The external auditor will maintain a quality control system that provides reasonable assurance that its independence will not be impaired. The external auditor will report annually to the Audit Committee on all aspects concerning independence, including possible conflicts with this policy, if any.

The external auditor will attend Alkhabeer General Assembly meetings and present its report to the shareholders citing any arising obstacles or intervention from the Board of Directors during the term of its tenure. Any reports from the external auditor will be characterized by independence and neutrality.

### **6.2.7 COMMUNICATION**

Alkhabeer will communicate this policy on external auditors and independence to stakeholders and disclose the audit and non-audit fees incurred for professional services provided by its external auditor during the reporting period.

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## 6.3 GOVERNANCE, RISK AND COMPLIANCE DISVISION

Governance, Risk & Compliance is an important Division of AKC, which ensures that all AKC staff, business activities, investments, products and clients remain compliant with CMA & International laws, rules & regulations, risk standards and best practices. The Division is headed by the DRG who reports directly to the CEO.

The Governance, Compliance & Risk Division comprise the following departments:

- Market & Operation Risk Department.
- Internal Control Department.
- Compliance & MLR Department.

The Board and the ERMC have established comprehensive Policies and Procedures covering Market and Operational Risks. The DRG is responsible for Alkhabeer's risk management function and has direct access to the Board through ERMC and Compliance Committee.

The risk management function is responsible for identifying, measuring, monitoring, controlling, mitigating risks and reporting on risk exposures. While the Risk Management function is independent of the other business units, it has access to all internal and external business lines, so as to understand them or request certain related information to assess exposures in an appropriate way.

### 6.3.1 RISK FRAME WORK

The management of risk in AKC lays with the Board of Directors through its Committees; the Management through the CEO; the Enterprise Risk Management Committee and the GRCD.

AKC has outlined the enterprise-wide risk management activities of Alkhabeer Capital. It details the high-level organization, authorities and processes relating to risk management. Risk management covers all risks including credit, market, liquidity, operational and compliance risk. It involves the processes from origination to approval and the ongoing control, review, maintenance and optimization of exposures.

The following guiding principles apply to all risk management activities:

- Approval: All Asset Management activities which commit AKC (legally or morally) to deliver risk sensitive products and any business proposals require approval by authorized individuals or committees, prior to commitment.
- Independence: Clear separation between business lines and Risk Management functions.
- Transparency: Risk Management structures, policies and procedures are transparent. They are based on consistent principles, in written form, and well communicated.
- Committee: Decisions regarding policy, product, portfolio, large or high risk investment are taken by an appropriate committee.
- Approval Authority: Authorities are delegated by the Board of Directors, through the CEO, and reflect the delegate's (committee or individual) level of expertise and seniority via an approved Authority Matrix.
- Risk and Reward: Risk and reward from a transaction are based on the prevailing business model and the approved Investment Policy.
- Business Development Responsibility: Business Development is responsible for the selection of clients and for managing all of the business activities with such clients.
- Asset Management Responsibility: Asset Management is responsible for developing products/investment vehicles and obtains all related approvals.

- Integrated Process: Risk Management should not be treated as a stand-alone initiative; rather it should be integrated with the whole organization process as well as with all projects and change management processes.
- Integrated decision making: The organization's decision making at all levels explicitly addresses risks and uncertainties, particularly when considering alternative courses of action. The best available information is used to evaluate risks, keeping in mind its limitation, shortcomings and possible pitfalls.

These guiding principles and the underlying elements of the Risk Framework are dictated by the policies and Procedures and by the Capital Market Authority (CMA).

### **6.3.2 INTERNAL CONTROLS**

#### **6.3.2.1 SCOPE**

The objective of internal control is to support Alkhabeer's profitability, goals and mission. Internal control achieves this by promoting efficiency, reducing the risk of asset loss and helping to ensure the reliability of financial statements and compliance with laws and regulations.

#### **6.3.2.2 FRAMEWORK**

The objective of Alkhabeer's internal control framework is to ensure that internal controls are established, properly documented, maintained and adhered to in each unit, department and division. Internal controls should be embedded as part of the normal day-to-day management, operational and support processes.

Internal control is broadly defined as a process, affected by an entities board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. Effectiveness and efficiency of operations: Addresses the achievement of basic business objectives, including adherence to performance standards and the safeguarding of resources.
2. Reliability of financial reporting: Ensures that reliable financial statements (both annual and interim) and other financial information are presented to the Board, shareholders and general public.

#### **6.3.2.3 ROLE AND RESPONSIBILITIES OF INTERNAL CONTROL UNIT (ICU)**

While the responsibility of approving credit and investment proposals lays with the Investment committee (IC), the internal control unit will be responsible for, setting and renewal of counter party limits, the proper execution of the risk committee approval decision, the monitor and the reporting of any deviation from the approved conditions set by the IC or exceptions to the approved policies and procedures, the safe keeping of documents, the review and safe keeping of clients account opening forms, the proper disbursement in accordance with appropriate authorities and the custody of all policies and procedures.

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### 6.3.3 COMPLIANCE AND MLR

In accordance with CMA guidelines AKC should adhere to the basic standards of Compliance and Anti-Money Laundering.

#### 6.3.3.1 ROLES AND RESPONSIBILITIES

While the Ultimate responsibility of Compliance lies with Alkhabeer Board of Directors, the Compliance & MLR Department is responsible for the day-to-day activities of the Compliance functions and is also responsible for setting the strategy and planning of the Compliance work. It is important to stress that all staff have a duty in respect of compliance. Management should ensure that employees are aware of this duty and that a commitment to compliance exists throughout Alkhabeer. At all levels, the compliance with regulatory requirements and the observance of the highest standard of business conduct should be followed. The Compliance and MLR Department has the following responsibilities:

1. Assist in identifying and assessing the compliance risks associated with Alkhabeer's current and proposed future business activities, including new products, new business relationships and any extension of operations;
2. Advise management on the applicable laws, regulation, rules and standards and inform them about any developments in these areas, and on what work may be needed to meet the new developments within the stated time;
3. Establish written guidelines to staff and service providers on the appropriate implementation of the laws, regulation, rules and standards through policies and procedures (Compliance manual, code of conduct);
4. Assess the appropriateness of internal policies, procedures and guidelines, ensure a follow-up of any identified deficiencies, make recommendations for amendments, where necessary, and supervise the implementation of corrective measures to mitigate the identified deficiencies;
5. Monitor compliance with internal policies, procedures and guidelines by performing regular and comprehensive compliance risk assessments and testing; report the results on a regular basis and promptly where deemed necessary to executive management and, if necessary, the Board of Directors;
6. Centralize all information on compliance-related issues (ex.: breach of regulation, non-respect of procedures, conflict of interest);
7. Educate staff with respect to compliance with the applicable laws, rules and standards and act as advisor on compliance queries from staff members;
8. Liaise with relevant external bodies and regulators on compliance matters; exercise any specific legal responsibilities such as reporting suspicious transactions related to money laundering and the fight against terrorism financing;
9. Establish and/or supervise appropriate compliance checks and controls.
10. The Compliance & MLR Department, as well as all Alkhabeer personnel should comply with the relevant professional standards. These standards include, but not limited to, the following:
  - Honesty, objectivity and diligence in the performance of their duties and responsibilities;
  - Loyalty to Alkhabeer, by not exercising any illegal or improper activity;
  - Not engaging in discreditable acts or activities;
  - Not revealing material facts in compliance reports; and
  - Maintaining high standards of competence, morality and integrity.

### **6.3.3.2 CONTINUOUS MONITORING**

In ensuring that the Capital Market Law, its Implementing Regulations, CMA directives, guidelines as well as AKC's policy and procedures are adhered to all times, a comprehensive Compliance Monitoring Program has been developed in order to assist the Compliance Department to discharge his supervisory duties more effectively. The Compliance Monitoring Program has been compiled separately by the Compliance Department.

### **6.3.4 ANTI-MONEY LAUNDERING**

In accordance with CMA guidelines and Anti-Money Laundering regulation AKC should adopt an effective program to promote "Know Your Customer" by conducting the below:

#### **6.3.4.1 CUSTOMER DUE DILIGENCE AND KNOW YOUR CUSTOMER**

Prior to transacting any type of business, the Company must determine and document the true identity of customers and obtain background information on customers as well as purpose and intended nature and legality of the business;

The company must update its customers' information at least once a year in respect of CMA regulations;

#### **6.3.4.2 CUSTOMER RISK RATING**

Customers must be risk rated and designated as either High, Medium or Low risk to determine the amount of due diligence necessary and, if the client is accepted, the intensity of account monitoring during the relationship.

#### **6.3.4.3 MONITORING AND REPORTING OF SUSPICIOUS TRANSACTIONS/ACTIVITY**

All personnel must be diligent in monitoring for any unusual or suspicious transactions/activity basing on the relevant criteria applicable in the jurisdiction where the Company operates, and the Compliance Department must be informed immediately about all suspicious transactions/activities.

The reporting of suspicious transactions/activity must comply with the laws/regulations of the respective jurisdiction.

#### **6.3.4.4 RECORD KEEPING**

Records must be kept of all documents obtained for the purpose of identification and all transaction data as well as other information related to money laundering such as matters in accordance with the applicable anti-money laundering laws/regulations. All records must be kept for at least 10 years as per local regulations in the Kingdom of Saudi Arabia.

#### **6.3.4.5 TRAINING**

Training on anti-money laundering must be provided annually to all employees specially those who work directly with customers and to those employees who work in other areas that may be exposed to money laundering and terrorist financing threats.

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### 6.3.5 THE HEAD OF COMPLIANCE AND MLR (HOCM)

The HOCM shall be responsible for the development and establishment of a Compliance Policy within Alkhabeer and he or she shall establish and approve the minimum standards for compliance.

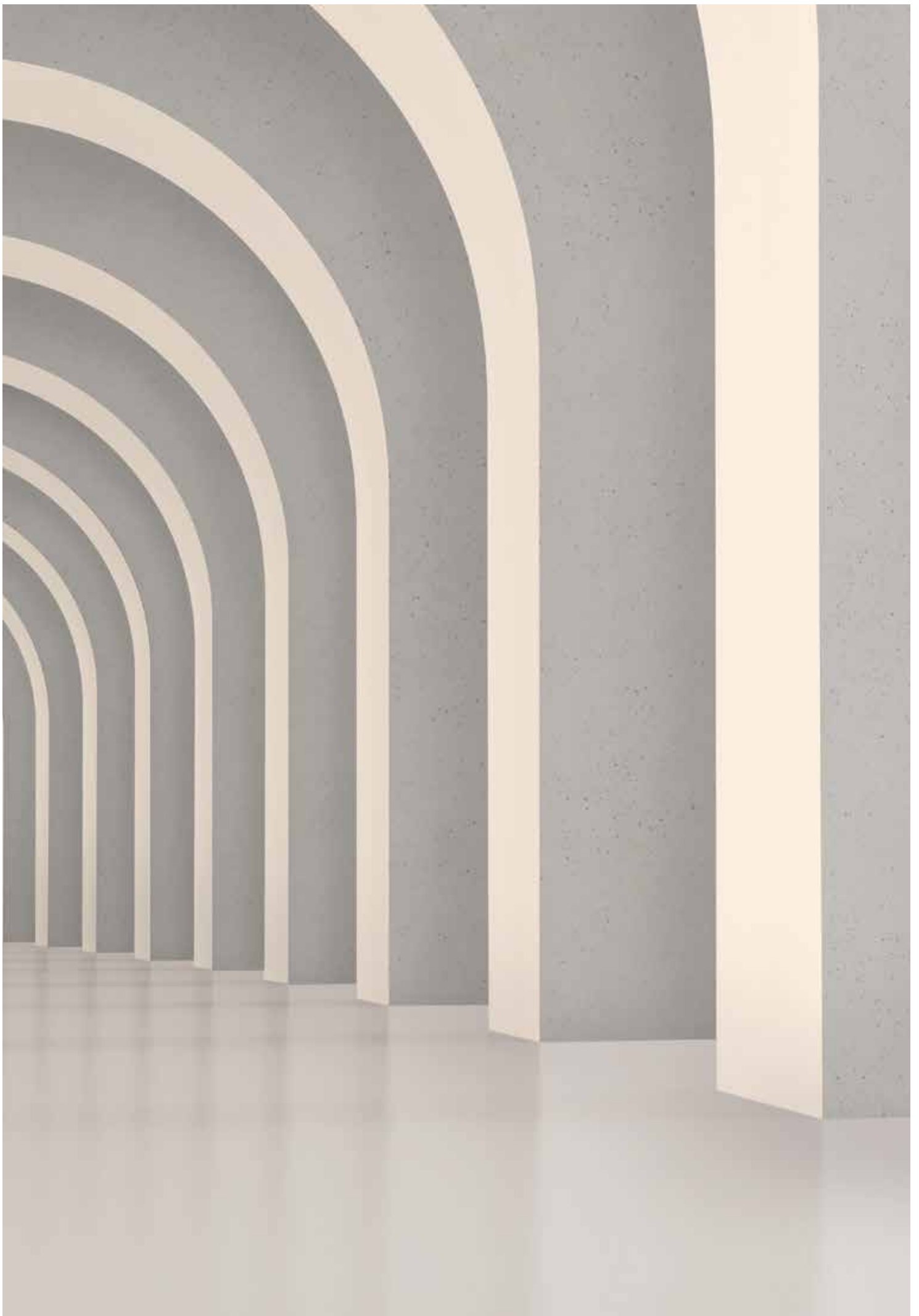
The HOCM will verify compliance by Alkhabeer and its employees with the laws, regulations and decisions issued by the CMA, and review financial statements issued to Alkhabeer's core management for use in preparing the final reporting financial statements.

The HOCM will report to the Compliance Committee and dotted line reporting to the Risk and Compliance Division, and will be submitting a quarterly report about Compliance issues and activities to the Audit Committee.

Whenever a situation requires compliance input, the task of the HOCM is not limited to analysing the situation, identifying a solution and giving advice to management. The HOCM must continue to pursue the matter until a satisfactory solution has been fully implemented. If necessary, the actions taken should include escalating the issue to a higher level.

## 6.4 SHARI'A COMPLIANCE CONSULTANT (SCC)

1. The Company outsources Shari'a Compliance to the Shari'a Compliance Consultant (SCC). The SCC interacts with the Head of Compliance as part of the Risk and Compliance Division with the DRG having a duty to facilitate Shari'a Audit and the relationship between the SCC and the Company.
2. The Risk and Compliance Division shall share SCC audit reports with the Audit Committee, and may also consult with the AC on matters arising from the SCC audits as well as the annual Shari'a certification of the Company.
3. The company will ensure that Shari'a Audits are conducted at least once a year.
4. The purpose of this is to ensure that all activities carried out by the company do not contravene the Sharia, i.e. the compliance with Sharia' Rules and Principles as reflected in the fatwas, rulings and guidelines issued by the Sharia' Advisor and/or accepted authentic Sharia' Standards.
5. The Sharia' Audit is an examination which covers contracts, agreements, policies, procedures, products, transactions, memoranda, articles of association, financial statements, circulars and such information as is required to validate Sharia' compliance.
6. The execution of the Sharia' Audit shall be documented in work papers which shall be complete, neat, and cross referenced to review procedures.





# 7. PRINCIPLES AND STANDARDS OF BUSINESS CONDUCT

## 7.1 CODE OF BUSINESS CONDUCT

The Board through the Code of Business Conduct defined appropriate governance practices for its own work and has in place the means to ensure that such practices are followed and periodically reviewed for ongoing improvement. The board takes the lead in establishing the “tone at the top” and in setting professional standards and corporate values that promote integrity for itself, senior management and other employees.

The Code of Business Conduct has been circulate to all Alkhabeer staff and Board members, whose signatures are obtained as an acknowledgment to abide by content therein. The Code of Business is part of the Compliance Manual which is reviewed and approved by the Compliance Committee.

## 7.2 DISCLOSURE AND TRANSPARENCY POLICY

Alkhabeer is currently not listed; however, it has amended its Corporate Governance Framework to include listing regulations as it has plans to file for an IPO in future. Hence, some of the CMA Listing Rules mentioned below will only become applicable, if Alkhabeer becomes listed on the stock exchange.

### 7.2.1 THE BOARD OF DIRECTORS REPORT

The Board of Directors Report is an annual report of Corporate Governance practices signed by the Chairman of the Board of Directors submitted to the CMA on an annual basis or on request during the accounting period covered by the report.

It will be the responsibility of the HOCM to produce such a report on an annual basis for submission to CMA. The Board of Directors Report shall be inclusive at a minimum of all such information as set out in the authority approved format of by the CMA Regulations on Corporate Governance in the Kingdom of Saudi Arabia or any update. Refer to Appendix “A”.

### 7.2.2 MATERIAL DEVELOPMENTS DISCLOSURE OBLIGATION

Alkhabeer must notify the CMA and the public without delay of any material developments in its sphere of activity which are not public knowledge and which may have an effect on the assets and liabilities or financial position or on the general course of business of the issuer or its subsidiaries and which may:

1. lead to movements in the price of the listed securities; or
2. significantly affect its ability to meet its commitments in respect of debt instruments.

In determining whether a development falls within the scope of this paragraph, Alkhabeer must assess whether any investor would be likely to consider information about the development in making his investment decisions and the requirements of Article 41 of the CMA Listing Rules.

### 7.2.3 NOTIFICATION RELATED TO SUBSTANTIAL HOLDINGS IN SHARES OR CONVERTIBLE DEBT INSTRUMENTS

Where a Shareholder, Director or Direct Report is subject to one or more of the following events, the person must notify Alkhabeer and CMA at the end of the trading day of the occurrence of the relevant event:

1. becoming the owner of, or interested in, 5% or more of any class of voting shares or convertible debt instrument of Alkhabeer;

2. the ownership or interest of the person referred to in (1) above increasing or decreasing by 1% or more of the shares, or convertible debt instruments of Alkhabeer;
3. a Director or Direct Report becoming the owner of, or interested in, any rights in the shares or convertible debt instruments of Alkhabeer; and
4. the ownership or interest of any of the Directors or Direct Reports of Alkhabeer increasing or decreasing by 50% or more in the shares or convertible debt instruments that he or she owns in Alkhabeer, or by 1% or more of the shares or convertible debt instruments of Alkhabeer whichever is less.

Also, a Director, Direct Report or Shareholder who has become an owner of or interested in 10% or more of any class of shares or convertible debt instruments of Alkhabeer, must not dispose of the same without the approval of CMA.

#### **7.2.4 NOTIFICATION RELATED TO SECURITIES**

Alkhabeer must notify CMA without delay of any significant change in the holding or identity of those persons holding more than 5% of Alkhabeer's shares or convertible debt instruments.

Alkhabeer must notify CMA and the public without delay of the information listed in Article 46 and 47 of the Listing Rules.

#### **7.2.5 PROHIBITION ON DEALINGS BY DIRECTORS AND DIRECT REPORTS**

The Directors and Direct Reports of Alkhabeer and any person related to them may not deal in any securities of Alkhabeer during the following periods:

1. during the 15 calendar days preceding the end of the financial quarter and until the date of the announcement and publication of the reviewed interim financial statements of Alkhabeer; and
2. during the 30 calendar days preceding the end of the financial year and until the date of the announcement of Alkhabeer's annual financial statements.

### **7.3 POLICY RESTRICTIONS ON HIRING FAMILY MEMBERS**

#### **7.3.1 PURPOSE**

To demonstrate Alkhabeer is committed to fair hiring practices with respect to family members of Board members or current employees. This policy has been put in place to ensure that hiring is based on the principle of merit and to promote transparency and accountability in the hiring process.

#### **7.3.2 SUMMARY**

This policy is designed to prohibit Alkhabeer Board members or employees or family member from authorizing the employment (including setting the salary) of a family member. This applies to all positions and ranks.

Using one's authority or influence of position to secure authorization such as; employing a family member.

For purposes of this policy, family members are defined as 1st degree relatives (father, mother, sister, brother, husband, wife, children).

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### **7.3.3 USING POSITION TO HIRE FAMILY MEMBERS**

Board members or employees are also prohibited, from using the “authority or influence of” their position to secure a job for a family member. Even if the Board member or employee abstains from decisions, the policy prohibits the Board member or employee from discussing, recommending, formally or informally, to employ a family member.

### **7.3.4 HIRING OF FAMILY MEMBERS**

Family members are not to be employed in a department where there is potential for conflict of interest, or perceived conflict of interest, between the Board member/employee and the family member.

Hiring of all employees (including family members) will be based on merit. Family members will be subject to the same selection process (examples: structured interviews, job-related tests) as non-family members. As a result, the highest ranked candidate is recommended as the successful candidate for the position.

The persons conducting interviews have a responsibility to make candidates aware of this provision and to inquire as to family relationships that would exist if the candidate were to be appointed to the position.

### **7.3.5 EXISTING FAMILY MEMBERS**

For family members who are not relatives of Board members, ED nor the CEO, the ED will (on an annual basis and advice to the NRC) carry out a review & approval of these family members’:

1. Salary Increase.
2. Rank / Promotion.
3. Performance Evaluation.
4. Bonus.

The Nomination & Remuneration Committee will, however, carry out the above procedures for the family members of the Board members, the ED and the CEO.

Board member(s), ED and CEO must remove themselves from the discussion and decisions relating to his or her family members, where a conflict of interest arises.

## **7.4 POLICY FOR SECURITIES ISSUED BY ALKHABEER (INSIDER TRADING)**

### **7.4.1 SCOPE**

This policy provides guidelines to employees, officers, and Directors of Alkhabeer with respect to transactions in Alkhabeer shares as well as of Alkhabeer’s parent company, subsidiaries, and associate companies (where applicable).

### 7.4.2 APPLICABILITY

This policy authorizes the Board of Directors, Chairman, ED , CEO and other employees to carry out the purchase and sale of Alkhabeer securities. Transactions not effected pursuant to this policy will be deemed null and void.

Furthermore, this policy applies to all transactions in Alkhabeer securities, including common stock, options for common stock and any other securities Alkhabeer may issue from time to time, such as Sukuk Al Musharaka. This policy treats “Restricted Persons” (see definition below) and other employees differently, since Restricted Persons may possess price sensitive non-public information, and material inside information (see definition below).

### 7.4.3 DEFINITIONS RESTRICTED PERSONS:

1. All members of the Board of Directors
2. Direct Reports, including but not limited to, the ED ,CEO, CFO, Chiefs or any of their immediate subordinates.
3. Employees in charge of receiving, managing and communicating information to the market.
4. Other employees who have access (directly or indirectly) to Alkhabeer’ s business or operational plans, financial or non-financial information which could be price sensitive, such as, all securities and personal assistants to members of the Board and senior management.

Restricted Persons are prohibited from disclosing to the immediate family, close relatives, and financial advisors that they are in possession of unpublished material inside information.

Restricted Persons are expected to not deal with Alkhabeer and its subsidiaries and associated companies securities based on short term considerations. As guidance, investment in these securities should not have less than a one year perspective.

### 7.4.4 MATERIAL INSIDE INFORMATION:

It is not possible to define all categories of material information. However, information should be regarded as material if there is a reasonable likelihood that it would be considered important to a reasonable investor in making an investment decision regarding the purchase or sale of Alkhabeer’s securities.

There are various categories of information that are particularly sensitive and, as a general rule, should always be considered material. Examples of such information may include:

1. Financial Statements
  2. Projections of future earnings or losses
  3. Results of project development
  4. News of a pending or proposed merger or joint venture
  5. News of the disposition of a subsidiary
  6. Impending bankruptcy or financial liquidity problems
  7. Gain or loss of a substantial customer or supplier
  8. New development, project, or process announcements of a significant nature
  9. Stock splits or consolidations
  10. New equity or debt offerings
  11. Dividends
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12. Acquisitions
13. Significant litigation exposure due to actual or threatened litigation
14. Major changes in senior management

#### 7.4.5 POLICY REQUIREMENTS:

##### Requirements with Respect to Insider Trading

1. Restricted persons are restricted from dealing in the securities issued by Alkhabeer or its subsidiaries and associated companies while in possession of price sensitive information, until the release of such information to the public.
2. Restricted persons are restricted from trading any Alkhabeer shares thirty (30) days before the release of quarterly interim results.
3. These restrictions do not apply in participating in Share Bonus Plans of Alkhabeer, but apply in the sale of such securities obtained.
4. It is every Board Member or employee's responsibility to not deal in such securities, when in possession of material non-public information. There may be civil and criminal penalties in the Kingdom for insider trading practices, and abiding by these laws and regulations are the individual's responsibility.

##### Requirements with respect to Disclosure

1. The exploitation of undisclosed information which could affect the prices of Alkhabeer securities shall not be permitted. Any dealing affected in contravention of this shall be deemed null and void.
2. It is not permitted for any Alkhabeer employee to spread rumours regarding the buying or selling of shares.
3. Board members and senior management are required to disclose their ownership and transactions in Alkhabeer, its subsidiaries and associated companies as detailed below;
4. The number of shares owned by members of the Board of Directors and senior management must be disclosed within fifteen (15) days of their assumption of membership and also at the end of each financial year;
5. All trades affected by the Board members and senior management including the quantities and prices.
6. Any Director or employee who owns 5% or more of Alkhabeer's shares must disclose this to the Corporate Secretary who will inform Compliance Department who, in turn, will notify the CMA.
7. Any Director or employee who owns 10% or more worth of shares in any of Alkhabeer's subsidiaries must disclose this to the Corporate Secretary who will inform Compliance Department who, in turn, will notify the CMA.
8. Laws and regulations require Board members and employees to disclose and take approval from regulatory authorities prior to their transactions. There may be civil and criminal penalties in the Kingdom for non-disclosure of ownership or transactions in securities and abiding by these laws and regulations are the individual's liability.
9. Above-mentioned information shall be provided to the General Counsel of the Legal Department and/or Corporate Secretary within seven (7) days of the relevant transaction dates. Ownership information shall be communicated within fifteen (15) days of relevant dates and trades affected shall be reported to the Capital Markets Authority (CMA) through Compliance Department.

**7.4.6 IMPLEMENTATION AND AUDIT**

All restricted persons at Alkhabeer shall be sent a briefing of this policy annually via receipt confirmed electronic mail. The Corporate Secretary or his appointed representative shall be responsible for this distribution.

The Directors, Senior Management and Key Personnel shall receive, review and sign this policy annually during or after the first Board of Directors meeting of the year. This process shall be facilitated by the General Counsel of the Legal Department or his appointed representative.

**7.5 CONFIDENTIAL REPORTING / WHISTLEBLOWING POLICY**

Alkhabeer has established policy on Whistle Blowing, including procedures enabling employees to communicate any concerns they have to the Compliance and MLR Department on the possibility of violations or frauds, or other violations of Alkhabeer's Code of Business Conduct (refer to the "Code of Business Conduct" section in this manual), applicable laws or regulations, or Company Policies and regulations, and in a way that allows independent investigation into these concerns and its follow-up. These procedures shall ensure that Alkhabeer provides the required protection for these employees to assure them they will not be threatened or penalized even when there is nothing to prove their concerns. The execution of these procedures shall be supervised by the Internal Audit Unit.







# 8. SUBSIDIARIES GOVERNANCE

## SUBSIDIARIES GOVERNANCE

The governance framework for subsidiaries should be designed after taking into consideration different factors such as the local regulations that apply on the subsidiary, the legal structure, investment size, and strategic importance.

Currently AKC has one subsidiary, Alkhabeer DIFC, an authorized investment firm based in the DIFC zone in Dubai. Based on the investment size and the local regulatory requirements of DFSA and DIFC, the below governance framework shall be applied accordingly:

### **Board of Directors (AKC DIFC)**

The Board of Directors should consist of at least four (4) members who can be selected from the existing AKC Board. However, independent board members of AKC cannot be nominated for AKC DIFC's Board.

AKC DIFC's Board shall be elected for a period of 3 years and this membership can be renewed based on AKC Board's approval.

At the beginning of each Board cycle, AKC Board will select members from among its own members, the members for AKC DIFC Board. However, in the event AKC's Board chooses to include independent board member/members for AKC DIFC Board (who cannot be from among AKC Board's existing, independent board members), AKC Board will request AKC's NRC to nominate such name(s) for the AKC DIFC's Board to the AKC Board for consideration, selection and approval.

AKC DIFC Board shall meet at least once annually. The minutes of the AKC DIFC Board meetings should be submitted to AKC's BOD for review and discussion.

### **Committees (AKC DIFC)**

AKC's Risk, Audit, NRC and Compliance committees should cover AKC DIFC's activities in each meeting and should be documented in its MOM. A formal SLA is to be executed between AKC and AKC DIFC in relation to the Committees oversight scope.

### **Authority levels (AKC DIFC)**

Although AKC DIFC has appointed an SEO who is registered with the regulatory authorities in the UAE, he can exercise only the authorities delegated to him by AKC's CEO. AKC DIFC's SEO or any other subsidiary, his appointment must be approved by the NRC as per the authority matrix. To be noted that all the authority levels defined in the (AKC) group level authority matrix apply on the branches and subsidiaries.



## APPENDIX A – DISCLOSURE IN THE BOARD OF DIRECTOR'S REPORT

Alkhabeer shall lay down in writing the policies, procedures and supervisory rules related to disclosure, pursuant to law.

The Annual report should cover all the CMA requirements dated 31/10/2018, which is appended to the annual financial statements of the company, such report shall also include the following where applicable:

1. The implemented provisions of the regulations as well as the provisions which have not been implemented, and the justifications for not implementing them.
2. Names of any joint stock company or companies in which the company Board of Directors member acts as a member of its Board of directors.
3. Formation of the Board of Directors and classification of its members as follows:
  1. Executive board member,
  2. Non-executive board member, or
  3. Independent board member.
4. A brief description of the jurisdictions and duties of the Board's main committees such as the Audit Committee, the NRC; indicating their names, names of their chairmen, names of their members, and the aggregate decisions of their respective meetings.
5. Details of compensation and remuneration paid to each of the following:
  1. The Chairman and members of the Board of Directors.
  2. The Top Five executives who have received the highest compensation and remuneration from the company.
  3. The CEO and the CFO shall be included if they are not within the top five.
6. Any punishment or penalty or preventive restriction imposed on the company by the Authority or any other supervisory, regulatory or judiciary body.
7. Results of the annual audit of the effectiveness of the internal control procedures of the company.
8. Description of the principal activities of the issuer and its subsidiaries. If two or more activities are described, a statement must be included giving for each activity the turnover and contribution to trading results attributable to it;
9. A description of the issuer's significant plans and decisions (including any restructuring, business expansion or discontinuance of operations of the issuer), the future prospect of the issuer's business and any risk facing the issuer;
10. Information relating to any risks facing the issuer (whether operational, credit or market risk) and the issuer's risk management policy and its supervision.
11. A summary, in the form of a table or a chart, of the assets and liabilities of the issuer and of the issuer's business results for the last five financial years or from incorporation, whichever is shorter;
12. A geographical analysis of the issuer's gross revenues and its subsidiaries;
13. An explanation for any material differences in the operating results of the previous year or any announced forecast made by the issuer;

14. An explanation for any departure from the accounting standards issued by SOCPA;
  15. The name of every subsidiary, its share capital, the issuer's ownership percentage in it, its main business, its principal country of operation and its country of incorporation;
  16. The particulars of the issued shares and debt instruments of every subsidiary;
  17. A description of the issuer's dividend policy;
  18. A description of any interest in a class of voting shares held by persons (other than the issuer's directors, senior executives and their relatives) that have notified the issuer of their holdings pursuant to Article 45 of these Rules, together with any 50 Capital Market Authority change to such interests during the last financial year;
  19. A description of any interest, contractually based securities, and subscription rights of the issuer's directors, senior executives and their relatives in the shares or debt instruments of the issuer or any of its subsidiaries, together with any change to such interest or rights during the last financial year;
  20. Information relating to any borrowings of the issuer (whether repayable on demand or otherwise), and a statement of the aggregate indebtedness of the issuer and its subsidiaries together with any amounts paid by the issuer as a repayment of loans during the year. In case there are no loans outstanding for the issuer, the issuer must provide an appropriate statement;
  21. A description of the classes and numbers of any convertible debt instruments, any contractually based securities, warrants or similar rights issued or granted by the issuer during the financial year, together with the consideration received by the issuer in return;
  22. 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 issuer;
  23. A description of any redemption or purchase or cancellation by the issuer of any redeemable debt instruments and the value of such securities outstanding, distinguishing between those listed securities purchased by the issuer and those purchased by its subsidiaries;
  24. The number of meetings of the directors held during the last financial year and the attendance record of each meeting listing names of the attendees;
  25. A description of any transaction between the issuer and any related party
  26. Information relating to any businesses or contract to which the issuer is a party and in which a director of the issuer, the CEO, the CFO or any person related to any of them is or was interested, or if there are no such businesses or contracts, the issuer must submit an appropriate statement;
  27. A description of any arrangement or agreement under which a director or a senior executive of the issuer has waived any salary or compensation;
  28. A description of any arrangement or agreement under which a shareholder of the issuer has waived any rights to dividends;
  29. A statement of the value of any outstanding statutory payment on account of any zakat, taxes, fees or any other charges with a brief description and the reasons therefor;
  30. A statement as to the value of any investments made or any reserves set up for the benefit of the employees of the issuer;
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31. Declaration that:
  - a) Proper books of account have been maintained;
  - b) The system of internal control is sound in design and has been effectively implemented; and
  - c) There are no significant doubts concerning the issuer's ability to continue as a going concern; if any of the statements above cannot be made, the report must contain a statement clarifying the reasons therefor;
32. Information required to be disclosed by the Corporate Governance Regulations;
33. If the external auditor's report containing reservations on the relevant annual financial statements is qualified, the directors report must include such qualifications, its reasons and any related information; and
34. If the directors recommends that the external auditors should be changed before the elapse of the term it is appointed for, the report must contain a statement to that effect and the reasons for such recommendation.

## **APPENDIX B - NON-EXECUTIVE DIRECTOR INDEPENDENCE**

The Board should identify in the annual report each non-executive director it considers to be independent. The Chairman should ensure that the independent Board Members do not violate the independency criteria. The Board should determine whether any board member is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgment. The Board should state its reasons in the Annual report if it determines that a director is independent, notwithstanding the existence of relationships or circumstances which may appear relevant to its determination.

A Board member shall be deemed to be independent if the following criteria of dependence do not apply to him/her. The said criteria are that the Board member concerned or his/her spouse, registered partner or other life companion, foster child or relative by blood or marriage:

1. Owning shares in Alkhabeer or in any company that is affiliated with Alkhabeer.
2. During the preceding two years, has been a senior executive of Alkhabeer or of any other company affiliated with Alkhabeer.
3. Is a first-degree relative of any board member of Alkhabeer or of any other company affiliated with Alkhabeer.
4. Is a first-degree relative of any of the senior executives of Alkhabeer or of any other company affiliated with Alkhabeer.
5. Is a board member of any company within the group of Alkhabeer which he is nominated to be a member of its board.
6. If during the preceding two years, the individual has been a consultant and/or an employee with an affiliate of the Company or an affiliate of any company of its group, such as external auditors or main suppliers; or if the individual, during the preceding two years, had a controlling interest in any such party.
7. Being representative of a legal person that holds shares of the company or any of its group.

## APPENDIX C – BOARD COMMITTEE CHARTERS

### 9.1 AUDIT COMMITTEE CHARTER

*(To be read in collaboration with Alkhabeer's Authority Matrix – Appendix E)*

The Audit Committee is constituted as a permanent Committee of the Board of the Company. The Committee's Charter may be amended at any time by the Board only.

#### 9.1.1 PURPOSE

To assist the Board in fulfilling their oversight responsibilities for the integrity of the financial statements, independent external auditor's qualifications and independence; and performance of Alkhabeer's Internal Audit Department.

#### 9.1.2 MEMBERSHIP

The Committee is appointed by the Board in accordance with the spirit of CMA regulations. The Committee should have at least three (3) members, all of whom shall be Non-Executive, and at least two must be Independent Directors.

Additionally, one (1) member of the committee must be a financial expert with recent and relevant financial experience (i.e. is a qualified accountant or other financial professional with experience of financial and accounting matters).

The Chairman of the Audit Committee is to be an independent non-executive member and is to be appointed by the Board (but is not to be the Chairman of the Board).

Independent members might be appointed from outside the board. In addition an independent non-board member might be elected to act as the chairman of the audit committee.

The members of the Committee shall be elected, by the Board, to serve for a one (1) year term, until their successors are elected and qualify or until their resignation or removal.

The Audit Committee may invite the Chairman, Executive Director, CEO, Chiefs, the Chief Financial Officer, the Head of Compliance and MLR, the Internal and External Auditors and other personnel whom it deems necessary to attend its meetings.

The voting and appointment of committee members shall take place at the first Board meeting of Alkhabeer's fiscal year. Members may be re-elected for subsequent terms.

Any previous affiliate of the external Auditor shall not be a member of the Audit Committee for at least one year.

#### 9.1.3 MEETINGS

The Committee will meet as frequently as it determines, but not less than once every three (3) months, at such time and place as is deemed appropriate. Additional meetings may be requested by any member, the Internal Auditor or the External Auditor.

#### 9.1.4 QUORUM

The presence of the two (2) committee members shall constitute a quorum for the transaction of business at any meeting. However, one (1) of these attending members must be the Chairman of the committee. All matters shall be decided at any such meeting, a quorum being present, by the affirmative votes of the members present. The approval can take place in the form of circulation of proposals.

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### 9.1.5 DECISIONS

The decisions shall be considered by a vote of the majority of the attending members. In case of equality of votes, the Chairman shall have the casting vote.

Decisions may be made through circulation. The secretary shall ensure and confirm circulation of necessary information and documentation.

### 9.1.6 AUTHORITY

The Audit Committee has the authority to monitor and review all financial issues along with external and internal audit activities for Alkhabeer. It is empowered to:

1. Have unrestricted access to all business units/departments, records (both manual and electronic), property and personnel;
2. Meet with the Company's officers, External Auditors, Internal Auditors or legal counsel, as necessary;
3. Obtain, at Alkhabeer's expense, external legal, or other professional advice and to secure the attendance of anyone it considers to have relevant experience, expertise or knowledge;
4. Investigate or commission the Internal Audit Department or external agency to investigate any cases or allegations of fraud, ethical misconduct and other irregularities against any person at Alkhabeer;
5. Appoint, compensate, and oversee the work of any registered professional firm (legal, auditing, consulting etc.) employed by the Company; and
6. Obtain the necessary assistance and cooperation of personnel in the business units/ departments;

### 9.1.7 LEGALLY REQUIRED DUTIES & RESPONSIBILITIES

The Audit Committee, as a minimum, shall have the following tasks and duties:

1. To supervise the company's internal audit department to ensure its effectiveness in executing the activities and duties specified by the Board of Directors.
2. To review and approve the internal audit policy and procedure.
3. To review the internal audit reports and pursue the implementation of the corrective measures in respect of the comments included in them.
4. To recommend to the Board of Directors the appointment, dismissal and the Remuneration of external auditors; upon any such recommendation, regard must be made to their independence.
5. To supervise the activities of the external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties.
6. To review the audit plan and make any comments thereon.
7. To review the external auditor's comments on the financial statements and follow up the actions taken about them.
8. To review the interim and annual financial statements prior to presentation to the Board of Directors; and to give opinion and recommendations with respect thereto.
9. To review the accounting policies in force and advise the Board of Directors of any recommendation regarding them.

#### **9.1.8 OTHER KEY DUTIES & RESPONSIBILITIES**

1. Review the Company's financial controls, internal control, and risk management system at least annually
2. Ensure compliance with the listing and disclosure rules issued by the CMA including other legal requirements applicable to financial statements
3. Develop and implement policy on the engagement of an External Auditor to supply non Audit services, if any, to ensure that provision of such services would not impair the independence and objectivity of the External Auditor
4. Meet with the External Auditors and internal auditor at least once a year without the presence of management
5. Overseeing any and all co-sourcing or outsourcing assignments that Alkhabeer partakes in on the financial level
6. Ensure that any disagreements arising between management and the External Auditor regarding financial reporting are resolved
7. Review and approve the remuneration and term of engagement of the External Auditor
8. Review and approve the remuneration and hiring/firing of the Head of Internal Audit
9. Establish and oversee a procedure for anonymously reporting financial and control irregularities by employees

#### **9.1.9 ACCESS TO UPDATED INFORMATION**

The finance function of the Company in general, and the CFO specifically, will be responsible for keeping the Audit Committee updated about the relevant changes in laws and regulations affecting the Company's financial operations and financial statements. The CEO will be responsible for keeping the Audit Committee updated about relevant recommendations and/or changes that need to be addressed within the framework of Alkhabeer's corporate governance.

#### **9.1.10 COMMITTEE SECRETARY**

The Committee Secretary shall be appointed by the Audit Committee members of Alkhabeer Capital.

The Committee Secretary will play a significant role in ensuring that meetings are run efficiently and resolutions of the committee are acted upon on a timely basis. The secretary shall be responsible for organizing meetings, preparing and issuing the agendas after the Chairman's approval and taking minutes of meetings.

#### **9.1.11 REPORTING POLICY**

The Committee is to report on its meetings to the Board on an annual basis. The Chairman of the Audit Committee must report to the Board at the Board's next meeting on any matters relevant to the Audit Committee's duties and responsibilities.

#### **9.1.12 REPORTING PROCEDURES**

1. The Committee Secretary shall circulate the minutes of meetings of the Committee to all members of the Board. The Chairman of the Committee shall update the members of the Board as appropriate on the resolution of issues raised in previous Committee meetings.
  2. The Committee members shall undertake an annual review of its Charter and make recommendations to the Board for any amendments.
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3. The Committee's duties and activities during the year shall be disclosed in the Company's Annual Report and Accounts.
4. The Chairman of the Committee shall attend the annual general meeting and shall answer questions, through the Chairman of the Board, on the Committee's activities and responsibilities.

#### **9.1.13 SUPPORT AND MINUTES OF MEETINGS**

Notice of each meeting, confirming the venue, date and time, together with the agenda and supporting papers, will be distributed to each member of the committee with adequate time (not less than (7) calendar days in advance) to enable the members to review.

Minutes of Committee meetings shall be circulated within (7) working days to all members of the Committee.

Acknowledged and approved by Board of Directors of Alkhabeer Capital on (date): And by (names & signatures):

## **9.2 NOMINATION & REMUNERATION COMMITTEE CHARTER**

The Nomination & Remuneration Committee (NRC) is constituted as a permanent Committee of the Board of the Company. The Committee's Charter may be amended at any time by the Board only.

### **9.2.1 PURPOSE**

Assist the Board in fulfilling their oversight responsibilities in the area of nomination and remuneration; to ensure the independence of the independent Board members; to advise on the fulfillment of their duties of all board members; and the integrity of the remuneration strategy at Alkhabeer.

### **9.2.2 MEMBERSHIP**

The Committee is appointed by the Board in accordance with the spirit of the CMA regulations. The Committee should have at least three (3) members, all of whom shall be Non-Executive Directors, and least two of whom must be Independent Directors.

The Chairman of the NRC is to be an independent non-executive member and is to be appointed by the Board (but is not to include the Chairman of the Board).

Independent members might be appointed from outside the board. In addition an independent non-board member might be elected to act as the chairman of the NRC.

The members of the Committee shall be elected, by the Board, to serve for a one (1) year term, until their successors are elected and qualify or until their resignation or removal. The NRC may invite the Chairman, Executive Director, CEO, Chiefs (Alkhabeer Senior Management), the internal and external auditors and other personnel whom it deems necessary to attend its meetings.

The voting and appointment of committee members shall take place at the first Board meeting of Alkhabeer's fiscal year. Members may be re-elected for unlimited number of subsequent terms.

### **9.2.3 MEETINGS**

The Committee will meet as frequently as it determines, but not less than once every six (6) months, at such time and place as is deemed appropriate. Additional meetings may be requested by any member of the NRC, Chairman of the Board or Executive Director subject to the NRC chairman approval.

#### **9.2.4 QUORUM**

The presence of any two (2) committee members shall constitute a quorum for the transaction of business at any meeting. However, one (1) of these attending members must be the Chairman of the committee. All matters shall be decided at any such meeting, a quorum being present, by the affirmative votes of the members present. The approval might be assumed in the form of circulation of proposals.

#### **9.2.5 DECISIONS**

The decisions shall be considered by a vote of the majority of the attending members. In case of equality of votes, the Chairman shall have the casting vote.

Decisions may be made through circulation. The secretary shall ensure and confirm circulation of necessary information and documentation.

#### **9.2.6 AUTHORITY**

The Nomination and Remuneration Committee has the authority to monitor and review all compensation Policies, evaluates and approves performance of the Board members and issues relating to the independence of the independent Board members. It is empowered to obtain external legal or other professional advice and secure the attendance of anyone it considers having relevant experience, expertise or knowledge and all data to accomplish its duties.

#### **9.2.7 LEGALLY REQUIRED DUTIES & RESPONSIBILITIES**

1. Recommend to the Board of Directors appointments to membership of the Board and the Board Committees in accordance with the approved policies and standards; the Committee shall ensure that no person who has been previously convicted of any offence affecting honour or honesty is nominated for such membership.
2. Annual review of the requirement of suitable skills for membership of the Board of Directors and the Board Committees and the preparation of a description of the required capabilities and qualifications for such membership, including, inter alia, the time that a Board member should reserve for the activities of the Board.
3. Review the structure of the Board of Directors and Board Committees and recommend changes.
4. Determine the points of strength and weakness in the Board of Directors and Board Committees and recommend remedies that are compatible with the company's interest.
5. Ensure on an annual basis the independence of the independent members and the absence of any conflict of interest in case a Board member also acts as a member of the Board of Directors of another company.
6. Draw clear policies regarding the indemnities and remunerations of the Board members and Board Committees members and top executives; in laying down such policies, the standards related to performance shall be followed.

#### **9.2.8 OTHER DUTIES & RESPONSIBILITIES**

1. Approve (including changes) all remuneration aspects of Human Capital polices & procedures.
  2. Measure the Board and Board Committee members performance in accordance with the Board approved assessment framework.
  3. Approve the Recruitment, Contract Amendments & Renewals, Termination and Resignation of all Direct Reports.
  4. Approve the remuneration amounts, Promotions, and Increment of all Direct Reports.
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**9.2.9 ACCESS TO UPDATED INFORMATION**

The Human Capital function of the Company in general, and in particular the Chief Corporate Communications & Administration Officer, will be responsible for keeping the NRC updated about any relevant information relating to remuneration, staffing, or changes in policy. The ED will be responsible for keeping the NRC updated about relevant recommendations and/or changes that need to be addressed with the framework of Alkhabeer's corporate governance.

**9.2.10 COMMITTEE SECRETARY**

The Committee Secretary shall be appointed by the NRC. The Committee Secretary will play a significant role in ensuring that meetings are run efficiently and resolutions of the committee are acted upon on a timely basis. The secretary shall be responsible for organizing meetings, preparing and issuing the agendas after the Chairman's approval and taking minutes of meetings.

**9.2.11 REPORTING POLICY**

The Committee is to report on its meetings to the Board. These reports will be analysed for both their transparency in action and committee effectiveness.

**9.2.12 REPORTING PROCEDURES**

1. The Corporate Secretary shall circulate the minutes of meetings of the Committee to all members of the Board. The Chairman of the Committee shall update the members of the Board as appropriate on the resolution of issues raised in previous Committee meetings.
2. The Committee members shall undertake an annual review of its Charter and make recommendations to the Board for any amendments.
3. The Committee's duties and activities during the year shall be disclosed in the Company's Annual Report and Accounts.
4. The Chairman of the Committee shall attend the annual general meeting and assist the Chairman of the Board in communicating and responding to the shareholders.

**9.2.13 OTHER**

The Committee will consider any other matters referred to the Committee by the Board.

**9.2.14 SUPPORT AND MINUTES OF MEETINGS**

Notice of each meeting, confirming the venue, date and time, together with the agenda and supporting papers, will be distributed to each member of the committee with adequate time (not less than one (7) calendar days in advance) to enable the members to review.

Minutes of Committee meetings shall be circulated within (7) working days from the date of meeting to all members of the Committee.

### **9.3 BOARD INVESTMENT COMMITTEE**

*(To be read in collaboration with Alkhabeer's Authority Matrix – Appendix E)*

Board Investment Committee is constituted as a permanent Committee of the Board of the Company. The Committee's Charter may be amended at any time by the Board only.

#### **9.3.1 PURPOSE**

Board Investment Committee shall be appointed by the Board of Directors to assist the Board in fulfilling its responsibilities with respect to reviewing and approving the Company's investment policies, strategies, transactions and monitoring the performance of the Company's investments. The Committee shall also oversee the Company's capital and financial resources.

#### **9.3.2 MEMBERSHIP**

The Committee, as determined by the Board of Directors, shall consist of five (5) members (one of whom will be the Executive Director & CEO). The secretary of the committee shall be the Corporate Secretary.

The Chairman of the Committee shall be appointed by the Board of Directors. The Chairman of the Committee may appoint new members to the Committee pending the Board's approval.

The members of the Committee shall be elected, by the Board, to serve for a one (1) year term, until their successors are elected and qualify or until their resignation or removal. Members may be re-elected for unlimited number of subsequent terms.

By accepting to participate on the BIC, Directors accept that their performance on the Committee will be evaluated on an annual basis.

#### **9.3.3 MEETINGS**

The Committee will meet as frequently as it determines, but not less than five times per year, at such time and place as is deemed appropriate. A member may participate in the meeting by means of telephone conference or video conferencing or similar communications equipment by means of which all persons participating in the meeting can hear each other.

Any member of the Committee may call the meetings. The Committee may invite members of the Company's management and other persons to the meetings. An agenda for the meeting will be set by the Executive Director and will be circulated to all BIC members in advance of the meeting.

The Committee shall keep minutes of all the meetings that will be approved by the Chairman and presented at the next Board of Director's meeting.

#### **9.3.4 QUORUM**

The presence of three (3) Board members including the CEO or the ED shall constitute a quorum for the transaction of business at any meeting. All matters shall be decided at any such meeting, a quorum being present, by the affirmative votes of a simple majority of votes from voting Board members present, one of whom should be the Chairman or, in his absence, the acting-Chairman. The approval might be assumed in the form of circulation of proposals.

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### 9.3.5 DECISIONS

The decisions shall be considered by a vote of the majority of the attending members. In case of equality of votes, the Chairman shall have the casting vote.

Decisions may be made through circulation. The secretary shall ensure and confirm circulation of necessary information and documentation.

### 9.3.6 AUTHORITY

BIC shall report regularly to the Board relative to such matters that are within its responsibilities and relative to such recommendations as the Committee may deem appropriate. The report to the Board of Directors may be delivered in writing or verbally by the Chairman or any other member designated by the Committee for this purpose.

The Committee shall have full, free and unrestricted authority to access, and the ability to communicate with, the Company's senior management and employees, and internal and independent external auditors and shall have the authority to retain outside third parties, as it determines appropriate, to assist the Committee in fulfilling its responsibilities. The Committee shall have the authority to approve investment and other tactical decisions as endorsed by the Alkhabeer's Authority Matrix.

### 9.3.7 DUTIES AND RESPONSIBILITIES

Set, review and assess the investment objectives and strategies of the Company and its subsidiaries and associates.

Review and recommend to the Board of Directors the Company's strategic capital expenditure plans.

Review financial statements of the Company, specifically in relation to the accumulation of reserves, and the performance of core and non-core assets. Additionally, it would concern itself with the extent of capital available within the Company, liquidity ratios, and the provisioning maintained by the Company in relation to its bad or doubtful debts.

Monitor, evaluate, and revise planning components and budgets of different departments.

Recommend the Company's investment policy which shall include the investment guidelines, financial goals, asset allocation ranges, risk tolerance and investment time horizon.

Delegate authority to senior management to execute and approve investment transactions on behalf of the Company within set policies and limits.

Review, evaluate and approve investment proposals and projects submitted by the management that are within the authority limit of the Committee.

Review and evaluate periodically the performance of the investment portfolio to assure conformance to policies and strategies and to monitor progress towards achieving investment objectives.

Assign individuals to carry out proposed action plans and establish time frames for completion of the plans.

Perform an annual review of the charter and recommend any changes to the Board of Directors for approval.

Perform any other responsibilities delegated to the Committee by the Board from time to time.

Perform an annual evaluation of all BIC members.

#### **9.3.8 COMMITTEE SECRETARY**

The Committee Secretary shall be the Corporate Secretary. The Committee Secretary will play a significant role in ensuring that meetings are run efficiently and resolutions of the committee are acted upon on a timely basis. The secretary shall be responsible for organizing meetings, preparing and issuing the agendas after the Chairman's approval and taking minutes of meetings.

#### **9.3.9 SUPPORT AND MINUTES OF MEETINGS**

Notice of each meeting, confirming the venue, date and time, together with the agenda and supporting papers, will be distributed to each member of the committee with adequate time (not less than one (7) calendar days in advance) to enable the members to review.

Minutes of Committee meetings shall be circulated within (7) working days to all members of the committee.

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## APPENDIX D – GLOSSARY OF TERMS

The following English definitions are for some phrases and terms used in this document, in the event of any difference or lack of clarity in the understanding of any of the phrases or term, the reliable definitions will be the one written in Arabic as the official language of the country:

| TERM                       | DESCRIPTION  |
|----------------------------|--|
| <b>ACCUMULATIVE VOTING</b> | A method of voting for electing Directors, which gives each shareholder a voting rights equivalent to the number of shares he holds. He has the right to use them all for one nominee or to divide them between his selected nominees without any duplication of these votes. This method increases the chances of the minority shareholders to appoint their representatives in the Board through the right to accumulate votes for one nominee.  |
| <b>AFFILIATE</b>           | A person who controls another person or is controlled by that other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect.   |
| <b>ASSOCIATE</b>           | <ol style="list-style-type: none"> <li>1) In relation to the Senior Executives or a Director or to a substantial shareholder who is an individual any of the following:           <ol style="list-style-type: none"> <li>a) that individual's spouse or minor children (together "the individual's family"); and</li> <li>b) any company in whose equity shares the individual or any member or members (taken together) of the individual's family or the individual and any such member or members (taken together) are directly or indirectly interested so that they are able:               <ul style="list-style-type: none"> <li>• to exercise or control the exercise of 30% or more of the votes at the general meeting on all, or substantially all, matters; or</li> <li>• to appoint or remove Directors holding a majority of voting rights at Board Meetings on all, or substantially all, matters; and</li> </ul> </li> </ol> </li> <li>2) In relation to a substantial shareholder which is a company:           <ol style="list-style-type: none"> <li>a) any other company which is its subsidiary or parent or fellow subsidiary of the parent;</li> <li>b) any company whose Directors are accustomed to act in accordance with the substantial shareholder's directions or instructions; and</li> <li>c) any company in the capital of which the substantial shareholder, and any other company under (a) or (b) taken together, are directly or indirectly interested so that they are able:               <ul style="list-style-type: none"> <li>• to exercise or control the exercise of 30% or more of the votes at the general meeting on all, or substantially all, matters; or</li> <li>• to appoint or remove Directors holding a majority of voting rights at Board Meetings on all, or substantially all, matters.</li> </ul> </li> </ol> </li> </ol> |

| <b>TERM</b>                            | <b>DESCRIPTION</b>   |
|--|--|
| <b>AUTHORIZED PERSON</b>               | A person who is authorized to carry on securities business by the Authority (CMA).   |
| <b>BOARD</b>                           | Alkhabeer Capital Board of Directors which is responsible for directing and controlling the Company to fairly achieve shareholders' interests.   |
| <b>BOD COMMITTEES</b>                  | Committees appointed by the Board.   |
| <b>CAPITAL MARKET AUTHORITY (CMA)</b>  | The Authority established by the "Capital Market Law" issued by the royal decree no. m/30 dated 2/6/1424H. The CMA functions are to regulate and develop the Saudi Arabian Capital Market. It issues the required rules and regulations for the implementation of the provisions of Capital Market Law aimed at creating an appropriate investment environment.      |
| <b>CAPITAL MARKET LAW</b>              | The law issued by royal decree no. m/30 dated 2/6/1424H and its by-laws and instructions, and the corporate governance guidelines issued by the Capital Market Authority no. 1-212-2006 dated 21/10/1427H corresponding to 12/11/2006. Amended by the Resolution of the Board of Capital Market Authority No 1-20-2008 dated 14/5/1429H corresponding to 19/5/2008G. |
| <b>COMPANIES ACT</b>                   | The Saudi Arabian Companies Act was issued by Royal Decree no: M/6 dated 22 Rabi Thani 1385 Corresponding date 20 July 1965.   |
| <b>CHAIRMAN</b>                        | Chairman of the Board of Directors of Alkhabeer Capital Company.   |
| <b>COMPANIES LAW &amp; REGULATIONS</b> | The law issued by the royal decree No. M/6 dated 22/3/1385H and its amendments.  |
| <b>COMPANY</b>                         | Alkhabeer Capital Company (the "Company").   |
| <b>CONNECTED PERSON</b>                | The Chief Executive Officer, a Director, the Senior Executives, any substantial shareholder of a company with securities admitted to the official list, or any associate of any such persons to whom this definition applies.  |
| <b>CONTROL</b>                         | The ability to influence the actions or decisions of another person through, whether directly or indirectly, alone or with a relative or affiliate (a) holding 30% or more of the voting rights in a company, or (b) having the right to appoint 30% or more of the members of the governing body; "controller" shall be construed accordingly.                      |
| <b>CONTROLLING INTEREST</b>            | Any person or group of person is treated as the owner of a controlling interest when he owns individually or together with any of his relatives or affiliates, directly or indirectly, 5% or more of a class of voting shares of the issuer.   |
| <b>DIRECTOR</b>                        | In relation to a joint stock company, includes a member of the Board of Directors and in relation to any other company includes any manager or other Senior Executive who makes and implements the company's strategic decisions. Members of the Board of Directors, who are elected by the shareholders in the annual meeting of the shareholders.                  |
| <b>EMPLOYEE</b>                        | In relation to a person, includes a Director or manager of a company, a partner in a partnership or any other individual who is employed under a contract of   |



| <b>TERM</b>                   | <b>DESCRIPTION</b>   |
|-------------------------------|--|
|                               | service or contract for service and whose services are placed at the disposal of and under the control of that person.   |
| <b>EXCHANGE</b>               | The Saudi Stock Exchange including where the context permits any committee, sub-committee, employee, officer, servant or agent to whom any function of the Exchange may for the time being be delegated, and "on Exchange" means any activity taking place through or by the facilities provided by the Exchange.  |
| <b>GOVERNING BODY</b>         | The body of individuals which makes a person's strategic decisions. The governing body of a joint stock company is its Board of Directors.   |
| <b>GROUP</b>                  | In relation to a person, means that person and each affiliate of it.   |
| <b>INDEPENDENT MEMBER</b>     | <p>A member of the Board of Directors who enjoys complete independence. By way of example, the following shall constitute an infringement of such independence:</p> <ol style="list-style-type: none"> <li>1. Owning shares in Alkhabeer or in any company that is affiliated with Alkhabeer.</li> <li>2. During the preceding two years has been a Senior Executive in the Company or of any other company within that company's group.</li> <li>3. A first-degree relative of any Board member of the Company or of any other company within that company's group.</li> <li>4. A first-degree relative of any of Senior Executives of the company or of any other company within that company's group.</li> <li>5. A Board member of any company within the group of the Company which he is nominated to be a member of its Board.</li> <li>6. During the preceding two years, has been a consultant and/or an employee with an affiliate of the Company or an affiliate of any company of its group, such as external auditors or main suppliers; or if he, during the preceding two years, had a controlling interest in any such party.</li> </ol> |
| <b>ISSUER</b>                 | A person issuing or intending to issue securities (shares)   |
| <b>JUDICIAL PERSONS</b>       | Investors who are judicial persons and who act on behalf of others - e.g. investment funds- shall disclose in their annual reports their voting policies, actual voting, and ways of dealing with any material conflict of interests that may affect the practice of the fundamental rights in relation to their investments.  |
| <b>LISTED</b>                 | In relation to any type of securities, means the securities admitted to listing on the Exchange or, where the context permits, the securities that are subject of application for admission to listing on the Exchange.  |
| <b>LISTING</b>                | Listing of the securities on the Exchange or, where the context permits, application for listing on the Exchange.  |
| <b>NON-EXECUTIVE DIRECTOR</b> | A member of the Board of Directors who does not have a full-time Management position at the Company, or who does not receive monthly or yearly salary.   |
| <b>PERSON</b>                 | Any natural or legal person recognized as such under the laws of the Kingdom.  |

| <b>TERM</b>                           | <b>DESCRIPTION</b>   |
|---------------------------------------|--|
| <b>RELATED PARTY</b>                  | A person who, in relation to each of the offer or (or any of its affiliates) and the offeree company (or any of its affiliates), satisfies one or more of the following conditions: <ol style="list-style-type: none"> <li>1. he is (or was within the 12 months before the date of the offer) a shareholder holding 20% or more of the equity of the company, or will become a shareholder holding 20% or more of the equity of the company as a result of the offer being accepted, or a person acting in concert with such a person; or</li> <li>2. he is (or was within the 12 months before the date of the offer) a Director.</li> </ol> |
| <b>RELATIVE</b>                       | Husband, wife and minor children.  |
| <b>SENIOR EXECUTIVES / MANAGEMENT</b> | Any natural person who manages and is responsible for making and implementing the company's strategic decisions, including the CEO, Directors and General Managers and its deputies.   |
| <b>SHARE</b>                          | Share of any company (wherever incorporated) or any unincorporated body; The definition of "share" includes every instrument having the characteristics of equity, including sukuk.  |
| <b>SHAREHOLDER GENERAL ASSEMBLY</b>   | The General Assembly that is composed of all shareholders that own shares in the Company. Shareholders exercise their rights at the General Assembly Meeting.  |
| <b>STAKEHOLDER</b>                    | Any related party that has relationship with the Company internally or externally.   |
| <b>SUBSIDIARY</b>                     | In relation to a company, another company which it controls.   |
| <b>VOTING RIGHTS</b>                  | All the voting rights attributable to the shares of a company which are exercisable at a general meeting.  |
| <b>FIRST-DEGREE RELATIVE</b>          | Father, mother, spouse and children  |
| <b>MINORITY SHAREHOLDERS</b>          | Are those shareholders who represent a class of shareholders that does not control the company and hence they are unable to influence the company.   |