



<b>Page (1) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		



## **Corporate Governance Rules of Almarai Company**


<b>Page (2) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		


## Contents

<b>PART 1 PRELIMINARY PROVISIONS.....</b>	<b>4</b>
<b>PART 2 RIGHTS OF SHAREHOLDERS .....</b>	<b>9</b>
<b>PART 3 BOARD OF DIRECTORS .....</b>	<b>16</b>
<b>PART 4 COMMITTEES.....</b>	<b>Error! Bookmark not defined.</b>
Chapter 1 Audit Committee Regulation.....	37
Chapter 2 Remuneration and Nomination Committee Regulation .....	43
Chapter 3 Executive Committee Regulation.....	49
Chapter 4 Risk Management Committee Regulation.....	54
<b>PART 5 INTERNAL CONTROL .....</b>	<b>57</b>
<b>PART 6 THE COMPANY’S EXTERNAL AUDITOR.....</b>	<b>60</b>
<b>PART 7 STAKEHOLDERS.....</b>	<b>61</b>
<b>PART 8 PROFESSIONAL AND ETHICAL STANDARDS .....</b>	<b>63</b>
<b>PART 9 DISCLOSURE AND TRANSPARENCY .....</b>	<b>65</b>
<b>PART 10 IMPLEMENTATION OF CORPORATE GOVERNANCE.....</b>	<b>701</b>
<b>PART 11 RETAINING DOCUMENTS.....</b>	<b>712</b>
<b>PART 12: PUBLICATION AND ENTRY INTO FORCE.....</b>	<b>63</b>

## APPENDICES

1. Policies, Standards and Procedures for Membership in the Board
2. Policy for the Remuneration of the Board Members, Its Committee and Executive Management.
3. Disclosure Policy
4. Risk Management Policy
5. Policy for Reporting Violations
6. Professional Conduct Policy
7. Conflict Of Interest Policy
8. Policy Regulating the Relationship with Stakeholders
9. Dividend Distribution Policy
10. Policy on Remunerations Granted to Employees

<b>Page (3) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

<b>Page (4) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

## PART 1

### PRELIMINARY PROVISIONS

#### **Introduction:**

The Corporate Governance Rules of Almarai ("the **Company**") defines its corporate management standards to ensure compliance with best corporate governance practices that protect the rights of shareholders and stakeholders. The Company is committed to the highest standards of corporate governance, born out of its belief that sound corporate governance rules are important for the long-term growth of shareholder equity. These rules are consistent with the Company's commitment to quality in all of its operations, activities and products.

#### **Compliance with this Rules:**


The rules, policies and procedures set out herein are binding on all members of the Company's Board of Directors, Executive Management and employees; and this Rules may only be amended by a decision of the Company's Board of Directors.

#### **The Governance Rules as a Reference:**

This Rules was drafted in compliance with the provisions of the Corporate Governance Regulations issued by the Capital Market Authority ("CMA") Board pursuant to Resolution No. 8-6-2017 dated 13/2/2017H (the "**Governance Regulations**"), and in accordance with internationally recognized corporate governance standards. It should be considered as a basis for corporate governance and not an alternative to management policies adopted by all levels of management within the Company. It should be viewed as complementary to the laws and regulations in force in the Kingdom of Saudi Arabia. In particular the following:

- **The Capital Market Law** promulgated by Royal Decree No. M/30 dated 2/6/1424H and implementing regulations thereof.
- **The Companies' Law** issued by the Royal Decree M/3 dated 28/1/1437H.
- **Decisions and circulars** issued by the Ministry of Commerce and Investment and the CMA's Board.
- **The Company's Bylaws** and amendments thereof adopted by a Shareholders' Extraordinary General Assembly Resolution on 3/11/1426H, corresponding to 25/12/2005G.

The Board of Directors may amend this Rules from time to time when necessary, in accordance with the instructions and requirements of the CMA, the Company's business needs and sound management

<b>Page (5) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

requirements, in a manner consistent with the provisions of the Governance Regulations issued by the CMA Board.

**Objectives:**

Almarai's Corporate Governance Rules aims to establish an effective legal framework for the Company's governance. These rules specifically aim to:

1. Enhance the role of Company's shareholders and facilitate the exercise of their rights.
2. Define the competencies and responsibilities of the Board of Directors and executive management.
3. Enhance the role of the Board of Directors and the committees, as well as develop their capabilities to enhance the decision-making mechanisms in the Company.
4. Achieve transparency, impartiality and equity in Tadawul, its transactions, as well as in the business environment, while enhancing disclosure therein
5. Provide effective and balanced tools to deal with conflicts of interest.
6. Enhance the control and accountability mechanisms for the Company's employees.
7. Establish the general framework for dealing with Stakeholders and protecting their rights.
8. Support the effectiveness of the system for overseeing the Company and the necessary tools therefor.
9. Raise the awareness of the Company about the concept of professional conduct and encourage it to adopt and develop it to suit their nature.


**Definitions:**

Unless the context requires otherwise, the following terms and expressions shall have the meaning set forth below:

**Governance Manual:** Al Marai's corporate governance manual.

**Company:** Al Marai Company.

**Board:** Al Marai's Board of Directors.

<b>Page (6) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

**Bylaws:** Al Marai's Bylaws and amendments thereof adopted by a Shareholders' Extraordinary General Assembly Resolution on 3/11/1426H, corresponding to 25/12/2005G.

**Governance Regulations:** The Corporate Governance Regulations issued by the Capital Market Authority Board pursuant to Resolution No. 8-6-2017 dated 16/5/1438H, corresponding to 13/2/2017H.

**Companies Law:** The Companies' Law issued by Royal Decree M/3 dated 28/1/1437H.

**Capital Market Law:** The Capital Market Law issued by Royal Decree M/30 dated 2/6/1424H.

**CMA:** The Capital Market Authority.


**Tadawul:** The Saudi Stock Exchange.

#### **Corporate Governance:**

- Rules to lead and guide the Company that include mechanisms to regulate the various relationships between the Board, executive directors, shareholders and Stakeholders, by establishing rules and procedures to facilitate the decision making process and add transparency and credibility to said process with the objective of protecting the rights of shareholders and Stakeholders and maintain market and achieving fairness, competitiveness and transparency on Tadawul and the business environment.
- Governance is the optimal system through which the Company is managed and controlled. This is accomplished through the distribution of powers and responsibilities among the various Company participants, such as the Board of Directors, executive management, shareholders and Stakeholders. This system thus clarifies the rules, policies and procedures for making decisions relating to the Company's affairs, and provides a framework for the Company's objectives and the means by which to achieve and monitor performance; with the Board of Directors responsible for adopting and enforcing said corporate governance Rules.
- The role of shareholders in governance involves appointing members of the Board of Directors and auditors, as well as ensuring the efficiency of said governance system; while the responsibility of the Board of Directors is to set the Company's strategic objectives, provide the leadership that endeavors to implement them, supervise the Company's management, and prepare reports to shareholders on their management of the Company. The actions of the Board of Directors shall be subject to applicable laws, regulations, and the Company's Bylaws.

**Shareholders Assembly:** An assembly consisting of the shareholders in the Company formed in accordance with the provisions of the Companies Law and the Company's Bylaws.

**Executive Director:** Member of the Company's Board of Directors who is a full time member of the Company's Executive Management team and participates in its daily activities.

<b>Page (7) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

**Non-executive Director:** Member of the Company's Board of Directors who is not a full-time member of the Company's management team and does not participate in its daily activities.

**Independent Director:** Non-executive member of the Company's Board of Directors who enjoys complete independence in his/her position and decisions. Members are deemed to be independent when they satisfy none of the infringements applicable thereto as set out in Article 20 of the Governance Regulations.


**Executive Management or Senior Executives:** Persons responsible for managing the daily operations of the Company, as well as proposing and executing strategic decisions, such as the Chief Executive Officer, the delegates thereof and the Chief Financial Officer.

**Relatives:**

- Fathers, mothers, grandfathers, grandmothers and their ancestors.
- Children, grandchildren and their descendants.
- Siblings, maternal and paternal half-siblings and their children.
- Husbands and wives.

**Related Parties:**

- a. Substantial shareholders of the Company.
- b. Board members of the Company or any of its affiliates and their relatives.
- c. Senior Executives of the Company or any of its affiliates and their relatives.
- d. Board members and Senior Executives of Substantial Shareholders of the company.
- e. Entities, other than companies, owned by a Board member or any Senior Executive or their relatives.
- f. Companies in which a Board member or a Senior Executive or any of their relatives is a partner.
- g. Companies in which a Board member or a Senior Executive or any of their relatives is a member of its board or is one of the senior executives.
- h. Joint stock companies in which a member of the Board or a Senior Executive or any of their relatives owns (5%) or more, subject to the provisions of item (d) hereof.
- i. Companies upon whose decisions a Board member or a Senior Executive or any of their relatives has influence, even if only by giving advice or guidance.
- j. Any person whose advice or guidance influences the decisions of the Company, its Board and Senior Executives.
- k. Holding companies or affiliates of the Company.

<b>Page (8) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

Advice or guidance that is provided on a professional basis by a person licensed to provide such advice shall be excluded from the provisions of items (i) and (j) hereof.

**The Group:** When referring to the Company, means Al Marai and its affiliates.

**Affiliate:** A company that may be directly or indirectly controlled by Al Marai, or controls Al Marai or is under common control with Al Marai by a third person.

**Stakeholder:** Any person who has an interest in the Company, including employees, creditors, customers, suppliers and the community.

**Substantial Shareholders:** Any person who owns (5%) or more of the Company's shares or voting rights therein.

**Cumulative voting:** A method of voting for electing Board members that gives each shareholder a voting capacity equivalent to the number of shares that he/she owns, and by which the shareholder is entitled to either exercise all of his/her votes in favor of one nominee or to divide his/her votes in favor of several nominees without any duplication of such votes.


**Controlling Interest:** The ability to influence actions or decisions of another person directly, indirectly, individually or collectively with a relative or an affiliate through: (A) owning 30% or more of the voting rights in a company, (B) having the right to appoint 30% or more of the administrative team members.

**Administrative Team:** A group of individuals who make the strategic decisions of the person. The Board is the Company's Administrative Team.

**Remunerations:** Amounts, allowances, dividends and the like, periodic or annual bonuses linked to performance, long or short term incentive plans and any other in-kind benefits, except the actual reasonable expenses and fees incurred by the Company to enable the Board member to perform his duties.

**Day:** Calendar day whether a business day or not.



<b>Page (9) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

## PART 2

### RIGHTS OF SHAREHOLDERS

#### General Rights of Shareholders


##### **Fair Treatment of Shareholders:**

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

##### **Rights Related to Shares:**

Shareholders shall be guaranteed their rights related to Shares, particularly the following:

- To obtain his/her portion of the net profits which are to be distributed in cash or through the issuance of shares.
- To obtain his/her share of the Company's assets upon liquidation.
- To attend the General or Special Shareholders Assemblies, take part in their deliberations and vote on their decisions.
- To dispose of his/her shares in accordance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations.
- To enquire and request viewing the Company's books and documents, including the data and data and information related to the activities of the Company and its operational and investment strategy without prejudice to the interests of the Company or breach of the Companies Law and the Capital Market Law and their implementing regulations.
- To monitor the performance of the Company and the activities of the Board.
- To hold Board members accountable, to file liability lawsuits against them and appeal for nullification of the resolutions of the General and Special Shareholders Assemblies in accordance with the conditions and restrictions provided in the Companies Law and the Company's bylaws;
- Preemptive rights to subscribe for new shares issued in exchange for cash unless otherwise specified in the Company's bylaws or when the Extraordinary General Assembly suspends preemptive rights as per Article (140) of the Companies Law.
- To record his/her name in the Company's shareholders register.

<b>Page (10) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

- To request access to the Company's articles of association and bylaws unless the Company publishes them on its website.
- To nominate and elect members of the Board.

#### **Shareholder Access to Information:**

- The Board undertakes to make available to shareholders complete, clear, accurate and non- misleading information to enable them to properly exercise their rights. Such information shall be provided at the proper times and shall be updated regularly.
- The method used to provide information to shareholders shall be clear and detailed, and shall include a list of the Company's information that the shareholders may obtain. This information shall be made available to all shareholders holding the same class of shares.
- The Company shall use the most effective methods in communicating with shareholders and shall not discriminate among shareholders in respect of providing information.


#### **Communicating with Shareholders:**

- The Board shall ensure that communication between the Company and shareholders is based on the common understanding of the strategic objectives and interests of the Company.
- The Chairman of the Board and the Chief Executive Officer shall inform remaining Board members of the opinions of shareholders and discuss these opinions with them.
- No shareholder may intervene in the operations of the Board or the work of the Company's Executive Management unless he/she is a member of its Board or management team; or unless his/her intervention occurs through the Ordinary General Assembly according to its powers or within the limits and situations permitted by the Board.

#### **Electing Board Members:**

- Upon calling for the General Assembly, the Company shall announce on Tadawul's website information about the nominees for the membership of the Board which shall include the nominees' experience, qualifications, skills and their previous and current jobs and memberships. The Company shall make a copy of the mentioned information available in the Company's head office and its website.
- As per Article 95(1) of the Companies Law and the Company's bylaws, cumulative voting shall be used in electing the Board, in which it is not allowed to use the voting right of a single share more than once.
- Voting in the General Assembly shall be confined to the Board nominees whose information was been announced by the Company.

#### **Distribution of Dividends:**

<b>Page (11) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

- Paragraph 4 of Article 48 of the Company's bylaws stipulates the distribution of dividends to shareholders in an amount equal to no less than 5% of the Company's paid up capital after setting aside statutory and other reserves.
- The Board shall establish a clear policy for the distribution of dividends to achieve the interests of both shareholders and the Company as per the Company's bylaws.
- Shareholders are entitled to receive their share of dividends as resolved by the General Assembly in respect of the distribution of dividends to shareholders, or the Board resolution on the distribution of interim dividends. Such resolutions shall specify the record date and distribution date provided that resolutions are executed as per the Regulatory Rules and Procedures relating to Listed Joint Stock Companies issued pursuant to the Companies Law.


#### **Shareholder Rights Related to General Assembly Meetings:**

The Company's General Shareholders Assemblies shall be competent in all of its affairs. A duly constituted General Assembly shall represent all shareholders in exercising their powers in respect of the Company. The General Assembly shall exercise its role in accordance with the provisions of the Companies Law, the Implementing Regulations thereof and the Company's bylaws.

#### **Competencies of the Extraordinary General Assembly:**

The Extraordinary General Assembly shall have the following competencies:

- Amending the Company's bylaws, except for amendments which are deemed null and void pursuant to the provisions of the Companies Law.
- Increasing the Company's share capital in accordance with the situations provided by the Companies Law and Implementing Regulations thereof.
- Decreasing the Company's share capital if it exceeds the Company's needs or in the event the Company incurs financial losses, in accordance with the situations provided by the Companies Law and Implementing Regulations thereof.
- Resolving to form a consensual reserve for the Company as provided for in its bylaws to be set aside for a specific purpose, and the disposal thereof.
- Resolving to maintain or liquidate the Company before the end of the term specified in its bylaws.
- Approving the Company's shares buy-back, sale and mortgaging of shares, as set out in Article 14 of the Company's bylaws.
- Issuing preferred shares or approving the buying thereof, or the conversion of ordinary shares into preferred shares, or converting preferred shares into ordinary shares as per Article 8 of the Company's bylaws and in accordance with the Regulatory Rules And Procedures relating to Listed Joint Stock Companies under the Companies Law.

<b>Page (12) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		


- Issuing debt instruments or financing deeds convertible into shares, and stating the maximum number of shares that may be issued against these instruments or deeds.
- Allocate shares or portions thereof issued to employees of the Company and its affiliates or some of them, or any of them, upon a capital increase.
- Suspending preemptive rights of shareholders in subscribing for the capital increase in exchange for cash or giving priority to non-shareholders in cases as deemed in the interest of the Company as provided for in Paragraph 5 of Article 15 of the Company's bylaws.

The Extraordinary General Assembly may issue resolutions that fall within the powers of the Ordinary General Assembly, provided that such resolutions are issued in accordance with the issuance requirements of Ordinary General Assembly resolutions which require that the absolute majority of shares be represented at the meeting.

#### **Competencies of the Ordinary General Assembly:**

Except for the competencies reserved to the Extraordinary General Assembly, the Ordinary General Assembly shall have competencies in all Company affairs, and particularly the following:


- Appointing and dismissing Board members.
- Permitting a Board member to have direct or indirect interest in the business and contracts that are executed for the Company's account, in accordance with the provisions of the Companies Law and Implementing Regulations thereof.
- Permitting a Board member to take part in any activities that may lead to competition with the Company, or competition in any of its activities, in accordance with the provisions of the Companies Law and Implementing Regulations thereof.
- Monitoring the compliance of Board members with the provisions of the Companies Law, Implementing Regulations thereof and other relevant laws, and the Company's bylaws; reviewing any damage that may occur as a result of their violation of such provisions or mismanagement of Company affairs, determine the liability resulting therefrom and undertaking the procedures it deems proper in this regard pursuant to the Companies Law and Implementing Regulations thereof.
- Forming the Audit Committee pursuant to the provisions of the Companies Law and Implementing Regulations thereof.
- Approving the Company's financial statement.
- Approving the Board's report.
- Deciding on the proposals submitted by the Board with respect to the method of distributing net profits.
- Appointing the Company's external auditors, specifying their remunerations, reappointing them, replacing them and approving their reports.

<b>Page (13) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

- Looking into the violations and errors committed by the Company's external auditors when performing their duties and any difficulties, reported by the Company's external auditors, regarding their empowerment by the Company's Board or Management to review the books, records and other documents, statements and clarifications required to perform their duties, and respond to that as it deems appropriate in this regard.
- Resolving to discontinue setting aside statutory reserves when the latter totals (30%) of the Company's paid-up share capital, and resolving to distribute the surplus of such percentage to the Company's shareholders in financial years where the Company does not generate net profits.
- Using the Company's consensual reserve, if such has not been set aside for a specific purpose, provided that the utilization thereof is based on a proposal submitted by the Board and used in ways that benefit the Company or its shareholders.
- Forming and disposing of additional Company reserves besides the statutory and consensual reserves.
- Sitting aside amounts from the Company's net profits to establish social organizations for the benefit of the Company's employees or to assist any such existing establishments in accordance with Article (129) of the Companies Law.
- approving the sale of more than (50%) of the assets of the Company, whether in one or several transactions within a period of 12 months from the date of the first selling transaction. In case selling these assets includes what falls within the powers of the Extraordinary General Assembly, the approval of the said Assembly is required.

#### **Shareholders' Assembly**

- The Ordinary General assembly shall convene in accordance with the situations and circumstances stated in the Companies Law, Implementing Regulations thereof and the Company's bylaws.
- In accordance with Article 29 of the Company's bylaws, the Ordinary General Assembly shall convene at least once per year within the six months following the end of the Company's financial year. Ordinary General Assemblies may also be called to convene as needed.
- The General and Special Shareholders Assemblies shall convene upon an invitation from the Board in accordance with the situations stated in the Companies' Law, Implementing Regulations thereof and the Company's bylaws. The Board shall invite the Ordinary General Assembly to convene upon the request of the external auditor, the Audit Committee or a number of shareholders holding shares equal to at least (5%) of the Company's share capital. The external auditor may invite the assembly to convene if the Board does not invite the assembly to convene within thirty days from the date of the external auditor's request, as set out in Article 31 of the Company's bylaws.
- The date, place and agenda of the General Assembly shall be announced at least ten days prior to the date thereof; the invitation shall be published on Tadawul's website, the Company's website and in a daily newspaper distributed in the region where the Company's head office is located. The Company may invite the General and Special Shareholders' Assemblies to convene using contemporary technological means.

<b>Page (14) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		


- The Company may amend the agenda of the General Assembly within the period falling between publishing the announcement and the date of convening the General Assembly meeting, provided that the Company shall make the announcement in accordance with prescribed conditions.
- Shareholders shall be granted the opportunity to effectively participate and vote in General Assembly meetings. Shareholder General Assembly meetings may be convened and shareholders may participate in their deliberations and vote on their resolutions using contemporary technological means in accordance the Regulatory Rules And Procedures relating to Listed Joint Stock Companies under the Companies Law.
- The Board shall endeavor to facilitate the participation of the largest number of shareholders in General Assembly meetings, including choosing the appropriate place and time for such meetings.
- The Company shall undertake to record the data of shareholders who desire to visit the Company's head office prior to the specified time for convening the assembly, in accordance with Paragraph 2 of Article 28 of the Company's bylaws "Shareholder General Assembly meetings, and the participation of shareholders in deliberations and voting on decisions thereat may be held using contemporary technological means, in accordance with the conditions established therefor by the competent authority."

#### **The Agenda of the General Assembly:**

- When preparing the General Assembly agenda, the Board shall take into consideration the matters that the shareholders wish to include; shareholders holding no less than (5%) of the Company's shares are entitled to add one or more items to the agenda upon its preparation.
- The Board shall separate each of the matters listed in the agenda of the General Assembly meeting as an independent item, and not combine significantly different matters under one item, and not combine the businesses and contracts in which Board members have a direct or indirect interest under one item, for the purpose of obtaining the shareholders' vote for the item as a whole.
- Through the Company's and Tadawul's websites, shareholders shall be allowed - when the invitation for convening the General Assembly is published – to obtain the information related to the items on the General Assembly's agenda, particularly the reports of the Board and the external auditor, the financial statements and the Audit Committee's report in order to enable them to make an informed decision in this regard. The Company shall update said information when the General Assembly's agenda is amended.
- The CMA may add any items it deems appropriate to the agenda of the General Assembly.

#### **Management of the Shareholders Assembly:**


- The shareholders General Assembly meetings shall be chaired by the Chairman of the Board, his deputy (if the Chairman is absent) or the Board member delegated to do so by the Board of Directors when the Chairman and his deputy are absent.

<b>Page (15) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	 <b>المراعي Almarai</b>
<b>Date</b>	11/12/2017		

- The chairman of the Shareholders Assembly shall undertake to grant shareholders the opportunity to effectively participate and vote in the meetings of the General Assembly, and avoid any procedure that may prevent them from attending assemblies or the exercise of their voting right. Shareholders shall be informed of the rules governing such meetings and the voting procedures thereat.
- Shareholders are entitled to discuss matters listed in the agenda of the General Assembly and raise relevant questions to Board members and the external auditor. The Board or the external auditor shall answer the questions raised by shareholders to the extent that does not jeopardize the Company's interest.
- The Company undertakes to grant shareholders access to the minutes of the General Assembly meeting; and provide the CMA with a copy of such minutes within 10 days of the date of any such meeting.
- The Company undertakes to publically announce and inform the CMA and Tadawul, as per the rules prescribed by the CMA, of the results of a General Assembly meeting immediately following its conclusion.

#### **Voting Rights:**

- Voting is a basic shareholder right. Thus, in accordance with Article 35 of the Company's bylaws, during General Assembly meetings, each shareholder shall have one vote for each share that he holds. Cumulative voting shall be used to elect the Board of Directors, whose members may not participate in voting relating to discharging them of their liabilities pertaining to managing the Company or relating to any of their direct or indirect interests.
- Paragraph 2 of Article 28 of the Company's bylaws stipulates that shareholders may participate in voting on General Assembly resolutions via contemporary technological means, in accordance with the regulations established therefor by the competent authority.
- Ordinary General Assembly resolutions shall be adopted by an absolute majority of the shares represented at the meeting. Extraordinary General Assembly resolutions shall be adopted by a two-thirds majority of the shares represented at the meeting unless the decision relates to a capital increase or decrease, extending the Company's duration, its dissolution prior to the expiry of the term specified in its bylaws, or its merger with another company, when such resolutions are valid only if passed by a three-quarters majority of the shares represented at the meeting.

<b>Page (16) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

### PART 3

#### BOARD OF DIRECTORS

##### Formation of the Board

##### Composition of the Board

The following shall be taken into consideration when composing the Board:

- The number of its members shall be suitable for the size and nature of the Company's activities.
- The majority of Board members shall be Non-Executive Directors.
- The number of Independent Directors shall not be less than two members or one-third of the Board members, whichever is greater.

##### Appointment of Board Members:


- In accordance with Article 17 of the Company's bylaws, the Company shall be managed by a Board of Directors composed of nine (9) members, elected by cumulative vote for a period not exceeding three (3) years; said members may be re-elected.
- The Company undertakes that Board member shall not be a member of the Boards of Directors of more than five listed joint stock companies at the same time.
- The Company undertakes to notify the CMA of the names of its Board members and the description of their memberships within five business days from the commencement date of the Board's term or from the date of their appointment, whichever is shorter, as well as any changes that may affect their membership, within five business days from the occurrence of such changes.

##### Conditions for Board Membership

Board members shall be professionally capable and possess the required experience, knowledge, skill and independence, which enable them to effectively and efficiently perform their duties. In particular, they must satisfy the following:

- **Ability to Lead:** Demonstrate leadership skills that allow him to grant powers in a manner that leads to stimulating performance, as well as adopting the best practices for effective management and adherence to professional values and ethics.
- **Competence:** Possess the appropriate qualifications, professional and personal skills, training, practical experience relevant to the Company's current and future activities, or expertise in management, economics, accounting, law or governance, as well as the desire to learn and train.



<b>Page (17) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

- **Ability to Provide Guidance:** Possess the required technical, leadership and managerial skills, as well as the ability to quickly take decisions, understand the technical requirements related to business, and be able to provide strategic guidance, planning and well-defined foresight.
- **Financial Knowledge:** Be able to read and understand financial statements and reports.
- **Physical Fitness:** Not hindered by health issues that may impede them from exercising their duties and responsibilities.


When electing Board members, the General Assembly shall take into consideration the recommendations of the Remuneration and Nomination Committee and the satisfaction of personal and professional requirements necessary for the effective performance of their duties.

#### **Board Membership Termination:**

- In accordance with Article 18 of the Company's Bylaws, Board membership shall expire upon the expiry of the Board's term or the expiry of the member's membership in accordance with any applicable Saudi law or instruction. However, the Ordinary General Assembly may at any time remove all or some members of the Board of Directors, without prejudice to the terminated member's right to claim compensation from the Company if said termination occurred without just cause or at an inappropriate time. Board members may retire on condition that they do so at an appropriate time lest they be held liable towards the Company for damages resulting therefrom.
- The General Assembly may, on the recommendation of the Board of Directors, terminate the membership of a member who fails to attend three consecutive meetings of the Board without legitimate cause.
- The Company shall promptly notify the CMA and Tadawul, and specify the reasons for such termination when Board membership is terminated through any of the methods set forth therefor.
- If a Board member resigns, and he harbored remarks on the performance of the Company, then he shall submit a written statement relating thereto to the Chairman of the Board, who shall present said remarks to all Board members.

#### **Issues Affecting Independence:**

- Independent Directors must be able to perform their duties, express opinions and objectively and impartially vote on decisions, allowing the Board to make sound decisions that contribute to achieving the Company's interests.
- The Board of Directors shall conduct an annual assessment of its members independence and ensure that there are no relationships or circumstances that prejudice or may prejudice said independence.
- By way of example, the following shall constitute an infringement upon Board member independence:
  1. Hold 5% or more of the shares of the Company or any of its corporate group of companies; or be the relative of such a shareholder.

<b>Page (18) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

2. Represent a legal personality that holds 5% or more of the shares of the Company or any of its corporate group of companies.
3. Be related to a member of the Company's Board of Directors or one of its corporate group of companies.
4. Be related to any of the Company's senior executives or one of its corporate group of companies.
5. Be a member of the Board of Directors of a company that is part of the relevant Company's corporate group of companies.
6. Within the preceding two years, was an employee or ex-employee of the Company, any party that deals with the Company, or was an employee or ex-employee of one of its corporate group of companies, such as an auditor or key supplier, or held a controlling interest in any such party within the preceding two years.
7. Have a direct or indirect interest in business or contracts entered into on behalf of the Company.
8. Receive money from the Company in addition to the remuneration paid to the Board of Directors or any of its committees.
9. Participate in activities that may compete with those of the Company, or engage in commerce related to that of the Company.


#### **Responsibilities and Competencies of the Board:**

- The Board of Directors represents all the shareholders, and it thus shall perform its duties of care and loyalty in managing the Company's affairs and undertake all actions in the general interest of the Company and develop it and maximize its value.
- The Board is responsible for the Company's business even if it delegates some of its powers to committees, individuals or other third parties. In any case, the Board may not issue a general or an open-ended delegation.


#### **Main Functions of the Board of Directors:**

Without prejudice to the powers conferred upon the General Assembly in the Company's Bylaws and the Companies Law and implementing regulations thereof, the Board of Directors shall have the broadest powers to manage the Company and direct its operations for the purpose of achieving its objectives. The main functions and competencies of the Board of Directors include:

1. Develop the Company's main plans, policies, strategies and objectives, as well as supervise the implementation and periodic review thereof, while ensuring the availability of necessary human and financial resources to achieve said objectives, including:
  - a. Set the Company's overall strategy, key business plans, policies and mechanisms of risk management, as well as review the same and provide guidance in that regard.

<b>Page (19) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		


- b. Determine the Company's optimal capital structure, its strategies and financial objectives; as well as approve estimated budgets.
  - c. Oversee the Company's main capital expenditures, and the acquisition or disposal of assets.
  - d. Set performance objectives and monitor Company execution and overall performance.
  - e. Periodically review and adopt the Company's organizational and human resources structures.
  - f. Ensure the availability of human and financial resources necessary to achieve the Company's objectives and main plans.
2. Set the rules and procedures for internal control and generally overseeing them, including:
    - a. Develop a written policy to remedy actual and potential conflicts of interest scenarios for each of the Board members, the Executive Management, and the shareholders. This includes misuse of the Company's assets and facilities and the mismanagement resulting from transactions with Related Parties.
    - b. Ensure the integrity of financial and accounting rules, including rules relating to the preparation of financial reports.
    - c. Ensure the implementation of appropriate control procedures for risk assessment and management by generally forecasting the risks that the Company may encounter and creating an environment which is aware of the culture of risk management at the Company level and disclosing such risks transparently to the Stakeholders and parties related to the Company.
    - d. Review, on an annual basis, the effectiveness of the Company's internal control procedures.
  3. Set forth specific and explicit policies, standards and procedures for membership on the Board - without prejudice to the compulsory provisions set forth in the Governance Regulations - and implement said policies following approval by the General Assembly.
  4. Develop written policies regulating the relationship with stakeholders, in accordance with the provisions of the Governance Regulations.
  5. Adopt policies and procedures to ensure that the Company is in compliance with rules and regulations, and committed to disclose material information to shareholders and Stakeholders, as well as ensure Executive Management compliance therewith.
  6. Oversee the management of the Company's finances, cash flows and financial and credit relations with third parties.
  7. Propose its recommendations to the Extraordinary General Assembly regarding the following:
    - a. Increasing or decreasing the Company's capital.

<b>Page (20) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

- b. Dissolving the Company prior to its Bylaws defined term or deciding that it remains a going concern business.
8. Propose recommendations to the Ordinary general Assembly regarding the following:
  - a. The use of the Company's contractual reserve in case it was formed by the Extraordinary General Assembly and not allocated for a specific purpose.
  - b. Forming additional Company reserves or financial allocations.
  - c. The manner employed for distributing the Company's net profits.
9. Prepare and approve the Company's preliminary and annual financial statements prior to their publication.
10. Prepare and approve the Board of Directors' report prior to its publication.
11. Ensure the accuracy and integrity of data and information to be disclosed in accordance with applicable disclosure and transparency policies.
12. Develop effective channels of communication allowing shareholders to have continuous and periodic access to the various aspects of the Company's businesses and material developments.
13. Form specialized committees emanating therefrom through resolutions specifying the terms, powers and responsibilities thereof, as well as the manner by which the Board shall oversee said committees. The relevant resolutions shall name committee members and determine the duties, rights and obligations thereof, while evaluating the performance and work of said committees and their members.
14. Determine the remuneration granted to Company employee, such as fixed salaries, performance-related and share-based bonuses, in a manner consistent with regulatory controls and procedures issued in implementing the Companies' Law as it relates to listed companies.
15. Set the values and standards that govern working for the Company.

#### **Distribution of Competencies and Duties:**

The Company's organizational structure should specify the competencies and distribute the duties between the Board and Executive Management in accordance with the best practices of corporate governance, in order to improve the efficiency of the Company's decision-making process and achieve a balance in the powers and authorities granted to each of them. Towards that end, the Board shall:

<b>Page (21) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

- a. Adopt and develop internal policies relating to the Company's business, including defining the duties, competencies and responsibilities assigned to the various organizational levels.
- b. Adopt a written and detailed policy by defining the authority delegated to Executive Management, a matrix stating those powers, means of implementation and duration of delegation. The Board of Directors may request that the Executive Management to submit periodic reports in respect of its performance of such delegated powers.
- c. Define the matters that the Board reserves the power to decide.

#### **Separation of Positions:**


- In accordance with Article 22 of the Company's bylaws, the Board of Directors shall appoint from among its members a Chairman and a vice chairman. It may also appoint a Managing Director.
- No one person may concurrently hold the position of Chairman of the Board and any executive position in the Company, including the position of Managing Director, Chief Executive Officer or Director General, even if the Company's Bylaws provide otherwise.
- Paragraphs 3 and 4 of Article 22 of the Company's bylaws defined the respective powers and responsibilities of the Chairman, vice chairman and Managing Director.
- In all cases, no one person may have the sole and absolute powers to take decisions in the Company.

#### **Oversight over the Executive Management:**

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


- Adopt the necessary administrative and financial policies.
- Ensure that Executive Management is operating in accordance with adopted policies.
- Select and appoint the Company's Chief Executive Officer and supervise his/her work.
- Appoint the manager of the internal audit unit or department, or the internal auditor and dismiss him and determine his remuneration, if any.
- Hold periodic meetings with Executive Management to discuss work progress, any obstacles and problems associated therewith, and review and discuss important information about the Company's business.
- Develop Executive Management performance standards that are consistent with the objectives and strategy of the Company.
- Review and evaluate Executive Management performance.
- Develop plans of succession for the Company's management.

#### **Competencies and Duties of the Executive Management:**

<b>Page (22) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

Without prejudice to the powers conferred upon the Board of Directors under the provisions of the Companies Law and its implementing regulations, the Executive Management shall be responsible for implementing the Company's plans, policies, strategies and main objectives to achieve its aims. The competencies and duties of the Executive Directorate include the following:

- Implement the Company's internal policies and regulations as approved by the Board of Directors.
- Propose a comprehensive corporate strategy, master and interim business plans, investment policies and mechanisms, funding, risk management, as well as contingency management and implementation plans.
- Propose an optimal capital structure, financial strategies and objectives for the Company.
- Propose the Company's main capital expenditures, as well as the acquisition and disposition of the assets.
- Propose Company organizational and human resources structures, as well as submit the same to the Board for adoption.
- Implement and oversee internal control systems, including:
  - a. Implement a conflict of interest policy.
  - b. Appropriate implementation of financial and accounting systems, including relevant financial reporting systems.
- Apply appropriate control systems for measuring and managing risks by generally forecasting the risks that the Company may encounter and creating an environment which is aware of the culture of risk mitigation at the Company level, and transparently disclosing them to the Company's Board and other Stakeholders.
- Effectively implement the Company's governance rules – without prejudice to the provisions of the Corporate Governance Regulations - and propose amendments thereto as necessary.
- Implement policies and procedures that ensure the Company's compliance with laws and regulations and its commitment to disclosing material information to shareholders and stakeholders.
- Provide the Board with the necessary information to exercise its powers and make recommendations on the following:
  - a. Increase or decrease the Company's capital.
  - b. Dissolve the Company before the period specified therefore in its Bylaws, or decide the continuation thereof.
  - c. Utilize the Company's statutory reserve.
  - d. Set aside additional reserves.
  - e. Manner by which Company profits are distributed.

<b>Page (23) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		


- Propose the policy and types of remuneration granted to employees, such as fixed remunerations, performance-related bonuses and share awards.
- Prepare periodic financial and non-financial reports on the progress of the Company's business in light of the Company's strategic plans and objectives, and present those reports to the Board of Directors.
- Manage the Company's day-to-day operations and facilitate its activities, as well as optimally manage its resources in accordance with the Company's objectives and strategy.
- Actively participate in building and developing a culture of ethical values within the Company.
- Implement internal control and risk management systems, verify the effectiveness and adequacy of those systems, and ensure compliance with the Board adopted risk level.
- Propose and develop internal policies relating to the Company's business, including the definition of the functions, competencies and responsibilities assigned to different organizational levels.
- Propose a clear policy for the delegation of business and the manner by which the latter is implemented.
- Propose the powers that it should be delegated, the decision-making procedures and the duration of the mandate; with periodic reports submitted to the Board on its implementation of said powers.

### **Competencies of the Chairman and Members of the Board of Directors**

#### **Competencies and Duties of the Chairman of the Board:**


Without prejudice to competencies of the Board of Directors, the Chairman of the Board shall lead the Board, oversee its activities and the effective performance of its duties. In particular, the Chairman of the Board's competencies and duties shall include the following:

- Ensure that Board members receive timely, complete, clear, correct and non-misleading information.
- Ensure that the Board of Directors discusses all key issues in an effective and timely manner.
- Representing the Company before third parties in accordance with the Companies Law and Its Implementing Regulations and the Company's bylaws.
- Encourage Board members to exercise their functions effectively and in the best interest of the Company.
- Ensure that effective channels of communication exist with shareholders and that their views are communicated to the Board of Directors.
- Promote the establishment of constructive relationships and effective participation between the Board and Executive Management, as well as between executive, non-executive and independent directors; in addition to establish a culture that encourages constructive criticism.
- Prepare the agendas of Board meetings, taking into account any matter raised by a member thereof or by the Auditor, and consult with Board members and the Chief Executive Officer in preparing the Board's agenda.

<b>Page (24) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

- Hold periodic meetings with non-executive board members without the presence thereof of any of the Company's executives.
- Notify the Ordinary General Assembly of any business and contracts in which a member of the Board has a direct or indirect interest, provided that such information shall include the information provided by the relevant Board member and shall be accompanied by a special report from the Company's External Auditor.
- Article 22 of the Company's bylaws set out the competencies and duties of the Chairman of the Board, which include the following:
  - The Chairman shall have the power to convene a meeting of the Board and preside over its meetings and those of the General Assembly of shareholders.
  - The Chairman of the Board of Directors shall have the power to represent the Company in its relations with others and before governmental bodies, companies, individuals, and before judicial bodies and courts of all degrees and categories, the Board of Grievances, Public Notaries, arbitration panels, Offices and Committees for the Settlement of Disputes of various types, Civil Rights Departments, Police Stations, all governmental agencies, Chambers of Commerce and Industry, private organizations and establishments of all kinds, to issue Sharia powers of attorney, to appoint and remove attorneys and lawyers, to file pleadings and defenses, to undertake litigations, to make compromises and assignments, to give releases, to deny, admit, request oath administration and arbitration, to accept and object against judgments on behalf of the Company, to enforce judgments, to sign all kinds of contracts, agreements, instruments and documents, including, without limitation, articles of association of companies established by the Company or where the Company is a shareholder, together with all amendments thereof, to sign resolutions of companies' liquidation and resolutions for the appointment or removal of managers and representatives of the Company at general assemblies, and to sign contracts, agreements, deeds and conveyances before the Public Notary and the other official and national bodies. He shall also have the right to sign all kinds of contracts, agreements, instruments, documents, forms, loan agreements and all financial agreements with the governmental funds and financial institutions, banks, financial institutions, and to sign as well guarantees, warranties and mortgages and redeem the same, to collect the Company's dues and to pay its obligations, to sell, purchase, convey, accept conveyance, to receive and deliver rental values, to cash, participate in tenders, to open and close bank accounts, to open credits, to withdraw and deposit monies with banks, to issue bonds, checks and all commercial papers, [to deal with] assets management institutions and investment companies, in relation to public and private securities, within and outside the Kingdom, to appoint and sign contracts with employees, to specify their salaries and terminate their services, to apply for visas, to recruit employees and workers from abroad and to apply for their residence and work permits, to transfer and assign the sponsorship of such employees and workers. The Chairman of the Board of Directors may delegate any member of the Board, or a third party, to carry out



<b>Page (25) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

any specific part of his powers, or to assume any specific acts, and he may grant such delegate the power to authorize others, and he may revoke such authorization totally or partially.

#### **Appointing the Chief Executive Officer after the end of his/her services as Chairman**

It is prohibited to appoint the Chief Executive Officer as the Chairman during the first year following the end of his/her service.

#### **Principles of truthfulness, honesty and loyalty**


Members of the Board shall comply with the principles of truthfulness, honesty, loyalty, and care of the interests of the Company and its shareholders, and prioritize the latter's' interests over their personal interests. This shall include, in particular, the following:

- **Truthfulness:** is achieved when the relationship between the Board member and the Company is an honest professional relationship, and he/she discloses to the Company any significant information before entering into any transaction or contract with the Company or any of its affiliates.
- **Loyalty:** is achieved when the Board member avoids transactions that may entail conflicts of interest and ensures fairness of dealing, in compliance with the provisions relating to conflicts of interest in these Regulations.
- **Care:** is achieved by performing the duties and responsibilities set forth in the Companies' Law, the Capital Market Law and their implementing regulations, as well as the Company's bylaws and other relevant laws.

#### **Tasks and Duties of the Board Members:**

By virtue of their membership therein, Board directors shall perform the following tasks and duties:

- Make proposals for the development of the Company's strategy;
- Monitor the performance of Executive Management and the extent to which it achieves the objectives and purposes of the Company.
- Review Company performance reports.
- Verify the integrity and reliability of the Company's financial statements and information.
- Verify the robustness of the Company's financial control and risk management systems.
- Set the remuneration of Executive Management members.
- Express an opinion on the appointment and removal of Executive Management members.
- Participate in the development of the Company's executive position succession and replacement plan.
- Fully comply with the provisions of the Companies Law, Financial Market Law and their implementing regulations, other relevant regulations and the Company's Bylaws in the exercise of their Board

<b>Page (26) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		


membership functions, and refrain from engaging in or participating in any act that constitutes mismanagement of the Company's affairs.

- Attend Board and General Assembly meetings and be absent therefrom only with legitimate cause submitted to the Chairman in advance, or in cases of emergency.
- Dedicate sufficient time to carry out his responsibilities, effectively prepare and participate in meetings of the Board and its committees, including posing relevant questions and engaging in discussions with the Company's senior executives.
- Study and analyze relevant information on matters before the Board prior to giving an opinion in that regard.
- Enable other Board members to freely express their views, and urge the Board to discuss topics and explore the views of Executive Management specialists and others if need be.
- Fully and immediately inform the Board of Directors of any direct or indirect interest in any business and contracts made on behalf of the Company, including the nature and extent of said interest, the names of any concerned persons and the direct or indirect benefit expected therefrom, whether financial or not. Said member shall not partake in voting on any resolution related thereto, in accordance with the provisions of the Companies Law, the Financial Market Law and their implementing regulations.
- Fully and immediately inform the Board of Directors of any direct or indirect participation in any business or upon engaging in commerce related to that of the Company, and that competes with that of the Company - directly or indirectly - in accordance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations.
- Refrain from disseminating or disclosing to Shareholders or others any secrets that may have been disclosed as a result of Board membership, except during General Assembly meetings, as required by the provisions of the Companies' Law, the Capital Market Law and their implementing regulations.
- Engage in activities based on complete information, in good faith, with due care and attention, and in a manner that is beneficial to the Company and all shareholders.
- Recognize the duties, roles and responsibilities arising from Board membership.
- Develop his/her knowledge in the field of the Company's activities and business, as well as any related financial, commercial and industrial sectors.
- Resign from the Board of Directors in the event that he is unable to fully fulfill his functions related thereto.

#### **Duties of the Independent Director:**

An Independent Director of the Board shall effectively participate in the following duties:

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

<b>Page (27) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

- Ensure that the interest of the Company and its shareholders are taken into account and given priority in case of any conflicts of interest.
- Oversee the development of the Company's Corporate Governance Rules, and monitoring the implementation of the Rules by the Executive Management.

### **Board Procedures**

#### **Board Meetings**


In accordance with Article 23 of the Company's bylaws:

- The Board shall meet at least twice per year upon a call by its Chairman or two of its members.
- Invitations to the meeting shall be sent to each of the Board members no less than two weeks prior to the date of the meeting accompanied by its agenda and the necessary documents and information, unless Board members agree otherwise.
- When circumstances require convening an emergency meeting, then the invitation accompanied by the agenda and necessary documents and information may be sent within less than two weeks prior to the date of the meeting.
- Meetings shall be quorate when attended by at least 5 Board members in person and by proxy, provided that the number of attendees in person shall not be less than 4.
- Board members may delegate other members to attend Board meetings pursuant to the following:
  - a. A Board member may not represent more than one member at the same meeting.
  - b. The assignment shall be made in writing and pertain to one specific meeting.
  - c. The proxy may not vote on decisions that the principal is legally prohibited from voting on.

#### **Board Resolutions and Deliberations:**

Article 25 of the Company's bylaws stipulates:

1. Board resolutions shall be passed by a majority vote of members present in person or represented thereat. In the event of a tie, the Chairman shall have the deciding vote.
2. The Board may pass emergency resolutions by circulation when the latter are sent to all Board members individually unless one such members requests in writing that a meeting be held for deliberations. Such resolutions shall be submitted before the Board at its first subsequent meeting.

<b>Page (28) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

3. Board deliberations and decisions shall be documented in minutes signed by the Board's Chairman, attending members, and Secretary. Said minutes shall be recorded in a special register signed by the Chairman and the Secretary.

**Board Member Remarks:**

- When Board members have remarks regarding the Company's performance or any of the issues discussed but not resolved during the Board meeting, said remarks shall be recorded in the Minutes with a statement made about the measures taken or considered by the Board in their regard.
- The meeting minutes shall document in detail dissenting opinions pertaining to Board adopted resolutions.

**Organizing the Attendance of the Board Meetings:**


- In accordance with Paragraph 2 of Article 18 of the Company's bylaws, “the General Assembly may – based on a recommendation from the Board – terminate the membership of members who fail to attend three consecutive meetings of the Board without legitimate cause.
- Paragraph 5 of Article 48 of the Company's bylaws stipulates that Board remuneration shall be commensurate with the number of meetings attended by each member.
- Independent Board members shall endeavor to attend all meetings where important and material decisions are taken affecting the Company's position.

**Board Meeting Agenda:**

- The Board shall approve its agenda upon convening a meeting. Meeting minutes shall document any objection to said agenda.
- Board members shall have the right to propose the inclusion of additional agenda items.

**Exercising the Competencies of the Board:**

- The Board of Directors shall exercise its competencies and duties to lead the Company within a framework of effective and prudent controls that allow assessing and managing risks and limiting and mitigating their effects.
- Subject to Paragraph 9 of Article 20 of the Company's bylaws, the Board of Directors, within the scope of its competencies, may delegate one or more of its members or others to undertake certain acts or functions that fall within its competencies, with the Board entitled to cancel said delegation in full or in part.
- The Board of Directors shall establish an internal policy setting out its working procedures with the aim of encouraging its members to effectively fulfill their duties towards the Company.

<b>Page (29) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		


- The Board of Directors shall organize its activities and allocate sufficient time to carry out the tasks and responsibilities entrusted to it, including preparing for Board and committee meetings, while emphasizing coordinating, recording and keeping minutes of its meetings.

**Board Secretary:**

- The Board shall appoint a secretary from among its members or others, set the remuneration thereof. The Secretary's responsibilities shall include:

1. Documenting Board meetings and preparing minutes therefor, which shall include the discussions and deliberations carried during such meetings, as well as the place, date, times on which such meetings commenced and concluded; and recording the decisions of the Board and voting results and retaining them in a special and organized register, and including the names of the attendees and any reservations they expressed (if any). Such minutes shall be signed by all of the attending members.
2. Retaining the reports submitted to the Board and the reports prepared by it.
3. Providing Board members with the agenda of the Board and related worksheets, documents, data and any additional information requested by Board members and related to the topics included in the agenda items.
4. Ensuring that Board members comply with the procedures approved by the Board.
5. Notifying Board members of the dates of the Board's meetings sufficiently prior to the date set therefor.
6. Presenting the draft minutes to members of the Board in order for them to provide their opinions thereon prior to signing the same.
7. Ensuring that Board members receive, fully and promptly, a copy of the Board meetings' minutes, as well as the information and documents related to the Company.
8. Coordinating among the Board members.
9. Regulating the disclosure register of the Board and Executive Management.
10. Providing assistance and advice to the Board members.

- The Secretary of the Board may not be dismissed except pursuant to a decision by the Board.
- In accordance with Paragraph 7 of Article 22 of the Company's bylaws, the Board of Directors shall appoint a Board Secretary of the Board from among its members or others. The Secretary shall be responsible for recording and keeping Board meeting minutes and adopted thereat, in addition to exercise other competencies assigned to him by the Board, who shall set his remuneration. While Paragraph 8 of the same Article gave the Board the right to dismiss the Secretary at any time without prejudice to his/her right to compensation if the dismissal were unlawful or occurred at an inappropriate time.

<b>Page (30) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

### **Board Remuneration:**


- The remuneration of Board members shall be subject to Articles 21 and 48 of the Company's bylaws, based on Article 76 of the Companies Law. Article 21 states: "The remuneration of Board members may be a specific amount, meeting attendance allowance, benefits in kind, or a certain percentage of net profits. Two or more of these benefits may be combined in accordance with the provisions of the Companies' Law, the Corporate Governance Regulations and the rules and standards established by the CMA in this regard. The General Assembly shall provide a comprehensive statement of all remuneration, expenses and other benefits received by Board members during the financial year, including a statement of payments received by Board members in their capacity as executives or employees of the Company, or for technical, administrative, or consulting work. Said statement shall also detail the number of Board meetings and the number of meetings attended by each member from the date of the last General Assembly meeting."
- Board member remuneration shall be determined based on the recommendation of the Remuneration and Nomination Committee. If the recommendation is to pay a certain percentage of net profits as remuneration to the Board of Directors, then Paragraph 5 of Article 48 of the Company's bylaws stipulates that this percentage shall not exceed 5% of net profits retained after setting aside the reserves decided by the General Assembly in application of the Company's bylaws and the distribution of dividends to shareholders in an amount equal to no less than 5% of the Company's paid up capital, taking into account that remuneration shall be commensurate with the number of meetings attended by the member.
- Paragraph 3 of Article 76 of the Companies Law stipulates "In all cases, the total remuneration of Board members, including any rewards, financial or in-kind benefits, shall not exceed SAR 500,000 per year, as per the conditions set by the competent authorities.

### **Training and Support**

#### **Training Board Members:**

The Company shall pay adequate attention to the training and preparation of members of the Board members and Executive Management, and shall develop the necessary programs required for the same, taking the following into account:

- preparing programs for the recently-appointed members of the Board and Executive Management to familiarize them with the progress of the Company's business and activities, particularly the following:
  - a. The strategy and objectives of the Company.

<b>Page (31) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

- b. The financial and operational aspects of the Company's activities.
  - c. The obligations, duties, responsibilities and rights of Board members.
  - d. The duties and competencies of the Company's committees.
- Developing the necessary mechanisms for members of the Board members and Executive Management to continuously enroll in training programs and courses in order to develop their skills and knowledge in the fields related to the activities of the Company.

#### **Providing Board Members with Information:**


The Company's Executive Management shall, in a timely manner, provide Board members, in particular Non-Executive Directors and the Company's committees, with all of the necessary information, details, documents and records, provided that they shall be complete, clear, correct and non-misleading; thus enabling them to perform their duties and obligations.

### **Conflicts of Interest**

#### **Conflict of Interest Policy:**

The Board shall develop an explicit and written policy to deal with actual and potential conflicts of interest situations which may affect the performance of Board members, the Executive Management or any other employees of the Company when dealing with the Company or other Stakeholders. This policy shall include the following in particular:

- Informing Board members, Substantial Shareholders, Senior Executives and other Company employees of the need to avoid situations that may lead to a conflict between their interests and the interests of the Company, and dealing with them in accordance with the provisions of the Companies Law and Its Implementing Regulations.
- Providing examples of conflicts of interest situations that are relevant to the nature of the Company's activity.
- Clear procedures for disclosing conflicts of interest and obtaining authorization or the requisite approval prior to commencing the activities that may lead to conflicts of interest.
- The obligation to constantly disclose situations that may lead to conflicts of interest or upon the occurrence of such conflicts.
- The obligation to abstain from voting or taking part in decision making when there are conflicts of interest.


<b>Page (32) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

- Clear procedures when the Company contracts or enters into a transaction with a Related Party, this shall include notifying the CMA and the public without delay of said contract or transaction if it equals to or exceeds 1% of the Company's total revenues according to the last annual audited financial statements.
- Procedures to be taken by the Board when discovering that such policy is violated.

**Avoiding Conflicts of Interest:**

- Board members shall:
  - a. Perform their duties with honesty and integrity, and put the interests of the Company over their own interest, and not use their position to achieve personal interests.
  - b. Avoid situations of conflicts of interest and notify the Board of such situations that may affect their neutrality when looking into matters presented before the Board. The Board shall not allow such member to be involved in deliberations and shall not count their vote on such matters being deliberated by the Board and shareholders assembly meetings.
  - c. Protect the confidentiality of the information related to the Company and its activities, and not disclose any such information to any person.
- Board member are prohibited from:
  - a. Voting on a decision taken by the Board or the General Assembly with respect to transactions and contracts that are executed for the Company's account, if they have a direct or indirect interest therein.
  - b. Misusing or benefitting, directly or indirectly, from any of the Company's assets, information or investment opportunities presented to them or the Company in their capacity as members of the Board. This includes investment opportunities which are within the activities of the Company, or which the Company wishes to make use of. Such prohibition shall extend to Board members who resign to, directly or indirectly, use investment opportunities that the Company wishes to use, which came to their knowledge during their tenure on the Board.
- In accordance with the provisions of Article 26 of the Company's bylaws, a member of the Board of Directors may not have any direct or indirect interest in any business and contract made on behalf of the Company, except with the prior, annually renewed, authorization of the Ordinary General Assembly.
- Board members shall inform the Board of any direct or indirect interest in any business and contract made on behalf of the Company; with such notification recorded in the meeting minutes. Conflicted members may not participate in voting on resolutions taken by the Board and shareholder assemblies in this regard. The Chairman of the Board shall inform the Ordinary General Assembly at the time of its convening of any business and contract in which a Board member has a direct or indirect interest. The notification shall be accompanied by a special report drafted by the Company's external auditor.



<b>Page (33) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

#### **Disclosure of Conflicts of Interest by Nominees:**

A person who desires to nominate himself/herself for membership on the Board shall disclose to the Board or the General Assembly any cases of conflicts of interest, including:

- a. The existence of a direct or indirect interest in the contracts and businesses entered into for the benefit of the Company in which he/she desires to be nominated to the Board.
- b. Engaging in business that may compete with the Company or any of its activities.

#### **Competing with the Company:**

If a member of the Board desires to engage in a business that may compete with the Company or any of its activities, the following shall be taken into account:

- a. Notifying the Board of the competing businesses he/she desires to engage in and recording such notification in the minutes of the Board meeting.
- b. The conflicted member shall abstain from voting on the related decision in the Board meeting and General Assemblies.
- c. The Chairman of the Board informing the Ordinary General Assembly, once convened, of the competing businesses that the member of the Board is engaged in.
- d. Obtaining prior consent from the Company's Ordinary General Assembly authorizing the member to engage in the competing business, provided that such authorization shall be annually renewed.


#### **Concept of Competing Businesses:**

The following shall be deemed a participation in any business that may compete with the Company or any of its activities:

- a. The Board member establishing a company or a sole proprietorship or the ownership of a controlling percentage of shares or stakes in a Company or any other entity engages in business activities that are similar to the activities of the Company or its group.
- b. Accepting membership in the Board of a company, an entity that competes with the Company or its group, or managing the affairs of a competing sole proprietorship or any competing company of any form.
- c. The Board member acting as an overt or covert commercial agent for another company or entity competing with the Company or its group.

#### **Nonrenewal of the Authorization:**


If the General Assembly refuses to renew the authorization allowing a Board member to have a direct or indirect interest in businesses or contracts entered into on behalf of the Company, or engaging in business

<b>Page (34) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	 المراعي Almarai
<b>Date</b>	11/12/2017		

activities that compete with the Company or any of the activities thereof, then the Board member Board shall resign within a period specified by the General Assembly; otherwise, his/her membership on the Board shall be deemed terminated, unless he/she decides to withdraw from such contract, transaction or competing venture or regularize his/her situation in accordance with the Companies' Law and its implementing regulations prior to the end of the period set by the General Assembly.

**Accepting Gifts:**

Board members and senior executives may not accept gifts from any person who has business dealings with the Company, if such gifts lead to a conflict of interest.

<b>Page (35) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

## Part 4 Company Committees

### General Provisions


#### Committee Formation:

With the exception of the Audit Committee formed by a General Assembly resolution, the Board shall form specialized committees as follows:

1. As may be needed depending on the Company's circumstances in order to enable it to effectively perform its duties.
2. The formation of the committees shall be made in accordance with general procedures developed by the Board, which shall determine the duties, duration and powers of each committee, and the manner in which the Board monitors the activities of each committee. The committee shall inform the Board of its findings or decisions with complete transparency. The Board shall regularly follow up the activities of such committees to ensure the performance of the duties delegated to them.
3. Each committee shall be responsible before the Board for its activities; this shall not relieve the Board of its responsibility for such activities, duties and powers that it has delegated to such committee.
4. The number of members of a committee shall not be less than three or more than five.
5. The chairmen or whom they delegate from among committee members shall attend the General Assembly Meetings and answer any questions raised by the shareholders.
6. The Company shall provide the CMA with the names of the members and the status of the memberships in such Board committees within five days of their appointment, and shall notify the CMA of any changes thereto within five days of the date of such changes.
7. A Company may merge remuneration and nomination committees into one committee named the Remuneration and Nomination Committee. In such case, said committee must satisfy the requirements pertaining to either and exercise all the powers granted to them, provided that the committee convenes periodically at least every six months.

#### Committee Membership

- a. The Company undertakes to appoint a sufficient number of Non-Executive Directors to the committees which perform duties that may involve conflicts of interest, such as ensuring the integrity of financial and non-financial reports, reviewing Related Party transactions, nomination to membership of the Board, appointment of Senior Executives and determining remunerations. Chairmen and members of these committees shall comply with principles of truthfulness, honesty, loyalty, and care and shall attend to the interests of the Company and its shareholders, and give them precedence over their personal interests.
- b. In forming the remuneration and nomination committees, the Company shall take into consideration that their members are of Independent Directors. The Board may appoint Non-Executive Directors or persons other than Board members either from shareholders or others, provided that the chairmen of said two committees are Independent Directors.

<b>Page (36) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

- c. The Chairman of the Board shall not be a member of the audit committee. He may be a member of other committees, provided that he is not the chairman of committees set forth in these Regulations.

**Studying Subjects:**

- a. Each committee shall assess the matters that fall within its purview or those referred to it by the Board and shall communicate its recommendations to the Board to issue decisions in connection therewith. The committees shall take decisions in regards to these matters if delegated by the Board, with the Board held liable for said decisions.
- b. Each committee may seek assistance from any experts or specialists, whether internal or external, within the scope of its powers. This shall be included in the minutes of the committee meeting, while noting the name of the expert and his relation to the Company or its Executive Management.

**Committee Meetings:**


- a. No member of the Board or Executive Management, except the secretary or a member of the committee may attend the meetings of a committee unless such committee requests his/her opinion or advice.
- b. Committee meetings are quorate if attended by a majority of its members. Committee resolutions shall be adopted by a majority of the votes present and, in case of a tie, the chairman of the relevant committee shall have the casting vote.
- c. Board meetings shall be documented and minutes including the discussions and deliberations carried during such meetings shall be prepared. Recommendations of the committees and voting results shall be documented and retained in a special and organized register, including the names of attendees and any reservations they expressed (if any). Such minutes shall be signed by all attending members.

**Committees formed by the Company:**

Based on the foregoing, the Company has formed the following committees:

- a. Audit Committee.
- b. Remuneration and Nomination Committee.
- c. Executive Committee.
- d. Risk Management Committee

**Following are the respective Regulation of each Committee:**

<b>Page (37) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		


## Chapter 1

### Audit Committee Regulation

1. This Regulation was adopted pursuant to a General Assembly Resolution at its meeting held on 27/6/1438H corresponding to 26/03/2017G, in accordance with Article 101 of the Companies' Law issued by Royal Decree No. M/3) dated 28/1/1437H, which stipulated that "The Ordinary General Assembly of Joint Stock companies shall adopt a resolution to form an Audit Committee composed of non-executive Board members whether shareholders or others. The resolution shall specify the Committee's responsibilities, the rules governing its activities, and the remuneration of its members."
2. This Regulation was amended pursuant to a General Assembly Resolution at its meeting held on 18/1/1439H corresponding to 08/10/2017G, in accordance with Article 54 (c) of the Corporate Governance Regulations issued by the Capital Market Authority Board pursuant to Resolution No. 8-6-2017 dated 16/5/1438H, corresponding to 13/2/2017G, which stipulated that " The Company's General Assembly shall, upon a recommendation of the Board, issue a regulation for the Audit Committee which shall include the rules and procedures for the activities and duties of the Committee, the rules for selecting its members, the means of their nomination, the term of their membership, their remunerations, and the mechanism of appointing temporary members in case a seat in the Committee becomes vacant."

**First: Rules for selecting members of the Audit Committee, how they are nominated and the duration of their membership**

1. An Audit Committee shall be formed by a resolution of the Ordinary General Assembly of the Company upon the recommendation of the Board of Directors.
2. Nomination of Audit Committee members shall be pursuant to the recommendation of the Remuneration and Nomination Committee.
3. Audit Committee members may be shareholders or others, provided that at least one of them is an independent member, and that one of its member is specialized in finance and accounting.
4. The Audit Committee shall not include any Executive Directors.
5. Any person who works or has worked in the executive or financial management of the Company or with the Auditor of the Company during the last two years may not be a member of the Audit Committee.
6. The number of members of a committee shall not be less than three or more than five.
7. The Chairman of the Board of Directors may not be a member of the Audit Committee.
8. Members of the Audit Committee shall be selected in such a way as to ensure that they possess a variety of skills and expertise, taking into account their possession of appropriate expertise in the Company's business sector, including those who are competent in financial and accounting matters.
9. Members of the Audit Committee shall be appointed for a period not exceeding three years and may be reappointed as needed for the Committee's formation.
10. The Chairman of the Audit Committee shall be an independent member and shall be appointed by

<b>Page (38) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

the members thereof at the first Committee meeting.

11. At its first meeting, the Audit Committee shall appoint a Secretary from among its members or the Company's employees.
12. If an Audit Committee seat becomes vacant, the Company's Board of Directors may appoint a temporary member to the vacant position, provided that the latter has the required expertise and competence. The CMA shall be informed thereof within five business days from the date of appointment, which shall be submitted before the Ordinary General Assembly at its first subsequent meeting. The new Audit Committee member shall complete the term of his predecessor.
13. The Company undertakes to notify the CMA of the names of its Audit Committee members and the status of their memberships within five business days from the date of their appointment, as well as any changes that may affect their membership, within five business days from the occurrence of such changes.

#### **Second: Duties and Competencies of the Audit Committee**


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

- **Financial Reports:**

1. Analyzing the Company's interim and annual financial statements before presenting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness and transparency.
2. Providing its technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model, and strategy.
3. Analyzing any important or non-familiar issues contained in the financial reports.
4. Accurately investigating any issues raised by the Company's Chief Financial Officer or any person assuming his/her duties, or the Company's Compliance Officer or External Auditor.
5. Examining accounting estimates in respect of significant matters that are contained in the financial reports.
6. Examining the Company's accounting policies and providing the Board with its opinion and recommendations thereon.

- **Internal Audit:**

1. Examining and reviewing the Company's internal and financial control systems, as well as its risk management policies.
2. Analyzing internal audit reports and following up on the implementation of corrective measures in respect of the remarks contained therein.

<b>Page (39) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

3. Monitoring and overseeing the performance and activities of the Company's Internal Auditor and Internal Audit Department, if any, to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties.
4. Submit a recommendation to the Board on appointing a director for the internal audit department, and suggest the remunerations thereof.
5. Study and review the Company's internal control system and prepare a written report on its opinion regarding the adequacy thereof and other activities that it conducted within its competence. The Board shall make available sufficient copies of said report at the Company's head office at least 10 days prior to date set for the General Assembly meeting, in order to provide each shareholder with a copy of said report, which shall be read during the Assembly.

- **The Auditor:**

1. Providing recommendations to the Board to nominate auditors, dismiss them, determine their remunerations, and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts.
2. Verifying the independence of the auditor, its objectivity, fairness, and effectiveness of audit activities, taking into account relevant rules and standards.
3. Reviewing the plan of the Company's auditor and its activities, and ensuring that it does not provide any technical or administrative works that are beyond its scope of work, and provides its opinion thereon.
4. Responding to queries of the Company's auditor.
5. Reviewing the auditor's reports and its comments on the financial statements, as well as following up on the procedures taken in connection therewith.


- **Ensuring Compliance:**

1. Reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith.
2. Ensuring the Company's compliance with relevant laws, regulations, policies and instructions.
3. Reviewing the contracts and proposed Related Party transactions, and providing its recommendations to the Board in connection therewith.
4. Reporting to the Board any issues in connection with what it deems necessary to take action on, and providing recommendations as to the steps that should be taken.
5. Study and review the Company's risk management policies.

**Third: Audit Committee Powers**

In the performance of its duties, the Audit Committee may:

1. Investigate any matter falling within its functions or any subject specifically requested by the Board of Directors.

<b>Page (40) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

2. Access the Company's records and documents.
3. Request any explanation or statement from Board members, Executive Management or the Company employees for the purpose of investigating and inquiring about any information.
4. Seek legal and technical advice from any third party or other independent consultant when necessary to assist the Committee in performing its functions.
5. Investigate any shortcoming relating to risk management and internal audit management.
6. Executive Management shall inform the Chairman of the Audit Committee of any defect, fraud or excess, as per the seriousness thereof.
7. Ask the Board of Directors to call the General Assembly to convene if the Board of Directors hinders its work or when the Company suffered serious damages or losses.


#### **Fourth: Audit Committee Meetings**

1. The audit committee shall convene periodically, provided that at least four meetings are held during the Company's financial year.
2. Audit Committee meetings are quorate if attended by a majority of its members. Committee resolutions shall be adopted by a majority of the votes present and, in case of a tie, its Chairman shall have the casting vote.
3. The Chairman of the Audit Committee shall call for the convening of Audit Committee meetings. Any member of the Audit Committee, the Auditor, the Head of the Internal Audit Department or the Chairman of the Board may ask the Chairman of the Audit Committee to call the Audit Committee to meet.
4. The audit committee shall convene periodically with the Company's auditor and Head of the Internal Audit Department.
5. The Head of the Internal Audit Department and Auditor may call for a meeting with the Audit Committee at any time as may be necessary.
6. The Head of the Internal Audit Department may be invited to attend all or some Audit Committee meetings.
7. The Chairman of the Audit Committee may, upon notifying the CEO thereof, invite senior executives or Company employees to apprise the Committee of any aspect of the Company's activities.
8. No member of the Board of Directors or Executive Management shall be entitled to attend Audit Committee meetings unless the Committee requests to hear his/her opinion or obtain his/her advice. Attendance of Audit Committee meetings shall be limited to the members and Secretary of the Committee.
9. Audit Committee meetings shall be documented and minutes including the discussions and deliberations carried during such meetings shall be prepared. Recommendations of the Committee and voting results shall be documented and retained in a special and organized register, including the names of attendees and any reservations they expressed (if any). Such minutes shall be signed by all attending members.

#### **Fifth: Audit Committee Reports**

1. Prepare a report about the adequacy of the Company's internal control system and other activities that



<b>Page (41) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

it conducted within its competence. The Board shall make available sufficient copies of said report at the Company's head office at least 10 days prior to date set for the General Assembly meeting, in order to provide each shareholder with a copy of said report, which shall be read during the Assembly.

2. The Audit Committee shall submit summary reports to the Board following each of its meetings.
3. The Head of the Internal Audit Department shall submit to the Board an annual report that includes the views of the Audit Committee.
4. The Audit Committee shall assess the matters that fall within its purview or those referred to it by the Board and shall communicate its recommendations to the Board to issue decisions in connection therewith. The committees shall take decisions in regards to these matters if delegated by the Board, with the Board held liable for said decisions.
5. The Audit Committee may seek assistance from any experts or specialists, whether internal or external, within the scope of its powers. This shall be included in the minutes of the Committee meeting, while noting the name of the expert and his relation to the Company or its Executive Management.
6. The Chairman of the Audit Committee or the person he delegated from among Committee members shall attend the General Assembly Meetings and answer any questions raised by the shareholders.

**Sixth: Communicating with the Audit Committee**

1. To ensure the independence of the Audit Committee's work, both the Head of the Internal Audit Department and the Auditor shall directly deal and communicate with the Audit Committee, without an intermediary.
2. The Company's management has established a reporting mechanism to facilitate communication with the Audit Committee in cases of serious and emergency risks faced by the Company's business.


**Seventh: Conflicts between the Audit Committee and Board of Directors**

When conflicts arise between the recommendations of the Audit Committee and the decisions of the Board of Directors, or when the Board rejects the recommendation of the Audit Committee regarding the appointment, dismissal, remuneration, and performance evaluation of the Company's Auditor, or appointment of the Company's Internal Auditor, then the Board of Directors' report shall include the Committee's recommendations, justifications therefor and reasons for rejecting them.

**Eighth: Arrangements for Providing Remarks**

The Audit Committee shall establish a mechanism that allows Company employees to confidentially provide their remarks in respect of any inaccuracies in the financial or other reports. The audit committee shall ensure that such arrangements have been put into action through an adequate independent investigation in respect of the error or inaccuracy, and shall adopt appropriate follow-up procedures.

**Ninth: Audit Committee Membership Termination**

<b>Page (42) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	 <b>المراعي Almarai</b>
<b>Date</b>	11/12/2017		


1. Audit Committee membership shall expire upon the expiry of the Committee's term or the expiry of the member's membership in accordance with any applicable Saudi law or instruction. However, the Ordinary General Assembly may at any time remove all or some members of the Board of Directors, without prejudice to the terminated member's right to claim compensation from the Company if said termination occurred without just cause or at an inappropriate time. Board members may retire on condition that they do so at an appropriate time lest they be held liable towards the Company for damages resulting therefrom.
2. The General Assembly may, on the recommendation of the Board of Directors, terminate the membership of a member who fails to attend three consecutive meetings of the Board without legitimate cause.

**Tenth: Audit Committee Members Remuneration**

1. The remuneration of the Committee members shall be a fixed cash amount, in addition to attendance allowance.
2. The annual remuneration for the members of the Committee shall be determined as per the recommendation of the Remuneration & Nomination Committee to the Board of Directors.

**Eleventh: final Provisions (Publication and Amendments)**

This Regulation shall become effective starting from the date of its approval by the General Assembly of Shareholders. This Regulation shall be published on the Company's Website for the perusal of the shareholders, stakeholders and the Public. The Regulation shall be reviewed by the Board of Directors, and any amendments shall be approved by the General Assembly Meeting of the Shareholders.

<b>Page (43) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

## Chapter 2

### Remuneration and Nomination Committee Regulation


This Regulation was issued pursuant to a General Assembly Resolution at its meeting held on 8<sup>th</sup> October 2017, in accordance with Articles 60 and 64 of the Corporate Governance Regulations issued by the Capital Market Authority Board pursuant to Decision No. 8-6-2017 dated 16/5/1438H corresponding to 13/2/2017, which stipulated that "the Company's General Assembly, as per the Board recommendation, issues a regulation for the Remuneration and Nomination Committee, including its procedures, duties and rules for selecting its members, the term of their membership and their remunerations".

#### **First: Merging the Remuneration and Nomination Committees into One Committee**

The Board of Directors decided to merge the respective Remuneration and Nomination Committees into a single committee called the Remuneration and Nomination Committee, based on paragraph 7 of Article 50 of the Governance Regulations, which stated the following: "A Company may combine remuneration and nomination committees into one committee named Remuneration and Nomination Committee. In such case, the Remuneration and Nomination Committee must satisfy the requirements related to any of them, and exercise all its powers, provided that the Committee convenes periodically at least every six months"

#### **Second: Rules for Selecting Members of the Remuneration and Nomination Committee, how they are nominated and the Duration of their Membership**

1. A Remuneration and Nomination Committee consisting of non-executive members of the Board shall be formed by a resolution of the Company's Board of Directors. It shall include at least one independent member.
2. Members of the Remuneration and Nomination Committee shall be selected from among the independent members of the Board. Non-Executives directors or persons other than Board members may also be appointed, whether they are shareholders or otherwise.
3. The Chairman of the Board may be a member of the Remuneration and Nomination Committee, provided that he shall not serve as Chairman of the Remuneration and Nomination Committee.
4. The Chairman of the Remuneration and Nomination Committee shall be an independent member, and shall be appointed by the members thereof at the first Committee meeting.


<b>Page (44) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	 <b>المراعي Almarai</b>
<b>Date</b>	11/12/2017		

5. The Remuneration and Nomination Committee shall be composed of no less than three and no more than five members.
6. Members of the Remuneration and Nomination Committee shall be selected in such a way as to ensure that they possess a variety of skills and expertise, taking into account their possession of appropriate expertise in the Company's business sector.
7. Members of the Remuneration and Nomination Committee shall be appointed for a period not exceeding three years, and may be reappointed as needed for the Committee's formation.
8. At its first meeting, the Remuneration and Nomination Committee shall appoint a Secretary from among its members or the Company's employees.
9. If a Remuneration and Nomination Committee seat becomes vacant, the Company's Board of Directors may appoint a temporary member to the vacant position, provided that the latter has the required expertise and competence. The CMA shall be informed thereof, within five business days from the date of such appointment.
10. The Company shall notify the CMA of the names of its Remuneration and Nomination Committee members and the status of their membership, within five business days from the date of their appointment, as well as any changes that may affect their membership within five business days from the occurrence of such changes.
11. Membership of the Remuneration and Nomination Committee shall expire upon the expiry of the Committee's term or the expiry of the member's membership, in accordance with any applicable Saudi law or instruction. However, the Board of Directors may, at any time, remove all or some members of the Remuneration and Nomination Committee. Committee members may also retire.

### **Third: Duties and Competencies of the Remuneration and Nomination Committee**

#### **a. Regarding remunerations, the Committee shall be competent to deal with the following:**


- 1) Preparing a clear policy for the remunerations of the Board members and its committees, and the Executive Management, and presenting such policy to the Board in preparation for approval by the General Assembly, provided that such policy follows standards that are linked to performance, and disclosing and ensuring the implementation of such policy;

<b>Page (45) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

- 2) Clarifying the relation between the paid remuneration and the adopted remuneration policy, and highlighting any material deviation from that policy;
- 3) Periodically reviewing the remuneration policy and assessing its effectiveness in achieving its objectives;
- 4) Providing recommendations to the Board in respect of the remunerations of its members, its Committees and Senior Executives, in accordance with the approved policy.
- 5) Reviewing the financial remuneration of the Chief Executive Officer, including long-term and short-term incentives, in addition to setting the performance level to be achieved by the Chief Executive Officer, and providing recommendations to the Board in respect thereof.
- 6) Reviewing and authorizing the Chief Executive Officer's recommendations as to financial remunerations of senior executives.
- 7) Ensuring and observing the compliance of the Company with respect to the policy for the remunerations of the Board members and its committees, and the Executive Management approved by the General Assembly of Shareholders.

**b. Regarding nominations, the Committee shall be competent for the following:**

1. Suggesting clear policies and standards for membership of the Board and the Executive Management.
2. Providing recommendations to the Board for the nomination or re-nomination of its members, in accordance with approved policies and standards, taking into account that nomination shall not include any person convicted of a crime involving moral turpitude or dishonesty.
3. Preparing a description of the capabilities and qualifications required for membership of the Board and Executive Management positions.
4. Determining the amount of time that the member shall allocate to the activities of the Board.
5. Annually reviewing the skills and expertise required of the Board members and the Executive Management, while determining the strengths and weaknesses of the Board and Executive Management, and recommending remedy solutions that serve the Company's interests.
6. Reviewing the structure of the Board and Executive Management, as well as providing recommendations regarding changes that may be made to such structure.
7. Annually ensuring the independence of Independent Directors and the absence of any conflicts of interest, if a Board member also acts as a member of the Board of directors of another company.
8. Providing job descriptions for the Executive, Non-Executive and Independent Directors and senior executives.
9. Setting procedures to be followed if the position of a member of the Board or a Senior Executive becomes vacant.
10. Determining the strengths and weaknesses of the Board and recommending remedy solutions that serve the Company's interests.
11. Providing an appropriate level of training and induction to new Board members regarding the Company's tasks and achievements, so that they can perform their duties effectively.

<b>Page (46) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

12. Examining and reviewing the Executive Management's performance.
13. Examining and reviewing succession plans for the Company in general, and for the Board of Directors, Chief Executive Officer and senior executives.
14. Examining and reviewing the recommendations of the Chief Executive Officer regarding the appointment and termination of senior executives, except for the Head of Internal Audit Department who shall be appointed and dismissed upon the recommendation of the Company's Audit Committee.

- **Nomination Procedures**

When nominating a Board member, the Remuneration and Nomination Committee shall take into consideration the provisions of the Corporate Governance Regulations, the requirements set by the CMA and the Company's Governance Rules.

- **Publishing the Nomination Announcement**

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


#### **Fourth: Powers of the Remuneration and Nomination Committee**

In the performance of its duties, the Remuneration and Nomination Committee may:

1. Investigate any matter falling within its functions, or any subject specifically requested by the Board of Directors.
2. Access the Company's records and documents.
3. Request any explanation or statement from Board members, Executive Management or Company employees for the purpose of investigating and inquiring about any information.
4. Seek legal and technical advice from any third party or other independent consultant, when necessary, to assist the Committee in performing its functions.

#### **Fifth: Meetings of the Remuneration and Nomination Committee**

1. The Remuneration and Nomination Committee shall convene periodically, at least every six months.
2. The Remuneration and Nomination Committee meetings are quorate, if attended by a majority of its members. Committee resolutions shall be adopted by a majority of the members present. In the event of a tie vote, the Chairman shall cast the deciding vote.


<b>Page (47) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

3. If a member of the Remuneration and Nomination Committee is not able to attend a meeting in person, due to any emergency reason. The Member of the Committee shall be permitted to attend, participate and vote by telephone Conference Call or any other electronic means. Participation will be considered present in person at such meetings.
4. The Chairman of the Remuneration and Nomination Committee shall call for the convening of the Committee meeting. Any member of the Remuneration and Nomination Committee or the Chairman of the Board may ask the Chairman of the Remuneration and Nomination Committee to call the Committee to meet.
5. The invitation to convene the Remuneration and Nomination Committee shall be sent to the Committee members, together with the agenda, seven days before the date of the scheduled meeting, unless the members agree otherwise.
6. No member of the Board of Directors or Executive Management shall be entitled to attend Remuneration and Nomination Committee meetings unless the Committee requests to hear his/her opinion or obtain his/her advice. Attendance of Remuneration and Nomination Committee meetings shall be limited to the members and Secretary of the Committee.
7. The Remuneration and Nomination Committee meetings shall be documented and minutes including the discussions and deliberations carried during such meetings shall be prepared. Recommendations of the Committee and voting results shall be documented and retained in a special and organized register, including the names of the attendees and any reservations they expressed (if any). Such minutes shall be signed by all of the attending members.
8. The Chairman of the Remuneration and Nomination Committee or a member designated by him shall attend the Company's General Assemblies to answer shareholders' questions.
9. The Remuneration and Nomination Committee shall submit summary reports to the Board of Directors following each of its meetings.

#### **Sixth: Remuneration and Nomination Committee Member Remuneration**


- 1) The remuneration of the Committee members shall be a fixed cash amount, in addition to attendance allowance.
- 2) The annual remuneration for the members of the Committee shall be determined as per the recommendation of the Remuneration & Nomination Committee to the Board of Directors.

#### **Seventh: final Provisions (Publication and Amendments)**

<b>Page (48) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

This Regulation shall become effective starting from the date of its approval by the General Assembly of Shareholders. This Regulation shall be published on the Company's Website for the perusal of the shareholders and stakeholders. The Regulation shall be reviewed by the Board of Directors, and any amendments shall be approved by the General Assembly Meeting of the Shareholders.



<b>Page (49) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

### Chapter 3


#### Executive Committee Regulation

The Executive Committee of the Company was formed in accordance with Article 27 of the Company's Bylaws which provides as follows:

1. The Board of Directors may appoint from among its members or others an Executive Committee.
2. The Board of Directors shall appoint a Chairman from among the members of the Committee.
3. The Board of Directors shall specify (from time to time) the Committee's methodology of work, competencies, number of members, and the required quorum for its meetings.
4. The Committee may exercise the powers authorized by the Board, in accordance with the directions and guidelines prescribed by the Board.
5. The Executive Committee may not revoke or alter any of the resolutions adopted, or rules laid down, by the Board of Directors.

The formation of the Executive Committee shall be subject to Article 50 of the Governance Regulation, which requires the Board of Directors to form specialized committees, as follows:

1. As may be needed depending on the Company's circumstances in order to enable it to effectively perform its duties.
2. The formation of the committees shall be made in accordance with general procedures developed by the Board, which shall determine the duties, duration and powers of each committee, and the manner in which the Board monitors the activities of each committee. The committee shall inform the Board of its findings or decisions with complete transparency. The Board shall regularly follow up the activities of such committees to ensure the performance of the duties delegated to them.
3. Each committee shall be responsible before the Board for its activities. This shall not relieve the Board of its responsibility for such activities, duties and powers that it has delegated to such committee.
4. The number of members of a committee shall not be less than three or more than five.


<b>Page (50) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

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


**First: Rules for selecting members of the Executive Committee, how they are Nominated and the Duration of their Membership**

1. An Executive Committee shall be formed from among the Board members or others, by a resolution of the Board of Directors.
2. The Board of Directors shall appoint a Chairman from among the members of the Committee, as part of the formation resolution.
3. At the first meeting of the Committee, the members of the Executive Committee shall appoint a Deputy Chairman who will replace the Chairman in his absence.
4. The number of members of the Executive Committee shall not be less than three or more than five.
5. Members of the Executive Committee shall be appointed for a period not exceeding three years and may be reappointed as needed for the Committee's formation.
6. At its first meeting, the Executive Committee shall appoint a Secretary from among its members or the Company's employees.
7. If an Executive Committee seat becomes vacant, the Company's Board of Directors may appoint a temporary member to the vacant position, provided that the latter has the required expertise and competence. The CMA shall be informed thereof within 5 business days from the date of appointment.
8. The Company undertakes to notify the CMA of the names of its Executive Committee members and the status of their memberships within 5 business days from the date of their appointment, as well as any changes that may affect their membership, within five business days from the occurrence of such changes.
9. Membership of the Executive Committee shall expire upon the expiry of the Committee's term or the expiry of the member's membership, in accordance with any applicable Saudi law, regulation or instruction. However, the Board of Directors may, at any time, remove all or some members of the Executive Committee. Committee members may also retire, on condition that they do so at an appropriate time, lest they be held liable towards the Company for damages resulting therefrom.

**Second: Duties and Competencies of the Executive Committee**

<b>Page (51) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		


1. Participate in the development of the Company's new strategic plans and evaluate the proposals submitted by Management for such plans, including opportunities for mergers and acquisitions, in addition to raising Management's recommendations to the Board of Directors.
2. Review the Company's performance based on monthly management reports that take set objectives into consideration, and measure performance by results; as well as analyzing and studying the main influences, indicators and developments related to the Company's business, and directing management accordingly.
3. Monthly review the Company's activities in light of set objectives and the projected budget as set out in monthly management reports, and alert Executive Management and the members of the Executive Committee of any developments or emergencies, as well as request the convening of additional Committee meetings when necessary.
4. Review and evaluate performance and make recommendations to the Board of Directors regarding the approval of the annual projected budget.
5. Review and evaluate proposals pertaining to new capital investments and approve projects that fall within the Committee's competence with budgets between SAR 2 million and SAR 15 million per project per financial year, after the Board's approval of the annual budget (operational and capital). For projects falling beyond the scope of its mandate, the Committee shall review the project, assess it and submit its recommendations thereon to the Board of Directors for approval.
6. Review management's reports on the implementation of large capital investment projects (more than 2 million riyals) and submit said reports and recommendations thereon to the Board of Directors.
7. Make recommendations to the Board regarding the distribution of profits, taking into consideration the recommendations of the Audit Committee in that regard.
8. Review the policies and regulations proposed by the executive management without having the right to adopt measures falling within the powers of the Board.
9. Make recommendations to the Board regarding any variables pertaining to commercial agents and distributors.
10. Within the limits of the Committee's powers, review and approve requests for guarantees required from the Company.
11. Periodically review the corporate governance rules, policies and the employee's code of professional conduct, in accordance with the Company's governance rules, and make recommendations in that regard to the Board, which shall make any required adjustments thereto.

<b>Page (52) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

12. Carry out any tasks assigned by the Board of Directors.
13. Review and follow up on the implementation of Board and executive Committee decisions.
14. Review matters and actions that may affect the Company's overall situation.

**Third: Executive Committee Meetings**

1. The Executive Committee shall meet on a regular basis, at least five times per Company financial year. A meeting shall be held during the first quarter of the financial year to evaluate the said quarter's performance, and another meeting during the last quarter of the Company's financial year to review plans and the projected budget for the next financial year. The Executive Committee may hold additional meetings at the discretion of its Chairman or as directed by the Board of Directors.
2. Committee meetings are quorate if attended by a majority of its members. Committee resolutions shall be adopted by a majority of the votes present and, in case of a tie, the Committee Chairman shall have the casting vote.
3. The Chairman of the Executive Committee shall call for convening the meetings thereof. Any member of the Executive Committee or the Chairman of the Board may ask the Chairman of the Executive Committee to call for the convening of a Committee meeting.
4. No member of the Board or Executive Management may attend Executive Committee meetings unless such Committee requests his/her opinion or advice. Executive Committee meeting shall be confined to the members and Secretary of the Committee.
5. Board meetings shall be documented and minutes including the discussions and deliberations carried during such meetings shall be prepared. Recommendations of the committees and voting results shall be documented and retained in a special and organized register, including the names of attendees and any reservations they expressed (if any). Such minutes shall be signed by all attending members.
6. Within the limits of its powers, the Executive Committee may seek the assistance of experts and specialists from inside or outside the Company, provided that such assistance is documented in the minutes of the Committee meeting, mentioning the name of the expert and the relationship thereof with the Company or its Executive Management.
7. The Executive Committee shall review the matters that fall within its purview or those referred to it by the Board and shall communicate its recommendations to the Board to issue decisions in connection therewith. The committees shall take decisions in regards to these matters if delegated by the Board, with the Company's Board held liable for said decisions.
8. Executive Committee meeting attendance shall be recorded and the Board of Directors shall be informed of the members' attendance records upon their reappointment.

<b>Page (53) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

9. The Executive Committee may invite the Chief Executive Officer and the Finance Director to attend all or some of the meetings, and they are only entitled to vote if they are members of the Executive Committee.


**Fourth: Powers of the Executive Committee:**

In the performance of its functions, the Executive Committee may:

1. Investigate any matter falling within its functions or any subject specifically requested by the Board of Directors.
2. Access the Company's records and documents.
3. Request any explanation or statement from Board members, Executive Management or Company employees for the purpose of investigating and inquiring about any information.
4. Seek legal and technical advice from any third party or other independent consultant when necessary to assist the Committee in performing its functions.

**Fifth: Executive Committee Member Remuneration:**

1. The remuneration of the Committee members shall be a fixed cash amount, in addition to attendance allowance.
2. The annual remuneration for the members of the Committee shall be determined as per the recommendation of the Remuneration & Nomination Committee to the Board of Directors.

<b>Page (54) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

## Chapter 4


### Risk Management Committee Regulation

**First: Rules for Selecting Members of the Risk Management Committee, how they are Nominated and the Duration of their Membership**

1. A Risk Management Committee shall be formed by a resolution of the Company's Board of Directors.
2. The Chairman and majority of members of the Risk Management Committee shall be non-executive members of the Board of Directors.
3. The members of the Risk Management Committee shall possess an appropriate level of knowledge regarding risk management and financial affairs.
4. The number of members of the Risk Management Committee shall not be less than three or more than five.
5. Members of the Risk Management Committee shall be appointed for a period not exceeding three years, and may be reappointed as needed for the Committee's formation.
6. At its first meeting, the Risk Management Committee shall appoint a Secretary from among its members or the Company's employees.
7. If a Risk Management Committee seat becomes vacant, the Company's Board of Directors may appoint a temporary member to the vacant position, provided that the latter has the required expertise and competence. The CMA shall be informed thereof, within five business days from the date of such appointment.
8. The Company undertakes to notify the CMA of the names of its Risk Management Committee members and the status of their membership, within five business days from the date of their appointment, as well as any changes that may affect their membership within five business days from the occurrence of such changes.
9. Membership of the Risk Management Committee shall expire upon the expiry of the Committee's term or the expiry of the member's membership, in accordance with any applicable Saudi law, regulation or instruction. However, the Board of Directors may, at any time, remove all or some members of the Risk Management Committee. Committee members may also retire, on condition that they do so at an appropriate time, lest they be held liable towards the Company for damages resulting therefrom.

**Second: Duties and Competencies of the Risk Management Committee**


The Risk Management Committee shall be competent to:

<b>Page (55) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

1. Develop a strategy and comprehensive policies for risk management that are consistent with the nature and volume of the Company's activities, monitoring their implementation, and reviewing and updating them based on the Company's internal and external changing factors.
2. Determine and maintain an acceptable level of risk that may be faced by the Company and ensuring that the Company does not go beyond such level.
3. Ensure the feasibility of the Company's continuation, the successful continuity of its activities, and determine the risks that threaten its existence during the following twelve (12) months.
4. Oversee the Company's risk management system and assessing the effectiveness of the systems and mechanisms for determining and monitoring the risks that threaten the Company in order to determine areas of inadequacy therein.
5. Regularly reassess the Company's ability to manage risks and be exposed to such risks.
6. Prepare detailed reports on the exposure to risks and the recommended measures to manage such risks, and presenting them to the Board.
7. Provide recommendations to the Board on matters related to risk management.
8. Ensure the availability of adequate resources and systems for risk management.
9. Review the organizational structure pertaining to risk management and provide recommendations regarding the same before approval by the Board.
10. Verify the independence of risk management employees from activities that may expose the Company to risk.
11. Ensure that risk management employees understand the risks threatening the Company and seeking to raise awareness of the culture of risk.
12. Review any issues raised by the Audit Committee that may affect the Company's risk management.

**Third: Meetings of the Risk Management Committee**

1. The Risk Management Committee shall convene periodically, at least every six months, and whenever needed.
2. The Risk Management Committee meetings are quorate, if attended by a majority of its members. Committee resolutions shall be adopted by a majority of the members present. In case of a tie, its Chairman shall have the casting vote.
3. The Chairman of the Risk Management Committee shall call for the convening of Committee meetings. Any member of the Risk Management Committee or the Chairman of the Board may ask the Chairman of the Risk Management Committee to call the Committee to meet.
4. The invitation to the meeting of the Risk Management Committee shall be sent to the Committee members, together with the agenda, seven days before the date of the scheduled meeting, unless the members agree otherwise.
5. No member of the Board of Directors or Executive Management shall be entitled to attend Risk Management Committee meetings unless the Committee requests to hear his/her opinion or obtain

<b>Page (56) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

his/her advice. Attendance of Risk Management Committee meetings shall be limited to the members and Secretary of the Committee.

6. Risk Management Committee meetings shall be documented and minutes including the discussions and deliberations carried during such meetings shall be prepared. Recommendations of the Committee and voting results shall be documented and retained in a special and organized register, including the names of the attendees and any reservations they expressed (if any). Such minutes shall be signed by all of the attending members.
7. The Chairman of the Risk Management Committee or his assignee shall attend the Company's General Assemblies to answer shareholders' questions.
8. The Risk Management Committee shall submit summary reports to the Board of Directors following each of its meetings.
9. Within the scope of its powers, the Risk Management Committee may seek assistance from any experts or specialists, whether internal or external. This shall be included in the minutes of the Committee meeting. Such minutes shall state the name of the expert and his relation to the Company or its Executive Management.

**Fourth: Powers of the Risk Management Committee**


In the performance of its duties, the Risk Management Committee may:

1. Investigate any matter falling within its functions, or any subject specifically requested by the Board of Directors.
2. Access the Company's records and documents.
3. Request any explanation or statement from Board members, Executive Management or Company employees for the purpose of investigating and inquiring about any information.
4. Seek legal and technical advice from any third party or other independent consultant, when necessary, to assist the Committee in performing its functions.
5. Investigate any shortcoming relating to risk management.

**Fifth: Risk Management Committee Member Remuneration**

- 1) The remuneration of the Committee members shall be a fixed cash amount, in addition to attendance allowance.
- 2) The annual remuneration for the members of the Committee shall be determined as per the recommendation of the Remuneration & Nomination Committee to the Board of Directors.



<b>Page (57) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

## PART 5

### INTERNAL CONTROL

#### **Internal Control System**

The Board shall approve an internal control system for the Company in order to assess the policies and procedures relating to risk management, implementation of the provisions of the Company's governance rules approved by the Company, and compliance with the relevant laws and regulations. Such system shall ensure compliance with clear accountability standards at all executive levels in the Company, and that Related Party transactions are implemented in accordance with the relevant provisions and controls.

#### **Establishing Independent Departments within the Company**

For purposes of implementing the approved internal control system, the Company has established departments for the assessment and management of risks and for internal auditing. The Company may utilize external entities to perform the duties and competencies of the units or departments of risks assessments and management and internal control without prejudice to the Company's responsibility for those duties and competencies.


#### **Duties of the Internal Audit Department**

An Internal Audit Department shall assess and monitor the implementation of the internal control system, and verifies that the Company and its employees comply with the applicable laws, regulations and instructions, and the Company's policies and procedures.

#### **Composition of the Internal Audit Department**

The Internal Audit Department shall be composed of an internal auditor manager whose appointment is recommended by the Audit Committee. Such internal auditor shall be responsible before the Audit Committee and a number of competent employees. The formation and operation of the Internal Audit Department shall take into consideration the following:

1. Employees of such Department shall be competent, independent and adequately trained, and shall not be entrusted with any functions other than internal audit duties and internal control system.
2. The internal audit department shall report to the Audit Committee, and shall be subordinate and accountable to it.
3. The remunerations of the manager of the Audit Department shall be determined by a recommendation of the Audit Committee, as per Company's policies.
4. The Department shall be given access to information and documents, and shall be able to obtain the same without any restrictions.

<b>Page (58) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		


### **Internal Audit Plan**

The Internal Audit Department shall operate pursuant to a comprehensive audit plan approved by the Audit Committee. Such plan shall be updated annually. Key activities and operations, including the activities of risk management and compliance departments, shall be reviewed at least annually.


### **Internal Audit Report**

- The Internal Audit Department shall prepare and submit, at least quarterly, a written report on its activities to the Board and the Audit Committee. Such report shall include an assessment of the Company's internal control system and the final opinion and recommendations of the Department. Such report shall also specify the procedures taken by each department for addressing the findings and recommendations from the previous audit, and any remarks thereon, particularly failures to promptly address such findings and recommendations and the reasons for such failure;
- The Internal Audit Department shall prepare a general written report to be submitted to the Board and the Audit Committee on the audit activities it carried out during the financial year, compared to the approved plan. Such report shall explain the reasons for any deviation from the plan, if any, during the quarter following the end of the relevant financial year.
- The Board shall specify the scope of the report of the Internal Audit Department, based on recommendations from the Audit Committee and the Internal Audit Department. The report shall include the following in particular:
  1. Procedures for monitoring and overseeing the financial affairs, investments and risk management.
  2. Assessing the development of risk factors threatening the Company and the existing systems, in order to confront radical or unexpected changes on Tadawul.
  3. An assessment of the performance of the Board and the Senior Management with respect to the implementation of internal control systems, including specifying the number of times the Board has been informed of control issues (including risk management) and a description of the method followed to address such issues.
  4. Failures or weaknesses in the implementation of internal control, or emergency situations that have affected or may affect the Company's financial performance, and the measures taken by the Company to address such failures (particularly the issues disclosed in the Company's annual reports and its financial statements).
  5. The extent to which the Company has complied with the internal controls when determining and managing risks.
  6. Information describing the Company's risk management operations.

### **Maintaining Internal Audit Reports**

<b>Page (59) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

The Company shall keep records of the audit reports and business documents, which shall clarify its accomplishments, findings and recommendations, and all actions taken in their regard.

<b>Page (60) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

## PART 6

### THE COMPANY'S EXTERNAL AUDITOR

The Company shall assign the function of auditing its annual accounts to an independent and competent external auditor who possesses the necessary expertise and qualifications to prepare an objective and independent report to the Board and the shareholders, setting out whether the Company's financial statements clearly and impartially express the financial position of the Company and its performance in the significant areas.

#### **Appointment of the External Auditor**


The Ordinary General Assembly shall appoint the Company's external auditor based on a recommendation from the Board, provided that the following requirements are met:

1. The nomination shall be based on a recommendation from the Audit Committee.
2. The external auditor shall be authorized by the Competent Authority.
3. The external auditor's interests shall not conflict with the interests of the Company.
4. The number of nominees shall not be less than two.

#### **Duties of the External Auditor**

The External Auditor shall:

1. Owe fiduciary duty to the Company.
2. Notify the CMA when the Board fails to take appropriate actions in respect of suspicious issues it raises.
3. Request the Board to call for an Ordinary General Assembly meeting, if the Board has not facilitated his mission; and he shall be liable for compensating the Company, the shareholders or third parties for the damages resulted from errors it commits in the course of its engagement. If an error is attributable to more than one external auditor, they shall be jointly responsible therefor.

<b>Page (61) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

## PART 7

### STAKEHOLDERS

#### **Regulating the Relationship with Stakeholders**


The Board shall establish clear and written policies and procedures regulating the relationship with Stakeholders, with the aim of protecting them and safeguarding their rights, which shall include the following, in particular:

1. Methods to compensate Stakeholders when their rights established by laws or protected by contracts are infringed.
2. Methods for resolving complaints or disputes that may arise between the Company and the Stakeholders.
3. Methods for building good relationships with customers and suppliers and maintaining the confidentiality of their information.
4. Rules of professional conduct for Company managers and employees that are prepared in compliance with the proper professional and ethical standards and regulate their relationship with Stakeholders, provided that the Board shall establish mechanisms for supervising the implementation of, and compliance with, such rules.
5. The Company's social contribution.
6. Ensuring that the Company's transactions with Board members and Related Parties are entered into on terms identical to the terms of transactions with Stakeholders, without any discrimination or bias.
7. Stakeholders obtaining of information relevant to their activities to enable them to perform their duties. Such information shall be correct and sufficient and shall be provided in a timely manner and on a regular basis.
8. Treating Company employees pursuant to the principles of justice and equality and without discrimination.

#### **Reporting Non-Compliant Practices**

The Board shall, based upon a proposal from the Audit Committee, develop the necessary policies and procedures to be followed by Stakeholders when submitting complaints or reporting any violations, taking the following into consideration:

1. Facilitating the method by which Stakeholders (including Company employees) report to the Board conducts and practices of the Executive Management's that violate applicable laws, regulations and rules, or raising doubts as to the financial statements or the internal audit controls or others, whether

<b>Page (62) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		


such conducts or practices are against them or not, and conducting the necessary investigation in that regard.

2. Maintaining the confidentiality of reporting procedures through facilitating direct contact with an independent member of the Audit Committee or other specialized committees.
3. Appointing an employee to receive and address complaints or reports sent by Stakeholders.
4. Dedicating a telephone number or an email address for receiving complaints.
5. Providing the necessary protection to the Stakeholders.

### **Employee Incentives**

The Company shall establish programs for developing and encouraging the participation and performance of the Company's employees. The programs shall particularly include the following:

1. Forming committees or holding specialized workshops to hear the opinions of the Company's employees and discuss the issues and topics that are subject to important decisions.
2. Establishing a scheme for granting Company shares or a percentage of the Company profits and pension programs for employees, and setting up an independent fund for such program.
3. Establishing social organizations for the benefit of the Company's employees.

<b>Page (63) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

## PART 8

### PROFESSIONAL AND ETHICAL STANDARDS

#### **Professional Conduct Policy**

The Board shall establish a policy for professional conduct and ethical values at the Company, which shall particularly take the following into consideration:


1. Ensuring that each member of the Board or the Executive Management and employees perform his/her duties of loyalty and care to the Company, and undertake the measures that may protect the Company's interests and contribute to its development and increase its value, and shall, at all times, prioritize the Company's interests over his/her own interests.
2. A Board member shall represent all shareholders of the Company and take all actions to achieve the best interests of the Company and its shareholders, while protecting the rights of the other Stakeholders rather than only the interests of the group that elected him.
3. Entrench among the Board members and Senior Executives the principle of compliance with all relevant laws, regulations and instructions.
4. Preventing the Board or Executive Management members from abusing their positions, with the aim of achieving benefits for himself/herself or a third party.
5. Ensuring that the Company's assets and resources are only used to achieve the Company's purposes and objectives, and not to achieve personal interests.
6. Establishing accurate, well-formed, and clear rules regulating the authority to access the Company's internal information and timing to access it, in a way that prevents the Board members, the Executive Management and others from making personal use or disclosing the same to any person, except within the prescribed limits or as permitted by law.

#### **Social Responsibility**

The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community, for purposes of developing the social and economic conditions of the community.


#### **Social Initiatives**

The Board shall establish programs and determine the necessary methods for proposing social initiatives by the Company, which include:

<b>Page (64) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	 المراعي Almarai
<b>Date</b>	11/12/2017		

1. Establishing indicators that link the Company's performance with its social initiatives, and comparing it with other companies that engage in similar activities.
2. Disclosing the objectives of the Company's social responsibility to its employees and raising their awareness and knowledge of social responsibility.
3. Disclosing plans for achieving social responsibility in the periodical reports on the activities of the Company's.
4. Establishing awareness programs to the community to familiarize them with the Company's social responsibility.



<b>Page (65) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

## PART 9

### DISCLOSURE AND TRANSPARENCY

#### **Policies and Procedure of Disclosure**


Without prejudice to the Listing Rules, the Board shall set forth in writing the policies, procedures and supervisory rules related to disclosure, pursuant to the disclosure requirements provided for in the Companies Law and the Capital Market Law, taking into consideration the following:

1. Such policies shall include proper disclosure methods that enable the shareholders and other Stakeholders to access the financial and non-financial information pertaining to the Company as well as its performance, and information in respect of ownership of shares, and to obtain a comprehensive view of the Company's position.
2. Disclosure to shareholders and investors shall be made without discrimination in a clear, correct and non-misleading fashion, and in a timely, regular and accurate manner, in order to enable shareholders and other Stakeholders to exercise their rights to the fullest extent.
3. The Company's website shall include all information required to be disclosed and any details or other information that may be published through other disclosure methods.
4. Reporting rules shall be established and shall describe the information required to be disclosed, and the method of its classification in terms of its nature, and the frequency of its disclosure.
5. The disclosure policies shall be reviewed periodically and their compliance with the best practices and the provisions of the Capital Market Law and its implementing rules shall be verified.


#### **The Board's Report**

The Board's report shall include the Board's operations during the last financial year and all factors that affect the Company's businesses. Such report shall include the following:


1. Implemented and non-implemented provisions of this Manual, and justifications therefor.
2. Names, current and past positions, qualifications, and experience of the Board and committee members and Executive Management.
3. Names of the companies inside and outside the Kingdom in which a Board member is a current or previous Board member, or manager.
4. Composition of the Board and classification of its members, as follows: Executive Directors, Non-Executive Director, or Independent Director.
5. Procedures taken by the Board to inform its members, Non-Executive Directors in particular, of shareholder suggestions and remarks on the Company and its performance.

<b>Page (66) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	 <b>المراعي Almarai</b>
<b>Date</b>	11/12/2017		

6. A brief description of the competencies and duties of the committees, such as the Audit Committee, the nomination committee and the remuneration committee indicating their names, names of their chairmen, names of their members, the number of their respective meetings, dates of those meetings and the members' attendance details of each meeting.
7. Where applicable, the means used by the Board to assess its performance, the performance of its committees and members and the external body which conducted the assessment and its relation with the Company, if any.
8. Disclose the remuneration of the Board members and Executive Management, as stated in Article (93) of the Corporate Governance Regulations. This shall include details of the remuneration and compensations paid to: (1) members of the Board of Directors; (2) the five senior executives who received the highest remuneration from the Company, including the Chief Executive Officer and the Chief Financial Officer; and (3) committee members.
9. Any punishment, penalty, precautionary procedure or preventive measure imposed on the Company by the Authority or any other supervisory, regulatory or judiciary authority, describing the reasons for non-compliance, the imposing authority and the measures undertaken to remedy and avoid such non-compliance in the future.
10. Results of the annual review of the effectiveness of the internal control procedures of the Company, and the opinion of the Audit Committee with respect to the adequacy of the Company's internal control system.
11. The Audit Committees recommendation on the need for appointing an internal auditor for the Company, if there is no internal auditor.
12. The Audit Committee's recommendations that conflict with Board resolutions, or those that the Board rejects in relation to the appointment, dismissal, assessment or remuneration of an external auditor, as well as justifications for those recommendations and reasons for rejecting them.
13. Details of the Company's social contributions, if any.
14. A list of the dates of the General Assembly meetings held during the last financial year and the names of the Board members who attended them.
15. A description of the main scope of business of the Company and its affiliates. If there are two or more, a statement showing each activity and how it affects the Company businesses and results shall be attached.
16. A description of the Company's significant plans and decisions (including changes to the structure, expanding the Company's operations or halting them) and the future expectations of Company's works.
17. Information on any risks facing the Company (operational, financial or market related) and the policy of managing and monitoring these risks.
18. A summary in a form of table or graph showing the Company's assets, liabilities and results of the last five financial year or since the incorporation date, whichever is shorter.
19. Geographical analysis of the Company's and its affiliates' revenues.

<b>Page (67) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

20. Any material differences in the operational results compared to the preceding year's results, along with any expectations announced by the Company.
21. Any inconsistency with the standards approved by the Saudi Organization for Certified Public Accountant.
22. Name of each affiliate company, its capital, the Company's ownership percentage therein, the main scope of business, country of operation and country of incorporation.
23. Details of shares and debt instruments issued for each affiliate company.
24. A description of the dividends distribution policy.
25. A description of any interest in a class of voting shares held by persons (other than the Company's directors, Senior Executives and their relatives) who have notified the Company of their holdings pursuant to Article 45 of Listing Rules, together with any change to such interests during the last financial year;
26. A description of any interest, contractual securities or rights issue of the Board members, Senior Executives and their relatives on shares or debt instruments of the Company or its affiliates, and any change in these interest or rights during the last financial year.
27. Information on any loans (payable upon request or not), a statement of the total indebtedness of the Company and its affiliates, any amounts paid by the Company in repayments of loans during the year, the amount of the principal debts, the creditor name, the loan term and remaining amount. In case there are no debts, a declaration thereof shall be presented.
28. A description of the class and number of any convertible debt instruments, contractual securities, warrants or similar rights issued or granted by the Company during the financial year, as well as stating any compensation obtained by the Company in this regard.
29. A description of any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted by the Company;
30. A description of any redemption, purchase or cancellation by the Company of any redeemable debt instruments, and the value of such securities outstanding, distinguishing between those listed securities purchased by the Company and those purchased by its affiliates.
31. The number of Board meetings held during the last financial year, their dates and the attendance record of each meeting listing the names of the attendees.
32. Numbers of Company's requests of shareholders records, dates and reasons thereof.
33. A description of any transaction between the Company and any Related Party.
34. Information relating to any business or contract to which the Company is a party and in which a director of the Company, a Senior Executive or any person related to any of them is or was interested, including the names of persons concerned by such business or contract, the nature, conditions, durations and the amount of the business or contract. If there are no such businesses or contracts, the Company must submit a statement thereof.
35. A description of any arrangement or assignment agreement under which a director or a Senior Executive of the Company has waived any remuneration.

<b>Page (68) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

36. A description of any arrangement or agreement under which a Company shareholder has waived any rights to dividends.
37. A statement of the value of any paid and outstanding statutory payment on account of any zakat, taxes, fees or any other charges that have not been paid until the end of the annual financial period with a brief description and the reasons therefor.
38. A statement as to the value of any investments made, or any reserves set up, for the benefit of the employees of the Company.
39. Declarations that:
  - a. Proper books of account have been maintained.
  - b. The system of internal control is sound in design and has been effectively implemented.
  - c. There are no significant doubts concerning the Company's ability to continue its activity.
40. If the External Auditor's report contains reservations on the annual financial statements, the Board report shall highlight this, mentioning the reasons and any relevant information.
41. If the Board recommended replacing the external auditor before the end of its term, the report shall indicate this, mentioning the reasons for the replacement recommendation.

#### **The Audit Committee's Report**

1. The Audit Committee's report shall include details of its performance of its competencies and duties stated in the Companies Law and Its Implementing Regulations, provided that the report contains its recommendations and opinion on the adequacy of the Company's internal, financial control, and risk management systems.
2. The Board shall make available sufficient copies of the Audit Committee's report at the Company's head office, and publish them on the Company's and Tadawul's websites, when publishing the invitation to convene the General Assembly, to enable shareholders to get a copy thereof. Summary of the report shall be read at the General Assembly.


#### **Disclosure by the Board**

The Board shall regulate the disclosures of each of its members and the members of the Executive Management, observing the following:


1. Maintaining a register for the disclosures of the Board members and the Executive Management, and updating it regularly based on disclosures required as per the Companies Law, the Capital Market Law and their implementing regulations.
2. Making such register available for review by the Company's shareholders free of charge.

#### **Disclosure of Remunerations**

- The Board shall:

<b>Page (69) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	
<b>Date</b>	11/12/2017		

1. Disclose the remuneration policy and the method by which remunerations of the Board and executive management are determined.
  2. Provide an accurate, transparent and detailed disclosure in the Board report on the remunerations granted to the Board members and Executive Management, directly or indirectly, without any omission or misleading information, and whether these were in cash or other benefits of any nature. In case they were shares of the Company, the value of the shares is the market value on the due date.
  3. Explain the relationship between remunerations granted and applicable remuneration policy, highlighting any significant deviation from such policy.
  4. A description of the necessary details with respect to the Remuneration and compensations granted to each of the following, separately:
    - a. Board members;
    - b. Five Senior Executives who have received the highest remuneration from the Company, provided that the chief executive officer and chief financial officer are among them.
    - c. Members of committees.
- The disclosures in this Article and in the Board report shall be pursuant to the appended schedule.


<b>Page (70) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	 <b>المراعي Almarai</b>
<b>Date</b>	11/12/2017		

## PART 10

### IMPLEMENTATION OF CORPORATE GOVERNANCE

The Board has established these governance rules in accordance with the provisions of the Governance Regulations, and shall monitor their implementation, verify their effectiveness, and amend them as necessary. To that end, the Board shall:


1. Verify that the Company is in compliance with these rules.
2. Review and update the rules pursuant to statutory requirements and best practices.
3. Review and develop codes of professional conduct representing the Company's values and other internal policies and procedures, in order to fulfill the Company's requirements and in accordance with best practices.
4. Regularly inform the Board members of the developments in corporate governance and best practices, or authorize the Audit Committee or any other committee to undertake this task.

<b>Page (71) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	 المراعي Almarai
<b>Date</b>	11/12/2017		

## PART 11

### RETAINING DOCUMENTS

The Company shall retain all minutes, documents, reports and other documents required to be maintained at the Company's head office for at least ten years, as per the Corporate Governance Regulations. This shall include the Board and Audit Committee reports. Without prejudice to this period, the Company, in case of any lawsuit (pending or threatened) or ongoing claim, or any investigation relating to those minutes, documents, reports and other documents, shall maintain them until the end of the ongoing lawsuit, claim or investigation.

<b>Page (72) of (72)</b>		<b>Corporate Governance Rules of Almarai Company</b>	 المراعي Almarai
<b>Date</b>	11/12/2017		

**Part 12  
Publication and Entry into Force**

These Rules shall become effective starting from the date of its approval by the Board of Directors.

These Rules shall be published on the Company's Website for the perusal of the shareholders, stakeholders and the public.