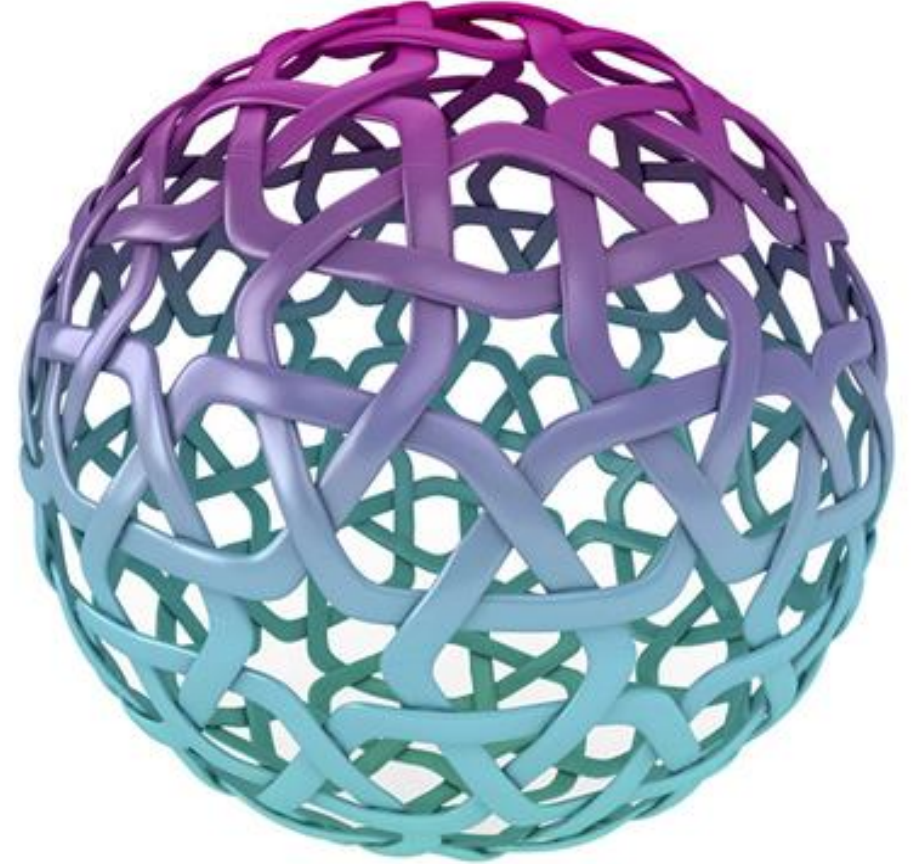


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Corporate Governance Regulations, for Closed Joint Stock Companies

Ashqaria Chamber of Commerce



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Key points of the Corporate Governance Regulations (CGRs)

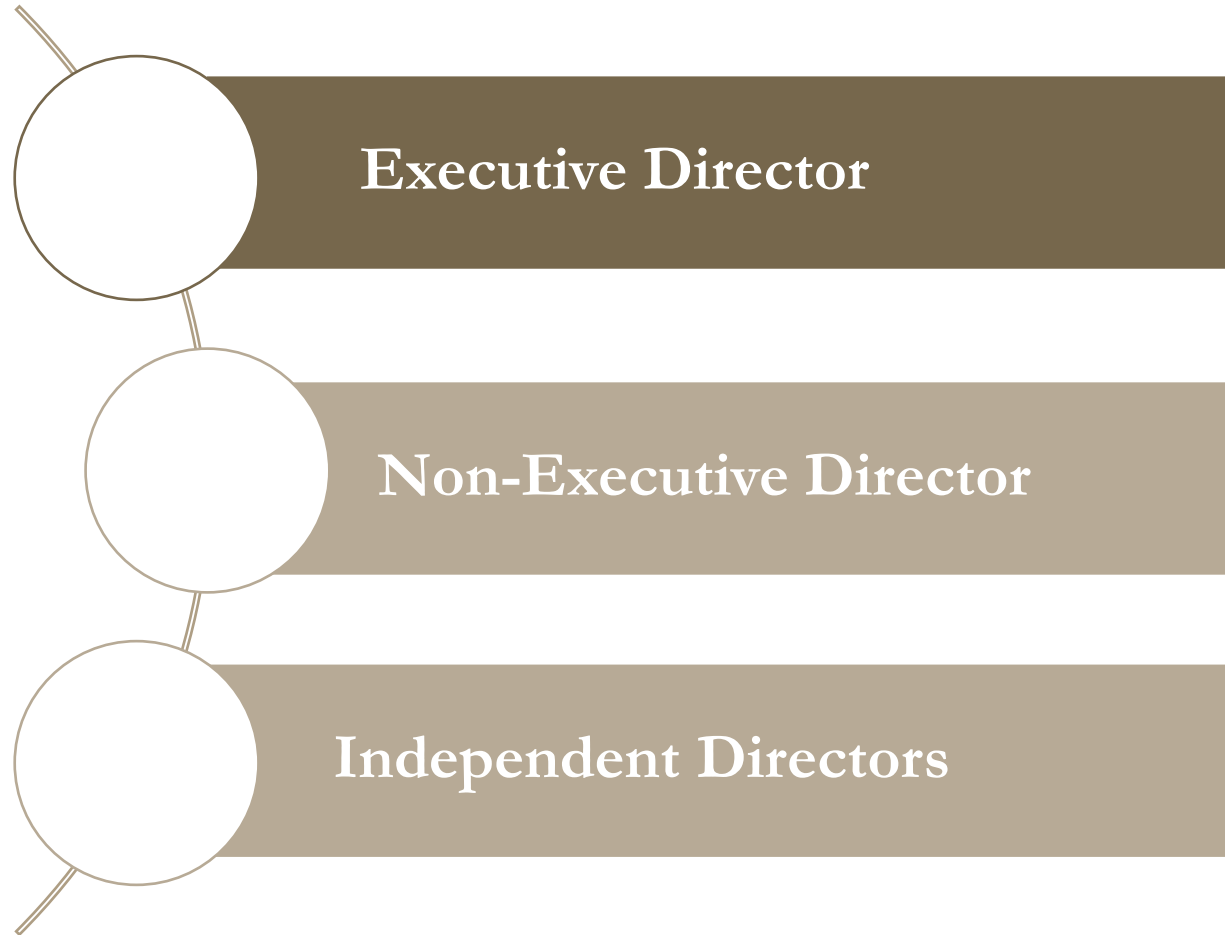
- CGRs work in parallel with, and reinforces, the Companies Regulations by providing more details on how to implement the rules, requirements and procedures of the Companies Regulations.

Shareholders: re-iterating rights

Shareholders were assured many rights, such as pre-emptive rights in respect of new issues of shares for cash consideration, as well as a right to:

1. fair and equal treatment;
2. dividends;
3. a portion of the Company's assets upon liquidation;
4. freedom to dispose of shares;
5. access the Company's books;
6. supervision of the Board's performance;
7. hold the Board members accountable;
8. appeal to nullify the General Assembly's resolutions; and
9. nominate and elect the Board members.

Board Members



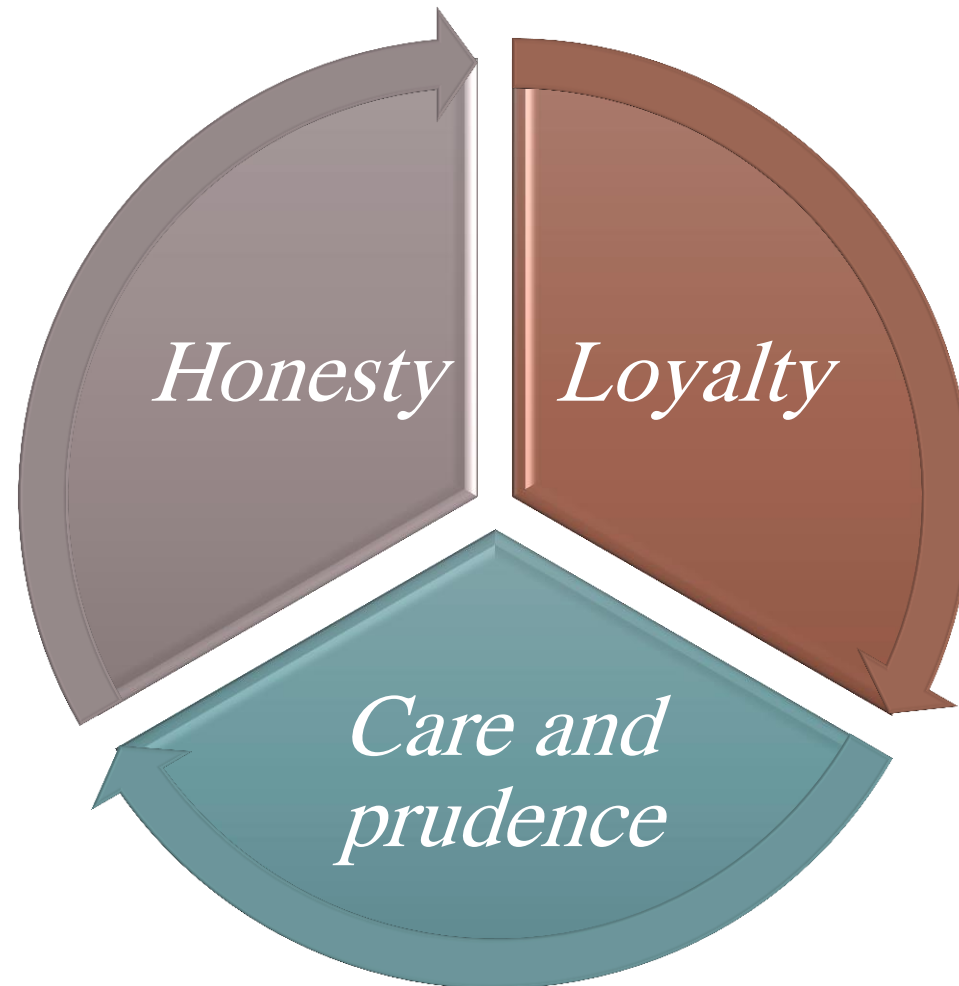
Board Composition

- The Board must have at least 3, and at most 11, members.
- One-third of Board members must be *Independent Directors*.
- A person cannot serve as director of more than **10** closed JSCs simultaneously.
- The chairperson of the Board cannot also hold: (i) an executive position in the Company (e.g. CEO, managing director, or general manager); (ii) membership in the audit committee; or (iii) the chairpersonship of any of the company's other committees.

Board member Qualifications

1. Ability to lead;
2. Competency;
3. Ability to guide;
4. Financial knowledge
5. Medically fit for purpose

Board Members duties to the JSC



Conflicts and Competition

- What qualifies as a conflict?
 - Direct or indirect interest in business and transactions conducted on behalf of the Company.
 - Any business that by its nature competes with the business of the Company or any part thereof.
- It is the Board's responsibility to:
 - Set conflict of interest policies;
 - Disclose any conflict of interest to the other Board members;
 - Obtain shareholder consent; and
 - Report ongoing conflicted matters to the shareholders;

Board Meetings

- The CGRs recommends that the Board meets at least once every 3 months (total 4 meetings in a financial year).
- Quorum is half of the members, provided in all cases that at least 3 members attend.
- Minutes must include all discussions, resolutions, disclosures, and remarks made by the members and any opposing opinions, including reasons for the same.

Board Committees – The Audit Committee

<i>No. of members</i>	Three (3) to Five (5) Members
<i>Attendance of non-committee members</i>	Non-members cannot attend unless the committee requests their attendance
<i>Chairperson</i>	There are no restrictions or guidelines on the appointment of the Chairperson.
<i>Membership</i>	<ul style="list-style-type: none">- Can be a shareholder or otherwise.- Cannot be an executive of the Company.- Must include a person specialized in finance and accounting.
<i>Merger with other Committees</i>	Cannot be merged with other committees.
<i>Meeting</i>	At least once every six (6) months.

Board Committees – The Nomination Committee

<i>No. of members</i>	Three (3) to Five (5) Members
<i>Attendance of non-committee members</i>	Non-members cannot attend unless the committee requests their attendance
<i>Chairperson</i>	Must be an Independent Director
<i>Membership</i>	<ul style="list-style-type: none"> - Members cannot also be executives of the Company. - The Committee must have at least one (1) Independent Director.
<i>Merger with other Committees</i>	Can be merged with the Remuneration Committee.
<i>Meeting</i>	<p>At least once a year.</p> <p>If merged with the Remuneration Committee then, at least once every six (6) months.</p>

Board Committees – The Remuneration Committee

<i>No. of members</i>	Three (3) to Five (5) Members
<i>Attendance of non-committee members</i>	Non-members cannot attend unless the committee requests their attendance
<i>Chairperson</i>	Must be an Independent Director
<i>Membership</i>	<ul style="list-style-type: none"> - Members cannot also be executives of the Company. - The Committee must have at least one (1) Independent Director.
<i>Merger with other Committees</i>	Can be merged with the Nomination Committee.
<i>Meeting</i>	<p>At least once a year.</p> <p>If merged with the Nomination Committee then, at least once every six (6) months.</p>

Board Committees – The Risk Management Committee

<i>No. of members</i>	Three (3) to Five (5) Members
<i>Attendance of non-committee members</i>	Non-members cannot attend unless the committee requests their attendance
<i>Chairperson</i>	Must be a Non-Executive Director
<i>Membership</i>	<ul style="list-style-type: none"> - Majority of its members must be Non-Executive Directors. - Members must have adequate knowledge in finance and risk management.
<i>Merger with other Committees</i>	Cannot be merged with other committees.
<i>Meeting</i>	At least once every six (6) months.

Special guidance for SMEs

The CGRs distinguish SMEs from other JSCs by specifying provisions that are not recommended for SMEs.

What is an SME?

- The CGRs do not define SMEs. However, the Small and Medium Enterprise Authority has set out classifications for SMEs in which SMEs are categorized as micro, small or medium. Each classification corresponds to a range of number of employees and revenue.

<i>Size</i>	<i>Number of full-time employees</i>		<i>Revenue (million SAR)</i>
<i>Micro enterprises</i>	1 – 5	<i>OR</i>	0 – 3
<i>Small enterprises</i>	6 – 49		More than 3 – 40
<i>Medium enterprises</i>	50 - 249		More than 40 - 200

How are the CGRs different for SMEs?

The CGRs advise SMEs against following certain provisions of the CGRs.

Closed Joint Stock Company (JSC)

Classification

- The CGRs permit the Ministry of Commerce and Investment (**MOCI**) to classify closed JSCs, and accordingly determine the extent to which JSCs must apply the CGRs.
- MOCI has not yet published any details on the criteria for determining classifications or how they will affect such JSCs in practice.

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Thank you.

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