

SARCO

شركة المصافي العربية السعودية
Saudi Arabian Refineries Company

Introduction

Preparing the regulations, standards and procedures specified for membership in the Board of Directors of SARCO (Saudi Arabian Refineries Company) with the aim of implementing the principles of the Corporate Governance Regulations issued by the Capital Market Authority under Ministerial Resolution No. (8-16-2017) dated 16/5/1438H corresponding to 13/2/2017G, which stipulated that the Board of Directors shall prepare clear and specific policies, standards and procedures for membership in the Board in a manner that does not conflict with the mandatory provisions of the Corporate Governance Regulations - and put them into practice. After its approval by the General Assembly.

The criteria and procedures for membership in the company's board of directors have been prepared in accordance with the Companies Law, its Executive Bylaws and the Corporate Governance Regulations issued by the Authority. Taking into account without prejudice to the relevant regulations that guarantee the right of the shareholder in the company to apply for candidacy or others for membership in the Board of Directors.

Definitions

The following words and expressions shall have the meanings assigned to them unless the context otherwise provides:

Company: Sarco (Saudi Arabian Refineries Company).

"Ministry" means the Ministry of Commerce;

"Authority" means the Capital Market Authority.

Market: Saudi Stock Exchange (Tadawul).

Board of Directors: The Board of Directors of the Company as stipulated in the Company's Articles of Association.

Chairman of the Board of Directors: Non-executive member of the Board of Directors who is elected by the members of the Board to preside over meetings and organize business.


Board Member:

Executive Member: Member of the Board of Directors who is full-time in the executive management of the company, participates in the daily business of the company and receives a monthly salary.

Non-Executive Member: Member of the Board of Directors who is not full-time to manage the Company, does not participate in its daily business, and does not receive a monthly salary.

Independent Member: Non-executive member of the Board of Directors who enjoys full independence in his position and decisions, and does not apply to any of the symptoms of independence.

CEO/Company Manager: The natural person who manages the Company's operations, including the Managing Director, CEO and equivalent.



Secretary: Secretary of the Board of Directors of the Company.

General Assembly: The General Assembly held in the presence of the Company's shareholders in accordance with the provisions of the Companies Law and the Company's Articles of Association.

Current Security: Security traded in the Saudi Market.

Relatives or kinship:

- Fathers, mothers, grandparents, and grandmothers, even if they are higher.
- The children, and their children, even if they descended.
- Brothers and sisters, brothers, father, or mother.
- Husbands and wives

Dependent: A person who controls another person, or shares with him a being controlled by a third person. In any of the foregoing, control is direct or indirect.

Calendar Day: Any day, whether it is a working day or not.

Quarterly Trading Period of the Board of Directors and Senior Executives: It is the period during which the Company's Board of Directors, senior executives or any person related to any of them may not deal in the Company's securities during the period of (15) calendar days preceding the end of the fiscal quarter until the date of announcing the interim financial statements after examining the Company.

Annual Trading Ban Period for the Company's Board Members and Senior Executives: The Company's Board of Directors, senior executives or any person related to any of them may not deal in any of the Company's securities during the period of (30) calendar days preceding the end of the fiscal year until the date of announcing the interim financial statements after examination or the Company's audited annual financial statements.



1- The objective of these standards

These criteria aim to establish specific procedures that indicate how to become a member of the Board of Directors and what are the steps to be followed when joining the Board of Directors.

2- Criteria for joining the membership of the Board of Directors


The Remuneration and Nomination Committee is responsible for balancing the criteria required to become a member of the Board of Directors, so that the Board members have sufficient skills and practical and scientific experience to provide added value to the Company as a whole.

Candidates for Board membership are selected on the basis of: skill, experience, leadership qualities, integrity in business decisions, diversity, personality, ability to judge, age, independence, corporate experience, length of service, conflict of interest, serving on other corporate boards and other qualities that enhance the Board's ability to manage and direct the Company's affairs and activities effectively and competently, and meet the standards of independence that Imposed by the laws and regulations or the rules of registration and listing issued by the Ministry and the Authority. Candidates or a member of the Board of Directors of the company in general should have abilities such as: the ability to understand the nature of the company's work, make independent analytical judgments, the ability to communicate effectively, and the ability and willingness to put in time and effort to be an effective and active member of the Board of Directors.



3- Term and conditions of membership

1. The members of the Board of Directors shall be appointed by the Ordinary General Assembly of Shareholders for a period not exceeding four years, and the term of the Chairman of the Board, the Managing Director, the member of the Board of Directors and the Secretary of the Board of Directors shall not exceed the term of their respective members of the Board.
2. The majority of the members of the Board of Directors shall be non-executive members.
3. The Chairman of the Board of Directors is prohibited from combining his position as Chairman of the Board of Directors with any executive position in the Company (such as the position of Managing Director, CEO, General Manager, or any other executive position in the Company).



e) A statement of the companies or institutions that he participates in managing or owning during each year of joining them.

f) A clear copy of the national ID and family card or a clear copy of the passport, residence and valid visa - subject to availability - for non-Saudis, the commercial registration of companies and institutions and the contact numbers of the candidate.

g) Provide contact addresses (mobile, e-mail and national address).

h) A statement of the number and dates of the board of directors of joint stock companies and the committees in which the candidate was a member and in which he is still a member, as follows:

3. The number of meetings of the Board of Directors and the dates of their attendance in authenticity or proxy.

4. The number of meetings of the committees emanating from the Board of Directors and the dates of their attendance in authenticity or proxy separately.

5. Faithful to the financial results achieved by the company during each year of the Board sessions.

a) The status of membership must be clarified, (executive, non-executive, independent).

b) The status of the candidate with a legal capacity must be clarified from his representation.

6. The CMA may, as it deems necessary to protect investors, oblige the company to comply with the rules governing its management, whether with regard to the qualifications of the members of the Board of Directors, senior management, the audit committee, the chartered accountant, or the eligibility, responsibilities, powers or decision-making procedures of any of them.



4. Notification to the company's management including an introduction to the candidate in terms of his CV, qualifications and experience in the field of management work.

5. A candidate who has previously served as a member of the board of directors of a joint stock company shall submit a statement of the following:

a) The number of meetings of the Board of Directors that took place during each of the years of the Board session, the number of meetings attended by the member originally, and the percentage of his attendance to the total meetings.

b) The standing committees in which the member participated and the number of meetings held by each of those committees during each year of the Council's session.

6. The candidate should not have been removed or requested to be removed by the company's shareholders, the board of directors or the general assembly from the membership of the boards of directors of joint stock companies.

5-Procedures for membership in the Board of Directors

1. It is not permissible, except with the prior written approval of the Board of Directors, for a person who held the same position or job in a liquidated company, or who was removed from such position or job in another company, to be nominated for membership in the Board of Directors of the company or to assume the position of director in it.

2. The membership candidate must submit to the Board of Directors the following documents:

a) Fill out Form No. (1) issued by the Authority.

b) Fill out Form No. (3) issued by the Authority.

c) Submit an application for candidacy in the Board of Directors.

d) Submit an updated CV.

6- Required skills and qualifications

The members of the Board shall meet the following conditions:


1. An appropriate level of qualifications, skills, knowledge and experience, to contribute to the protection and management of the company's gains.
2. The qualifications, skills and experience should be distributed in a balanced manner among the members, to achieve effectiveness, and to provide sufficient experience to the Council, and it is not necessary for each member to have all the required skills.
3. The members should have, after foresight, strategic perspective, good management perception, ability to manage and supervise, take note of the legal and financial aspects, and knowledge of the company's business and activities in particular.
4. Leadership ability by having leadership skills that qualify him to grant powers that lead to motivating performance, applying best practices in the field of effective management, and adhering to professional values and ethics.
5. The ability to direct by having technical, leadership, and administrative capabilities, speed in decision-making, and understanding the technical requirements related to the workflow, and to be able to strategic direction, planning and a clear future vision.
6. The age of the candidate at the time of applying to join the membership of the Board of Directors should not be less than 35 years.

7- Commitment

1. The member shall perform all tasks and works responsibly, in good faith, seriousness and attention.
2. The member shall allocate sufficient time to carry out his duties and carry out his responsibilities, including preparing for the meetings of the Council and the permanent and temporary committees, and ensuring their attendance.
3. The member should be constantly informed of everything that happens in the company, be aware of all developments, and remain in constant contact with the executive management and any other party with a reliable source such as the company's-chartered accountant.
4. The member shall represent all shareholders, and shall commit to doing what is in the interest of the company in general and not what achieves the interests of the group he represents or that voted to appoint him.

8- Termination of membership in the Board of Directors and dismissal of members of the Board of Directors

1. The membership of the member(s) of the Board of Directors shall expire in the following cases: -
 - a) Expiry of the term of appointment.
 - b) Resignation.
 - c) Death.
 - d) If it is proved to the Board of Directors that the member has breached his duties in a manner that harms the interest of the company, provided that this is accompanied by the approval of the ordinary general assembly.

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- f) By being absent from more than three consecutive meetings or five separate times during the term of the Board without an excuse acceptable to the Board of Directors.
 - g) He became insensitive.
 - h) He became mentally ill.
 - i) If it is proven that he has committed an act that violates honesty and morals or is convicted of forgery.
2. Upon termination of the membership of a member of the Board of Directors by any means of termination of membership, the company must notify the Capital Market Authority and Tadawul immediately with a statement of the reasons for this.
 3. The General Assembly may at any time remove all or some of the members of the Board of Directors.
 4. If the number of members of the Board of Directors is less than four members (quorum necessary for the validity of the meetings of the Board of Directors) by any of the methods of termination of membership, the Ordinary General Assembly shall be convened as soon as possible to appoint the necessary number of members.

9- Vacancy of the position of membership of the Board of Directors

1. If the position of a member of the Board of Directors becomes vacant, the Board may temporarily appoint a member to the vacant position, provided that such appointment shall be submitted to the Ordinary General Assembly at its first meeting. The new member completes the term of his predecessor only after obtaining a no-objection from the relevant regulatory authorities.
2. If the number of members of the Board of Directors falls short of the quorum necessary for the validity of its meetings, the Ordinary General Assembly shall be invited as soon as possible to appoint the necessary number of members after obtaining a no-objection from the relevant regulatory authorities.



10- Independence

1. The number of independent directors shall not be less than two members, or one-third of the members of the Board, whichever is more.
2. The principle of independence generally aims to help members make their own decisions, without the existence of economic or personal conflicts of interest, which would exist if the following rules of independence were not taken into account - even if their decisions were not affected in practice.
3. The independent member or the legal person representing him shall not own 5% or more of the shares of the company or any company of its group.
4. Not to be a senior executive (including the CEO, his deputies and the Chief Financial Officer) within the last two years in the company or in any company in its group.
5. The member should not have a kinship up to the fourth degree with any of the senior executives in the company or in any company of its group.
6. Not to be a member of the Board of Directors of any company within the group of the company nominated for membership of the Board of Directors.
7. The member should not be an employee or owner of a controlling share during the past two years with any of the parties associated with the company or its group. (including but not limited to chartered accountants, major suppliers, financial advisory firms or other consulting firms).



11- Obligations of the members of the Board of Directors

1. Apply the highest possible ethical standards.
2. Act on their full knowledge of the company's affairs, and for the benefit of the company, taking into account the interests of the other shareholders.
3. Exercise the duty of due diligence and loyalty during the exercise of their duties and investigate the required accuracy in their decisions.
4. Carry out the tasks entrusted to them without prejudice to a shareholder or a class of shareholders and treat all shareholders fairly.
5. Issuing independent and objective judgments regarding the company's affairs.
6. To fulfill their obligations, they should receive accurate and timely information, and the Company's Board of Directors is responsible for making such information available to all Board members.
7. Compliance with the laws, instructions and regulations issued by the Ministry of Commerce, the Capital Market Authority, Tadawul and other regulatory bodies related to the company's work.
8. Not to disclose material information circulated during the periodic meetings of the Board of Directors or from the sub-committees to any media or personal entity without the prior approval of the Board of Directors.



12- Practices expected of the members of the Board of Directors


The Board of Directors of the Company expects from each member of the Board the following: -

1. Understand the nature of the company's activities.
2. Attend the meetings of the Board of Directors and the committees to which the Board member belongs.
3. Review and absorb the printed materials submitted before the meetings and any other materials submitted to the Board of Directors from time to time.
4. Participate effectively, objectively and constructively in meetings and strategic decision-making processes.
5. Sharing his vision, successor, experience and knowledge in line with the topics presented to the Board of Directors and its committees.

19- Selection of members of the Board of Directors

A) Filtration

1. The Remuneration and Nomination Committee decides to open nominations for the election of a new Board of Directors at the next General Assembly.
2. The Remuneration and Nomination Committee shall carry out the duties of the announcements necessary to publish the decision to open the nomination period.
3. The Remuneration and Nomination Committee oversees the process of receiving nomination applications for membership of the Board of Directors.
4. The Remuneration and Nomination Committee reviews and examines nomination applications for membership of the Board of Directors (which include all documents stipulated in the policies and standards approved by the Board of Directors and approved by the Association).

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5. The Remuneration and Nomination Committee sends nomination applications to the Authority for regulatory approvals.
 6. The Remuneration and Nomination Committee of the General Assembly recommends that the members be elected in accordance with the approved policies and criteria, taking into account the abilities and qualifications of the nominated persons and taking into account not to nominate any person who has previously been convicted of a crime involving moral turpitude and dishonesty.
 7. Nominations shall continue for at least thirty days from the date of opening the nomination door, in order to allow candidates to apply for membership.
 8. If the quorum required by the candidates for membership of the Council is not available within thirty days, the nomination door shall be extended until the required quorum is completed, provided that this is published on the market's website.
 9. No application for candidacy for membership of the Board of Directors will be considered if it is submitted after the closing of the nomination door and the completion of the quorum.

Regulations of criteria and procedures specified for the membership of the Board of Directors

Version	The First	20/12/2017
Update	Second	01/06/2024
Auditing	Nomination and Remuneration Committee	24/06/2024
Approved By	General Assembly	24/12/2017
Approved By	General Assembly	21/08/2024



B) Election

1. The company's articles of association determine the number of members of the board of directors.
2. The General Assembly shall select the members of the Board of Directors from among the candidates, provided that sufficient information about the candidates is provided in advance of the meeting of the Assembly.
3. The number of independent members of the Board of Directors shall not be less than two members or one-third of the members of the Board of Directors, whichever is the most.
4. The cumulative voting method should be used when electing board members.


C) Reporting

1. After approving the results of the General Assembly elections, the Remuneration and Nomination Committee shall notify the elected members, and officially provide them with their terms of reference, duties, the value of your remuneration, and all the internal regulations in force in the company.
2. The Remuneration and Nomination Committee familiarizes the members of the new Board with the work of the Company, especially the financial, legal and administrative aspects, as well as training them if necessary.



14- Tasks and objectives of the Board of Directors

1. Developing the investments of the company's shareholders and continuing its growth in the long term, and working to emphasize the vital role played by the company in order to serve its shareholders, employees, and other individuals, and institutions that depend on it.
2. Follow up the performance of the company as well as the performance of the CEO and senior executives and provide constructive advice and guidance.
3. Approving strategic directions and evaluating their consequences.
4. Carrying out supervisory work that ensures the company's exercise of its activities within a legal, ethical and social framework.
5. Provide the necessary advice to the CEO and senior executives and evaluate their performance.
6. Review and approve the company's mission, basic financial strategies and strategies for its activities, objectives and policies.
7. Review the company's financial performance periodically, with a special focus on comparing the company with other companies and other competing companies, including the opinions of management, major investors and analysts.
8. Review, direct and approve the company's long-term strategy and plans, evaluate its strategic, financial and competitive performance, and compare it with the practices and policies of other companies and competitors.
9. Review, direct and approve estimated budgets and annual work plans.
10. Setting the desired goals of performance and monitoring the company's performance.
11. Supervise the company's financial structure, policies and financial practices.
12. Supervise disclosure controls and procedures and internal control over financial reports, including independent audits aimed at preparing complete, impartial, accurate and understandable reports on time.

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13. Ensure the existence of appropriate control systems to manage risks and adhere to the system and associated standards.
 14. Selecting and evaluating the company's officials, determining their financial compensation, and preparing a plan for the succession of senior management officials to assume their positions.
 15. Review and approve the salaries and remuneration of the company's president, CEO and other executive members for their services as executives or employees of the company.
 16. Review assessments of serious risks and matters that hinder the company and provide advice and guidance to management thereon, as well as review the available options to mitigate them.
 17. Ensure the establishment of methods and procedures to ensure the integrity of the company's actions, including its relations with its customers, suppliers and shareholders, and follow up on compliance with those methods.
 18. Review the results achieved by the management in light of the company's plans, annual goals and long-term objectives.
 19. Appointing committees affiliated to the Board of Directors and evaluating their performance.
 20. Develop a senior executive remuneration program in line with the long-term interests of the company and its shareholders.
 21. Ensure that the Board of Directors and its affiliated committees are informed in a timely manner and adequately informed of the Company's status and operations through reports and other methods.
 22. Ensure the effectiveness of the company's governance practices, measure and follow them up, and make changes when necessary.




23. Ensure that published reports provide an honest reflection of the Company's operating results and financial position.
24. Ensure that appropriate policies are in place to identify, identify, and address conflicts of interest in the company, as well as monitor any potential conflicts of interest from management, board members and shareholders, including misuse of the company's resources or misconduct in the transactions of interested parties.
25. Ensure that the written policy governing the relationship with stakeholders is developed and updated to provide the necessary protection for their rights, which should include the following:
 - A. Mechanisms to compensate stakeholders in case of violation of their rights guaranteed by the applicable regulations and agreements concluded in this regard.
 - B. Mechanisms for settling complaints or disputes that may arise between the company and any of its stakeholders.
 - C. Mechanisms to maintain good relations between the company and its customers and suppliers and protect the confidentiality of their information.
26. Establishing the rules of professional conduct for the company's executives and employees and regulating their relations with stakeholders, and the company's board of directors takes measures to follow up the implementation of these rules and comply with them.

15- Criteria for selecting independent directors

An independent board member must meet the following criteria, including but not limited to the following: -

1. The necessary experience, knowledge, skill and independence, to enable him to exercise his duties efficiently and competently, taking into account that he has independence, which depends on the member's relations with others, including the existing relations between the members themselves, which affect the objectivity of the member, and his loyalty to shareholders. Therefore, an independent member is a member who does not have those relationships that may conflict with the provisions he issues regarding the company's activity. A member is not considered independent if he fails to comply with the criteria for independence described below. Which must be in line with the standards set by the Authority and the framework of what an independent board member enjoys is determined in the following:
 - a) The member of the Board of Directors shall not own a large share in the company that makes him controlled by a "control share", or in any company of its group.
 - b) The member of the Board of Directors should not have held during the past two years in an executive position in the company, or in any company of its group.
 - c) The member of the Board of Directors shall not have any relationship of the fourth degree with any of the members of the Board of Directors of the Company, or any company of its group.
 - d) The member of the Board of Directors shall not have any fourth-degree kinship with any of the executive directors of the company, or in any company of its group.
 - e) Not to be a member of the Board of Directors in any of its groups.



f) The member of the Board of Directors shall not work or have worked during the past two years as an executive director or employee of any institution that is one of the parties associated with the company, or any company of its group, and the parties related for the purposes of this paragraph include chartered accountants, major suppliers, etc.... It is incompatible with the independence of the member that he has held a "controlling stake" over the past two years in any of the parties associated with the company.

2. The Board of Directors of the Company shall review the above-mentioned guidelines and change them if the Board deems it necessary. This may include making the changes required to follow the Commission's rules on independence. The Remuneration and Nomination Committee should ensure that the requirements for independence are met.

16- Conflict of Interest in the Board of Directors

The member of the Board of Directors is committed to abide by and apply the company's conflict of interest policy.

17- Change of responsibilities of the current position of a member of the Board of Directors

Each member of the Board of Directors shall notify the Remuneration and Nomination Committee in writing before being accepted for membership of the Board of Directors or any other position in another entity. He shall also provide such notice before or immediately after any significant change in his personal circumstances including change of position, or principal work duties. Non-staff members, except representatives of Board member companies, who have retired or changed positions when they became members of the Board of Directors shall leave the Board and, if this occurs, each Board member shall notify the Remuneration and Nomination Committee. The Committee assesses the appropriateness of the continued membership of the member concerned on the Board under new circumstances. That member is expected to abide by the decisions of the Governing Council following that evaluation.



18- Attending the meeting of the General Assembly of Shareholders

1. The Company shall make every effort to set an appropriate date for the Annual Meeting of Shareholders (General Assembly) so that the members of the Board of Directors can attend taking into account the schedules of the members.
2. The Company requires all members of the Board of Directors to attend the Annual Meeting of Shareholders (General Assemblies).


19- Induction Program for Board Members and Continuing Education

The company pays sufficient attention to the training and qualification of the members of the Board of Directors and the development of the necessary programs for this, including the preparation of newly appointed development and induction programs to introduce the company's workflow and activities, especially the following:

1. The company's strategy, objectives and directions.
2. Financial, accounting, operational and risk management aspects of the company's activities, internal and external auditors.
3. The obligations, duties, responsibilities, rights, business ethics, corporate governance guidelines and key officers of the company.
4. Tasks and terms of reference of the company's committees.

The necessary mechanisms are also put in place for each of the members of the Board of Directors to obtain training programs and courses whenever necessary in order to develop their skills and knowledge in areas related to the company's activities. All members of the Board of Directors shall obtain a copy of the following documents:

1. Articles of Association of the company.
2. The organizational structure of the company.
3. Corporate Governance Manual.

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4. Regulations of the Council and the sub-committees of the Council.
 5. List of financial and administrative powers of the Council, its committees and the executive management.
 6. The members of the company's board of directors shall make visits to the company's head office and branches to know its activities, and the company's CEO shall make the necessary arrangements to carry out such visits.


20- Legal accountability of the members of the Board of Directors

The members of the Board of Directors shall be jointly liable for the compensation of the company, the shareholders or third parties for the damage resulting from their mismanagement of the company's affairs or their violation of the provisions of this Law or the provisions of the Company's Articles of Incorporation and any condition to the contrary shall be deemed null and void. The responsibility lies with all members of the Board of Directors if the error arises from a unanimous decision, while the decisions issued by a majority of opinions are not held accountable to the opponents when they expressly prove their objection in the minutes of the meeting. The meeting in which the decision is issued as a reason for exemption from liability, unless it is proved that the absentee is not aware of the decision or is unable to object to it after becoming aware of it.



21- Evaluation of the members of the Board of Directors

1. The Board of Directors, based on the recommendation and proposal of the Remuneration and Nomination Committee, shall evaluate the performance of the Board in general and the members and committees emanating from the Board of Directors annually through performance-related indicators to achieve the company's strategic objectives, the quality of risk management, the adequacy of internal control systems, and others, provided that the strengths and weaknesses are identified and proposed to address them in accordance with the interest of the company.
2. The performance appraisal procedures shall be written and clear and the evaluation shall include all members of the Board of Directors.
3. Performance evaluation includes the skills and experience possessed by the Board and the identification of weaknesses and strengths in them, while working to address weaknesses in possible ways such as nominating consultants or appointing professional competencies that can develop the performance of the Council and the performance evaluation must also include an evaluation of the mechanisms of work in the Council in general.
4. The individual evaluation of the members of the Board of Directors includes the extent of their effective participation and commitment to the performance of duties and responsibilities, including attending the meetings of the Board and the committees emanating from the Board of Directors and allocating the necessary time for them.



5. The Board of Directors shall arrange for an evaluation of its performance every four years by a competent external body.

6. The non-executive members of the Board of Directors shall conduct a periodic evaluation of the performance of the Chairman of the Board after taking the views of the executive members without the Chairman of the Board attending the discussion designated for this purpose, provided that the strengths and weaknesses are identified and proposed to address them in accordance with the interest of the Company.

22- Final provisions

The provisions of these Bylaws shall be effective and shall be adhered to by the Company as of the date of its approval by the General Assembly of Shareholders and shall be published on the Company's website to enable shareholders, the public and stakeholders to view them. The contents of these Bylaws shall be amended as needed upon the recommendation of the Board of Directors, provided that any proposed amendment thereto shall be submitted to the General Assembly of Shareholders at the earliest meeting her to adopt it.