

## **Dividends Distribution Policy**

### **1. Introduction:**

The Board of Directors "the Board" of SHL Finance Company "the Company or SHL" realizes the importance of shareholders' confidence in the company by striving to achieve justice and balance when deciding on the distribution of Dividends, taking into account the available operational cashflow, financial resources, investment requirements, long-term growth strategies, and internal and external factors, in order to achieve the interests of the company, its sustainability, and the optimal return for shareholders and the rights of other stakeholders.

Based on the above, the Board has adopted a clear policy for distributing Dividends "the Policy" that can be distributed to shareholders and the procedures related to it in accordance with the company's bylaws and relevant laws and regulations.

### **2. Scope and Application:**

The annual distributable profits consist of the net income at the end of the fiscal year, minus all amounts set aside for the statutory reserve or other reserves allocated for specific purposes in the company's bylaws or that must be set aside for the reserves formed by the General Assembly, if any, as well as the retained earnings and distributable reserves formed from profits as well as those not allocated for specific purposes or for which the purpose for which they were formed is decided to be cancelled, with the exception of the nominal value difference clause, as it is not considered part of shareholders' rights when distributing cash dividends to shareholders.

This policy applies to all cash dividends and those issued in the form of bonus shares.

### **3. Objective:**

This policy aims to:

- 1) Ensure compliance with the relevant regulatory requirements,
- 2) Determine the general provisions for distributing annual or interim profits
- 3) Establish mechanisms to determine the amount, method and dates of Dividends distribution or recommend their distribution and announcement, and
- 4) Continue to achieve a balance between the interests of shareholders, the company and other stakeholders.

### **4. Share Classes:**

The laws and regulations issued by the relevant regulatory authorities allow companies to issue various classes of shares, whose entitlements to dividends differ from one class to another, as follows:

- 1) Ordinary shares: Ordinary capital shares issued by the company, which are the basic voting shares in General Shareholders' meetings, where each shareholder/investor has the right to participate in the election of the company's Board of Directors, and to receive equally the net profit distributions decided,

- 2) Preferred shares: Shares issued by the company that give their owners preferential rights over ordinary shares, and these shares do not give their owners the right to vote in General Shareholders' meetings.
- 3) Redeemable shares: Shares issued by the company that are redeemable based on the company's option and according to the terms and conditions of their redemption.

At present, the issued and paid-up capital of the company consists of only one class of shares, which are ordinary shares, which are subject to the provisions and procedures of this Policy.

#### **5. Types of Distributions:**

The relevant laws and regulations refer to two types of Dividends distributions, as follows:

- 1) Annual: where Dividends are paid only once in the fiscal year after the annual accounts are prepared and approved by the Board members, and the Board of Directors has the authority to recommend to the General Assembly to pay Dividends to the entitled shareholders at the time.
- 2) Interim: by paying Dividends in stages (quarterly/semi-annually) during the fiscal year, provided that the General Assembly authorizes the Board of Directors to do so, by virtue of a resolution issued annually.

#### **6. Regulatory controls:**

The company shall adhere to the following:

- 6.1 Set aside a percentage of the net profits to form a reserve and stop this setting aside when the said reserve reaches 30% of the paid-up capital or as decided by the Board of Directors and the Shareholders General Assembly,
- 6.2 Set aside an equal percentage of net profits to form an agreed reserve and allocate it for a specific purpose/purposes decided by the Shareholders General Assembly.
- 6.3 Obtain a letter from the Saudi Central Bank (SAMA) stating no objection before approving any distribution of Dividends or any other distributions or recommending or announcing it, provided that the distribution does not lead to a decrease in the level of capital adequacy and liquidity from the established levels and the total distributions in the fiscal year do not exceed the profits achieved during the previous fiscal year or the current year in the event of distributing interim Dividends.
- 6.4 Immediately and without delay, disclose to the Capital Market Authority and the public when deciding to distribute Dividends or recommend distributing annual or interim profits or not distributing them if the company is expected to distribute profits.

#### **7. Policy:**

The process of distributing Dividends is subject to the provisions of the Companies Law and its regulations and the regulatory controls and procedures issued in implementation of the Companies Law for listed joint stock companies, the listing rules, the Corporate Governance Regulations (updated), the circulars and principles of the Saudi Central Bank (SAMA) and the Finance Companies Control Law and its executive regulations, and its controls and provisions are determined by this policy in its amended forms from time to time, the most important of

which are the responsibilities of the related parties - each according to its jurisdiction - as follows:

**7.1 General Assembly:**

- (A) Decide on the proposed distribution of profits based on the recommendation of the Board of Directors, considering the suitability of the distributed amounts to the company's circumstances and not harming the interests of shareholders,
- (B) Authorize the Board of Directors to distribute interim profits to shareholders, provided that this authorization is renewed annually in accordance with the regulatory controls and procedures.

**7.2 Board of Directors:**

- (A) Implement the General Assembly's decision regarding the distribution of Dividends to registered/entitled shareholders within a period not exceeding (fifteen) days from the date of entitlement of those Dividends, which is specified by distributing annual or interim profits, as the case may be.
- (B) Include approval of the disbursement of Dividends (if any) in the Agenda of the General Assembly in a separate item for the Assembly to decide on,
- (C) Present the method of distributing profits in the annual report submitted to the General Assembly describing the company's Policy in distributing profits and the percentages of profits distributed to shareholders during the different periods of the fiscal year, in addition to the percentage of profits proposed to be distributed at the end of the fiscal year and the total of these profits for decision.

**7.3 Executive Management:**

- (A) Provide the Board of Directors with the financial information necessary to exercise its powers and duties regarding the method of distributing the company's net profits and submitting its proposals in this regard,
- (B) Prepare a statement of future cash flows and review the balances of the relevant accounts and prepare a report on the financial ratios that must be maintained to achieve the appropriate financial position of the company,
- (C) Present the regulatory considerations or restrictions imposed on the company, if any.
- (D) Implement all decisions regarding the process of distributing profits.

**8. Influencing factors:**

The Board of Directors considers the most important external and internal influencing factors as well as the company's financial standards in order to take them into account when determining the nature and amount of the proposed profits to be distributed to shareholders, including:

**8.1 External factors:**

- The laws and their executive regulations and the rules governing Dividends and updates thereof from time to time,
- The adequacy of capital and the required liquidity determined from time to time,
- The conditions of the sector in which the company operates and the general economic situation

- The cost of external financing and inflation rates.

## **8.2 Internal factors and financial criteria:**

- Profit growth, specifically profits achieved during the fiscal year compared to previous years and internal budgets
- The company's cash flow, liquidity position, accumulated reserves and stability of annual profits
- Future cash requirements for growth/expansion or acquisitions
- Current and future financial leverage, and contingent liabilities in exceptional circumstances, and capital expenditures
- Any other factors that the Board of Directors deems appropriate.

## **9. Procedures:**

### **9.1 Amount:**

The amount of the proposed Dividends to be distributed shall be determined by the recommendation of the Board of Directors when the initial distribution of the company's net profits for the past fiscal year or quarterly/semi-annually is approved, provided that the General Assembly decides to disburse the proposed Dividends, and the entitlement to Dividends, whether cash Dividends or issued free shares, shall be for shareholders registered in the company's records at the end of (trading) on the due date, which is the day following the General Assembly meeting, and the subject of Dividends distribution shall be an independent item on the Agenda of the General Assembly.

### **9.2 Reporting:**

The Saudi Central Bank (SAMA) shall be officially notified of the proposed/recommended profit distributions before their approval in order to obtain a no-objection and proceed with the proposal, while confirming to SAMA that the required conditions have been met before approving the Dividends distributions.

### **9.3 Announcement:**

Dividends distributions shall be announced and published in the following cases:

- 1) Distribution approval: Shareholders shall be notified of the recommended or approved cash Dividends distribution procedures by publishing and announcing them on the Saudi Stock Exchange (Tadawul) website and the company's website, and the Capital Market Authority and SAMA shall be provided with a copy thereof upon its issuance, using the form specified in the instructions for corporate announcements related to cash profits.
- 2) Non-approval of distribution: Shareholders shall be notified of the decision not to distribute cash Dividends (for the relevant distribution period) by publishing and announcing it on the website of the Saudi Stock Exchange (Tadawul) and the company's website, and providing the Capital Market Authority with a copy of it immediately upon its issuance, using the form designated in the instructions for corporate announcements related to cash profits.

### **9.4 Implementation:**

The Board of Directors shall implement the General Assembly's decision regarding the distribution of Dividends to registered shareholders within 15 days from the due date of these profits specified in the General Assembly's decision to distribute annual Dividends or the Board of Directors' decision to distribute interim Dividends.

#### **9.5 Entitlement:**

Dividends distribution entitlements shall be according to the following cases:

- 1) Cash distribution: The entitlement shall be for shareholders registered in the shareholders' register holding shares at the end of trading on the day following the General Assembly's meeting or the Board of Directors' decision - as the case may be - and registered in the company's shareholders' register at the Depository Center.
- 2) Distribution by issuing shares: to shareholders registered in the shareholders' register at the end of the day of the Extraordinary General Assembly meeting to approve the increase in the company's capital and the issuance of new shares representing it

#### **10. Periodic review:**

This Policy shall be reviewed and updated and shall be subject to amendment and updating at any time, if necessary, in the following cases:

- Any material changes in the company's strategy and business
- Any change in the regulations, legislation and controls governing the sector in which the company operates
- When the Board of Directors requests it to ensure that it is in line with and meets the requirements of all stakeholders.

However, the amended regulatory requirements shall replace the current policy and shall be implemented immediately, until the Policy document is appropriately amended and approved by the Board of Directors.

#### **11. Disclosure:**

This Policy shall be disclosed by uploading it to the company's website for public review and display it in the annual report or its web link.

#### **12. Effectiveness:**

This Policy has been approved by the Board of Directors on the date shown below and shall come into effect as of this date and shall replace any previous policy in this regard.