



The National Agricultural Development Company

# Conflicts of Interest Policy

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## **1. Introduction**

### **1.1 Purpose of the Policy**

This policy sets the controls and provisions that apply to conflicts of interest cases and the mechanism of disclosure by members of the Board and its committees, the executive management and employees in dealing with the Company or with other stakeholders, as well as addressing cases of conflict that may occur when dealing with suppliers and contractors (owners, and their executive managers) to avoid all forms of conflict that could affect the decision-making, preserving the rights and interests of the Company, and maintaining a sound work environment that achieves the highest levels of transparency and integrity, in accordance with the requirements of Company Law, Company's Bylaw and the Corporate Governance Regulations issued by the Authority and other applicable laws and regulations, in addition to the principles and best practices of corporate governance.

### **1.2 Scope of Implementation**

Notwithstanding the applicable laws and regulations in force in the Kingdom of Saudi Arabia, the Company's Bylaw, internal policies, this policy shall be complementary thereto, read and interpreted therewith without replacing them. In particular, this policy shall apply to:

- 1.2.1 Members of the Company's Board or any of its affiliates and their relatives.
- 1.2.2 Members of the Company's Board Committees or any of its affiliates and their relatives.
- 1.2.3 Executive Management of the Company or any of its affiliates and their relatives.
- 1.2.4 Nominees for the Board membership.
- 1.2.5 All company's employees.
- 1.2.6 Anyone representing the Company before third parties.
- 1.2.7 Contractors, suppliers, vendors and subcontractors dealing with the Company.
- 1.2.8 Independent External Auditors.

## **2. Roles and Responsibilities**

- 2.1 The Board is responsible for preparing and reviewing this policy and ensuring that the Board members are aware of it, by regulating the disclosures of each of its members and members of the Executive Management, taking into account the following:
  - 2.1.1 Developing a special register for the disclosures of the Board and executive management, and update it periodically to the extent required by the Companies Law, Authority Law and their Implementing Regulations.
  - 2.1.2 Giving the shareholders the opportunity to access such register free of charge.
- 2.2 The Board Secretary is responsible for supporting and assisting the Board to issue and update this policy, in addition to following up on the disclosure of members of the Board and the Executive Management, its organization, setting up a special record for it, and updating it periodically.
- 2.3 The related parties shall disclose, sign and update the disclosure form, if any, when there are any developments that require re-disclosure and signature.
- 2.4 The Procurement Department shall implement this policy in terms of vendors and contractors with considering:

- 2.4.1 Preparing a disclosure form for suppliers, contractors, vendors and subcontractors and taking their signatures on an annual basis, notifying them of the need to update the information listed in the disclosure form when any developments occur, and ensuring that all suppliers, contractors, vendors and subcontractors abide by it upon qualification or during project implementation until its completion.
- 2.4.2 Ensuring that there is no conflict of interest with suppliers, contractors, vendors or subcontractors.
- 2.4.3 Creating a database of conflicts of interest cases for suppliers, contractors, vendors and subcontractors upon registration or qualification, and updating it periodically.
- 2.4.4 Following up with cases of conflicts of interest with respect to suppliers, contractors, vendors and subcontractors, and apply what is stated herein.
- 2.5 The Human Resources Department shall be responsible for updating the conflicts of interest disclosure form automatically on an annual basis for all executive managers and employees and contractual staff, whether full-time or part-time, and is responsible for applying what is stated in this policy to them, ensuring that there is no conflicts of interest and taking their signature on it when signing the contract for the first time and upon renewal.
- 2.6 The Governance Department shall be responsible for studying the cases of conflicts of interest referred to them against the employees, supplier, contractors or sub-contractors and vendors who have violated this policy, and proposing appropriate penalties to these stakeholders.
- 2.7 The Internal Audit Department shall be responsible for studying the internal control system and issuing written reports that include recommendations based on the audit activities relating to any conflicts of interest cases among the Board members, its committees and Executive Management.

### **3. Policy Statement**

#### **3.1 Preamble:**

Members of the Board, its committees, executive management, company's employees and other stakeholders are expected to work and dedicate their efforts for the Company's interests in accordance with its mission, and shall avoid any outside activities that intervene or appear to intervene with such responsibilities. They shall disclose all conflicts of interest cases and must avoid all situations that may disparage or seems to disparage the credibility, interests and the reputation of the Company for their personal or financial interests or their affiliation to external entities.

#### **3.2 Dealing with Conflicts of Interest cases and Related Party Deals:**

Notwithstanding the provisions of the Companies Law and its implementing regulations, cases of conflicts of interest and related party deals or transactions shall be governed by this policy and all regulations in force in the Kingdom of Saudi Arabia.

#### **3.3 Disclosure of a candidate for membership in the Company's Board about conflicts of interest:**

Anyone wishes to be nominated for membership of the Board shall disclose to the Board and the General Assembly any cases of conflicts of interest - in accordance with the procedures established by the Authority - including:

- 3.3.1 Having a direct or indirect interest in the business and contracts made for the benefit of the Company.

3.3.2 Engagement in a business that would compete with the Company or one of its activities.

3.4 Competing with the Company:

If a member of the Board or a Board's committee wishes to participate in an activity that competes with the Company, or competes with one of the Company's activities, the member shall:

3.4.1 Disclose to the Board the competing activities that the member wishes to undertake and prove the disclosure in the Board minutes of meeting.

3.4.2 The said member cannot participate in the decision making related to this matter in the Board and General Assembly.

3.4.3 The Board shall inform the Ordinary General Assembly, once convened, of the competing businesses that the Board members is engaged in or a member of one of its committees, is engaged in, after the Board assesses the board/committee member's competition with the company's business or if the member is in competition with one of the branch activities that it conducts, in accordance with the standards approved by the General Assembly, provided that such businesses are assessed on annual basis.

3.4.4 Obtaining an authorization from the Company's Ordinary General Assembly or the Board, if such authority be delegated by the Ordinary general assembly allowing the Board member to practice the competing activities.

3.4.5 Obtaining an authorization from the Board allowing the committee's member (who is not a Board member) to engage in competing activities.

3.5 Determining Conflicts of Interest Cases:

Conflicts of interest cases include but not limited to:

3.5.1 The existence of a possible interest for the Board members' in some of the decisions which gets voted by the Board and the General Assembly.

3.5.2 The existence of a possible interest for the discloser in cases that are disclosed in the Company's operations and contracts.

3.5.3 In the evaluation of the Members' rewards and bonuses.

3.5.4 Accepting gifts from any party that has a relationship with the Company.

3.5.5 The conflicts of interest of the duties of a member of two competing companies.

3.5.6 The existence of a possible interest in the activities of the executives, employees in the Company.

3.5.7 Recruitment or the transfer for relatives and the direct connection between the employer and employee.

3.6 Policy stakeholders are committed to provide the Company for the annual disclosure or the occurrence of updates for conflicts of interest as required by the established processes and in all needed cases. Policy stakeholders are:

**3.6.1 Members of the Board and its Committees:**

- 3.6.1.1 Members of the Board and its Committees shall practice their tasks with honesty and integrity, set the Company's interests above their personal interest, and shall not exploit their position to achieve personal interests
- 3.6.1.2 Members of the Board or its Committees may not have a direct or indirect interest in the business or contracts made for the benefit of the Company, unless after obtaining a consent from the General Assembly, renewable each year.
- 3.6.1.3 Members of the Board shall avoid cases of conflicts of interest, and inform the Board of cases that may affect its impartiality when considering the issues presented to the Board. The Board may not engage such member in deliberations and exclude their vote from issues discussed in the Board and Shareholders Assemblies.
- 3.6.1.4 All members of the Board and its committees shall inform the Board immediately and to disclose in writing about personal interest what the member has in the Company's activities and contracts and get that information recorded in the minutes of meeting. An interested member may not vote on the resolution issued in this regard in the General Assembly, the committee or the board meetings. The Board shall notify the General Assembly of any business and contracts in which a member has a personal interest, and a special report will be attached to this notification from the external auditor.
- 3.6.1.5 Members of the Board and its Committees shall disclose their direct or indirect interests and their relatives and acknowledge this by signing the disclosure form.
- 3.6.1.6 A member of the Board or its committee is prohibited from voting on the resolution of the Board, the committee or the General Assembly in the business and contracts that are made for the Company's interests if the member has a direct or indirect interest in them.
- 3.6.1.7 A member of the Board is prohibited from exploiting or benefiting, directly or indirectly, from any of the Company's assets, information, or investment opportunities offered to the member of the Board, or offered to the Company, or that falls within the Company's activities, or that the Company wishes to benefit from. Such prohibition applies to a Board member who resigns in order to exploit investment opportunities - directly or indirectly - that the Company wishes to benefit from and which the member knew about during their membership in the Board.
- 3.6.1.8 A Board member is prohibited to:
- A- Obtain a cash loan of any kind from the Company or a loan guaranteed by the Company with third party.
  - B- Accept any proxies on behalf of the shareholders to attend the shareholders' General Assemblies.
  - C- Employing first degree relatives in executive or senior positions during the membership period.
  - D- Disclose the Company's secrets except in Ordinary General Assemblies. Exploit any information which comes to their knowledge to achieve an

interest for themselves, one of their relatives or others. Failure to abide by that, they shall be dismissed and pay the compensation.

### **3.6.2 External Auditors:**

The external auditors shall:

- A- Be independent,
- B- Avoid conflicts of Interest,
- C- Not engage in any competing business;
- D- Commit to the confidentiality of information; abide by the applicable laws, regulations, rules and standards.

In the event of any situation that conflicts with the above, it must be disclosed and addressed in accordance with the applicable regulations to ensure the protection of the Company's interests

### **3.6.3 Executive Management:**

The Company's executive management shall disclose all information that may lead to conflicts of interest, including but not limited to:

- 3.6.3.1 Any interest in an investment or ownership in a business or facility that provides any services to the Company, obtains interest from the Company, or seeks to perform a service with the Company.
- 3.6.3.2 Any business or other facility or customer in a position to benefit from any actions taken by them.
- 3.6.3.3 Full details of any contract or arrangement affecting the Company's business in which an executive or their any relative has a material interest.
- 3.6.3.4 All executives shall disclose any positions they acquire outside the Company and also any interest that connects them or their relatives with commercial companies or organizations or any party that deals or will deal with the Company.
- 3.6.3.5 The Executive Management shall avoid the cases that cause conflicts of interest with the Company's interests and deal with it according to the Companies Law, its Implementing Regulations and this Policy.
- 3.6.3.6 The Executive Management shall constantly disclose the cases that causes conflicts of interest or disclose promptly if such a conflict has actually occurred.
- 3.6.3.7 The Executive Management shall refrain from participating in decisions when there is an existence of conflicts of interest.
- 3.6.3.8 The Executive Management may not have a direct or indirect interest in the business or contracts made for the benefit of the Company, unless after obtaining a consent from the Board.

### **3.6.4 Employees:**

- 3.6.4.1 Refrain from entering directly or indirectly in any commercial activity that leads to their personal interest conflict with the Company's interests.

- 3.6.4.2 Avoid the cases that leads to conflicts of interest between the Employees and the Company or the interests of parties that are related to the Company in case they are delegated to sign agreements and contracts with other parties on behalf of the Company.
- 3.6.4.3 All executives shall disclose any positions they acquire outside the Company and also any interest that connects them or their relatives with commercial companies or organizations or any party that deals with the Company.
- 3.6.4.4 The Company Employees shall constantly disclose the cases that causes conflicts of interest or disclose promptly if such a conflict has actually occurred.
- 3.6.4.5 The Company Employees shall refrain from participating in decisions when there is an existence of conflicts of interest.
- 3.6.4.6 The Company Employees may not have a direct or indirect interest in the business or contracts made for the benefit of the Company, unless after obtaining a prior consent from the CEO.
- 3.6.4.7 The Company Employees shall avoid any deals that leads to the conflicts of interest with vendors, contractors, sub-contractors, suppliers, investors, or any other individual, company or organization that deals with the Company or tries to deal with the Company.
- 3.6.4.8 All employees or contractors shall report any detected conflicts of interest.

### **3.6.5 Contractors, suppliers, vendors and subcontractors:**

The Company appreciates the important role that all suppliers, vendors, contractors and subcontractors play for the Company's activities to succeed and achieve its goals. Furthermore, the Company wants to ensure that all of them are committed with the regulations, Code of Conduct Policy and ethics of the supplier in addition to the other Procurement policies. Such obligations shall be included in contracts entered into with suppliers, vendors, contractors and subcontractors. The Procurement Department shall oblige suppliers and contractors to:

- 3.6.5.1 Sign the disclosure form upon qualification, and the need to update the information listed in the disclosure form when there are any developments that require re-disclosure to the owners or executive managers in such facilities to avoid consequences, except for the sites chosen by the Company in accordance with the controls specified in that.
- 3.6.5.2 Disclose any kinship between any of the suppliers and contractors with one of the Board members, member of its committees, Executive Management, employees or contractors.

## **4. Competing Works**

- 4.1 Members of the Board, committees or the Executive Management shall disclose any contract or deals with the Company or engagement in an activity that competes with the Company or one of its domains and areas. This shall include any activity that competes with the Company or one of its activities, including but not limited to:

- 4.1.1 Establishing a company or an individual organization or acquiring a dominant percentage of stocks or shares in another company or entity that practices the same kind of business and activities or its group.
  - 4.1.2 Accepting membership in the Board of a company, or an entity competing with the Company or its group, or assuming the management of a competing sole proprietorship or a competing company of any form.
  - 4.1.3 Establishing a commercial agency or entity either publicly known or discreet that competes the Company or any entity within its Group.
- 4.2 In the event of new employment, the Human Resource department shall notify the candidates that the Company's employees are prohibited from engaging in any business outside the Company which is consistent with the nature of the Company's business. It is also prohibited to engage in any other business except after the Company's approval, and therefore the candidate's signature on such pledge must be taken upon concluding the employment contract, an affidavit according to which the member is committed to not engaging in any of the above-described business and to disclose any commercial activity before joining the Company. In the event of any commercial activity that belongs to the new employee, that is consistent with the nature of the Company's business, the signature of the candidate is taken on an undertaking whereby the member commits to cancel the commercial registry within a specific period of time not exceeding two months from the date of appointment – and this commitment is included in the contract between the two parties.

## **5. Confidentiality of Information**

- 5.1 A member of the Board shall maintain the confidentiality of the information related to the Company and its activities and not disclose it to any person. The member may not disclose, other than in the General Assemblies, the Company's secrets that came to their knowledge, and they may not use what they know - by virtue of their membership - to achieve an interest for their, one of their relatives, or a third party, otherwise the member shall be dismissed and responsible for compensation
- 5.2 The Executive Management, employees and anyone dealing with the Company shall refrain from disclosing non-public or confidential information or using any of such information to achieve personal interests and/or for their relatives or a third party.

## **6. Acceptance and Offering of Gifts**

All employees and workers shall abide by what is stated in the code of conduct and the applicable regulations in force in the Kingdom of Saudi Arabia.

## **7. Trading Prohibition**

Board members, all committee members and Executive Management or any of their associates (as defined in the CMA's rules) are prohibited to deal in any securities for the Company during the following periods:

- 7.1 Within (15) calendar days preceding the end of the fiscal quarter until the date of disclosing the Company's interim audited financial statements.
- 7.2 Within (30) calendar days preceding the end of the fiscal year until the date of disclosing the Company's annual financial statements (or fourth quarter, if the company discloses it).

## 8. Disclosure follow-up mechanism and reviewing conflict of interest cases

### 8.1 With regard to the Board members and its Committees:

8.1.1 Members of the Board and its Committees shall sign the disclosure form given to them by the Board Secretary and to disclose on a timely basis when the situation arises or when there are any developments that require re-disclosure.

8.1.2 The internal audit department shall review cases of conflicts of interest, with the need to provide the Audit Committee with the cases it deems appropriate and to submit its recommendations to the Board or the General Assembly.

### 8.2 With regards to contractors, suppliers, vendors and subcontractors:

8.2.1 The Procurement Department shall oblige suppliers and contractors to sign the disclosure form upon qualification, and request an update of the information listed in the disclosure form when there are developments that require re-disclosure.

8.2.2 The Procurement Department shall submit all cases of conflicts of interest found in relation to suppliers to the Compliance Department and provide them with all documents it deems necessary to review the case.

8.2.3 The Compliance Department shall review the cases of conflicts of interest submitted to it by the Procurement Department in relation to vendors, suppliers, contractors and subcontractors, and take the necessary measures in accordance with the law, regulations, policies and procedures approved in this regard, and submit its recommendations to the CEO to approve the proposed recommendations.

### 8.3 With regard to the executive management and employees:

8.3.1 The Human Resources Department shall provide the Procurement Department with National Identification Numbers (IDs) of executives, employees, contractual staff and their relatives with the disclosure data provided by them according to the specific degree of kinship that includes the main data, including the IDs.

8.3.2 The Procurement Department shall check the ID and ensure that there are no cases of conflicts of interest.

8.3.3 If there is any conflicts of interest cases, the Compliance Department shall review the cases of conflicts of interest submitted to it by the Procurement Department in relation to the executive management and employees and take the necessary measures in accordance with the law, regulations, policies and procedures approved in this regard, and submit its recommendations to the CEO to approve the proposed recommendations.

## 9. Penalties and Violations imposed in case of non-disclosure

### 9.1 With regard to the Board members, its Committees and the Executive Management:

In the event that it is proven that any member of the Board or its Committees or the Executive Management has violated their responsibilities and obligations contained herein and committed inappropriate behavior, the Board shall refer it to the General Assembly and dismiss the member, without prejudice to the Company's right to seek compensation for the suffered damages.

### 9.2 With regard to contractors, suppliers, vendors and subcontractors:

When the supplier, contractor or vendor submits incorrect information in the disclosure form, the following shall be done:

- 9.2.1 A financial fine shall be imposed on the supplier or contractor equal to (5%) of the value of the contracts concluded with them "not subject to the penalty ceiling specified in the contract" even if there is no conflicts of interest. (Note): These fines might not be enforceable unless they are clearly stated in contracts with contractors and suppliers.
- 9.2.2 If it turns out that the conflicts of interest is not related to all the procedures that took place on the project during the bidding, awarding or execution, the fine referred to in the previous paragraph No. (10,2,1) shall be sufficient.
- 9.2.3 If it turns out that the conflicts of interest is related to the procedures that were carried out on the project at any of its stages (bidding - awarding - execution), the following shall be done:
  - 9.2.3.1 Suspending dealing with the supplier or contractor directly and permanently, and in the event of a need for the project, the Procurement Department provides the appropriate alternative in coordination with the competent technical authority.
  - 9.2.3.2 The Procurement Department shall refer the matter to the Legal Department to take the appropriate legal and regulatory measures against the supplier or contractor.
- 9.3 With regard to employees:
  - 9.3.1 In the event of non-compliance with what was included in the declaration, disclosure and pledge, the Company has the right to take the legal action in this regard, and the penalty may reach the termination of the contract. If the nominee was practicing another activity that do not conform the nature of the Company's activity, the Company may oblige them to cancel the commercial register as an employment condition. In this case, the above-mentioned mechanism is followed.
  - 9.3.2 In case of providing false data or delay in updating the disclosure form based on developments and changes that may occur, the following shall be taken:
    - 9.3.2.1 Referring the issue to the Legal Department to conduct the necessary investigation with the employee or the contractor and to ensure that the member is not exploiting their position for personal benefits (material or moral) and to raise the necessary recommendations to the stakeholder.
    - 9.3.2.2 The prescribed penalties shall apply according to the recommendations received from the Legal Department in accordance with what is stipulated in the violations schedule attached to the work organization regulation approved by the Company.

## 10. General Provisions

- 10.1 Relevant stakeholders shall abide by what is stated in this policy and strictly implement the instructions contained therein in order to achieve the principle of transparency and disclosure.
- 10.2 The Nomination and Remuneration Committee shall ensure, on an annual basis, the independency of the Board members, and the absence of a conflicts of interest if the member is a member of another company.

- 10.3 In the event of non-compliance with this policy, the Company has the right to apply the penalties and punishments established in accordance with the Company's rules and policies.
- 10.4 This policy shall apply without conflicting with the relevant government laws and rules.
- 10.5 Suppliers and contractors shall disclose their relatives when they are registered as qualified suppliers.
- 10.6 It is sufficient to disclose the name of the owner registered in the commercial register in the individual institutions and training centers authorized in the name of an individual.
- 10.7 Owners shall be listed in the shareholders' registers of closed joint stock companies. The owners of shares traded in the stock market for public joint stock companies, the articles of incorporation and the partners' resolution related to it are not considered for other types of companies.
- 10.8 All company contracts with stakeholders shall include a provision obligating them to disclose conflicts of interest according to the Company's policy and at all times during the contract term.
- 10.9 In the event that the contractor or supplier fails to disclose within thirty (30) days of the event, the Company has the right to terminate the contract and charge the contractor or supplier all costs and fines resulting from that, provided that this should be included in the contracts concluded with them.
- 10.10 The Company shall avoid the employment of employees who are related to perform related or complementary functions or tasks that may compromise the internal monitoring and control.
- 10.11 The Board shall inform the Authority and the public about the Company's contracts or dealings with a related party in accordance with the Companies Law, the Authority's regulations and the Disclosure Policy.