

**The Statute of the Saudi Telecommunication Company;  
A Saudi Joint Stock Company**

**Issued by the Royal Decree NO M/35 on 24/12/1418 H(1),  
Based on the Council of Ministers' Resolution No 213 on 23/12/1418H(2),  
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**Chapter one  
Company Foundation**

**Article 1**

According to this Law, a Saudi Joint Stock Company shall be established and called Saudi Telecommunication Company and shall have an artificial personality, and independent financial liability, referred to herein as (Company).

**Article 2**

The Company's main center shall exist in Riyadh city in Kingdom of Saudi Arabia it may establish branches or offices or other agencies inside or outside the Kingdom if necessary.

**Article 3**

The Company purpose is to provide communications throughout, from and to the Kingdom, at rates paid by beneficiaries of its service. Besides, it shall contribute to the employment of the national labor force. and to provide capabilities and facilities for qualification, research and development to train and qualify human national cadre subject to determinants and terms specified by any concession or license granted by the government of the Kingdom and provisions of other effective laws. Moreover, it may be entitled to practice all works and responsibilities supporting the realization of the purpose thereof, including and not limited to the following:-

- a) Establishment, management, operating and maintenance of fixed and mobile telecommunication networks and systems.
- b) Connection and provision of different telecommunication services to subscribers, and maintenance and management thereof.
- c) Development of plans necessary to develop, execute and provide telecommunication services in the Kingdom from all technical, financial and administrative assets, and preparation and execution of training plans in telecommunication field, and provision or acquisition of consultative services related directly or indirectly to its functions and aspects of activities.
- d) Expansion of telecommunication systems and networks and development by using the most advanced systems and equipments acquired by the state of the art technology, specially in the field of providing services management.
- e) Providing information, technology, and approved systems for customers. Such include

preparing, printing and distributing telephone and commercial directories, publications, information, data. Besides, providing necessary communication media needed to provide internet services without conflict with the Council of Ministers decision No. 163 on 23/10/1418H. And general computer services and others related to communication activities or services rendered by the company, whether for information, commercial publicity or any other purposes which the company finds suitable.

f) Buying, possessing, leasing, manufacturing, marketing, selling developing and maintaining systems and equipment and components of different fixed and mobile communication networks, and computer programs and other intellectual properties. Furthermore, it may establish other companies and become partner in other companies, establishments or organizations, whether Saudi or foreign, which practice similar activities complementary to the, functions or may help it to realize its purpose, or the same may buy such companies wholly or partially.

Period of company is fifty years starting from the date of Royal decree.

#### **Article 4**

Issue licensing its establishment such period or may be extended to a similar period or longer period or shorter issued by Extraordinary General Assembly before the end of the said period.

#### **Article 5**

The Company shall practice its activities on a commercial basis with intension of profit in pursuance to the functions of the private companies.

### **Chapter two Capital and Shares**

#### **Article 6**

Company Capital shall be (12) twelve thousand million riyals divided to 240 million shares equal in value. The nominal value of each share shall be fifty riyals, all in kind shares' completely underwritten by the Saudi Arabian Government. The Extraordinary General Assembly shall verify the capital value before underwriting and settle arising problems to guarantee the performance of capital.

#### **Article 7**

The Council of Ministers shall decide after the company passes two successive budgets to put to contribution part of the company's' shares based on the executive program as has been provided in (fifthly) of the Ministerial decision No. (60) on 1/4/1418 H. and in the light of what has been decided in this respect. The Council of Ministers shall issue necessary rules and procedures for underwriting and the percentage of stocks put to contribution, and special provisions for stockholders Board of Directors and Extraordinary and Ordinary General Assembly requirements amendment provisions hereof.

#### **Article 8**

Performance of the share shall be on a date fixed by the Board of Directors. And the stockholder shall be responsible in front of the company for the performance of the value. If stockholder did not perform payment of the balance of stock value on the fixed date, the company may sell, after warning him with a registered letter at his address scribed in stockholders register book, the stock in an open auction. However, the stockholder, who deferred payment of the balance value of the share till the fixed day for auction, can pay amount due plus charges incurred by the company. The company shall recover from the proceeds of the sale, the amounts due and return the outstanding to stockholder, and if the proceeds of the sale didn't perform the value then the company may take the balance from all stockholder funds, and the company has to cancel the sold stock and give the buyer a new stock with the number of the cancelled stock and sign in stockholder's registration.

#### **Article 9**

All the company stocks shall be nominal and ordinary and the company may issue preferred stocks transferable to ordinary or recoverable.

#### **Article 10**

Company may issue stock with value higher than its nominal value, provided that the value difference shall be added to the legal reserve even if it is at its maximum.

#### **Article 11**

The Stock shall be indivisible in meeting the company's liabilities and if the stock was held by several people, they shall elect one of them to represent them in using rights of the sock and all shall be jointly responsible for liabilities arising from their holding the stock.

#### **Article 12**

Stocks shall be negotiable after issue of their certificate and nominal stocks shall be negotiated after registering in stockholders registration including their names, nationalities, professions, places of residence and addresses, stock number and the paid quantity, and such record shall be marked on shares, and transferring of stock ownership in meeting company's liabilities till the date of recording in the mentioned register, or completing of ownership transference procedures by he computerized information's system of stocks.

Registering and possession of stock and stocks contribution indicate acceptance of stockholder of the company's system and his abiding by the decisions issued from stockholders associations according to the provision of this law, whether he is present or absent and whether he agrees to such decisions or objects.

#### **Article 13**

The Company shall issue stock certificates with serial numbers and gets them signed by the chairman of the Board of Directors or a member delegated by him and stamped by the Company seal. The stock shall include, in particular, the number and date of the Royal Decree issued to license and establishes the company. And the number and date of the ministerial decision issued to announce its establishment, capital value, number of stocks distributed and nominal value of stock, the paid amount and company purpose in brief, its

main office and period. The stocks may have coupons with serial numbers inclusive of number of stock attached to it.

#### **Article 14**

Company's Capital may be increased by a decision from Extraordinary General Assembly on condition that the original company capital is paid and the decision shall determine the method of increasing the capital, and subject to the provisions of article (8) of this law, stockholders has priority of underwriting the new cash shares, and such shall be notified of their priority by publication in a daily newspaper about capital increasing decision and underwriting term provisions, and they shall show their wish to underwriting within (15) days from publication date.

Such shares shall be distributed to principal stockholders who wish to contribute in proportional principal shares they are holding provided that what they obtain shall not exceed what they hold, provided that this shall not exceed what they asked for from new shares and the balance shall be put to general contribution.

#### **Article 15**

New shares issued on capital increase may be in kind or cash, and if it happened to be in kind, then the Board of Directors shall take the actions stipulated in company's Law to verify the accuracy of assessment of such.

#### **Article 16**

Company capital may be decreased by a decision of Extraordinary General Assembly based on a proposal of Board of Directors and the decision defines the amount of method of decrease.

### **Chapter three Board of Directors**

#### **Article 17**

The Company is managed by a Board of Directors comprised of nine members nominated by the Ordinary General Assembly for a period of three years. Also, the General Assembly determines their remunerations and such remuneration may be a fixed salary or attendance allowance for sessions, in addition to the specialized percentages of profits in accordance with article (46) of this law, and may be permissible to combine two or more of such privileges. In exception, the first Board of Directors shall be formed for a period of five years, and the nomination of the chairman shall be by a decision issued by Council of Ministers based on a proposal of Post, Telegraph and Telephone Minister.

#### **Article 18**

Board of Directors shall appoint from its members a vice-chairman and may appoint a full-time managing director. A general secretary shall be appointed to take minutes of sessions.

#### **Article 19**

The chairman of Board of Directors or his representative shall with the approval of company's board of directors, represent the company before judiciary, sign contracts, agreements, receipts and all matters and procedures in which the company is a party.

#### **Article 20**

Board of Directors managing director or the company's chief executive officer [in the absence of the managing director] shall execute the board of directors' decisions and perform the daily work of the company and head employees under supervision and control of Board of Directors.

#### **Article 21**

Board of Directors shall determine remunerations and salaries of the managing director or any other, in kind privileges in addition to the remuneration specified for Board members.

#### **Article 22**

Member of Board of Directors shall be a holder or representative of a juridical person holding a number of company stocks with nominal value not less than ten thousand Saudi riyals and such shares shall be deposited in one of the local banks within thirty days of appointment date, and such shares shall be allocated to guarantee the responsibility of the member and remain un-negotiable till the elapse of the period for hearing claim of responsibility mentioned in article (76) of the Companies law or till this claim is settled. If the member of Board of Directors didn't present shares of guarantee on the fixed date, his membership shall be annulated and the accounts controller make sure of observation of such provisions and include in his report to General Assembly any violations in this respect. The provisions mentioned herein shall not be applicable to members of the board of director appointed by the Council of Minister's.

#### **Article 23**

Board of Directors shall determinate responsibilities of Board chairman and managing director where not stipulated herein.

#### **Article 24**

If a board member's seat becomes vacant, the Board of Directors may appoint a temporary member to fill in. Then it shall submit such appointment to the Ordinary General Assembly at its first meetings, and the new member shall complete his predecessor's period, but if number of Board members shall be reduced to five then the Ordinary Assembly shall be invited to meeting as soon as possible to elect the necessary number of members.

#### **Article 25**

Board of Directors shall meet at the main center of the company by an invitation from its chairman, and the same shall invite the board to meet whenever requested by two of the members in writing, and if circumstances ruled, the Board may meet outdoors of the company's main center, and the Board's meeting shall not be legal unless attended by five members at least.

#### **Article 26**

Board decisions shall be issued by the majority of attending members votes and when votes are even, the vote of the chairman shall outweigh. Board negotiations and decisions shall be recorded in minutes signed by the chairman and secretary and registered in a special registration book. The Board may not issue decisions by submitting them to members individually unless in cases of necessity, and in this case, the approval of all members of the board shall be obtained in writing and such decisions shall be submitted to commit them to the minutes of the meeting.

#### **Article 27**

With full consideration of General Association constant competences , Board of Directors has the widest power and authorities in company management, running work up, and planning its general policy to realize its establishment purpose and that in accordance with the rules of Companies Law.

### **Chapter Four General Assembly**

#### **Article 28**

The General Assembly rightfully formed shall represent all stockholders and its decisions shall be, within the limits of its competence, and shall be binding for all stockholders in pursuance of the provisions of law of companies.

#### **Article 29**

Every stockholder, holding twenty shares at least, has the right to attend General meeting and the same may delegate another stock-holder other than board of directors members or company employees to attend General meeting and such delegation shall be in a written, power of attorney.

#### **Article 30**

Ordinary General Assembly meeting shall be responsible for all matters concerning the company other than responsibilities of Extraordinary General meeting, and the Ordinary General meeting shall convene at least once every year during the six months succeeding the end of company's year.

#### **Article 31**

Extraordinary General meeting shall be responsible for amendment of provisions of this Law subject to provisions of article (85) of Companies Law and it may issue decisions for issues involved in the jurisdiction of Ordinary General meeting with the same conditions and cases decided for the last Assembly.

#### **Article 32**

The General Assembly convenes at the company main center, and Board of Directors may invite to meeting whenever it finds it necessary and Board of Directors shall invite, if the accounts controller or number of stockholders representing 5% of capital at least requested it to convene. If a month elapsed from the appointed date for Assembly's meeting without inviting the assembly to convene, the Ministry of Commerce may invite it to meet based on the request of a number of stockholders representing 2% of capital at least.

### **Article 33**

The General Assembly shall be invited to convene by advertising on newspaper and in two other daily newspapers, before twenty-five days at least of convention or by registered letters and such invitation shall include agenda and a copy of the invitation to Companies' Directorate General at the Ministry of Commerce within the period specified for publication.

### **Article 34**

Stockholders attending the Assembly shall be registered at the company center before the convention and a list of attending stockholders and representatives names shall be written with their places of residence and number of shares in their possession, in their own capacity or on behalf of others and number of votes specified for them and each concerned person may sight such list.

### **Article 35**

The General Assembly shall be chaired by the chairman of the board or his substitute in case of his absence, and the chairman may appoint a secretary and votes collector and write minutes of the Assembly's meeting including attending stockholders' names or representatives and number of shares they possess in their own capacity, number of specified votes, decisions taken and number of votes of members who agreed and who opposed it and sufficient summary of the negotiations dealt with at the meeting. Minutes shall be written regularly after every meeting in a specified register, signed by the chairman of the assembly, secretary and votes collector.

### **Article 36**

Ordinary General Assembly shall be legal if attended by stockholders representing half the capital at least. If this quorum is not satisfied in the first meeting, invitation shall be made for another meeting to be convened within the next thirty days. The second meeting shall be considered legal whatever the number of stocks represented and the majority of votes represented in the meeting shall take its decisions. The General Assembly may not discuss matters other than those mentioned in its agenda, unless an unexpected point is raised after serving the invitation and before holding the meeting or during holding the meeting.

### **Article 37**

The assembly of the Extraordinary General assembly shall be legal if attended by stockholders representing half the capital at least, and if this quorum is not satisfied at the first meeting there shall be an invitation for another meeting in the same methods provided for in article (36) above, and the meeting shall be legal if attended by a number of stockholders representing a quarter of capital at least.

#### **Article 38**

Votes will be counted at Ordinary and Extraordinary General Assembly on a basis of one vote for each stock. However the Board of Directors members may not participate in voting on General Assembly's decisions relating to acquittal for the period of their management.

#### **Article 39**

Extraordinary General Assembly decisions shall be issued by the majority of two thirds of stocks represented in the meeting, but if the decision is related to increase or decrease of capital or to extending the company's period or dissolution thereof before the end of the period specified in its law or to merge the company into another company or corporation, the decision shall not be legal unless issued by majority of three quarters of the shares represented in the meeting, and the Board of Directors shall publish decisions of Extraordinary General Assembly if it included amendment of this law.

#### **Article 40**

Every stockholder has the right to discuss subjects listed in the assembly's agenda and to direct questions in this respect to Board of Directors members and accounts controller and the board of directors or the account controller shall answer the questions of the shareholders to the extent which does not expose the company's interest to harm. If stockholder thought the answer to this question was not convincing, he may refer it to the assembly whose decision shall be effective in this respect.

#### **Article 41**

Within the first five years of company establishment and before putting stock to contribution, the company's Board of Directors may have the competences given to Ordinary General Assembly, but the competences of Extraordinary General Assembly within this period shall be assigned to Council of Ministers, members of Board of directors who represent the State shall be its representatives at Ordinary and Extraordinary General Assembly in the period succeeding to putting stock to underwriting during the first five years of the company's establishment.

### **Chapter Five Accounts Controller**

#### **Article 42**

The company shall have a certified accounts controller or more, licensed to work in the Kingdom, appointed, annually by General Assembly from candidates nominated by the control Committee and determines their remuneration, shall be determined and they may be reappointed.

#### **Article 43**

Accounts controller may, at every time, sight the company's record books and registrations and other documents, and he may request data and explanations which he sees necessary, and he may also verify company assets and liabilities, The accounts comptroller shall present to the annual General Assembly, a report inclusive of the company's position



enabling him to obtain data and explanations which he requested , and what he finds out with respect to the violation of provisions of the company's law or provisions of this law and his opinion on how far the company's account conform to reality.

## **Chapter Six**

### **Company accounts and profits distribution**

#### **Article 44**

Company's fiscal year begins from first January and ends at the end of December of every year, but the first fiscal year includes the period elapsing from date of starting works of the Company till the end of December of next year.

#### **Article 45**

At the end every fiscal year the Board of Directors shall prepare an inventory of company assets value and liabilities on the said date and also prepare the Company's budget, profit and loss accounts and a report on the Company's activities and its financial standing for the past year and the proposed method for distributing net profits, before the convention of Ordinary General Assembly by sixty days at least, and the board shall put such documents at disposal of the accounts comptroller before the appointed date of the meeting by fifty five days at least, and the chairman of Board of Directors shall sign the mentioned documents and commit copies of it to the Company's main center at stockholders disposal before the appointed convention date of General Assembly by twenty five days at least, and the Board of Directors chairman shall publish in a newspaper distributed in the main Company headquarters, the budget, profit and loss accounts and a satisfactory brief of Board of Directors report and full text of the report of the accounts comptroller, and send a copy of such documents to General Directorate of Companies before General Assembly's convention by twenty five days at least.

#### **Article 46**

Company's net profits shall be distributed after deduction of all general expenses and other costs as follows:

1. 10% of net profits shall be put aside to form a legal reserve and Ordinary General Assembly may stop such deposit when the mentioned reserve reaches half the capital.
2. Ordinary General Assembly may, based on a proposal from Board of Directors, put aside a percentage of net profits to form a casual reserve and allocate it for a certain purpose or purposes.
3. A first payment of the balance shall be distributed to the stockholders, at a rate of 5% of paid capital.
4. A percentage of the balance specified by General Assembly shall be allocated to reward Board of Directors, and such shall not exceed % 0.5 half percent of the net profits after previous deductions, and the balance shall be distributed to stockholders as an additional dividends in profits subject to the instructions issued by the Ministry of Commerce in this respect.

#### **Article 47**

Profit shall be distributed to the shareholders at the place and date appointed by the board of directors provided that such date of profit distribution shall not exceed one month as of the date of the approval of the General Assembly on the distribution.

### **Chapter Seven Company dissolution and liquidation**

#### **Article 48**

If the losses of the company come to three fourths of the capital, the Board of directors shall undertake the following:

Invite the Extra ordinary General Assembly to consider if the company shall continue or be dissolved before the end of the period provided for in Article(4) of this law , and the decision of the Assembly shall be published in all cases in the official gazette.

#### **Article 49**

The end of the company's period or in case of its dissolution before the elapse of its period, Extraordinary General Assembly shall decide, based on a proposal from Board of directors, the liquidation method, and appoint a liquidator or more and determine their powers and charge and by the appointment of the liquidator, the board of directors shall be terminated but the General association shall remain in force during liquidation period and till it approves the end of liquidation process.

### **Final provisions**

#### **Article 50**

The provisions of the Companies Law shall be applied to the company, where it is not provided for in this law.

#### **Article 51**

This law shall be published in pursuance to the Companies Law.

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- (1) 31 Apr 1998.
  - (2) 30 Apr 1998.
  - (3) 15 May 1998.