



الصناعات الكهربائية  
ELECTRICAL INDUSTRIES

## POLICY UPDATE APPROVAL

### POLICY DETAILS

Title	-	EIC Code of Professional Conduct Policy
Actual Document	-	None (First Issuance)
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Reviewed by

**VICE PRESIDENT** – Human Resources and Administration

Date: 6/2/2018

Recommended by

**PRESIDENT AND CEO**

Date: \_\_\_\_\_

Approved by

**CHAIRMAN** – Board of Directors

Date: \_\_\_\_\_



# CODE OF PROFESSIONAL CONDUCT POLICY

## 1. Code of Conduct

### 1.1 Purpose

This Code of Professional Conduct and Ethical Values (the “Code”) contains the policies that relate to the legal and ethical standards of conduct that the Board members, executive management and employees of EIC are expected to comply with while carrying out their duties and responsibilities.

This Code is intended to direct the Board of Director’s and management’s attention to areas of ethical risk, guide personnel to recognize and deal with ethical issues, provide mechanisms to report unethical conduct, and help to foster a culture of honesty and accountability.

A code or policy cannot anticipate every situation that may arise. Therefore, the Company expects each Board member, executive officer and employee to act with honesty and integrity, to carry out his duties independently and to deter wrongdoing in the conduct of all duties and responsibilities.

### 1.2 Compliance with Laws, Rules and Regulations

Board members, senior executives and employees should comply with the laws, rules and regulations that govern EIC. Article 86 of Capital Market Authority Corporate Governance Regulations stated that:

The Board shall establish a policy for professional conduct and ethical values at the Company, which shall particularly take the following into consideration:

- 1.2.1 ensuring that each member of the Board or the Executive Management and employees perform his/her duties of loyalty and care to the Company, and undertake the measures that may protect the Company's interests and contribute to its development and increase its value, and shall, at all times, prioritize the Company's interests over his/her own interests;
- 1.2.2 a Board member shall represent all shareholders of the Company and take all actions to achieve the best interests of the Company and its shareholders, while protecting the rights of the other Stakeholders rather than only the interests of the group that elected him;
- 1.2.3 entrench among the Board members and Senior Executives the principle of compliance with all relevant laws, regulations and instructions;
- 1.2.4 preventing the Board members or the Executive Management from abusing their positions with the aim of achieving benefits for himself/herself or a third party;

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- 1.2.5 ensuring that the Company's assets and resources are only used to achieve the Company's purposes and objectives, and not to achieve personal interests; and
- 1.2.6 establishing accurate, well-formed, and clear rules regulating the authority to access the Company's internal information and timing to access it, in a way that prevents the Board members, the Executive Management and others from making personal use or disclosing the same to any person, except within the prescribed limits or as permitted by law.

## 1.3 Compliance with the Code

Board members, executive management and employees have a responsibility to understand and comply with the Code. In addition, all employees are expected to perform their work with honesty and integrity in all areas including aspects not specifically addressed by the Code.

A violation of the Code may result in appropriate disciplinary action including the possible termination of employment without prior warnings.

The Code sets out general principles to guide employees in making ethical decisions, however this Code cannot and is not intended to address every specific situation. As such, the Code does not prohibit or restrict the Company from taking any disciplinary action for matters pertaining to employee's conduct. The Board of Directors of EIC is responsible for the final interpretation of the Code.

## 1.4 Gifts

Article 49 of Capital Market Authority Corporate Governance Regulations stated that, "*No member of the Board or Senior Executives may accept gifts from any person who has entered into commercial transactions with the Company if such acceptance of gifts may lead to conflict of interest.*" Gifts offered by suppliers, vendors, contractors or customers should not be accepted unless these gifts have an insubstantial or a token value. Employees must obtain management approval before they accept any gift having a value over SAR 150 or its equivalent in any other currency. Such rules apply to giving gifts to suppliers, customers and contractors as well. In all cases, all gifts should be reported to management, regardless of their value.

## 1.5 Entertainment

Acceptance of normal business entertainment such as lunch, dinner, an event, and the like, generally is appropriate if it is of a reasonable nature and is in the course of a meeting or another occasion and the purpose of which is to hold business discussions or to foster better business relations. Employees

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are to report any such entertainment (in advance, if practical) to their supervisors.

## 1.6 Outside Activities

Board members, senior executives and employees are prohibited from engaging in any activity independently from their position or task that:

- Adversely affects the quality or quantity of work performed;
- Competes with the Company's activities;
- Implies sponsorship or support by the Company of the outside employment or organization;
- Adversely affects the Company's reputation; or
- Makes use of or interferes with the Company's time, facilities, resources or supplies.

## 1.7 Interests in Other Businesses

It is a potential conflict of interest for Board members, senior executives and employees or their spouses or any other immediate family members (immediate family members include: the spouses, grandchildren, siblings, parents, grandparents, daughter / son, sister / brother and their respective spouses, and any other relationship suspected to have an impact on the employee's ability to make decisions on behalf of the Company that are not based on sound foundations, and they are jointly referred to as "family members") to directly or indirectly have a financial interest (e.g., as an investor, lender or Board member) with a competitor, customer or supplier with whom that Board member, employee or his subordinates deal in the course of his work. Accordingly, Board members, senior executives and employees must promptly disclose any such interest to the Board and General Assembly. In addition, an employee must disclose to his supervisor any employment or relationship that his family members have with a competitor, or a customer or supplier with whom this employee is dealing.

## 1.8 Corporate Opportunities

Board members, senior executives and employees have a duty to grasp opportunities that would develop the Company's business when such opportunity arises. They are, therefore, prohibited from:

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- Taking personal advantage of opportunities that are discovered through the use of corporate property, information or position.
- Using corporate property, information or position for personal gain.

Competing with the Company except as per CMA Corporate Governance Regulations Article 46 that Without prejudice to Article (72) of the Companies Law, if a member of the Board desires to engage in a business that may compete with the Company or any of its activities, the following shall be taken into account:

1. Notifying the Board of the competing businesses he/she desires to engage in and recording such notification in the minutes of the Board meeting.
2. The conflicted member shall abstain from voting on the related decision in the Board meeting and General Assemblies.
3. The chairman of the Board informing the Ordinary General Assembly, once convened, of the competing businesses that the member of the Board is engaged in.
4. Obtaining a prior authorization of the Ordinary General Assembly of the Company for the member to engage in the competing business, provided that such authorization shall be renewed annually

## 1.9 Concept of the Competing Business

Art. 47 of CMA Corporate Governance Regulations disclosed the following deemed a participation in any business that may compete with the Company or any of its activities:

- 1) The Board members' establishing a company or a sole proprietorship or the ownership of a controlling percentage of shares or stakes in a Company or any other entity engages in business activities that are similar to the activities of the Company or its group.
- 2) Accepting membership in the Board of a company, an entity that competing with the Company or its group, or managing the affairs of a competing sole proprietorship or any competing company of any form.
- 3) The Board member's acting as an overt or covert commercial agent for another company or entity competing with the Company or its group.

## 1.10 Nepotism Disclosure

The Company does not prohibit the employment of relatives and does not wish to interfere in the amicable relationships between its employees and anyone related to them. However, precautions must be taken to ensure that the existence of close personal relatives do not influence individuals of the Company. In particular, Board members, senior executives and employees may not directly supervise or otherwise participate in decisions regarding

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the hiring, retention, promotion or compensation of other employees with whom they have a personal relationship.

## 1.11 Employee Relations

It is the Company's policy that all Board members, senior executives and employees should strive to:

- Respect each employee, worker and representative of customers, suppliers and contractors by dealing with them in a courteous and considerate manner.
- Being committed to and demonstrate equality with all employees, workers, customers, suppliers and contractors regardless of their race, color, gender, religion, age, nationality or disability.
- Provide a workplace free of harassment based on race, color, gender, religion, age, nationality or disability.
- Provide employees with reasonable opportunities for training which is consistent with the needs of the Company and enables them to become more competent in performing their duties.
- Encourage promotion from within the Company that is consistent with the needs of the Company and whenever qualified employees are available.
- Allow employees an avenue to voice opinions to senior management other than their direct management.
- Treat any suggestions brought in by external consultants as opportunities to improve skills and enhance EIC processes
- Provide and maintain a safe, healthy and well organized workplace.
- Assure fair compensation and benefits that will attract, reward and retain competent employees.

## 1.12 Safety

The Company is committed to providing a safe workplace for all employees and ensures that all employees and other persons who are at the Company's premises follow all safety instructions and procedures that the Company adopts. If employees have any questions about possible health and safety hazards at any Company facility, they should bring those questions to their supervisor's attention as soon as possible.

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## 1.13 Confidential Information

Board members, senior executives and employees should maintain the confidentiality of information entrusted to them by the Company or its customers, except when disclosing such information is authorized or legally mandated. "Confidential information" includes all non-public information that might be of use to competitors, or will be harmful to the Company or its customers when disclosed.

## 1.14 Fair Dealing

Board members, senior executives and employees should endeavor to deal fairly with the Company's customers, suppliers, competitors and employees. Manipulation, concealment, abuse of privileged information, misrepresentation of material facts and any other unfair-dealing practices are prohibited within EIC.

## 1.15 Corruption and Bribery

Bribery occurs when anyone offers, solicits, or receives anything of value in exchange for favorable treatment from a company or any governmental or official authority. It also occurs when a Company secures an unfair advantage over its competitors through secret and corrupt dealings with prospective customers. The Company confirms that bribery is illegal, and that any employee who elicits, participates in or allows a bribe, kickback or other unlawful payment or attempts to participate in any such activity will be subject to strict disciplinary action which might lead to termination. The Company also reserves the right to refer such matters to public authorities for possible criminal prosecution.

## 1.16 Protection and Optimal Use of Company Assets

Board members, senior executives and employees should protect the Company's assets and ensure their efficient utilization.

Theft, carelessness and waste have a direct impact on the Company's profitability. As such, the Company's assets will be utilized for the legitimate business purposes of the Company and its subsidiaries and should be only used by authorized employees or their designees. Such assets could be both tangible and intangible. Some examples of tangible assets include Company vehicles and office equipment such as phones, photocopiers, computers, furniture, and supplies.

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The Company's email system should be restricted to the Company's business. Highly confidential information should be handled appropriately. Files containing sensitive business data should be appropriately encrypted or password protected. The Company reserves the right, at any time and without notice, to monitor and inspect all electronic communications and information transmitted through the internal network, and the electronic files located on computers being used for the Company's work.

Third party software is provided as a productivity tool for employees to perform their responsibilities efficiently. Employees may be liable as individuals for illegal software use. To the extent permitted under applicable law, employees, contractors and temporary employees shall assign to the Company any invention, work of authorship, composition or other form of intellectual property created during the period of employment.

## 1.17 Advertising and Promotional Activities

EIC believes that false, misleading or deceptive advertising and any other related activities conducted in promoting and selling products or services is prohibited. The Company also believes that fair and accurate advertising and sales practices are critically important in preserving the Company's goodwill and reputation with its customers and the general public. Therefore, all EIC advertising claims and other representations to customers and potential customers will be truthful and have a reasonable basis. In addition, all advertising claims, whether made in catalogues, brochures, leaflets, posters, newspapers, magazines or other printable as well as non-printable media, will be approved by the authorized position before publication or dissemination.

## 1.18 Accurate Record Keeping and Reporting

Board members, senior executives and employees should accurately reflect the transactions of the Company in its books, records, accounts and reports. They should also maintain an adequate system of internal controls and disclosure controls to promote compliance with the laws, rules and regulations applicable to the Company. EIC believes that the falsification of the Company's records is prohibited and ensures that all reports, documents or communications authorized or legally mandated for disclosure to the public will be complete, fair, accurate, timely and understandable.

## 1.19 Influence on the Conduct of Audit

EIC Board members, senior executives and employees must not take any action to fraudulently influence, or mislead any auditor performing an audit or reviewing the Company's financial statements.

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The types of conduct that may constitute improper influence on audits include:

- Offering or paying bribes or other financial incentives, including offering future employment or contracts for non-audit services.
- Providing an auditor with inaccurate or misleading information or advice, including legal analysis.
- Threatening to cancel or cancelling existing non-audit or audit engagements if an auditor objects to the Company's accounts.
- Seeking to have a partner removed from an audit engagement because he objected to the way the Company conducts its accounting processes.
- Blackmailing and making physical threats.

## 1.20 The Environment

The Company recognizes that it has an impact on the environment so EIC is committed to ensuring that this impact will be reduced when possible and practical. To satisfy this commitment, the Company seeks to ensure that the resources and materials used are sustainable, recyclable and are used efficiently with a minimum waste level. If applicable, EIC will utilize technologies, materials and processes which do not have an adverse impact on the environment and where such impact is unavoidable, such impact will be minimized;

EIC will try to develop partnerships with suppliers or contractors who share EIC's view for the environment.

## 1.21 Government Contracting

The laws, rules and regulations applicable to contracting with government entities are complex and may impose different and special requirements on the Company and thus failure to comply with these requirements may be a criminal offence.

Board members, senior executives and employees should comply with these requirements and any questions regarding compliance should be referred to the appropriate personnel and sometimes resorting to outside counsel.

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## 1.22 Reporting of Illegal or Unethical Behavior

Board members, senior executives and employees should promote ethical behavior and should encourage employees to talk to supervisors, managers or other personnel when in doubt about the best course of action to pursue in a particular situation. Board members, senior executives and employees should report violations of laws, rules, regulations of this Code to appropriate personnel or to the Chairperson of the Audit Committee of the Board of Directors in accordance with Art. 84 of CMA Corporate Governance Regulations. Violations will be investigated and actions will be taken by the appropriate personnel or the Board, as necessary. The Company will not allow punishment for reports made in good faith.

## 1.23 Corporate Governance and Accountability

The Company is committed to achieving the highest standards of corporate governance that make the Board accountable to shareholders and other parties for the Company's activities and makes it responsible for the effectiveness of corporate governance practices within the Company.

Board members strive to comply with all the recommendations covered in the Capital Market Authority Regulations on Corporate Governance.

## 1.24 Publication, Amendments and Waiver

This Code will be available on the Company's website. Moreover, any amendments to, or waiver of this Code will be made only by the Board upon the recommendation of the Executive Management. If an amendment to or waiver of this Code is made or granted, then the appropriate disclosures will be made as per the applicable laws and CMA regulations.

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