



Family Charter and Partners Agreement in the New Companies Law



INTRODUCTION

As part of the Kingdom's efforts to support the financial and economic sector, the Companies Regulation was recently promulgated by Royal Decree No. (M/132), dated 1/12/1443 H. This publication discusses the updates in corporate law, particularly Article 11, Paragraph 2, which concerns the Family Charter and the Partners' Agreement.

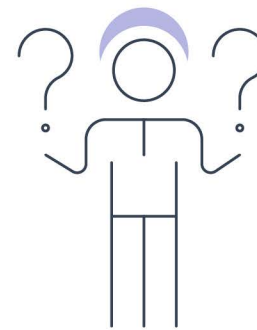
Partners have traditionally outlined and defined the obligations and responsibilities of each other and the company in a separate agreement concluded alongside the incorporation contract. The recent updates to corporate law take into account this aspect. In this publication, we will strictly offer information and highlight key points about how relationships between partners and organizations are organized through legal documents, including the Articles of Association.



Partners Agreement

The Partners Agreement refers to an agreement between two or more parties and the company. Its purpose is to preserve the rights and duties of the parties involved, if it does not contradict with the article of association or its policies.

Difference between

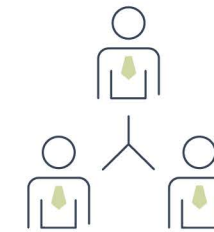


Partners Agreement

Regulates the relationship between partners and the company.

family Charter

Regulates the relationship of partners within the company.



family Charter

A Family Charter is a corporate contract that allows corporate partners to arrange transactions among themselves in accordance with the terms of the contract. It emerged as a specific document for members of the same family who are involved in the company.

Highlights

- ☑ Determination of each partner's share in the company.
- ☑ Specification of the responsibilities of each partner.
- ☑ Inclusion of detailed provisions on dispute resolution mechanisms.

Commitment

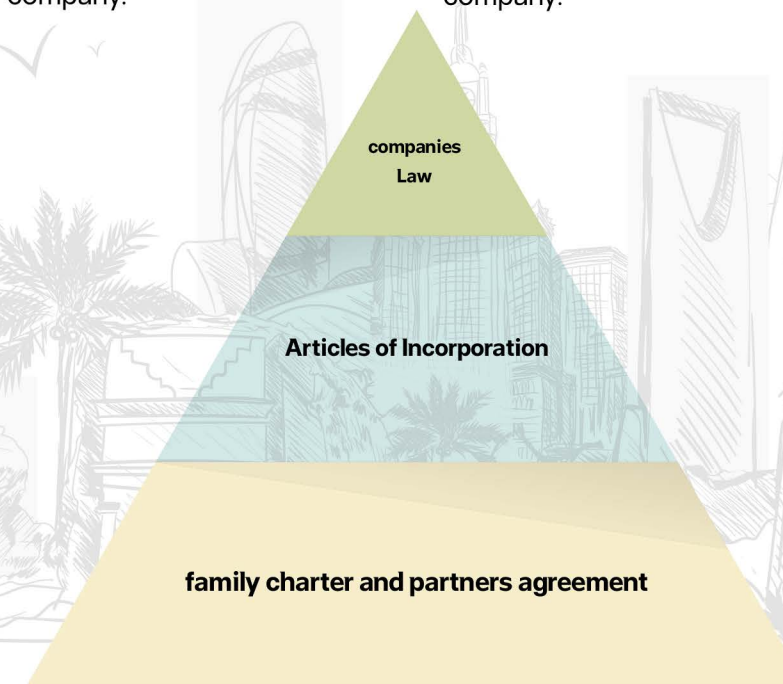
- ☑ The agreement must be legally binding.
- ☑ It should be an integral part of the Article of Association.
- ☑ All agreements between parties should be documented in writing.

Highlights

- ☑ The organization of family-owned assets within the company, including governance, management, and mechanisms for inheritance in case of survivors, as well as compliance with provisions for minors.
- ☑ Employment policies for family members.
- ☑ Detailed provisions on profit distributions and the handling of ownership stakes or shares.
- ☑ thorough provisions on dispute resolution mechanisms.

Commitment

- ☑ The Family Charter must be legally binding.
- ☑ It becomes a part of the incorporation contract.
- ☑ All agreements should be documented in writing.



Disclaimer: This mat does not constitute legal advice; neither does it contain the entire legal procedures stipulated in the law. Also, the purpose of this mat is to draw attention to the significance of the law and its main provisions, however, it does not offer a substitute to careful and detailed legal advice