

Board Membership Policies and Standards

First: Introduction

The specific policies, standards, and procedures for the membership of the Board of Directors has been formed in pursuance of the provisions of the Corporate Governance Regulations of the Kingdom of Saudi Arabia issued by the Board of the Capital Market Authority (CMA) by Decision No. (8-16-2017), dated 16/05/1438H corresponding to 13/02/2017, and based on the Companies Law issued by Royal Decree No. (M/3), dated 28/01/1437H, and the controls of the executive procedures and the Corporate Governance Regulations issued by the CMA, as well as the articles of association of the company.

This policy was issued as directed by decision of the General Assembly of the company's shareholders held on Sunday, 13/04/1439H corresponding to 31/12/2017, based on the proposal from the Board of Directors ("the Board").

Second: Objective of Policy

The Board Membership Policies and Standards aim to establish clear and specific procedures and standards for the membership of the Board of Directors, specifying the conditions, criteria, and procedures followed in the selection and election of Board members.

Third: Policies and Standards of Membership in the Board of Directors

1. The candidate for Board membership shall not have been convicted of an offense against honor and honesty and shall not be insolvent, bankrupt, or invalid for Board membership by any law or instructions in force in the Kingdom.
2. The member of the Board shall not be a member of the board of directors of more than five joint stock companies listed on the stock market at the same time.
3. The number of independent members shall not be fewer than two or one-third of the members of the Board, whichever is greater.
4. The Independent Member shall enjoy full independence in his position and decisions and shall not be subject to any of the signs of independence outlined in Article 20 of the Corporate Governance regulation.
5. The nominee shall be of professional competence, that is, have the necessary experience, knowledge, skills, and independence to enable him to perform his duties efficiently and adequately.
6. The member of the Board shall represent all the shareholders and shall be committed to the interests of the company in general and not to the interests of the group that he represents or which voted for his appointment in the Board.
7. The nominee shall have the ability to lead by virtue of having leadership skills that lead to the stimulation of performance and the application of best practices in the field of effective management and adherence to professional values and ethics.

8. The member of the Board shall have the appropriate qualifications, professional and personal skills, level of training, and practical experience relevant to the company's current and future activities or appropriate experience in management, economics, accounting, law, or governance, as well as the desire to learn and train others.
9. The member of the Board shall have the necessary technical, leadership, managerial, and decision-making capabilities, understand the technical requirements related to the progress of work, and be able to provide strategic direction, planning, and a clear future vision.
10. The member of the Board shall be able to read and understand financial data and reports.
11. The member of the Board shall not have a health barrier that hinders him from exercising his duties and disciplines and/or the availability of the personal and professional elements necessary to perform his duties effectively.
12. Each member of the Board shall abide by the principles of honesty, honor, loyalty, care, and attention described below with regard to the interests of the company and the shareholders, as well as put their interests ahead of his own interest.
 - A) **Honesty:** The relationship between the Board member and the company shall be a professional, honest relationship, and he shall disclose any influential information before the implementation of any deal or contract with the company or one of its subsidiaries.
 - B) **Loyalty:** The Board member shall avoid transactions involving a conflict of interest and verify the fairness of transactions while considering the conflict of interest provisions in these policies and standards.
 - C) **Care and Attention:** By performing the duties and responsibilities set forth in the Companies Law, the Capital Market Law, their Executive Regulations, the Company's Articles of Association, and other relevant regulations.
13. Diversity in academic qualification and practical experience should be taken into consideration, and priority should be given to the needs of those with the appropriate skills for membership on the Board.
14. A member of the Board must resign before the end of his term in the event of his incapacity to act as a member of the Board, inability to exercise his duties, or inability to allocate the time or effort required to fulfill his responsibilities on the Board. In case of a conflict of interest, the member shall have the option to obtain an authorization from the General Assembly to renew each year or to submit his resignation.

Fourth: Board Nomination Procedures

1. Each shareholder shall have the right to nominate himself or another person or more than one person for membership on the Board of Directors within the limits of his percentage in the company's capital.

2. The Nomination and Remuneration Committee shall, in coordination with the Executive Management of the company, publish and announce the opening of nominations for membership on the company's Board on the CMA (Tadawul) website and on the company's website, as well as by any other means as determined by CMA to invite persons wishing to be nominated for the Board of Directors. The nomination period shall remain open for at least one month from the date of the announcement.
3. The company shall announce on the CMA website the information about the nominees for membership on the Board of Directors when publishing or announcing the convening of the General Assembly. The company shall provide a copy of this information at its headquarters and on its website.
4. The Nominations and Remuneration Committee shall submit its recommendations to the Board on the nomination for membership on the Board in accordance with the criteria outlined in this policy.
5. Any person who wishes to nominate himself for membership on the Board of Directors must submit an application for nomination to the company during the nomination period as follows:
 - A) Submit the application for nomination for membership on the Board to the Secretary of the Nominations and Remuneration Committee.
 - B) Fill out the CMA's resume form for membership on the Board of Directors of a listed joint stock company prepared for this purpose, which can be obtained from the CMA website.
6. Those wishing to nominate themselves for membership on the Board shall disclose to the Board and the General Assembly any conflicts of interest, which may include the following:
 - A) The existence of a direct or indirect interest in the business and contracts that are concluded for the favor of the company in which he wishes to run for the Board of Directors.
 - B) Participation in a business that would compete with the company or in one of its branches of activity.
7. A nominee who has previously served on the board of directors of one of the joint stock companies shall disclose the number and dates of service for the boards of directors of the companies for which he was a board member.
8. A nominee who has previously served on the Board of Directors must attach to the notice of nomination a statement from the company's management regarding the last term in which he was an active member of the Board that includes the following information:
 - The number of Board meetings held during each year of the term
 - The number of meetings attended by the member and the attendance rate for the total meetings

- The standing committees on which the member served, the number of meetings held by these committees during each year of the session, the number of meetings attended, and the percentage of attendance to the total meetings.
9. The status of membership should be clarified, i.e., whether the member is an executive, a non-executive member, or an independent member.
 10. The nature of the membership status should be clarified—namely, whether the member is nominated in his personal capacity or is a representative of a legal person.
 11. The Nomination and Remuneration Committee shall coordinate with the Executive Management of the company to provide the CMA with the resumes of the nominees for membership on the Board of Directors according to the resume form of the nominee for membership of the Board of Directors of a listed joint stock company through the electronic system of the CMA, as well as any copies of the nomination notices and attachments.
 12. Voting in the General Assembly shall be limited to nominees for membership on the Board of Directors for which the company has made available their personal information.
 13. The selection of Board members is made by cumulative voting.

Fifth: Vacant Positions on the Board

1. If the Board member's position becomes vacant, the Board may appoint a temporary member to fill the vacant position, provided that he is experienced and competent and that such appointment shall be submitted to the ordinary General Assembly at its first meeting. The new member shall complete the term of his predecessor.
2. The Ministry of Commerce and Investment and the CMA shall be notified within five working days of the date of appointment.
3. If the necessary terms to form the Board are not met due to the number of its members not meeting the minimum stipulated in the company's bylaws or the Articles of Association of the company, the serving members shall call on the General Assembly to convene within sixty days to elect the necessary number of members.

Sixth: Membership Termination

1. The membership of a Board member shall terminate in accordance with any applicable system or instructions in the Kingdom, or due to death or resignation, or if convicted of an offense against honor and honesty. However, the General Assembly may at any time dismiss all or some of the Board members without prejudicing the rights of the dismissed member to demand compensation from the company if the dismissal occurs for an unacceptable reason or at an inappropriate time. Members of the Board are entitled to resign on the condition that it is done in a timely manner or otherwise be responsible before the company for the consequences of the resignation, including damages.

2. The General Assembly may, on the recommendation of the Board, terminate the membership of members who fail to attend three consecutive meetings of the Board without a legitimate excuse.

Seventh: Final Provisions

1. These policies and standards are subject to annual review as part of the corporate governance review or when the competent relevant authorities issue new instructions or regulations relating to the committee.
2. These policies and standards shall be implemented, and their provisions shall be complied with, as soon as they are adopted by the General Assembly of the company's shareholders.
3. These policies and standards shall be published on the company's website.
4. These policies and standards shall be amended, as and when required, by a proposal of the Board under the recommendation of the Nomination and Remuneration Committee, and a resolution shall be issued by the General Assembly of the company's shareholders.