

## Chapter One : Formation of the Board of Directors

### Article 16 : Composition of the Board of Directors and Appointment of its Members

1. The company is managed by a Board of Directors consisting of nine members of the company's shareholders elected by the Ordinary General Assembly.
2. The number of members of the Board of Directors shall be suitable for the size and nature of the Company's activities.
3. The Remuneration and Nominations Committee recommends to the Board of Directors candidacy applications submitted for membership of the Board of Directors.
4. The term of the Board of Directors is four years.
5. The Ordinary General Assembly may re-elect the Board of Directors.
6. The majority of the Board members shall be of Non-Executive members.
7. The number of Independent Members of the Board shall not be less than two members or one-third of the Board members, whichever is greater.
8. Cumulative voting shall be used in electing the Board of Directors.
9. The Board of Directors appoints from its members: a Chairman, a Vice Chairman and a Managing Director by a majority vote of those present members.
10. It is prohibited to hold, at the same time, the position of Chairman of the Board and any other executive position in the Company.
11. In the absence of the Chairman of the Board, the Vice Chairman shall preside at all meetings of the Board of Directors.
12. A Board member shall not be a member of the Boards of Directors of more than five (5) listed joint stock companies at the same time .
13. The Board of Directors appoints a secretary to follow up and document the board's meetings, prepare and follow up minutes and agenda, and sign them accordingly, and all that is related to the work of the Board of Directors.
14. The Secretary of the Board may not be dismissed except pursuant to a decision of the Board.
15. The term of the Chairman of the Board of Directors, the vice Chairman and the managing director shall not exceed the membership term of each of them in the Board of Directors.
16. The Chairman of the Board of Directors, the Vice Chairman and the Managing Director may be re-elected, and the Board may also dismiss any of them, provided that their right to compensation is not prejudiced if the dismissal was on an unacceptable reason or at inappropriate time.
17. The Company shall notify the Authority of the names of the Board members and description of their memberships within five business days from the commencement date of the Board term or from the date of their appointment, whichever is shorter, as well as any changes that may affect their membership within five business days from the occurrence of such changes.
18. The member of the Board is required to be professionally capable and has the required experience, knowledge, skill and independence, which enable him/her to perform his/her duties efficiently .

## Article 17: Conditions and criteria for the membership of the Board

A member of the Board is required to be professionally capable and has the required experience, Knowledge, skill and independence, which enable him/her to perform his/her duties efficiently. He/she shall have the following qualifications in particular:

- 1) **Ability to lead:** He/she shall enjoy leadership skills, which enable him/her to delegate powers in order to enhance performance and apply best practices in effective management and compliance with professional ethics and values.
- 2) **Competency:** He/she shall have the academic qualifications and proper professional and personal skills as well as an appropriate level of training and practical experience related to the current and future businesses of the Company and the knowledge of management, economics, accounting, law or governance, as well as the desire to learn and receive training.
- 3) **Ability to guide:** He/she shall have the technical, leadership, and administrative competencies as well as the ability to take prompt decisions, and understand technical requirements and developments related to the job. He/she shall also be able to provide strategic guidance and long-term planning and have a clear future vision.
- 4) **Financial knowledge:** He/she shall have the ability to read and understand financial statements and reports.
- 5) **Health fitness:** He/she shall not suffer from any health issue that may hinder him/her from performing his/her duties and responsibilities.
- 6) He/she shall not be a government sector employee unless he/she is a representative of an investing government entity.
- 7) He/she shall not have any punishment, penalty ruling imposed on him/her by the Capital Market Authority or any other supervisory, regulatory or judiciary authority that states that He/she has violated the Companies Law or the Capital Market Authority Law and the regulations issued accordingly, or that He/she has committed a crime punishable by the Law.
- 8) Nomination shall not include any person convicted of a crime involving moral turpitude or dishonesty.
- 9) It is preferred that Nominee has sufficient knowledge of administrative and financial matters and to be familiar with the relevant rules, regulations and legislation and the rights and duties of the Board of Directors.
- 10) It is preferred that Nominee has previously held a membership in the Board of Directors of a listed joint stock company.
- 11) Nomination for membership of the Board of Directors shall not include any person who has held the same position in a company that has been liquidated or has been dismissed by another company.
- 12) The nominee agrees to have a personal interview with the Remuneration and Nominations Committee of the company, if requested.

The General Assembly shall take into account, when electing members to the Board, the recommendations of the nomination committee and the availability of the personal and professional capabilities required performing their duties effectively pursuant to this Article.

## **Article 18: Termination of a Board Membership**

- 1- The membership of the Board of Directors terminates according to Article 19 of The Company's bylaws for one of the following reasons :
  - A. Upon the end of the term of the board as per The Company's bylaws.
  - B. Upon the expiration of the membership of a member according to any system or instructions in force in the Kingdom of Saudi Arabia.
  - C. Upon a member of the Board resignation, provided that it is in an appropriate time, otherwise the resigned person is responsible before the company for the damage resulting from the resignation. D. Upon the death of a board member.
- 2- The Ordinary General Assembly may at any time dismiss all or any of the Board members, even if the Company's bylaws provides for otherwise, without prejudice to the dismissed member's right for compensation if the dismissal was on an unacceptable reason or at inappropriate time.
- 3- The General Assembly may at any time , as per a recommendation of the Board, terminate the membership of the member who missed three consecutive meetings without a legitimate excuse.
- 4- Upon the termination of the membership of a Board member by any termination method, the Company shall promptly notify the Authority and the Exchange and shall specify the reasons for such termination.
- 5- If a member of the Board resigns and has comments on the performance of the Company, he/she shall submit a written statement explaining such comments to the chairman of the Board and such statement shall be presented to the Board members.

## **Article 19: Issues Affecting Independence**

- 1- The Independent Member of the Board shall be able to perform his/her duties, express his/her opinions and vote on decisions objectively with no bias in order to help the Board make correct decisions that contribute to achieving the interests of the Company.
- 2- The Board shall annually evaluate the extent of the member's independence and ensure that there are no relationships or circumstances that affect or may affect his/her independence.
- 3- By way of example, the following negate the independence requirement for the Independent Member of the Board :
  - A. If he/she holds five percent or more of the shares of the Company or any other company within its group; or is a relative of who owns such percentage.
  - B. If he/she is a representative of a legal person who holds five percent or more of the shares of the Company or any company within its group.
  - C. If he/she is a relative of any member of the Board of the Company, or any other company within the Company's group.
  - D. If he/she is a relative of any Senior Executive of the Company, or of any other company within the Company's group.

- E. If he/she is a Board member of any company within the group of the Company for which he/she is nominated to be a Board member.
- F. If he/she is an employee or used to be an employee, during the preceding two years, of the Company, of any party dealing with the Company or any company within its group, such as external auditors or main suppliers; or if he/she, during the preceding two years, held a controlling interest in any such parties .
- G. If he/she has a direct or indirect interest in the businesses and contracts executed for the Company's account.
- H. If the member of the Board receives financial consideration from the Company in addition to the remuneration for his/her membership of the Board or any of its committees.
- I. If he/she engages in a business where he competes against the Company, or conducting businesses in any of the company's activities.