

# **Board Membership Polices, Criteria, and Procedures**

## **1. Introduction**

**1.1** This policy was updated by Saudi Company for Hardware (SACO)'s board of directors, (hereinafter referred to as "SACO" or "the Company"), in order to set a "framework for the Company's governance with regard to the policy, criteria and procedures for the membership of the Board of Directors" in accordance with the "Corporate Governance Regulations" dated 13/02/2017 issued by Saudi Stock Exchange (hereinafter referred to as "Capital Market Authority") with the aim to keeping pace with leading companies' practices in regard to "Corporate Governance".

**1.2** At his sole discretion and to the extent required by applicable laws and relevant applicable best practices, the Board of Directors intends to review this document along with the Board's handbook, as well as regulations of the Nominations and Remunerations Committee, and to make the necessary amendments.

**1.3** The terms and expressions used in this policy shall have the meaning assigned to them according to the Corporate Governance Regulations issued by Capital Market Authority on 13/02/2017AD.

## **2. Purpose**

**2.1** The purpose of this policy is to develop and execute certain and clear policies, criteria, and procedures for the Board's membership after obtaining approval of the General Assembly in accordance with the requirements of paragraph (3) of Article 22 of Corporate Governance Regulations issued by Capital Market Authority on 13/02/2017AD.

## **3. Polices, Criteria, and Procedures of Board Membership**

### **3.1 General Policies**

**3.1.1** According to Article (16) of the Company's Articles of Association, the Board shall be composed of (9) nine members to be appointed by the Ordinary General Assembly of the Company's Shareholders for a period not exceeding three years.

**3.1.2** The Board term shall expire for the reasons mentioned in Article (17) of the Company's Articles of Association. In the event that a board member's position is vacant, the Board of Directors shall appoint in the vacant position another member who meets the requirements of experience and competence in accordance with Article (18) of the Articles of Association. Such appointment shall be presented to the General Assembly of the Company's Shareholders in its first meeting.

**3.1.3** The Nominations and Remunerations Committee shall be primarily responsible for the process of nomination and initial evaluation of candidates for membership of the Board in accordance with the statutory requirements of the Governance Regulations issued by Capital Market Authority, the Company's Articles of Association (AoA), and this policy. To that end, the Nominations and Remunerations Committee shall perform the following tasks:

- To annually review the skills requirements for membership of the Board, and to prepare a description of the capabilities and qualifications required for such membership, including but not limited to, the time that a board member shall allocate to carry out his duties.
- To regularly review the structure, number, and remuneration of the Board members, as well as the skills, knowledge, and experience required for them.
- To confirm, on an annual basis, the independence of the “independent members” and that there is no conflict of interests if a board member holds a membership in the board of directors of another company.

**3.1.4** The Board shall, through the Nominations and Remunerations Committee, appoint members with diverse professional backgrounds and extensive experience, ensuring their integrity and good reputation.

**3.1.5** For the purpose of the nomination and Board composition, the Nominations and Remunerations Committee shall ensure that the appointed board members are independent and non-executives, and shall ensure the following:

- Independent members in the Board shall not be less than two or equal to one-third of the Board whichever is more, in accordance with Paragraph (3) of Article (16) of Corporate Governance Regulations issued by Capital Market Authority on 13/02/2017AD.
- The majority of the Board Members shall be non-executive members.

## **3.2 General criteria for selecting the Board Members**

**3.2.1** When nominating board members, the following criteria shall be met:

- Previous experience in leadership positions with a high degree of responsibility (not less than ten years of experience in executive or leadership position is preferred).
- Personal traits, including integrity, taking the right decisions, financial awareness, and good performance.
- The ability to present the experiences in a way that add value to the skills and experience collection of the board members.
- Preference shall be given to the candidates with business experience, particularly in retail, or with experience in a certain field (such as: information technology, and management).
- The ability to permanently and properly keep in mind, when making decisions, the legitimate interests, and interests of shareholders and other stakeholders.
- The ability to allocate enough work and effort to perform his/her responsibilities as a board member.
- The ability to achieve effective and immediate contributions during board meetings and decision making.
- The board member shall not have been declared bankrupt or financially insolvent unless this situation is not existent in accordance with the provisions of the AoA. Likewise, a member nominated to join the Board must not have been subject to judgments relating to his inability to pay his debts or fulfill his obligations to his creditors.
- A member who has been convicted of a crime involving dishonesty or distrust cannot be selected or nominated.

- A board member shall not hold a position of a manager, auditor, executive officer, general manager, employer, commercial agent, or distributor at any company that practices the same activity of SACO (hereinafter referred to as “Competing Companies”), and shall not be a major shareholder in a competing company.

#### **4. Procedures, conditions, and criteria for nomination to the Board of Directors.**

**4.1** The Nomination and Remuneration Committee shall demand the current Board to announce the opening of the nomination to the Board within a proper term before the end date of the current Board’s session. Such announcement shall include details of information required to be provided by candidates and shall be announced in accordance with the Corporate Governance Regulations, and the Companies Law, and to be published on the Company's website, and on Tadawul website. The nomination window shall be opened for at least one month from the date of announcement, in accordance with the Article Sixty-Eight of Corporate Governance Regulations issued by Capital Market Authority on 13/02/2017AD.

**4.2** The Nomination and Remuneration Committee may engage the services of third-party consultants, in search of or to complete hunting for experienced candidates required.

**4.3** The nomination provided by the management team or the current board members is acceptable.

**4.4** In addition to the general criteria required for the nomination to the board, the candidates must provide the following information to the Nomination and Remuneration Committee, in order to be eligible for nomination:

**4.4.1** Detailed curriculum vitae (CV) clarifies the educational qualifications and professional experience.

**4.4.2** Copy of their personal ID or identification papers.

**4.4.3** To fill in the form required by the Capital Market Authority available on their website.

**4.4.4** To provide acknowledgment/confirmation of the following:

- A. Signed acknowledgment of their consent to hold the position of a Board member.
- B. Having read SACO’s policy for conflict of interests, as well as code of business ethics and professional conduct of the Company.
- C. The candidate shall not be a board member in more than five listed Saudi joint stock companies at the same time.

**4.4.5** To provide a detailed declaration of the companies in Saudi Arabia where the candidate still is a board member.

**4.4.6** To provide a detailed declaration of the companies or organizations in Saudi Arabia where the candidate participates in its management or ownership that engage in activities similar to the Company.

**4.4.7** To provide a detailed declaration of the joint stock companies in Saudi Arabia where the candidate held a board member position, and to clarify the term of membership in each of them.

**4.4.8** The candidate that was previously a board member of SACO shall provide the following information:

- A. Number of board meetings held during the year for each board's session, number of meetings he/she attended, and his/her attendance ratio compared to total board meetings.
- B. The Committee where the member has participated during the year for each board's session, number of meetings held by the Committee, number of meetings he/she attended, and his/her attendance ratio compared to total committee's meetings.

**4.5** The member shall provide the requirements of nomination application for SACO's board membership during the term defined by the Company.

**4.6** The Nomination and Remuneration Committee shall prepare a list of candidates that responded to the announcement and provided the full application requirements.

**4.7** The Nomination and Remuneration Committee shall carry out a substantive review of all candidates' CVs and shall prepare a list of the those who meet the requirements and criteria of membership as described herein.

**4.8** The list of candidates, and the process of their evaluation shall be properly documented in the minutes of meetings of the Nomination and Remuneration Committee.

**4.9** The Nomination and Remuneration Committee shall prepare a shortlist of the candidates who meet requirements of nomination to board's membership and shall submit their CVs to the Board for revision.

**4.10** The Nomination and Remuneration Committee shall provide the shortlist of the candidates who meet requirements during the board meeting to discuss the nomination process along with its recommendations in this regard.

**4.11** The Board shall discuss, and review the candidates nominated by the Nomination and Remuneration Committee for the board's membership in order to ensure that all requirements mentioned herein.

**4.12** The deliberations and revision of the Board in regard to members nomination shall be documented in the minutes of meeting.