



Board Membership Policies, Standards and Procedures

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SAHARA INTERNATIONAL PETROCHEMICAL COMPANY "Sipchem" December 2017

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Board Membership Policies, Standards and Procedures

Overview:

Board Membership Policies, Standards and Procedures of the SAHARA INTERNATIONAL PETROCHEMICAL COMPANY "Sipchem" have been prepared in accordance with the requirements of the Companies Law, executive controls and procedures, Corporate Governance Regulations issued by the Capital Market Authority and the Company's Articles of Association.

Definitions:

As stated in the Corporate Governance Regulations, the following definitions apply:

Executive Director: a member of the Board who is a full time member of the executive management team of the Company and participates in its daily activities.

Non-Executive Director: a member of the Board who is not a full-time member of the management team of the Company and does not participate in its daily activities.

Independent Director: a non-executive member of the Board who enjoys complete independence in his/her position and decisions and none of the independence affecting issues stipulated in Article 20 of these Regulations apply to him/her.

Article 1: Policy Objectives:

This Policy aims to set clear standards, controls and procedures that clarify to the Company's shareholders and those nominated for Board membership, the conditions, standards and procedures followed when selecting Board members and how they are elected.

Article 2: Board Membership Conditions and Standards:

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:



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- 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 and accounting.
- 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) Physical 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 have been convicted of an offence involving moral turpitude or dishonesty or for committing a behavioral violation in financial markets or business activities.
- 7) When applying for Board membership, the memberships of the candidate in boards of joint stock companies listed in the Saudi Stock Exchange shall not exceed four memberships.
- 8) Each member of the Board shall comply with the principles of truthfulness, honesty, loyalty, and care of the interests of the Company and its shareholders, and prioritize their interests over his/her personal interests.

Article 3: Board Membership Nomination Procedures:

1. Each shareholder may nominate himself/herself or nominate other person (s) for Board membership, within the limits of its ownership in the share capital of the Company.
2. The Company shall publish the nomination announcement on the websites of the Company and the Saudi Stock Exchange and through any other medium specified by the Capital Market Authority; to invite



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persons wishing to be nominated to the membership of the Board, provided that the nomination period shall remain open for at least a month from the date of the announcement.

3. The Nomination and Remuneration Committee shall submit its recommendations to the Board on nomination for Board membership according to standards outlined in this Policy.

4. Each applicant for Board membership shall submit nomination application to the Company within the announced nomination period, accompanied by the following:

A. Nomination application for the Board membership submitted to the attention of the Secretary of the Nomination and Remuneration Committee.

B. Filled out CMA form of the CV of the person nominated for board membership of a list joint stock company, that is prepared for this purpose and can be obtained via CMA's website.

Article 4: Board Membership Election Procedures:

1. Upon calling for the General Assembly, the Company shall announce on the Saudi Stock Exchange's website information about the nominees for the membership of the Board which shall include the nominees' experience, qualifications, skills and their previous and current jobs and memberships. The Company shall make a copy of the mentioned information available in the Company's head office and its website.

2. Cumulative voting shall be used in electing the Board, in which it is not allowed to use the voting right of a single share more than once.

3. Voting in the General Assembly shall be confined to the Board nominees whose information has been announced by the Company.

Article 5: Board Vacancies

Where the office of a Board member becomes vacant, the Board may appoint a temporary member in the vacancy, provided that he is experienced and competent. The Ministry of Commerce and Investment and CMA shall be informed within five (5) business days from the appointment date. Such appointment shall be submitted to the Ordinary General Assembly at its first meeting. The new member shall complete the unexpired term of his/her predecessor. Where the conditions required for holding the Board of Directors



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meeting are not satisfied because the number of members falls below the minimum prescribed in the Companies Law or these Regulations, the remaining members shall call the Ordinary General Assembly to convene within sixty (60) days to elect the required number of members.

Article 6: Termination of Membership:

1. The Board membership shall expire/be terminated according to any law or instructions applicable in KSA, or due to death, resignation or if the Board member was convicted of a crime involving moral turpitude or dishonesty. However, at all times, the Ordinary General Assembly may dismiss all or any of the Board members, without prejudice to the dismissed member's right for compensation if the dismissal was on an unacceptable reason or at inappropriate time. The Board member may resign, subject to tendering the resignation at an appropriate time, otherwise, he/she will be liable vis-à-vis the Company for damage resulting from such resignation.
2. The General Assembly may also, as per a recommendation of the Board, terminate the membership of the member who missed three consecutive meetings without a legitimate excuse.
3. The Board member must resign from the membership of the Board if he/she is unable to fully fulfill his/her duties in the Board.

Article 7: Review and Entry into Force

- 1) This Policy shall be reviewed annually as part of the Company Governance Review Process or when committee-related new instructions or regulations are issued by the competent authorities.
- 2) This Policy shall be amended by a decision of the Board upon recommendation of Nomination and Remuneration Committee and after approval by the Company's General Assembly. This Policy shall enter into force once approved by the Company's First General Assembly meeting convened after such amendment, unless laws, regulations and instructions issued by the competent authorities include otherwise.