

## Policies, standards and procedures for membership in the Board of Directors

### Tourism Enterprise Company "Shams" (a Saudi public shareholding company) 2020

Issued by the decision of the Ordinary General Assembly in its meeting held on Thursday 4/11/1441  
corresponding to 25/6/2020.

#### Article (1) Introduction:

This policy aims to define criteria and procedures for membership nomination to the Board of Directors of Shams Tourist Enterprises Company, and to set clear and limited criteria and procedures for membership, in implementation of the provisions of the company's corporate governance regulations and the provisions of corporate governance regulations issued by CMA Resolution No date 8/16/2017 and corresponding date 16/5/1438 AH (corresponding to 13/2/2017) And amended by the decision of the Council of the Capital Market Authority 3/5/2018 and date 7/8/1439 AH Corresponding to 4/23/2018 AD) and any subsequent amendments. (

#### Article (2), policies and criteria for membership in the Board of Directors of the Tourism Enterprises Company, "Shams":

Everyone who is nominated to occupy the position of membership of the Board of Directors of the Tourism Projects Company "Shams", whether he is the position of Chairman or Vice President, executive or non-executive member, independent or non-independent member, is required to meet the following specifications:

- 1 - Not to have been convicted of a crime involving moral turpitude or dishonesty, or ruled bankrupt, or made arrangements or reconciliations with his creditors, or not fit for membership of the Council in accordance with any system or instructions in force in the Kingdom of Saudi Arabia.
- 2 - The candidate should not be a member of the board of directors of more than (5) five joint-stock companies listed in the capital market at one time.
- 3 - The candidate should not be a government employee unless a seat is allocated to a member representing a government agency or a company (wholly or partly) owned by a government agency.
- 4 - To have technical, leadership, and administrative capabilities, speed in decision-making, and understanding of technical requirements related to the workflow, and to be able to strategically direct, plan, and have a clear future vision.
- 5 - Most of the Board members must be non-executive members.
- 6 - The number of independent members should not be less than three members.
- 7 - The member of the Board of Directors should be aware of his legal responsibility and obligations towards shareholders in particular and stakeholders in general.
- 8 - The candidate for membership should be able to read and understand financial statements and reports.
- 9 - A member of the Board of Directors is obligated to fully maintain the confidentiality of information and not to disclose company secrets to any party.
- 10 - That the candidate could lead by having leadership skills that qualify him to grant powers in a way that leads to stimulating performance and applying best practices in the field of effective management and adherence to professional values and ethics.
- 11 - To take into account the diversity of educational qualifications and scientific experience related to the company's activity and adequate training to achieve efficiency and effectiveness in enriching discussions on topics presented to the Board, and to have the scientific qualifications that enable him to carry out his work.

12 - He must be in good health and not have a health impediment that would prevent him from performing his duties and specializations.

13 - He should not be entitled to attend work in joint-stock companies by the Capital Market Authority or other bodies regulating the work of Capital markets inside and outside the Kingdom.

14 - Compliance with the provisions, regulations, bylaws, and instructions in force in the Kingdom of Saudi Arabia.

When electing the members of the Board of Directors, the General Assembly shall consider the recommendations of the Nominations and Remuneration Committee and verify the availability of personal and professional resistances necessary for their effective performance of management tasks.

Article (3) Composition of the Board of Directors:

1 - The company is managed by a board of directors consisting of (7) seven members elected by the ordinary general assembly for a period not exceeding three years.

2 - It is not permissible to combine the position of the Chairman of the Board with any executive position in the company, such as the position of a forum member or the CEO and General Manager.

3 - The majority of the members of the Board of Directors shall be non-executives.

4 - The number of independent members shall not be less than two or three members of the Council, whichever is greater.

5 - Not to be a government employee among the candidates or those concerned in the council.

#### Article (4) Procedures for membership in the Board of Directors of Tourism enterprise Company "Shams":

1 - The Nominations and Remuneration Committee shall coordinate with the concerned authority in the company to announce the opening of the door for nomination for membership of the Board of Directors of the company and publish the invitation for nomination on the website of the capital market (Tadawul) and the company's website, according to the periods and dates stipulated in the rules and regulations and applicable decisions. The candidate must fulfill the following:

A - Statement of the number and date of his membership in the board of directors of joint-stock companies and the committees in which he assumed membership.

B - A statement of the joint-stock companies whose membership he still holds.

C - A statement of the companies and institutions in which he participates in the management and ownership that carry out business similar to the company's business.

D - Filling out the forms required by the Capital Market Authority by the candidates.

2 - Whoever wishes to run for membership in the company's board of directors, when the company announces the position, must submit a nomination application to the company's nominations and rewards committee, supported by the following documents:

A - a CV supported by a copy of his qualifications and experience in the field of corporate business management, whether directly through an executive position he held or indirectly through membership of the Board of Directors.

B - A candidate who has previously held membership in the board of directors of a joint-stock company (inside or outside the Kingdom) must provide a statement of the number and dates of the meetings of the board of directors of the joint-stock company he attended while serving as a member of its board of directors.

C - The candidate must provide a statement of the companies or institutions in which he is a member of the board of directors or has an existing partnership in their ownership, and clarify whether they practice business similar to the company's business or have contracts or joint interests with the company or not.

D - The candidate must provide a statement of the joint-stock companies and other institutions that he is expected to become a member of their board of directors or participate in their management during the term of the board of directors in question.

E - If the candidate had previously held membership in the Board of Directors of the Shams Tourism Projects Company, he must attach to the nomination notification a statement of the company's management about the last term in which he assumed the membership of the Board, including the following information:

- A statement of the number of board meetings that took place during each year of the session.

- The number of meetings attended by the member, its authenticity, and the percentage of groups attending meetings.

- A statement of the specialized committees in which he participated in membership and the number of meetings held by each of those committees during each year of the session.

- The number of meetings attended and the percentage of his attendance to the total number of meetings.

- A summary of the financial results achieved by the company during each year of the session of the board whose membership it occupied.

F - The Nominations and Remunerations Committee coordinates with the Chairman of the Board of Directors to address the relevant entities to nominate their representatives to the Board of Directors considering the policies and nomination criteria established by the company's General Assembly.

G - The Nominations and Remunerations Committee presents the Board of Directors membership candidates to the Ministry of Commerce and Investment and the Capital Market Authority.

H - The Nominations and Remunerations Committee - after obtaining the approval of the Ministry of Commerce and Investment and the Capital Market Authority on the candidates - recommends to the Board of Directors the candidates for membership of the Board of Directors in accordance with the policies and standards approved by the General Assembly.

I - The board of directors recommends to the general assembly of the company candidates for membership of the board of directors in accordance with the policies and criteria approved by the general assembly to appoint them as stipulated in Article Sixteen of the company's articles of association.

J - The number of candidates for the Board of Directors whose names are presented to the General Assembly must exceed the number of seats available so that the General Assembly has the opportunity to choose from among the candidates.

K - Cumulative voting must be used in electing the members of the Board of Directors, as the voting right per share may not be used more than once.

L - Voting in the General Assembly is limited to candidates for membership of the Board of Directors whose names have been announced.

M - The company notifies the Capital Market Authority of the names of the members of the Board of Directors and the description of each member within five working days from the date of the beginning of the term of the Board of Directors or from the date of their appointment, whichever is earlier, and any changes that occur to its membership within five working days from the date of the changes.

N - The Board of Directors shall appoint from among its elected members a chairman, vice-chairman and secretary.

#### **Article (5) Candidate disclosure of conflict of interests:**

If the candidate is elected as a member of the Board of Directors, he is required to submit the required disclosures in accordance with the disclosure policy and the list of conflicts of interest in terms of contracts and dealings with members of the Board of Directors and senior executives.

#### **Article (6) Remuneration of board members:**

A member of the Board of Directors, in return for his membership in the Board, shall be entitled to a remuneration for the work and efforts he makes in order to achieve the company's goals and develop its business, in accordance with what is stipulated in the Companies Law, the Articles of Association, and the instructions of the Capital Market Authority.

The company considers the following provisions and standards when determining and disbursing the remuneration of the members of the Board of Directors:

- The remuneration should be fair and commensurate with the member's specialization and the work he performs.
- The remuneration shall be based on the recommendation of the Remuneration Committee.
- The remuneration should be commensurate with the company's activity and the necessary skill to manage it.
- The remuneration should be sufficient to attract board members with experience and competencies to motivate and retain them.
- The remuneration of the members of the Board may vary to reflect the extent of the member's experience, his specialization, the size of the tasks entrusted to him, his independence, the number of sessions he attends, and other considerations.
- The remuneration is not due unless the board member attended 75% of the sessions during one fiscal year.

#### **Article (7) terms of remuneration**

- The members of the Board of Directors may not vote on the Board of Directors remuneration item at the General Assembly meeting
- If a member of the Board of Directors is a member of the affiliated committees, she may obtain a remuneration for her membership in these committees or for any additional work or executive, technical, administrative or advisory positions under a professional license assigned to her by the company, in addition to the remuneration that can be obtained in his capacity as a member of the Board of Directors, considering the provisions of the company's articles of association and the companies' system.
- If the General Assembly decided to terminate the membership of a member of the Board of Directors who was absent due to his failure to attend three consecutive meetings of the Board without a legitimate excuse, this member shall not be entitled to any remuneration for the period following the last meeting he attended, and he must return all the rewards that were paid to him for that period.
- The remuneration of the independent members of the Board of Directors must be a percentage of the profits made by the company, or it must be based directly or indirectly on the profitability of the company.
- If it turns out that the remuneration that were paid to any of the members of the Board of Directors are based on incorrect or misleading information that was presented to the General Assembly or included in the annual report of the Board of Directors, then he must return them to the company, and the company has the right to ask him to return them.

- The board of directors must disclose in its annual report the details of the policies related to remuneration, the mechanisms for determining them, and the financial and in-kind benefits paid to each member of the board of directors in return for any executive, technical, administrative, or advisory work.

#### **Article 8 remuneration value**

- The sum of what a member of the Board of Directors receives in terms of remuneration and financial benefits may not exceed (500,000 riyals) Five hundred thousand riyals annually.

- The Chairman of the Board of Directors, the Vice-Chairman of the Board, and the Managing Director have the right to remuneration for the work and responsibilities that he performs in this capacity, in addition to the remuneration prescribed for the members of the Board of Directors.

- The minimum allowance for attending council sessions is (5,000 riyals) and the committee is (2,000 riyals) for each session, not including travel and accommodation expenses. The attendance allowance is calculated within the maximum limit set for each member's remuneration.

- The member of the Board of Directors and the member of the affiliated committee attending the meeting shall be entitled to a cash sum in exchange for the travel expenses allowance, provided that the meeting session takes place outside the city of permanent residence for that member incurred by the member for attending the session.

#### **Article 9 Termination of membership**

board membership Terminated if one or more of the following cases are met:

- at the end of the appointment period

- Resignation or death

- If the Board of Directors or the member proves that he has breached his duties in a way that is detrimental to the interest of the company, if this is accompanied by the approval of the Ordinary General Assembly.

- At the end of his membership in accordance with any system or instructions in force in the Kingdom of Saudi Arabia.

- If he is declared bankrupt or insolvent, or if he submits a request for settlement with his creditors.

- He became unconscious or became mentally ill.

- If it is proven that he committed an act of breach of trust and morals, or if he is convicted of forgery.

- If he is absent from attending three consecutive meetings of the Board without a legitimate excuse, the decision is issued by the Ordinary General Assembly based on the recommendation of the Board of Directors.

- If he holds a governmental job and is appointed to a governmental position.

Nevertheless, the Ordinary General Assembly may, at any time, dismiss all or some of the members of the Board of Directors, without prejudice to the right of the member and the dismissed member towards the company to claim compensation if the dismissal occurred for an unacceptable reason or at an inappropriate time a member of the Board of Directors may be dismissed, provided that this is at an appropriate time, otherwise he will be responsible before the company for the damages resulting from the dismissal.

If the membership of a member of the Board of Directors ends in one of the above-mentioned membership termination cases, the company must notify the Authority and the Market immediately, stating the reasons for that.

#### **Article 10 amending the regulations:**

The Board of Directors may propose amending the provisions of these regulations in accordance with any new practical requirements, declarations or instructions issued by the relevant government agencies, provided that this amendment is presented to the General Assembly at its first meeting for approval.

#### **Article 11 General Provisions:**

- This regulation replaces any other regulation approved by the company.

- The regulation is approved by the company's board of directors, and it is presented to the first general assembly to vote on it based on the board's recommendation.

- These regulations shall be applied as of the date of their approval by the General Assembly.

- This regulation must be reviewed periodically to keep abreast of developments and events.

- The company must notify the Capital Market Authority and the Ministry of Commerce and Investment of any change in the Board of Directors.

- The company shall provide the Authority with information about the members of the Board and report the termination and expiration of the membership of any member and submit the form that includes the Curriculum Vitae of the member.

- Announcing on the Market website any judicial ruling issued against the Board of Directors or one of its members if the subject matter of the ruling is related to the work of the Board or one of its members in the company.

#### **Article 12 enforceability:**

These regulations (and any subsequent amendments thereto) shall enter into force from the date of their adoption and approval by the General Assembly. This policy is published on the company's website to enable shareholders, employees, stakeholders and the public to view it, or in accordance with any regulatory requirements imposed by the competent authority.