



## **Membership Policies and Standards in the Company's Board of Directors**

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<b>Recommendation</b>	<b>Approval</b>
<b>Board of Directors</b>	<b>General Assembly</b>
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#### **Article one: Preface:**

The "Membership Policies, Standards, and Procedures for the Board of Directors of Abdullah Saad Abu Moati Libraries Company" have been prepared to comply with Paragraph (3) of Article (21) of the Corporate Governance Regulations issued by the Saudi Arabian Capital Market Authority (CMA) pursuant to Resolution No. 8-16-2017 dated 13/02/2017 (corresponding to 16/05/1438H), as amended by Resolution No. 8-5-2023 dated 18/01/2023 (corresponding to 25/06/1444H), in accordance with the Companies Law issued by Royal Decree No. M/132 dated 01/12/1443H. This regulation stipulates that the Board of Directors (the Board) should "prepare clear and specific policies, standards, and procedures for board membership, in compliance with the mandatory provisions of the Corporate Governance Regulations and implement them after approval by the General Assembly."

#### **Article two: Composition of the Board of Directors:**

1. The Board of Directors is elected by the General Assembly and may be re-elected in accordance with the relevant laws and regulations.
2. According to the company's bylaws, the number of Board members shall not be less than three.
3. The number of independent members on the Board shall not be less than two or one-third of the total Board members, whichever is greater.
4. A majority of the Board members must be non-executive members.
5. The term of the Board of Directors shall be for a period not exceeding four years, in accordance with what is stipulated in the company's articles of association.

#### **Article three: Membership Policies and Standards in the Company's Board of Directors:**

It is required that a member of the Board of Directors be of professional competence who has the necessary experience, knowledge, skill and independence to enable him to exercise his duties efficiently and competently, provided that the General Assembly, when electing members of the Board of Directors, takes into consideration the recommendations of the Remuneration and Nominations Committee of the company and the availability of the personal and professional

elements necessary to perform their duties in a manner Effective, and the member shall, in particular, have the following:

1. The candidate for board membership should not have been convicted of a crime against honor and honesty, and he should not be insolvent or bankrupt or become unfit for board membership in accordance with any system or instructions in force in the Kingdom.
2. The member of the Board shall not be a member of more than five joint stock companies listed in the financial market at the same time.
3. To represent all shareholders, and to commit to the duties of honesty, honor, loyalty and care in managing the company and everything that would achieve its interests and those of its shareholders, develop and maximize its value.
4. The independent member shall not be subject to any of the independence symptoms stipulated in the Governance Regulations.
5. **Efficiency:** by having the educational qualifications, appropriate professional and personal skills, level of training, and practical experience related to the company's current and future activities, management, economy, or accounting, law, or governance, as well as a desire for education and training.
6. **Leadership ability:** by having leadership skills that qualify him to grant powers that lead to motivating performance, applying best practices in the field of effective management, adherence to professional values and ethics, and the ability to effectively communicate, think and strategically plan.
7. **Ability to guide:** by having technical, leadership, and administrative abilities, fast in decision-making, understanding the technical requirements related to workflow, and being able to strategically guide and long-range planning and a clear future vision.
8. **Financial knowledge:** by being able to read and understand financial statements and reports.
9. **Health fitness:** That he does not have a health impediment that hinders him from exercising his duties and competencies.
10. The candidate must be a natural person at least twenty-five (25) years old, whether applying in his personal capacity or as a representative of a legal person.
11. To comply with all disclosure requirements and to avoid conflicts of interest and competition that the company sets and is subject to under the relevant regulations and circulars.

#### **Article Four: Policies and Procedures for Candidacy for Board Membership:**

1. Each shareholder has the right to nominate himself or one or more other persons for membership of the Board of Directors, in accordance with the Companies Law and its executive regulations.
2. The candidacy announcement shall be published on the website of the Stock Exchange (Tadawul) as well as on the company's website, and in any other means determined by the Capital Market Authority, sufficiently before the end of the Board of Directors session, in order to invite persons wishing to be nominated for membership in the Board of Directors, provided that the nomination remains open for at least one month from the date of the announcement.
3. Anyone wishing to nominate himself for membership in the board of directors must submit his resume, qualifications, and practical experience, and a detailed statement of the boards of directors of joint-stock companies and the committees he assumed or assumes membership of, and specify the capacity of the membership (executive, non-executive or independent) and any other documents required by the company in accordance with the statutory requirements.
4. The candidate for membership of the board must disclose to the board and the General Assembly any cases of conflict of interest.
  - 4.1 Having a direct or indirect interest in the business and contracts made for the interest of the company he wishes to nominate for its board of directors.
  - 4.2 Participation in a business that would compete with the company, and its competition in one of the branches of its activity.
5. The Remuneration and Nomination Committee shall study the applications of candidates for membership of the Board of Directors and ensure that the instructions and regulations are applied and that all required data are fulfilled in accordance with the relevant policies and statutory requirements, then submits its recommendations to the Board of Directors
6. The company announces on the website of the Saudi Stock Exchange "Tadawul" the information of the candidates for membership of the Board of Directors when publishing or sending the invitation to convene the General Assembly, which includes a description of their experiences, qualifications, skills, their previous and current jobs and memberships. The company provides a copy of this information at its head office and through its website.

7. Voting on the selection of members of the Board of Directors is carried out through the cumulative voting method. Where the right to vote per share may not be used more than once.
8. Voting in the General Assembly is limited to the announced candidates for membership of the Board of Directors.
9. The Board of Directors appoints from among its elected members a president and a vice president.
10. The company shall notify the Capital Market Authority of the names of the members of the board of directors and their membership descriptions within five working days from the date of the start of the period of the board of directors or from the date of their appointment - whichever is sooner - and any changes that occur to their membership within five working days from the date of the changes taking place.

**Article Five: Expiry of the membership of a board member and vacancy of a position:**

1. The membership of the Board of Directors, or part of it, ends in one of the following cases:
  - 1.1 upon the expiration of the period of the board.
  - 1.2 By the expiration of the member's validity in accordance with any system or instructions in force in the Kingdom.
  - 1.3 The dismissal of the Board or part of it by the ordinary general assembly without prejudice to the right of the dismissed person to be compensated if the dismissal occurred for an unacceptable reason or at an inappropriate time.
  - 1.4 To terminate the membership of a member who has been absent from three consecutive meetings of the Board without a legitimate excuse from the General Assembly based on a recommendation from the Board.
  - 1.5 By resigning, provided that it is at an appropriate time, otherwise the resigning person will be liable before the company for the damages resulting from the resignation.
  - 1.6 by death.
2. Upon termination of the membership of a member of the Board of Directors by one of the means of termination of membership, the company shall notify the Authority and the Saudi Stock Exchange "Tadawul" immediately with a statement of the reasons for that.

3. If a member of the Board of Directors resigns, and he has comments on the performance of the company, he shall submit a written statement to the Chairman of the Board of Directors, and this statement must be presented to the members of the Board of Directors.
4. If the position of a member of the Board becomes vacant during the period of membership, the Board shall have the right to appoint a temporary member in the vacant position, provided that he is one of those who have sufficient experience and competence, and that the appointment shall be presented to the Ordinary General Assembly in its first meeting to approve it, and the new member completes the period of his predecessor, in light of what is stated in the company's articles of association.
5. If the necessary conditions for the convening of the Board of Directors are not met due to the lack of the number of its members below the minimum stipulated in the Companies Law or the Company's Articles of Association, the remaining members shall call the Ordinary General Assembly to convene within sixty days to elect the necessary number of members.

**Article Six: Final Provisions:**

The policies (and any subsequent amendments to them) shall be effective from the date of their approval by the General Assembly, and the company shall publish them to shareholders in accordance with the statutory requirements imposed by the regulators.