

Policies, Criteria, and Procedures for Board of Directors' Membership
Saudi Real Estate Company (Al Akaria)

Approved by Decision No. (43) dated 14/10/1439 (28/06/2018) of the Extraordinary General Meeting

Contents

Article One: Definitions

Article Two: Preamble

Article Three: Purpose

Article Four: Board of Directors Composition

Article Five: Nomination and Election of Board Members

Article Six: Criteria and Conditions for Board Membership

Article Seven: Expiration Board Membership's Tenure

Article Eight: Board of Directors Vacancy

Article Nine: Revision and Amendment

Article Ten: Publishing and Applicability

Article One: Definitions

Subject to the definitions stipulated in the Companies and Capital Market Law and their Regulations, and Corporate Governance Regulation issued by the Capital Market Authority's Board Decision No. (8-16-2017) Dated 16/5/1438 corresponding to 13/2/2017, based on the Companies Law, the following words and expressions shall have the meanings stated beside each unless context requires otherwise:

Companies Law: The Companies Law issued by Royal Decree No. M/3 dated 28/1/1437, and its amendments.

Capital Market Law: The Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424.

Corporate Governance Regulation: The Corporate Governance Regulation issued by the Capital Market Authority's Board by decision No. (8-16-2017) of 16/5/1438, corresponding to 13/2/2017, based on the Companies Law.

Authority: Capital Market Authority.

Market: Saudi Capital Market.

Articles of Association: The Articles of Association of Saudi Real Estate Company (Al Akaria).

Company: Saudi Real Estate Company (Al Akaria).

General Assembly: Ordinary or Extraordinary General Assembly of Saudi Real Estate Company that it is hold in the presence of the Company's shareholders according to the provisions of the Companies Law and the Company's Articles of Association.

Board of Directors/Board: The Board of Directors of Saudi Real Estate Company (Al Akaria).

Policies: Policies, Criteria, and Procedures for the Board of Directors' Membership of Saudi Real Estate Company (Al Akaria).

Executive Member: The board member who is responsible for the management and administration of the company's day-to-day business activities.

Non-Executive Member: The board member who is not part of the executive team and does not engage in the company's day-to-day business.

Independent Member: A non-executive member who is fully independent in his position and decisions, and the independence impediments stipulated in Corporate Governance Regulation are not applied thereof.

Stakeholders: Each stakeholder having an interest with the company including personnel, creditors, suppliers, and society.

- **Cumulative Voting:** A method of voting followed when electing the Company's directors, the shareholder can vote proportionally to the number of shares they hold. And can split the votes among multiple candidates or apply them to just one candidate without repeating such votes.

Article Two: Preamble

Policies, Criteria, and Procedures of the Board's membership of Saudi Real Estate Company (Al Akaria) have been prepared to enhance the level of governance in the company, comply with the relevant provisions indicated in the Corporate Governance Regulation which stipulated that the preparation of these policies falls under the functions and tasks of the Board of Directors in compliance with the mandatory terms of the Corporate Governance Regulation, and put them into practice after being approved by the general assembly meeting.

Article Three: Purpose

The purpose of this Policy shall be to define the policies and provisions related to the composition of the Board, the criteria, conditions and procedures for the Board's membership, the mechanism for nomination and election of members of the Board, and the provisions related to the membership's termination, in compliance with the Companies Law, the Corporate Governance Regulations and the Company's Articles of Association.

Article Four: Board of Directors Composition

The Board of Directors Composition shall consider the following:

- 4.1 The Board of Directors shall be composed of nine members, elected by the General Assembly for a three-year tenure, with the possibility of extension. The General Assembly may re-elect the members of the Board for a similar tenure.
- 4.2 The majority of the members of the Board shall be non-executive members.
- 4.3 The number of independent Board members shall not be less than two or three members, whichever is greater.
- 4.4 The Capital Market Authority (CMA) shall be notified of the names of the Members of the Board of Directors and the nature of their membership within five working days from the start date of the Board Tenure or from the date of their appointment, whichever is first, and any changes to the membership of the Board within five working days of the date of change.

Article Five: Nomination and Election of Board Members

The nomination and election of Board members shall consider the following:

- 5-1 Each shareholder may nominate him/her self or others or more for the Board membership according to the shareholder share's ownership in the capital.

5-2 Anyone wishes to be nominated for Board membership shall disclose any conflicts of interest to the Board and the general assembly according to the procedures stipulated by the Capital Market Authority including:

5-2-1 The existence of direct or indirect interest in the businesses and contracts concluded for the account of the Company.

5-2-2 The participation of a competing activity to the company's business, or one of the branches that its activity carried out by the company.

5-3 The Company shall make nomination announcement for the Board membership on Tadawul and its website or in other means as determined by CMA, sufficiently prior to the end of Board tenure to invite the ones who wishes to apply for the Board's membership provided that the nomination shall be remains open for at least one month from the announcement's date.

5-4 Anyone wishes to apply for Board membership shall submit their resume including their academic qualification, job experience and a detailed statement of their memberships in the companies' boards (whatever its legal form is or its committees) with defining the membership type (executive, non-executive or independent) and the nature of membership (in their individual capacity or as a representative of a legal person), in addition to complete any forms or submit any other documents the Company may request according to the Capital Market Law, Corporate Governance Regulation and CMA's requirements.

5-5 The Nomination and Remuneration Committee shall examine the candidates' applications of Board membership to ensure that all the requested details are completed according to the Corporate Governance Regulation or any other regulatory requirements to submit its recommendations to the Board of Directors in this regard.

5-6 The Company shall announce candidates' information on the website when publishing or sending invitation of the general meeting. Such information shall contain a description of applicants' past and current experiences, qualifications, skills, jobs, and memberships. The Company shall provide a copy of such information in its head office and on its website.

5-7 The applicants of the Board membership that their names are presented to the general assembly shall outnumber the vacancies so that the general assembly may have an opportunity to select from among them.

5-8 The cumulative voting shall be used in electing the Board that the right to vote per share may not be used more than once.

5-9 The voting in the general assembly shall be limited to the applicants to Board's membership that their information were announced according to Paragraph 4-6 of this Article.

5-10 The Board of Directors shall appoint Chairman and Deputy Chairman from among its elected members.

Article Six: Criteria and Conditions Board of Directors' Membership

Any member of the Board of Directors shall be required to be professionally capable and has the required experience, knowledge, skill and independence, which enable him/her to perform duties efficiently. The member shall have the following qualifications in particular:

6-1 The Board member Shall not have been previously convicted of a crime against honor and honesty, and shall not be unfit for Board Membership in accordance with any law or instructions in force in the Kingdom of Saudi Arabia.

6-2 The Board member shall not be a member of the Boards of Directors of more than five listed joint stock companies at the same time.

6-3 An independent member shall not be subject to any of the incidentals of independence set out in the Corporate Governance Regulations.

6-4 The Board member shall represent all shareholders and adhere to the principles of sincerity, honesty, loyalty, care, and concern about the interests of the company and shareholders and prioritize them over his/her personal interest, including the following in particular:

6-4-1 The Board member's relationship with the company shall be a sincere professional one. He/ She shall disclose to the Company any significant information prior to executing any deal or contract with the Company or a subsidiary thereof.

6-4-2 The Board member shall avoid transactions that involve conflict of interest, while verifying the integrity of the transaction, and observing the provisions relating to conflict of interest provided for in the Corporate Governance Regulations.

6-4-3 The Board member shall perform the duties and responsibilities stipulated in the Companies Law, Capital Market Law and their Implementing Regulations, the Company's Articles of Association, and other relevant regulations.

6-5 The Board member shall have leadership skills which enable him/her to delegate authorities in order to enhance performance and apply best practices in effective management and compliance with professional ethics and values.

6-6 Competency by having academic qualifications, suitable professional and personal skills, level of training, and practical experience related to the company's current and future activities, management, economics, accounting, law or governance, as well as a desire to learn and train.

6-7 The Board member shall have the technical, leadership, and administrative capabilities as well as the ability to take prompt decisions, and understand technical requirements and developments related to the workflow. And shall be able to provide strategic guidance and long-term planning and have a clear future vision.

6-8 The Board member shall have the ability to read and understand financial statements and reports.

6-9 Physical fitness: The Board member shall not suffer from any health issue that may hinder him/her from performing the duties and responsibilities.

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

Article Seven: Termination of a Board Membership

7-1 The Board membership shall be terminated upon the end of its tenure or upon the termination of the member's authority therefor in accordance with any Law or Instructions in force in the Kingdom. 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. A board member may dismiss provided that it shall be at an appropriate time. Otherwise, he/ she shall be liable to the company for the damages resulting from such dismissal.

7-2 The General Assembly may also, as per Board recommendation, terminate the membership of the member who missed three consecutive meetings without a legitimate excuse.

7-3 Upon the termination of the membership of a Board member by any termination method, the Company shall promptly notify the Authority and Tadawul and shall specify the reasons for such termination.

7-4 If a Board member 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 Eight: Board of Directors Vacancy

8-1 The Board shall appoint a temporary member in the vacant position provided that he/she shall have sufficient experience and competence. The Ministry of Commerce and Investment and the Authority shall be informed of such temporary member within five working days from the date of appointment. The appointment shall be presented to the ordinary general assembly at its first meeting for approval, and the new board member completes its tenure. If the meeting conditions are not met due to shortage of its member which is below the minimum limit set out in the Companies Law or the Company's Articles of Association, the remaining members shall convene the ordinary general assembly within sixty days to elect the required number of members.

8-2 If the Board members submit their resignations, or if the general assembly is unable to elect the Company's Board of

Directors, the Authority's Board shall form a temporary committee with experience and competence in the number it deems appropriate, and appoint a chairman and a deputy chairman from among its members, to supervise the company management, and to hold the general assembly within a period of no more than three months from the date of forming the

committee, to elect a new Board of Directors of the Company. The Committee chairman and members shall be granted remunerations at the Company's expense according to a decision by the Authority.

Article Nine: Review and Amendment

These policies shall be subject to annual revision by the Board of Directors, as part of the revision of the company's effective governance, and no amendments thereto may be approved until the general assembly's approves it.

Article 10: Publication and Entry into Force

These Policies and any subsequent amendments thereto shall be effective from the date of their approval by the general assembly. The Board of Directors shall put them into effect after they are approved by the general assembly, and the Company shall publish them to the shareholders and the public on its website.