

## **Al Yamamah Steel Industries Co.**

# **Nomination and Remuneration Committee Charter**

### **Al-Yamamah Corporate Governance Code (V 5.0)**

*Note: This is an English translation of the original document in Arabic. The Arabic text is authentic, in case of divergence of interpretation, the Arabic text shall prevail.*

## 9 Nomination and Remuneration Committee Charter

### Definitions:

The following is a list of terms used in these Regulations:

**The Authority:** The Capital Market Authority

**The Board:** The Board of Directors of Al Yamamah Steel Industries Co.

**The Committee:** The Nomination and Remuneration Committee

**The Chairman:** The Chairman of the Remuneration and Nominations Committee

**The Member:** A member of the Board of Directors

**The Company:** Al Yamamah Modern Industries Company

**Senior Executives:** Individuals responsible for managing the Company's daily operations, proposing strategic decisions, and executing them, such as the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, and General Managers

### Preface: The nature and limits of the charter:

#### A – The essence of this version:

Al Yamamah Steel Industries Co. aims by following up the amendment of the charter (Remuneration and Nominations Committee) to activate the role of the Board in the Executive Management Control through the Board's specialized committees, including Remuneration and Nominations committee which plays a major role in supporting the entire board of directors by providing clear policies for the appointment, evaluation, and remuneration of Board members, follow-up compliance with the Code/Regulations of Conduct and Responsible Business Ethics, ascertaining conflict of interest, and making recommendations without making decisions on its behalf.

This version is an amendment to the charter of the Committee Nominations and Remuneration (version 4.2) , It was promulgated as a response to the approval of the ordinary General Assembly of Al Yamamah Steel Industries Company on 00/00/2024 and bearing the name (version 5.0).

The amendments of the charter have been made in accordance with the changes that occurred in the various laws and regulations, in light of best practices in this regard.

## **Second - Limitations and Scope of the Charter :**

The charter of the Nomination and Remuneration committee Charter is considered an integral part of the rules, regulations which are contained in the Companies Law, the Capital Market Authority and other relevant laws and regulations, as well as local and international standards, in addition to the Code/Charter of employment conduct and ethics of Work in Al Yamama Steel Industries company .

The Nomination and Remuneration committee is formed by a resolution of the Board of Directors, and the General Assembly of Shareholders approves the rules, regulations, work procedures, tasks and appointment of committee members, and the term of their appointment.

The Board, based on the recommendation of the Nomination and Remuneration Committee, and in accordance with the Board and its committees' remuneration policy as well as the executive management, and pursuant to the Company's Articles of Association, shall determine the form and amount of compensation for the members and approve them in the general assembly meeting. The Committee shall also conduct an annual review of members' compensation.

### **1.1 Purpose**

1.1 The primary purpose of the Nomination and Remuneration Committee (the Committee) is to assist the Board in:

- a . Suggest policies and clear standards for membership in the board of directors and executive management.
- b. prepare descriptions of capabilities and qualifications required for board of directors' membership and executive management recruitment.
- c .Set job description for the executive members, non-executive members, independent members, and executive management members.
- d. determine special procedures for vacant positions of board of directors member or key executives.
- e. determine the qualified individuals to be members of the board of directors, recommendation of the board for the members who are nominated in the next annual general shareholders assembly.
- f. Recommending to the Board of Directors the members nominated for each of the Board's committees.
- g. annual review of the necessary needs, such as appropriate skills for board of directors , executive management membership and positions .

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- h. annual checkup of independency of the independent members ,absence of conflict of interest and whether the member join another company board of directors .
- i. preparing a clear mechanism to evaluate the board and its members, the board should approve the mechanism via general assembly.
- j. supervise the evaluation of the board and the executives
- k. monitor all matters which are related to the CEO and Compensation officer.
- l. Review the board succession plans.
- m. determine aspects of strength and weakness of the board of directors , suggest solutions in favor of the company's interest
- n. Prepare clear remuneration policy for members of the board of directors and the committees emerging from board of directors and executive management ,submitted to the board of directors to review in order to prepare for approval by the general assembly ,provided that this policy should comply with performance standards ,disclose it ,and ensure its execution .
- o. recommend the board of directors to remunerate its members and the emerging committees and top executives in the company according to the approved policy.
- p. Prepare annual detailed report on the remuneration which are granted to the board and the executives management members, whether in cash, benefits or privileges, whatsoever its nature and name, provided that this report should be presented to company's general assembly to discuss and decide .
- q. rotational review of remuneration policy, evaluating its role in achieving the targets.
- r .evaluate the board's performance in:
- CEOs salaries and incentives policies.
  - Senior management total Salaries
  - Recruitment at Al Yamama Steel Industries, contract extension, and senior management contract termination policies.
  - Incentive's regulations.
  - retirement arrangements
  - Directors' Compensation Framework.

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1-2 Through its duties, the Nomination and Remuneration Committee shall be able to communicate directly with the Company's resources and what this requires to maintain effective working relationships with management.

### 9.2 Committee structure, members' selection and appointment:

9.2.1 The Committee consists of three members out of board directors executives members , whether from shareholder or others ,provided that there should be one independent member at least ,their selection shall be according to members selection policy mentioned in this charter herein .

9.2.2 The general assembly based on a proposal from board of directors , issues regulations of Remuneration and Nominations committee member's selection ,membership duration, the committee methodology and disciplines, and members remuneration .The chairman may join the committee , provided that he shouldn't head the committee .

9.2.3 The committee members and head of the committee, are appointed by the board for four renewable years once, duration of remuneration and nomination committee shouldn't exceed the board of directors membership duration.

9.2.4 An independent member of the board of directors should participate in the company's remuneration and nomination committee, the committee should be headed by an independent member according to its formation and appointment decision ,or the committee selects head from the independent members via positive voting by the majority of the committee members ,in case the formation decision doesn't include the head appointment .

9.2.5 The term of remuneration and nomination committee should not exceed that of the board of directors .The membership of remuneration and nomination committee, if he is a member of the board of directors , shall terminate in the event of the expiry of his term of membership in the board or his voluntary resignation from the membership of the remuneration and nomination committee. As for non-member of the board of directors, his membership shall end through functional resignation or at the end of a term of the committee membership. The board of directors may remove a member of the committee via the majority of vote.

### 9.3 Responsibilities and Tasks of the Committee:

9.3.1 The following tasks shall be recurring and common activities of the Committee in the performance of its function .Also, these tasks are used as a guide noting that the company may not follow it under certain circumstances.

### **9.3.2 Recruitment Responsibilities:**

- a .Recommend to the board of directors to nominate for membership of the board according to the approved policies and standards, considering not to nominate any person previously convicted of a crime against honor and honesty.
- b .Annual review of the appropriate required skills for membership of the board of directors, preparation of a description of the capabilities and competencies required for such membership, including the time required to practice the activities of the board.
- c .The committee reviews the structure of the board, recommends the board of directors to approve the members of each committee and changes that can be made.
- d. The Committee assists the board in selecting, developing, evaluating potential candidates for executive director positions, including the president, and setup plan for the executive in charge succession.
- e .The committee follows up the orientation programs for new members.
- f The committee develops, recommends the board to approve the annual self-evaluation process of the board , and it supervises the annual self-evaluation of the board.
- g .The Committee shall assist the board on an annual basis in determining each member and CEO's compliance with the Company's code of conduct, in case there is violation to any regulations shall be reported to the board.
- h .Review the structure of the chairman and members of the board of directors , including size, remuneration, skills, knowledge, experience ,and recommend the appropriate variations in this regard.
- i .determine the strengths and weaknesses of the board of directors and recommend solutions that are in line with the company's interest.

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j .ensure on an annual basis the independence of the independent members and the absence of any conflict of interest in the event that one of the board members serves as a member of the board of directors in another company.

### 9.3.3 Responsibilities of Determining Compensation and Remuneration:

a .develop clear policies regarding compensation and remuneration for board members and senior executives (CEO, CFO and heads of business units) in line with performance standards when setting these policies, presenting them to the Board for approval, and submitting them to the General Assembly for approval.

b .The Committee bears direct responsibility to recommend the form and amount of members' remuneration. The Committee shall endeavor to attract, motivate, retain members with high integrity and superior ability to focus on improving the value of the partners' shares on the long term.

c The committee shall review and recommend to the board the level of remuneration of the executive staff, including the chairman, as well as review and propose the staff's remuneration plan.

d The committee may appoint consultants to determine compensation and remuneration as it deems necessary to carry out its work, and is responsible of the relevant fees approval .

e Recommend to the board of directors to appoint members of the board according to the approved policies and standards, the committee ensures that no person who has been previously convicted of any crime against honor or trust is nominated for this membership .

f .The committee shall carry out other activities that may be assigned by the board from time to time.

g .The committee shall review and assess the adequacy of this charter annually and recommend any proposed changes for approval to the board.

h. Determine the remuneration of the members of the Board, its committees, and the senior executive management, in accordance with the approved remuneration policy for the Board, its committees, and the executive management.

i. The Remuneration and Nomination Committee shall be responsible for evaluating and recommending the level of compensation for executive employees, including the CEO, and shall submit the annual remuneration report to the Board for approval.

#### **9.4 Framework of the Committee's duties**

9.4.1 The committee shall meet at such times as may be fixed by its chairman, or at the request of any two of its members

9.4.2 The remuneration committee should meet rotationally every (6) six months at least, when necessary ,to ensure effective regular duties, should prepare meeting minutes that include its discussions and recommendations.

9.4.3 No one other than a member of the committee is entitled to attend its meetings, but a non-member may attend if there is an invitation from the committee .

9.4.4 The agenda of each meeting shall be prepared by the chairman of the committee and to be circulated to all members before the date of the meeting, whenever possible. The committee shall meet at the invitation of its chairman or any two members .The invitation shall be accompanied by the meeting agenda and delivered by hand or sent to the members electronically or in any other way in a period not less than fifteen (15) days prior to the date of the meeting unless it is changed by the consent of all members, in case of the absence of the chairman, the committee elects a chairperson to chair it in that meeting.

9.4.5 The chairman heads the committee when he is present at all meetings

9.4.6. A quorum shall consist of the great majority of the members of the board, and each member of the committee shall have one vote .The decision is taken on behalf of the committee when the majority of the members attend the meeting, and the quorum is reached . In the event of a tie, the Chairperson's vote shall be decisive.

9.4.7. The committee shall keep a record documenting the main points discussed during its sessions and submit a report to the board .

9.4.8. Committee meetings are documented as follows:

a .Determining the date and place of the meeting, the names of attendees, absentees, summary of the discussions that took place at the meeting, their decisions and related recommendations which shall be recorded.

b .Draft minutes should be prepared by the committee secretary within seven (7) working days after each meeting, to be sent to all committee members for review, and comments are submitted by committee members within a week of receiving the draft.

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c .The secretary of the committee amends the minutes based on the members 'comments and sends the attached ones with these comments to the chairman.

d . The committee secretary prepares the final minutes according to the chairman recommendations and sends it to the members of the committee signed by the chairman and the secretary.

e. A signed copy of the minutes with the attachments, related documents and correspondence shall remain in a special file.

9.4.9 In performing the censorship role, the committee is authorized to investigate any matter brought to its attention with full access to all data, lists, facilities, records and employees of the company having the power to seek any outside advice, from auditors or consultants, bear any other expenses for this purpose and are Paid at the company's expense .The committee may also request any executive officer or employee of the company or its branches or request the company's legal attorney and the company's auditors to meet with the committee or any member of the committee.

The committee must evaluate its performance annually, the results report must be submitted to the board . The evaluation also includes the performance and commitment of each member towards the committee's activities.

9.4.10 Remuneration and Nomination Committee should prepare, capabilities , qualifications description , which are obviously required for candidates of board of directors and executive management , setup job description for them , setup job description ,clarify special procedures for filling position of board of directors or senior executives position.

9.4.11 The nomination committee when nominating a member of the board of directors ,should consider the company's governance regulation in the capital market conditions and regulations ,and the relevant authorities requirements .

9.4.12 Candidate for board of directors membership, should pass any specific program about the tasks and responsibilities of the board members according to the relevant regulations and provisions .

9.4.13 .Any shareholder is entitled to nominate himself or other for the board of directors membership according to the controlling regulations and the article of association .

9.4.14 The Remuneration and Nomination Committee shall publish an announcement on the Company's website and on the stock exchange website, if the Company is listed thereon, as well as through any other means determined by the competent authority, inviting persons wishing to nominate themselves for

membership of the Board of Directors, provided that the nomination period shall remain open for at least one (1) month from the date of the announcement.

### **9.5 Board members and committees Selection policy**

Factors which should be considered by the Nomination and Remuneration Committee and the board, when reviewing potential candidates, skill, knowledge, size of businesses, the required expertise shall include the following:

- a. If the candidate has showed behavior that indicates commitment to the highest ethical standards and related values .
  - b. If the candidate has extensive experience in business, government, or nonprofit organizations, or has professional experience indicates the ability to make a significant, immediate contribution to board discussions and decision-making in a range of complex issues.
  - c. If the candidate has special skills, experience and background which would add to and complement the set of experiences, skills and backgrounds to the existing board members.
  - d. If the candidate is successful in his field of work and who shows ability to make important and sensitive judgments at the request of the board .
  - e. If the candidate will consider and balance the legitimate interests and affairs of shareholders, other stakeholders in an effective ,continuous and appropriate manner making decisions.
  - f. If the candidate can allocate sufficient time and ability to perform his duties as a board member.
- The implementation of these factors include practice decisions issuance which are immeasurable via routine or accounting forms .

### **9.6 Procedures for Nomination for Board Membership**

9.6.1 The Nomination Committee, upon nomination of members of the board of directors , should take into account the provisions and conditions contained in the bylaws and regulations, and the requirements decided by the Capital Market Authority in this regard .

9.6.2 The number of candidates for the board of directors whose names are put before the general assembly must exceed the number of available seats so that the general assembly has the opportunity to choose from them.

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9.6.3. The Company shall publish the nomination announcement on the stock exchange (Tadawul) website, the Company's website, and through any other means specified by the Authority, in order to invite persons wishing to nominate themselves for membership of the Board, provided that the nomination period shall remain open for at least one (1) month from the date of the announcement.

Each shareholder of the Company shall have the right to nominate himself or another person for membership of the Board of Directors, in accordance with the provisions of the Companies Law and its Implementing Regulations.

9.6.4 Anyone willing to nominate himself for the membership of the company's board of directors shall submit an application to the company within the specified period and in accordance with the applicable regulations, instructions, and circulars. The nominee shall attach to his application an identification with his CV and documents indicating his experience and qualifications.

9.6.5 A candidate who has previously served as a member of the board of directors in a joint stock company must indicate the number and date of the Boards of Directors to which he has been a member, and attach a statement from the company's management about the last term in which he became a member of the board, including the following information:

- a. The number of Board meetings held during each year of the Board term
- B. The number of meetings attended by the member in person, and the percentage of his attendance to the total meetings held by the Board.
- C. The permanent committees in which the member participated, the number of meetings attended by the member in person, and the percentage of his attendance to the total meetings held by the committee.
- D. The statement must include an explanation of the membership capacity (executive member / non-executive member / independent member), as well as a statement of the nature of the membership capacity for the legal person (in his personal capacity or as a representative of the legal person). The Remuneration and Nominations Committee coordinates with the company's executive management through the Board of Directors by providing the Capital Market Authority with the curriculum vitae of candidates for board membership in accordance with the Authority's forms for the listed companies on the Saudi Stock Exchange, and the Committee shall follow up and apply the comments and inquiries received from the Authority or the competent authorities in this regard.

## 9.7 Rewards Policy

9.7.1 Without breach to the article of association, the following should be taken into account according to the remuneration policy:

- a. Its harmony with the company's objectives and strategies.
- b. Remuneration shall be designed to incentivize members of the Board of Directors and the executive management to ensure the Company's success and long-term growth, for example by linking the variable portion of remuneration to long-term performance
- c. Remuneration shall be determined based on the position level, the duties and responsibilities assigned to the role, as well as the academic qualifications, professional experience, skills, and performance level.
- d. It shall be aligned with the Company's risk profile, including the nature and degree of such risks.
- e. Due consideration shall be given to the practices of other companies in determining remuneration, while exercising caution to avoid any negative effects of such comparisons that may lead to unjustified increases in remuneration and compensation.
- f. Target attracting professional capabilities , maintain , motivate them ,without exaggeration .
- g. Prepare in coordination with the nomination committee when making new recruitments.
- i. In cases of remuneration suspension or recovery, if it is determined according to inaccurate information, provided by board or executive management member ,in order to prevent positional misuse of powers to gain ineligible remuneration .
- i. Grant shares in a company for the board of directors and executive management members whether new issued shares or bought by the company ,taking into account the article of association's provisions .

## 9.8 Mechanism for evaluating the Board's performance:

9.8.1 The board shall conduct self-evaluations performance, conduct an annual evaluation of the board as a whole and of individual members through the Nomination and Remuneration Committee .This is to measure the efficiency and success of members in performing the work assigned to them, to identify successful practices, areas that need development, to discuss and agree on priorities for change so that they can be addressed on the short and long term, and to agree on an action plan.

It must be taken into account that the evaluation processes are confidential to encourage direct and frank feedback and to avoid individual conflicting issues (the board secretary can be consulted), send the results to the board of directors and agree on a plan for development.

### **9.9. Committee remuneration and compensation**

9.9.1. Each member of the Compensation Committee is entitled to the following compensation:

- a Attendance allowance for each meeting.
- b .Annual compensation.

9.9.2. Members of the Committee who reside outside of the Company's official site shall be entitled to be reimbursed for all expenses incurred by them to attend the meeting, provided such expenses are reasonable and acceptable to custom in accordance with business standards such as travel, meals, accommodation and other expenses incurred specifically for business purposes.

9.9.3. The board of directors shall present and disclose to the General Assembly the reports submitted, the remuneration and other payments made to the members of the committee.

9.9.4. if non –executive or independent member amount exceeded two hundred fifty One thousand (250,000) riyals, should attach a report from remuneration committee clarifying the reasons for that , and the extent of relationship with the company's and member performance .