

Policy, Criteria, and Procedures for Membership on the Board of Directors of Adeer Real Estate Company

Approved by virtue of the minutes of the Ordinary General Assembly meeting held on 01/11/1443 H
(corresponding to 31/05/2022 G).

Pursuant to the recommendation of the Board of Directors dated 21/10/1443 H (corresponding to
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Introduction

Based on the keenness of the Board of Directors of Adeer Real Estate Company on the importance of implementing the principles of good governance that enable the Company to grow and develop its performance, and on the importance of compliance with the regulations of the relevant supervisory authorities, including the appointment of Board members possessing qualifications, leadership competencies, and diverse experiences; and whereas the Corporate Governance Regulations issued by the Capital Market Authority stipulate that "among the core functions of the Board of Directors is: 'preparing clear and specific policies, criteria, and procedures for membership on the Board of Directors, in a manner that does not contradict mandatory provisions, and putting them into effect after approval by the General Assembly'"; therefore, this policy has been set forth to outline the general guidelines for the policies, criteria, and procedures of Board membership, its conditions, the manner of its termination, and the policies that guarantee the rights of shareholders to run for the Board of Directors.

Article One: Composition of the Board of Directors

With due consideration of the provisions of the Company's Articles of Association, the composition of the Board shall take into account the following:

1. The Board of Directors shall consist of a number of members not less than three members, with the possibility of inviting others to attend Board meetings. The Chief Financial Officer (CFO) or other Company employees or consultants may be invited to attend, provided that the right to vote is restricted to the five members.
2. The General Assembly shall elect the members of the Board of Directors in the number and for the term stipulated in the Company's Articles of Association, provided that it does not exceed four years. They may be re-elected unless the Company's Articles of Association state otherwise.
3. It is stipulated that a Board member shall not hold membership in the board of directors of more than five listed joint-stock companies at the same time.
4. The Board shall appoint a Chairman from among its members.
5. The Board shall appoint a Vice-Chairman from among its members.
6. The Board may appoint a Managing Director and/or a Chief Executive Officer (CEO) from among its members.
7. The majority of the Board must consist of non-executive members.
8. The number of independent Board members must not be less than two members or one-third of the Board members, whichever is greater.
9. It is prohibited to combine the position of Chairman of the Board of Directors with any executive position in the Company, such as Managing Director, Chief Executive Officer (CEO), or General Manager.
10. The General Assembly may, at all times, dismiss all or some of the members of the Board of Directors.

A member must resign before the end of his term in the event of losing his eligibility to serve as a Board member, or in the event of his inability to exercise his duties, or in the case of inability to allocate the time and effort required to perform his tasks on the Board, or in the event of a conflict of interest between the member and the interest of the Company. In such cases, he must notify the Board thereof, and if necessary, he must tender his resignation.

Article Two: Criteria and Conditions for Membership on the Board of Directors

The following criteria must be observed when selecting members of the Board of Directors:

1. The candidate must possess morals, integrity, honesty, and credibility.
2. No decision must have been made against him by the Board of the Capital Market Authority relating to any manipulation of shares of listed companies or behaviors involving deception and fraud.
3. The candidate must not have been previously convicted of a crime involving dishonor or dishonesty, or have been declared bankrupt, or deemed unfit for Board membership in accordance with any law or instructions in force in the Kingdom.
4. The candidate must not be a member of the boards of directors of more than five listed joint-stock companies at the same time.
5. The candidate must not be a government employee.
6. He must be committed to the provisions of applicable laws, regulations, and instructions.
7. Consideration shall be given to diversity in academic qualifications and practical experience, giving priority in nomination to the required needs of individuals with appropriate skills for Board membership.
8. In the case of an independent member, the independent member must not have any of the cases that contradict independence.
9. The Board member shall represent all shareholders and shall commit to achieving the interest of the Company in general, and not what achieves the interests of the group he represents or that vote for his appointment to the Board of Directors.
10. He must commit to the principles of honesty, integrity, loyalty, care, and attention to the interests of the Company and shareholders and prioritize them over his personal interest. This specifically includes the following:
 - a. **Honesty:** By ensuring that the relationship of the Board member with the Company is an honest professional relationship, and that he discloses to it any material information before executing any transaction or contract with the Company or one of its subsidiaries.
 - b. **Loyalty:** By ensuring that the Board member avoids transactions that involve a conflict of interest, while verifying the fairness of the transaction, and observing the special provisions regarding conflicts of interest in this regulation.
 - c. **Care and Attention:** By performing the duties and responsibilities stipulated in Companies Law, Capital Market Law and their executive regulations, the Company's Articles of Association, and other relevant regulations.
11. He must possess professional competence, having the necessary experience, knowledge, skill, and independence, enabling him to exercise his duties with efficiency and capability. It shall be observed that he specifically possesses the following:
 - a. **Leadership Ability:** By possessing leadership skills that qualify him to delegate powers, leading to performance stimulation and the application of best practices in the field of effective management, and compliance with professional values and ethics.

- b. **Competence:** By possessing the appropriate academic qualifications, professional and personal skills, level of training, and practical experience relevant to the Company's current and future activities, or in management, economics, accounting, law, or governance, as well as a willingness to learn and train.
- c. **Ability to Direct:** By possessing technical, leadership, and managerial capabilities, speed in decision-making, and understanding the technical requirements related to the workflow, and being capable of strategic guidance, planning, and clear future vision.
- d. **Financial Knowledge:** Being able to read and understand financial statements and reports.
- e. **Physical Fitness:** By not having any medical impediment that hinders him from exercising his duties and powers.

When electing members of the Board of Directors, the General Assembly shall consider the recommendations of the Remuneration and Nominations Committee and the availability of the personal and professional elements necessary to perform their duties effectively in accordance with what is stated in this Article.

Article Three: Procedures for Membership on the Board of Directors

1. Each shareholder in the Company has the right to nominate himself or another person or more for membership on the Board of Directors, in accordance with the provisions of the Companies Law and its executive regulations.
2. The Company shall publish the announcement of nomination for Board of Directors membership on the website of the Saudi Exchange (Tadawul), its own website, and any other means specified by the Capital Market Authority, a sufficient period before the expiration of the Board of Directors' term, to invite persons wishing to run for Board membership. The nomination window shall remain open for at least one month from the date of the announcement.
3. Anyone wishing to nominate himself for membership on the Company's Board of Directors must notify the Company's management at least thirty days prior to the date of the General Assembly meeting. This notification must include an introduction of the candidate in terms of his curriculum vitae (CV) data, including information about his profession, the primary position he currently holds, his qualifications, and his experiences.
4. A candidate who has previously served as a member of the board of directors of a joint-stock company must attach a statement of the number and dates of the boards of directors of the companies he served on. If he has previously served as a board member of the same company, he must attach to the nomination notification a statement from the Company's management regarding the last term in which he held Board membership, including the following information:
 - The number of Board meetings held during each year of the term, the number of meetings attended by the member in person, and his attendance ratio to the total meetings.
 - The standing committees in which the member participated, the number of meetings held by each of those committees during each year of the term, the number of meetings he attended, and his attendance ratio to the total meetings.
 - A summary of the financial results achieved by the Company during each year of the term.
5. The status of membership must be clarified, i.e., whether the member is an executive, non-executive, or independent member.

6. The nature of membership must be clarified, i.e., whether the member is running in his personal capacity or as a representative of a legal entity.
7. The Nominations and Remuneration Committee shall study all nomination applications for Board membership and examine the CVs of applicants in accordance with the aforementioned policies and criteria.
8. The Nominations and Remuneration Committee shall recommend to the Board of Directors candidates for Board membership who are capable of enhancing the Board's ability to manage and direct the Company's affairs effectively in accordance with the aforementioned policies and criteria.
9. The Company shall publish the names of the candidates for the Assembly to vote on them.
10. The Capital Market Authority shall be provided with the CVs of the candidates for the Company's Board of Directors membership, in accordance with the CV form for candidates running for board membership of a joint-stock company listed on the Saudi Exchange (Tadawul).
11. The Company's management must deposit the nomination notification and its attachments at its head office at the disposal of shareholders 15 days prior to the scheduled date for selecting Board members.
12. Voting in the General Assembly shall be restricted to those who nominated themselves in accordance with the aforementioned policies, criteria, and procedures.
13. Cumulative voting shall be used to elect the nominated members of the Board, whereby the voting right per share may not be used more than once.
14. The Company shall announce the names of the members selected by the Assembly, indicating their membership statuses.
15. The Board of Directors shall appoint a Chairman and a Vice-Chairman from among its elected members.
16. The Company shall notify the Capital Market Authority of the names of the elected Board members, as per the above, and their membership statuses within five business days from the commencement date of the Board term or from the date of their appointment—whichever is earlier—and any changes to their membership within five business days from the date the changes occurred.

Article Four: Vacant Position on the Board

1. If the position of Board member becomes vacant during the membership term, the Board shall have the right to appoint a temporary member to the vacant position, provided that he is among those who possess experience and competence. Both the Ministry of Commerce and Investment and the Capital Market Authority shall be notified within fifteen business days of the date of appointment. The appointment shall be presented to the Ordinary General Assembly at its first meeting for ratification, and the new member shall complete the term of his predecessor in light of the provisions of the Company's Articles of Association.
2. If the necessary conditions for convening the Board of Directors are not met due to a shortage in the number of its members below the minimum limit stipulated in the Companies Law or the Company's Articles of Association, the remaining members must call the Ordinary General Assembly to convene within sixty days to elect the required number of members.

Article Five: Expiration of Board of Directors Membership

1. Membership on the Board shall expire upon the expiration of its term, or upon the member's resignation, death, conviction of any crime involving dishonor or dishonesty, declaration of bankruptcy, or upon the expiration of the member's suitability for it in accordance with any law or instructions in force in the Kingdom.
2. The Ordinary General Assembly may, at all times, dismiss all or some of the Board members, even if the Company's Articles of Association stipulate otherwise, without prejudice to the dismissed member's right to compensation if the dismissal occurred for an unacceptable reason or at an inappropriate time. A Board member may step down, provided that it is at an appropriate time; otherwise, he shall be liable to the Company for damages resulting from his stepping down. Likewise, the General Assembly, based on a recommendation from the Board of Directors, terminates the membership of any member who absents himself from attending three consecutive Board meetings without a legitimate excuse.
3. Upon the expiration of a Board member's membership by any of the methods of expiration, the Company must immediately notify the Authority and the Exchange, stating the reasons that called for that.
4. If a Board member resigns, and he has remarks on the Company's performance, he must submit a written statement thereof to the Chairman of the Board of Directors, and this statement must be presented to the Board members.

Article Six: Procedures for Amending the Policy

The Board of Directors may approve any amendments to this policy at any time it deems appropriate based on the recommendation of the Nominations and Remuneration Committee, provided that they are ratified by the General Assembly of shareholders.