

Northern Region Cement Company
Policies, Standards and Procedures for Membership in the Board of
Directors

First: Introduction

The “policies, standards and procedures for membership in the Board of Directors of the Northern Region Cement Company” have been prepared with the aim of complying with Paragraph (3) of Article (21) of the Corporate Governance Regulations issued by the Board of the Capital Market Authority pursuant to Resolution No. 8-16-2017 dated 05/16/1438 AH. Corresponding to 02/13/2017 AD, amended by Capital Market Authority Board Resolution No. 8-5-2023 AD dated 06/25/1444 AH corresponding to 01/18/2023 AD, which stipulates that the Board of Directors (“Board”) “prepare clear and specific policies, standards and procedures for membership in the Board- in a manner that does not conflict with the mandatory provisions in the Corporate Governance Regulations and putting them into effect after the General Assembly approves them.”

Second: Policies and standards for membership in the company’s Board of Directors

It is required that a member of the Board of Directors shall be professional competence and possess the necessary understanding of experience, knowledge, skill and independence, enabling the member to carry out the duties efficiently and competently, provided that the General Assembly, when electing members of the Board of Directors, takes into account the recommendations of the company’s Nominations and Remuneration Committee and the availability of the personal and professional capabilities necessary to perform their duties effectively, and it must be taken into account that the member, in particular, possesses the following:

- 1- The candidate for Board membership must not have been previously convicted of a crime against honor or trust, and must not be insolvent, bankrupt, or otherwise unfit for Board membership in accordance with any law or instructions in force in the Kingdom.
- 2- The Board member must not hold membership in more than five joint stock companies listed on the financial market at the same time.
- 3- The member of the Board of Directors must represent all shareholders, and must be committed to what is in the interest of the company in general and not to what is in the interest of the group that he represents or that voted to appoint him to the Board of Directors.
- 4- The number of independent members shall not be less than two members, which represents one-third of the Board members, as the company’s Board of Directors membership consists of (6) members.
- 5- The independent member must enjoy complete independence in his position and decisions, and none of the signs of independence stipulated in the governance regulations issued by the Authority apply to him.

- 6- Leadership Ability: this means that he must have leadership skills that qualify him to grant powers that lead to stimulating performance, applying best practices in the field of effective management, adhering to professional values and ethics, and the ability to communicate effectively, think and plan strategically.
- 7- Qualifications, skills and experience: he must have the appropriate academic qualifications, professional and personal skills, the level of training and practical experiences related to the company's current and future activities, knowledge of management, economics, accounting, law or governance, as well as the desire for learning and training.
- 8- Ability to Direct: this means that he must have technical, leadership and administrative capabilities, speed in decision-making, understand technical requirements related to the workflow, and be capable of strategic direction, long-term planning and a clear future vision.
- 9- Financial Knowledge: by being able to read and understand financial statements and reports.
- 10- Health Fitness: this means that he does not have a health problem that prevents him from exercising his duties and specializations.

Each member of the Board of Directors must also adhere to the duties of care and loyalty, including in particular the following:

- 1- **Exercising tasks within the limits of prescribed Authority:** a member of the Board of Directors must exercise his duties and powers in managing the company and directing its work within the limits of his prescribed Authority in accordance with the provisions of the Companies Law and its executive regulations, the company's bylaws and other relevant regulations, and in a way that achieves the purposes for which he was granted those powers.
- 2- **Working in the interest of the company and enhancing its success:** a member of the Board of Directors must adhere to the following:
 - Work in good faith in the interest of the company and all shareholders and not put his personal interest ahead of the interest of the company and its shareholders, taking into account the rights of other stakeholders.
 - Ensure to do everything that will enhance the company's success and development and maximize its value for the benefit of its shareholders in the long term.
- 3- **Making or voting on decisions independently:** a member of the Board of Directors must exercise his duties objectively and independently with regard to managing the company and making decisions in it, and avoid situations that affect his independence in making decisions or when voting on them.
- 4- **Exerting reasonable and expected care, attention, diligence and skill:** a member of the Board of Directors must perform his duties and responsibilities in accordance with

the Companies Law, the Financial Market Law and their executive regulations, the company's bylaws and other relevant regulations. According to the care and diligence that a careful person must exercise, along with the general knowledge, skill and experience possessed by the member of the Board of Directors himself, and those expected of those who perform the same functions as that member.

- 5- **Avoid conflicts of interest:** a member of the Board of Directors must avoid transactions and situations in which he has or is likely to have a direct or indirect interest that conflicts with the interest of the company or could conflict with the interest of the company, and must adhere to the provisions regarding conflicts of interest contained in the Companies Law and its executive regulations.
- 6- **Disclosing any interest he has, directly or indirectly, in the business and contracts carried out on behalf of the company:** a member of the Board of Directors must commit to disclosing any interest he has, directly or indirectly, in the business and contracts carried out on behalf of the company as soon as he becomes aware of it, and he must adhere to the provisions regarding disclosure of the interest in works and contracts contained in the companies' law and its executive regulations.
- 7- **Non-acceptance of any benefit granted to him by others in relation to his role in the company:** a member of the Board of Directors must not exploit his position and the tasks and powers that he has as a member of the Board of Directors in any way to obtain benefits from others or accepting any benefit granted to him by others in exchange for performing a certain act or abstaining from performing a certain act.
- 8- The candidate must be a normal person.
- 9- Diversity in academic qualifications and practical experience should be taken into account, and priority should be given in nomination to the needs required of those with the appropriate skills for membership in the Board of Directors.
- 10- A member of the Board of Directors must resign before the end of his term on the Board of Directors, in the event that he loses his eligibility to work as a member of the Board of Directors, or unable to perform his work, or unable to allocate the time or effort necessary to perform his duties on the Board. However, in the event of a conflict of interest, the member has the right to obtain a license from the General Assembly or submit his resignation.

Third: Eligibility and procedures for nomination for membership in the Board of Directors:

- 1- Every shareholder has the right to nominate himself or one or more other persons for membership in the Board of Directors.
- 2- The Remuneration and Nominations Committee shall coordinate with the company's executive management to announce the opening of nominations for membership in the company's Board of Directors at least sixty (60) days before the end of the Board's session and in light of the requirements required by the laws and regulations.
- 3- The nomination announcement shall be published on the website of the Financial Market (Tadawul), as well as on the company's website, and in any other means

determined by the Authority, in order to invite persons wishing to nominate for membership in the Board of Directors, provided that nominations remain open for at least one month from the date of the announcement.

- 4- The Remuneration and Nominations Committee submits its recommendations to the Board of Directors regarding candidacy for Board membership in accordance with the criteria set forth in this policy.
- 5- Whoever wishes to nominate himself for membership in the company's Board of Directors must declare his desire to run in accordance with a notification submitted to the company's management in accordance with the period and dates stipulated in accordance with this policy and the rules and regulations in force. This notification must include an introduction to the candidate in Arabic and English in terms of his CV, qualifications and experience. In addition to providing the company with all supporting documents such as (national ID card, family card, passport for non-Saudis running for Board membership, and any other relevant documents required by the company to meet regulatory requirements).
- 6- A candidate for Board membership must disclose to the Board and the General Assembly any cases of conflict of interest, which include:
 - Having a direct or indirect interest in the business and contracts carried out on behalf of the company for which he wishes to run for the Board of directors.
 - Participation in work that would compete with the company or compete with it in one of the branches of activity it practices.
- 7- Applicants for Board membership must fill out the form or forms specified by the Capital Market Authority, which can be obtained through the Authority's website.
- 8- A candidate who 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 of which he served.
- 9- Membership status must be clarified upon nomination, i.e. whether the member is an executive member, a non-executive member, or an independent member.
- 10- The Remuneration and Nominations Committee coordinates with the executive management to complete the regulatory requirements and provide the competent regulatory authorities with all required documents.
- 11- Voting on the selection of members of the Board of Directors is done through the cumulative voting method.
- 12- Voting in the General Assembly is limited to those who nominated themselves in accordance with the aforementioned policies, standards and procedures.

Fourth: The mechanism for selecting the Chairman of the Board of Directors and Vice-Chairman:

The shareholders of the Northern Region Cement Company elect members of the Board of Directors at the General Assembly meeting of shareholders in accordance with the Article of Association and standards included in this policy. Then the Board, during the first

meeting, selects its Chairman and Vice-Chairman by majority from among its non-executive members, and the Board has the right to remove them from their positions or re-select them at any time.

Fifth: Expiration of the membership of a Board member and the vacancy of one of the positions:

- 1- Board membership ends at the end of the term prescribed for him, which is four years from the date of his election by the General Assembly.
- 2- The membership of a Board member shall terminate in accordance with any law or instructions in force in the Kingdom, or due to death or resignation, or if he is convicted of a crime prejudicial to honor and dishonesty. However, the Ordinary General Assembly may dismiss all or some of the Board members, and the Board member may resign by written notification addressed to the Chairman of the Board. If the Chairman of the Board has resigned, the notification must be directed to the remaining members of the Board and the Secretary of the Board, and the resignation shall be effective - in both cases, from the date specified in the notification.
- 3- The General Assembly may, based on a recommendation from the Board, terminate the membership of any member who fails to attend three consecutive meetings or five separate meetings of the Board without a legitimate excuse accepted by the Board.
- 4- If the position of one of the Board members becomes vacant during the term of membership, the Board has the right to appoint a temporary member to the vacant position, provided that he is one of those who possess experience and competence, and the appointment is presented to the Ordinary General Assembly at its first meeting for approval, and the new member shall complete the term of his predecessor in light of what It is stated in the company's bylaws.
- 5- If the Chairman and members of the Board of Directors retire, they must convene the Ordinary General Assembly to convene to elect a new Board of Directors. The retirement shall not take effect until the new Board is elected, provided that the term of the retiring Board shall not exceed the period specified by the regulations.
- 6- In the event that a Board of Directors is not elected for a new session or the necessary number of Board of Directors members is not completed, in accordance with the Companies Law, any interested party may request the competent judicial authority to appoint, among those with experience and expertise, and in the number it deems appropriate, someone to supervise the management of the company and invite the General Assembly to convene within (ninety) days; To elect a new Board of directors or complete the necessary number of Board members as the case may be, or to request the dissolution of the company.

Sixth: Final provisions (publication, enforcement and amendment):

The provisions of this regulation shall be implemented and adhered to by the company as of the date of its approval by the General Assembly of Shareholders. This regulation shall be published on the company's website to enable shareholders, the public and stakeholders to view it. The contents of this regulation shall be amended as needed based on the recommendation of the Board of Directors, provided that any proposed amendment shall be presented to the General Assembly of Shareholders at its earliest meeting for approval.