



**ALDREES Petroleum & Transport Services Company**

**Policy, criteria and procedures  
for nomination to the  
membership of the Board of  
Directors and its sub-committees**

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# **Policy, criteria and procedures for nomination to the membership of the Board of Directors and its sub-committees**

Emanating from the regulations of the Capital Market Authority and the principles of corporate governance policy and procedures for Aldrees Petroleum and Transport Services Company (Aldrees)

## **Definitions**

The following words and phrases - as they appear in this document - shall have the meanings indicated opposite them, unless the text clearly indicates otherwise:

**The Company:** Aldrees Petroleum Services and Transport Company (Aldrees)

**The Board:** The Company Board of Directors

**Authority:** Saudi Capital Market Authority

**Chief Executive Officer:** CEO of the company

**Chief Financial Officer:** The financial director of the company or the head of the financial group

**Committee:** Remuneration and Nomination Committee

**Exchange:** Saudi Stock Exchange Company

**The Secretary:** Court Recorder of the Board of Directors

**Board report:** The annual report of the board of directors

**Relatives or kinship relationship:** -Fathers, mothers, grandfathers and grandmothers

- Children, and their children.
- Brothers and sisters, full brothers, step-brother
- Husbands and wives

**Related Parties:**

Subsidiaries of the company, except for companies wholly owned by the company.

Major shareholders in the company.

Members of the board of directors and senior executives of the company.

Members of the boards of directors of the company's subsidiaries.

Members of the boards of directors and senior executives of the major shareholders of the company

Any relatives of the persons mentioned in (1, 2, 3 or 5) above.

Any other company or establishment controlled by any person referred to in (1, 2, 3, 5 or 6) above.

## **the introduction :-**

This policy aims to determine the standards and procedures regulate membership in the company's board of directors, which have been developed to enhance the company's ability to achieve its objectives, develop and sustain its business, and to achieve compliance with the statutory requirements and related instructions.

## **Selection of new members:**

- 1- The Board of Directors of the company is generally responsible for nominating members, through the Nominations and Remuneration Committee, and for filling its vacant seats during the time periods that separate the annual meetings of shareholders. The Board of Directors recommends, every four years, during the annual meeting of the company's shareholders - based on the recommendations of the Remuneration and Nominations Committee - a list of candidates who will be elected by the shareholders. The Board's recommendations depend on its approval of the suitability of each individual candidate, and the suitability of the entire list to join its membership (which in turn depends on the recommendations of the Nominations and Remuneration Committee, and the information it provides about the candidates), taking into account the standards that we will discuss later. The Nominations and Remunerations Committee is responsible for identifying, sorting and recommending the names of the candidates, and submitting those recommendations to the Board in order to join its membership. After the committee finishes formulating its recommendations regarding the membership of the Board, it takes into account, as it deems fit, the advice and recommendations it receives from other parties.
- 2- The Ordinary General Assembly may dismiss all or some of the members of the Board of Directors. In this case, the Ordinary General Assembly must elect a new Board of Directors or someone to replace the dismissed member, in accordance with the provisions of the Law.
- 3- The company immediately notifies the “Capital Market Authority” and “Tadawul” upon the termination of the term of membership of

any member of the Board of Directors, and the reasons related to the termination of his membership.

- 4- It is not permissible for any of the members of the board of directors of the company to combine the membership of the boards of directors of more than five joint-stock companies at the same time.

### **Standards for joining the company's board of directors:**

- 1- The Remuneration and Nomination Committee is responsible for balancing the standards required to join the company's Board of Directors.
- 2- Candidates for membership of the Board are selected based on several bases, including: Skills, aptitude, ability to direct, financial knowledge, health fitness, experience, leadership qualities, integrity of business decisions, versatility, personality, judgment, age, independence, corporate experience, length of service, conflict of interest, service Boards of other companies, in addition to other characteristics that enhance the ability of the board to manage the company's affairs and activities, and direct them effectively and competently, and to meet the independence standards imposed by the system, regulations, or listing rules of the "Capital Market Authority". Candidates or a member of the board of directors of the company in general should have capabilities such as: The ability to comprehend the nature of the work of large organizations such as the company, to issue independent analytical judgments, the ability to communicate effectively, and to have the ability and desire to spend time and effort to be an effective and active member of the Board of Directors.
- 3- If a member of the Board of Directors is a company, it must specify its representative on the Board of Directors of the company, and notify the Secretary of the Board of Directors of that in writing, provided that this written notification is dated and signed by those authorized by this company.

- 4- It is stipulated that a member of the Board of Directors should not be a member of the Board of Directors of more than five companies listed in the Market at the same time.

### **Membership requirements for audit committee members:**

- 1- The Audit Committee shall be formed by a decision of the Board of Directors of the company from among the shareholders or others, provided that it includes at least an independent member and that it does not include any of the executive members of the Board of Directors, and that one of them is specialized in financial and accounting affairs, and its term is four years.
- 2- None of them shall be among the company's directors or employees. The member of the company's board of directors who is selected for membership in the committee should be an independent non-executive member, and he should not be a member of audit committees of more than five joint-stock companies listed in the market at the same time.
- 3- At least one member of the audit committee must have good, recent and appropriate financial experience, however, committee members should be able to read and understand basic financial statements, including the balance sheet, income statement, and cash flow statement.

### **Nomination procedures for membership of the Board of Directors:**

- 1- Each shareholder has the right to nominate himself or one or more other persons for the membership of the Board of Directors.
- 2- The company shall publish the nomination announcement on the company's website, the market's website, and in any other means specified by the Authority, in order to invite persons wishing to run for

membership of the Board of Directors, provided that the nomination door remains open for at least one month from the date of the announcement.

3- Each candidate for membership of the Board of Directors must submit his application for nomination to the company during the announced nomination period, along with the following:

- The application for candidacy for membership of the Board is submitted to the attention of the Secretary of the Remuneration and Nomination Committee.
- Filling in the Capital Market Authority form for the CV of the candidate for membership of the Board of Directors of a listed joint-stock company, which was prepared for this purpose, and which can be obtained from the Capital Market website, in addition to any other forms and subtask of any documents required by the relevant laws, regulations and instructions.

4- The Remuneration and Nomination Committee shall submit its recommendations to the Board of Directors regarding nomination for membership of the Board in accordance with the criteria set out in this policy.

#### **retirement age :-**

- 1- The company's board of directors does not consider it appropriate to specify a specific age for the retirement of its members, but the continuation of members' survival - in its belief - should be only when the member is able to add value to the board.
- 2- Each member of the Board of Directors must notify the Remuneration and Nomination Committee in writing before accepting a membership of the Board of Directors, or any



other position of responsibility in another company. He must also give the same such notice before or immediately upon the occurrence of any material change in his personal circumstances. (including a job change, or major work assignments).

## **Rules of professional conduct for members of the Board of Directors:**

- 1-** The company is committed to conducting its activities in accordance with the highest standards of professional ethics, and compliance with applicable laws, rules and regulations. The Board of Directors believes that working according to the highest levels of honesty and integrity plays a decisive role in protecting the interests of shareholders.
- 2-** In support of this commitment, the Board of Directors stresses the need to respect the rules of business conduct, and therefore has approved the following rules of business conduct for members of the Board of Directors.

## **Each member of the Board of Directors must:**

- 1- Representing the interests of the shareholders of the company.
- 2- Demonstrate the highest degree of integrity, commitment, and independence of thought and personal judgment.
- 3- Allocate enough time, effort and attention to ensure that he performs his duties vigorously and energetically.
- 4- Compliance with all provisions of these rules.

## **Cumulative voting system:**

- 1- Cumulative voting is a type of voting process that contributes to enhancing the ability of minority shareholders to elect a member of the Board of Directors. Under this system, shareholders can cast their votes in favor of only one candidate for membership of the company's board of directors at a time when there are many vacant seats on the board of directors.
- 2- Each shareholder casts his vote for the candidates separately, and a form is prepared for this purpose containing the names of the candidates before the meeting.
- 3- Each ordinary share has only one vote.
- 4- A shareholder may cast all his votes in favor of one candidate only, or divide them among a number of candidates. The number of candidates for whom a member votes shall not exceed the number of seats on the Board of Directors, otherwise such vote shall be considered invalid.
- 5- Each shareholder owns a total number of votes equal to the number of his voting rights, and in the event that the number of votes cast by him exceeds the number of his voting rights, the number of votes he cast shall be reduced proportionately from all the candidates for whom he voted. However, if the total number of votes cast by him is less than the voting rights of the voter, the remaining number of his votes will not be used to increase the number of votes obtained by the candidates for whom he voted.
- 6- Candidates are ranked according to the total number of votes they have obtained, and the candidates who are at the top of the list are considered to have already been elected.
- 7- Conditions such as independence and non-executive nominee should be kept in mind. According to the rules of governance related to the formation of the company's board of directors, two members, or one-third of the number of board members, whichever is greater, represent the minimum number of independent members, and the majority of members must be non-executive.

## **The Review:**

The Remuneration and Nominations Committee shall review this policy once every four years or whenever the need arises, and shall submit any amendments to the Board of Directors in preparation for their approval by the Company's General Assembly.