



**Fitaihi Holding Group**  
**Board Membership Policy, Standards, Procedures and Regulations**

**Dec 2017 G**

**Annex (2)**

## **I: Basic Qualifications and Skills of the Board Member (For Guidance)**

A Board Member is required to be professionally capable and has the required experience, knowledge, skill, and independence, which enable him/ her to perform his/ her duties efficiently. He/ she shall have the following qualifications in particular:

- 1) **Leadership Capacity:** He/ she shall enjoy leadership skills that enable him/ her to grant powers in order to enhance performance, apply best practices in the field of effective management and comply with professional ethics and values.
- 2) **Efficiency:** He/ she shall have the academic qualifications, proper professional and personal skills, an appropriate level of training and practical experience related to the current and future businesses of the Company, management, economics, accounting, law or governance, as well as the desire to learn and be trained.
- 3) **Mentoring Capacity:** He/ she shall have the technical, leadership, and administrative competencies, prompt decision-making, and understand the technical requirements and developments related to the work progress. He/ she shall also be able to provide strategic mentoring and clear future planning and vision.
- 4) **Financial Literacy:** He/ she shall have the ability to read and understand financial statements and reports.
- 5) **Physical Fitness:** He/ she shall not suffer from any health issue that may hinder him/ her from performing his/ her duties and responsibilities. When electing Board Members, the General Assembly shall take into account the recommendations of the nomination Committee and the availability of the personal and professional capabilities required to perform the assigned duties effectively pursuant to this Article.

## **II: Conditions and Criteria of the Nomination for the Board Membership**

- 1) The nominee shall not be less than thirty (Gregorian) years old at the time of application unless the nominee is a representative of a company or an investing entity according to the requirements of the regulations, and the company position.
- 2) The nominee shall hold shares in the Company or represent a legal person holding shares in the Company, with par value not less than ten thousand Saudi Riyals.
- 3) It is not permissible for any Board Member to combine the membership of more than five joint-stock companies at the same time.
- 4) An interview with the Nomination and Remuneration Committee members shall be accepted upon the Committee's request.
- 5) It is necessary for the members- collectively - to have the qualifications, competencies, and experiences required for the Board to perform the assigned duties, and to be distributed in a balanced manner among the members, in order to achieve effectiveness and provide sufficient experience for the Board. It is not necessary to have all the required skills in each member.
- 6) The Board Member shall have the ability to manage, supervise, and understand the legal and financial aspects and in particular, be aware of the Company's business and activities. Each Board Member shall provide an adequate time to follow up the Company's affairs and tasks assigned by

the Board. The Board shall seek to select candidates, who fulfill the membership standards, or another type of candidate.

### III: Board Membership Nomination Procedures

- 1) The Company shall announce the opening of candidacy for Board membership on its website and in any other means specified by the Authority.
- 2) The stakeholder shall submit a candidature during the announced the candidacy time-limit which is not less than (30 days) as of the announcement date on Tadawul website. The Committee of Nomination and Remuneration may extend the candidature time-limit.
- 3) The nominee shall submit a signed application for his desire to run for the new term of Board membership, including and enclosing the following data and documents:
  - a) The candidate's full name, a copy of ID card and commercial registry in case of companies, in addition to his CV, academic qualifications, relevant experience in the field of the company's business and contact numbers, along with a recent personal photo.
  - b) Filling the Capital Market Authority application form No. (3) C.V. form of a nominee for the Board membership of a joint stock company listed on the Saudi Capital Market, which can be extracted from the Capital Market Authority website.
  - c) A statement of the joint-stock companies in which he/ she still a Board member, a statement of his membership in the Committees drawn from those companies specifying his/her membership nature.
  - d) A statement on the Companies' Board memberships, which he has previously assumed, membership terms, number of Board meetings convened over the Board Session, number of meetings attended, and his attendance rate out of the total meetings. A statement on the permanent Committees in which the member participated and number of meetings held by each of those Committees during each year of the session.
  - e) H) A statement on companies or institutions that he participates in management or ownership, exercising business similar to the Company's business.
  - f) The nominee shall submit a good conduct acknowledgment proving that he/ she has not previously been convicted of a crime involving breach of morality or trust.
- 4) The Nomination and Remuneration Committee shall take into consideration, when evaluating candidates, the diversity of academic qualification and practical experience, and shall prioritize those skilled and fulfilling the requirements of the Board membership, provided however that the number of independent members shall not be less than one-third of the Board Members (or three existing members).
- 5) The Nomination and Remuneration Committee shall take into consideration that the number of candidates for Board membership whose names are presented to the General Assembly shall exceed the number of seats available so that the General Assembly shall have the opportunity to select from several candidates. **(For Guidance)**
- 6) Voting in the General Assembly shall be confined to the Board candidates running for candidacy in accordance with the aforementioned policies, standards and procedures and

according to the cumulative voting in accordance with Article (32) of the provisions of Fitaihi Holding Group Articles of Association.

- 7) The General Assembly shall select the Board members from among the candidates. Sufficient information about the candidates shall be provided as early as possible before the General Assembly meeting so that the shareholders may review such information before the Assembly date. Moreover, a comprehensive summary of the nominee C.V. shall be prepared to be distributed to the attending shareholders during the Assembly meeting (usually it is included in the printed report of the Board).
- 8) The Company could announce on Tadawul website-before the Assembly meeting date- the possibility of reviewing the resumes of the membership candidates on Tadawul company websites.
- 9) The Nomination and Remuneration Committee or the Board may exclude or rule out any of the candidatures for the Board membership if they do not meet any of the standards, conditions, or procedures mentioned above.
- 10) The selected candidates shall be notified of their formal acceptance as Board Members; a date shall be set for to meet with Senior Executives of the company and the former Board to learn about the company's activities and important affairs that should be known - especially financial and administrative aspects - and inform them about their obligations in accordance with the rules of the Capital Market Authority and the Articles of Association, systems and regulations of the company.
- 11) If a nominee winning a Board seat, apologized after the Assembly voting and before the beginning of the new Board session, the Board shall appoint a Board member fulfilling the competencies and standards required for the vacant seat. The Ministry of Commerce and the Capital Market Authority shall be informed within (5) working days from the date of this appointment.
- 12) The Nomination and Remuneration Committee shall take into consideration when nominating new members of the Board the terms and conditions stated in the Corporate Governance Regulations and the requirements decided by the Authority.
- 13) Documents shall be delivered by any of the following means:
  - a) Fax: 012-6514860
  - b) e-Mail [sh@fitaihi.com.sa](mailto:sh@fitaihi.com.sa) (The e-mail size shall not exceed 5 MB)
  - c) To be delivered to Shareholders Affairs Department at the Group Headquarters located in the adjacent building of Fitaihi Holding Group- Jeddah- Al Madinah Road.

#### **IV: Termination of a Board Membership**

A)- The membership of a Board member shall be terminated in the following cases:

- 1- By the end of the term;
- 2- Its membership expires based on any law or instructions applicable in KSA;
- 3- Death (God forbid) or resignation;
- 4- If the General Assembly decided to exclude a member from the membership for any reason;
- 5- In case of a disease (God forbid), the member shall be suspended from work;
- 6- In case of a breach of trust or misconduct.

However, the General Assembly may at all times dismiss all or some of the members of BOARD, without prejudice to the right of the dismissed member to claim for compensation against the company if the dismissal occurred for an unjustifiable reason or at an inappropriate time. A Board member may resign provided that this shall be at an appropriate time, otherwise, he/she shall be liable for any damages arising from his resignation.

The assembly may - based on a recommendation from the Board- terminate the membership of those who are absent for three consecutive Board meetings without a legitimate and acceptable excuse.

B)- Upon the termination of a Board Member for any reason of terminating the membership, the company shall immediately notify the Authority and Capital Market, stating the relevant reasons.

C) If a Board member resigns, and he has observations on the performance of the company, he shall submit a written statement to the Chairman, and this statement shall be presented to all Board Members.

D) If a position of a Board member is vacant, the Board may appoint - temporarily - a member for the vacant seat, provided that he/she has the required experience and competency. The Ministry and the Capital Market Authority shall be informed within (5) working days effective from the date of appointment; such appointment shall be referred to the Ordinary General Assembly at its first meeting for approval. Consequently, the new member shall complete the term of his predecessor.

#### **V: Obstacles to Independence**

A)- An Independent Member shall be able to perform his/her duties, express his/her opinions and vote on decisions objectively with no bias in order to help the Board make correct decisions that contribute to achieving the interests of the Company.

B)- The Board shall annually evaluate the extent of the member's independence and ensure that there are no relationships or circumstances that affect or may affect his/her independence.

C)- By way of example, the following matters negate the independence requirement for an Independent Board member:

- 1) If he/she holds five percent or more of the shares of the Company or any other company within its group; or is a relative of who owns such percentage.
- 2) If he/she is a representative of a legal person that holds five percent or more of the shares of the Company or any company within its group.
- 3) If he/she is a relative of any member of the Board of the Company, or any other company within the Company's group.

- 4) if he/she is a relative of any Senior Executive of the Company, or of any other company within the Company's group.
- 5) if he/she is a Board member of any company within the group of the Company for which he/she is nominated to be a Board member.
- 6) if he/she is an employee or used to be an employee, during the preceding two years, of the Company, of any party dealing with the Company or any company within its group, such as external auditors or main suppliers; or if he/she, during the preceding two years, held a controlling interest in any such parties.
- 7) if he/she has a direct or indirect interest in the businesses and contracts executed for the Company's account.
- 8) if the member of the Board receives financial consideration from the Company in addition to the remuneration for his/her membership of the Board or any of its Committees.
- 9) if he/she engages in a business where he competes with the Company, or conducting businesses in any of the company's activities.