

Chapter Three

Board Membership Policies and Criteria

Article One: Composition of the Board of Directors:

In the composition of the Board of Directors, the following shall be considered:

- 1) The number of its members is proportional to the size and activity of the company.
- 2) Most of the members should be non-executive members.
- 3) The number of its independent members shall not be less than two members or one third of the members of the Council, whichever is more.

Article Two: Appointment of the members of the Board of Directors:

(A) The company's articles of association shall limit the number of members of the board of directors to nine members, and generally the number of members of the board shall not be less than three and not more than eleven.

(B) The General Assembly shall elect the members of the Board of Directors for the period stipulated in the Company's Articles of Association, provided that it does not exceed three years, and they may be re-elected for other periods unless the Company's Articles of Association provide otherwise.

(C) Conditions and criteria for the selection of members of the Board of Directors:

- 1) The board of directors shall not hold more than five joint stock companies listed on the market at the same time.
- 2) Not to be a member of the board of directors of a competing joint stock company or operating in the same main field of the company except with the approval of the association.
- 3) The candidate should not have previously been sentenced in one of the crimes against honor or trust.
- 4) The candidate should not have been previously sentenced to bankruptcy.
- 5) Not to be a member of the board of directors of a joint stock company that has been placed under receivership or has been forcibly liquidated during his membership period or a partnership company during the period of his partnership in it.
- 6) He should not have previously issued a court judgment against him or any company in which he held the position of a member of the Board of Directors at the time of committing the violation due to fraud, fraud, violation of corporate regulations or money laundering.
- 7) The age of the candidate should not be less than (25) years.

Article Three: Legal Person:

In selecting a legal person for membership of the Board, the following controls shall be considered:

- 1) The representation of the legal person shall be a member of the Board by a natural person, if he meets the conditions that must be met by the member of the Board.
- 2) The legal person shall notify the company of the name of his representative in the Board and the name of his replacement in the event of his dismissal or replacement, within fifteen days from the date of dismissal or replacement, provided that all required procedures shall be taken regarding the representative of the legal person in terms of publicity and registration in the commercial register.
- 3) The representative of the legal person shall be subject to the obligations applicable to the members of the company's board of directors in accordance with the provisions of the Companies Law.
- 4) The representative of the legal person shall be civilly liable with the members of the Board jointly to compensate the company, shareholders or third parties for the damage resulting from their mismanagement of the company's affairs or their violation of the provisions of the Companies Law or the provisions of the Company's Articles of Association in accordance with the provisions of the Companies Law.

Article Four: Conditions of membership of the Board of Directors:

A member of the Board of Directors must be of professional competence who have the necessary experience, knowledge, skill and independence to enable him to exercise his duties efficiently and competently, taking into account the following:

- 1) **Leadership ability:** by having leadership skills that qualify him to grant powers in a way that leads to motivating performance, applying best practices in the field of effective management and adhering to professional values and ethics.
- 2) **Competence:** by having the appropriate academic qualifications, professional skills, and personal skills, level of training and practical experience related to the objectives and plans of the company's operational and financial policies, the company's current and future activities, management, economics, accounting, law, or governance, as well as the desire for education and training.
- 3) **Ability to direct:** by having technical, leadership, and administrative capabilities, speed in decision-making and accommodating the technical

requirements related to workflow, and to be able to strategic guidance, planning and a clear future vision.

- 4) **Financial knowledge:** to be able to understand the results of the company's operations and business sectors and the ability to read and understand financial statements and reports.
- 5) **Health fitness:** by not having a health impediment that hinders him from exercising his duties and competencies.
- 6) The General Assembly shall, when electing the members of the Board of Directors, consider the recommendations of the Nomination and Remuneration Committee and the availability of the personal and professional elements necessary to perform their duties effectively.

Article Five: Procedures for selecting the members of the Board of Directors:

- 1) The company shall, well before the convening of the General Assembly in which the term of the Board ended, announce the opening of the door for nomination for membership of the Board based on the recommendation of the Nomination and Remuneration Committee approved by the Board of Directors.
- 2) The above-mentioned advertisement shall be made in accordance with the requirements of the Companies Law issued by the Ministry of Commerce and Investment and the instructions for companies' advertisements issued by the Capital Market Authority, or any subsequent amendments thereto.
- 3) The nomination application for membership of the Board is submitted to the attention of the "Nomination and Remuneration Committee" at the headquarters of the General Administration of the company.
- 4) The nomination notification must be in accordance with the conditions and controls contained in the Companies Law, the relevant circulars of the Ministry of Commerce and Investment, the Registration and Listing Rules and the Corporate Governance Regulations issued by the Capital Market Authority.
- 5) The candidate is qualified for membership of the Board of Directors when he is appointed by the General Assembly, according to the votes granted to the candidate.
- 6) The candidate shall be officially informed of his eligibility for membership in the Council, and this shall be done by informing him in writing at his address indicated in the notification submitted by the candidate and deposited with the Nomination and Remuneration Committee.

- 7) Nomination for membership in the Board of Directors is closed according to the period specified in the announcement to open the nomination door.
- 8) The follow-up and verification of the implementation of all procedures is carried out by the Secretary of the Board of Directors and the Nomination and Remuneration Committee.
- 9) Not to use any candidate without the other, even if he is a member of the current Board of Directors, for any data from the shareholders' records that are required from the Saudi Stock Exchange Company (**Tadawul**) in works that would obtain votes in support of his candidacy.
- 10) The company shall notify the Authority of the names of the members of the Board of Directors and their membership within five working days from the date of the start of the Board of Directors session or from the date of their appointment – whichever is earlier and any changes to their membership within five working days from the date of the changes.

Article Six: Requirements for candidacy for membership of the Board of Directors:

(A) Submit a notification signed by the candidate to the company's management that includes a definition of him in terms of his CV, qualifications, and experience in the field of the company's business, attaching a clear copy of the candidate's identity and clarifying the means of communication with the candidate.

(B) The candidate who has previously served as a member of the board of directors of a joint stock company shall indicate the number and date of the boards of directors of the companies of which he is currently or previously a member.

(C) A statement of the companies or institutions that he participates in managing or owning and carrying out business like the company's business.

(D) If the candidate has previously served as a member of the Board of Directors of Al-Jouf Agricultural Development Company, he must attach to the nomination application a statement from the company's management for the last session in which he assumed membership of the Board, including the following information:

- 1) The number of meetings of the Board of Directors that took place during each year of the session, the number of meetings attended by the member originally, and the percentage of his attendance to the total meetings.
- 2) The standing committees in which the member participated, the number of meetings held by each of those committees during each year of the session, the number of meetings he attended, and the percentage of his attendance to the total meetings.

- 3) Summary of the financial results achieved by the company during each year of the cycle.
- 4) Fill out and attach form (3) CV form for the candidate for membership of the Board of Directors of a joint stock company listed on the Saudi Stock Exchange (Tadawul), and send it to the company.
- 5) Voting in the General Assembly on the candidates applying for membership of the Council shall be carried out in accordance with the criteria and procedures contained in these regulations and after the approval of the competent authorities on their candidacy applications.

Article Seven: Termination of the membership of the Board of Directors:

- 1) The company's articles of association shall indicate how the membership of the board of directors shall end, and the general assembly may at all times dismiss all or some of the members of the board, even if the company's articles of association stipulate otherwise, without prejudice to the right of the dismissed person to compensation if the dismissal occurred for an unacceptable reason or at an inappropriate time .
- 2) Upon the termination of the membership of a member of the Board of Directors by one of the methods of termination of membership, such as: the expiry of the term of the Board, the resignation or death of the member, the demise of his capacity to represent the legal person or the judgment of bankruptcy, the company shall notify the Authority and the Market immediately with a statement of the reasons that called for this.
- 3) If a member of the Board of Directors resigns and has observations on the performance of the company, he must submit a written statement therein to the Chairman of the Board of Directors, and this statement must be presented to the members of the Board of Directors.
- 4) If the position of one of the members of the Board of Directors becomes vacant during the year, the Board may temporarily appoint a member to the vacant position, provided that such appointment is presented to the Ordinary General Assembly at its first meeting to consider its approval, and the new member completes the term of his predecessor, and if the number of members of the Board of Directors falls below the minimum, the Ordinary General Assembly shall be invited as soon as possible to appoint the necessary number of members.

Article Eight: Symptoms of Independence:

(A) The independent member of the Board of Directors must be able to exercise his duties, express his opinions and vote on decisions objectively and impartially, in a way that helps the Board of Directors to take sound decisions that contribute to achieving the interests of the company.

(B) The Board of Directors shall conduct an annual evaluation of the extent to which the independence of the member has been achieved and ensure that there are no relationships or circumstances that affect or could affect him.

(C) Incompatible with the principle of independence required in the independent member of the Board of Directors, **for example, but not limited to the following:**

- 1) To be the owner of 5% or more of the company's shares or the shares of another company from its group or has a kinship with the person who owns this percentage.
- 2) To be a representative of a legal person who owns 5% or more of the company's shares or of the shares of another company from its group.
- 3) To be related to any of the members of the Board of Directors in the company or in another company of its group.
- 4) To be related to any senior executive in the company or in another company of its group.
- 5) To be a member of the Board of Directors of another company from the group of the company nominated for membership of the Board of Directors.
- 6) To have worked or been an employee during the past two years for the company or any party dealing with it or another company from its group, such as auditors and major suppliers, or to be the owner of control shares with any of those parties during the past two years.
- 7) To have a direct or indirect interest in the business and contracts made for the company's account.

- 8) To receive sums for the company in addition to the remuneration for membership of the Board of Directors or any of its committees.
- 9) To participate in a business that would compete with the company, or to trade in one of the branches of the activity practiced by the company.

Prepared by Nomination and Remuneration Committee