



الأندلس العقارية
Alandalus Property

Policies, Standards, and Procedures of the Company's Board of Directors Membership



الأندلس العقارية Alandalus Property



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Policy Approval

This Policy was approved pursuant to the resolution of the tenth Ordinary General Assembly of the Company dated on

December 31, 2017 AD.

This approval was based on the recommendation of the Board of Directors, as per their decision issued on December 11, 2017.

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Introduction

In line with the deeply ingrained beliefs of the Board of Directors at Alandalus Property Company, which underscore the imperative of adhering to mandatory regulations prescribed by competent authorities, and the strategic deployment of sound governance practices to elevate the Company's growth and optimize its operational efficiency, the present policy framework encapsulates a comprehensive and detailed structure, setting forth overarching principles for the conduct of board membership procedures, the terms and conditions thereof, the procedures for termination, and the implementation of policies safeguarding shareholders' rights to be nominated for the Board of Directors. This commitment extends to the meticulous election of Board members characterized by their requisite qualifications, astute leadership competencies, and diverse professional backgrounds, further, it is consistent with the provisions delineated in Article Twenty-Two, Paragraph No. (3) of The Corporate Governance Regulations, as promulgated by the Capital Market Authority, which underscores the pivotal role of the Board of Directors, including but not limited to: "**setting forth specific and explicit policies, standards and procedures for membership in the Board, without prejudice to the mandatory provisions of these Regulations, and implementing them following approval by the General Assembly**".

Article One: Composition of the Board of Directors

The Board of Directors comprises a total of nine (9) members. The following shall be taken into consideration when composing the Board:

- a) The number of its members shall be suitable for the size and nature of the Company's activities.
- b) The majority of Board members shall be Non-Executive Directors.
- c) The number of its Independent members shall not be less than two or one-third of the Board members, whichever is greater.

Article Two: Standards and Conditions of Board Membership

- The following standards shall be taken into account when selecting members of the Board:
 - 1) **Ethical Values:** Candidates shall exemplify moral integrity, honesty and unwavering credibility.
 - 2) **Regulatory Compliance:** Candidates shall have no prior regulatory sanctions imposed by the Capital Market Authority's Board of Directors, particularly in relation to manipulative practices involving shares of listed companies or any activities entailing deception and fraud.
 - 3) **Legal Standing:** Candidates shall have no record of previous convictions for offenses that compromise honor or trust, bankruptcy declaration, creditor arrangements, or any disqualifications from Board membership in accordance with the applicable Laws and Regulations in the Kingdom.
 - 4) **Limit on Board Memberships:** Candidates shall not concurrently serve on the Boards of Directors of more than five (5) joint-stock companies.

- 5) **Government Employment:** Candidates shall not hold government positions concurrently.
- 6) **Adherence to Laws and Regulations:** Board members must fully commit to the provisions of applicable laws, rules, and regulations and directives.
- 7) **Diversity and Skill Set:** In selecting members, diversity in academic qualifications and practical experience shall be considered, with a focus on nominating those possessing the required skills for Board Membership.
- 8) **Independence Requirement:** At least one-third of the Board's members shall be independent
- 9) **Absolute Independence:** Independent members shall have no conditions that contradict independence.
- 10) **Shareholder Representation:** Board members shall represent the interests of all shareholders and prioritize the Company's welfare over the interests of any specific group that voted for their appointment.
- 11) **Principles of Conduct:** Board members shall adhere to principles of honesty, trustworthiness, loyalty, care, and commitment to the Company's and shareholders' interests, particularly through:
 - A. **Honesty:** Ensuring an honest and professional relationship with the Company and disclosing any material information before entering into any transactions or contracts with the Company or its subsidiaries.
 - B. **Loyalty:** Avoiding transactions that could pose a conflict of interest and ensuring fair dealings while adhering to conflict of interest provisions within these regulations.
 - C. **Care and Diligence:** Fulfilling duties and responsibilities stipulated in the Companies Law, the Capital Market Law, their executive regulations, the Company's Bylaws, and other relevant regulations.
- 12) **Professional Competence:** Board members shall exhibit professional competence, possessing the necessary experience, knowledge, skills, and independence required to perform their duties efficiently and effectively. This includes, in particular:
 - A. **Leadership Competence:** The candidate should possess exceptional leadership skills, enabling him/her to delegate authority effectively, drive performance, implement best management practices, and uphold professional values and ethical standards.
 - B. **Competency:** This entails the possession of appropriate academic credentials, professional and personal skills, extensive training, and practical experiences that align with the current and future activities of the Company. Proficiency in areas such as management, economics, accounting, law, and governance is essential. Additionally, the candidate should demonstrate a commitment to ongoing learning and development.
 - C. **Ability to Guide:** Candidates shall exhibit professional, leadership, and administrative capabilities. They shall demonstrate the ability to make prompt decisions, a comprehensive understanding of technical workflow requirements, and the capacity to provide strategic guidance, planning, and a clear vision for the Company's future.



- D. **Financial Knowledge:** The ability to read and comprehend financial statements and reports.
- E. **Physical Fitness:** Board members should not have any health conditions that hinder their ability to fulfill their duties and exercise their powers effectively.
- When appointing members to the Board of Directors, the General Assembly should consider the recommendations put forth by the Remuneration and Nominations Committee. This should be in conjunction with the evaluation of the candidates' personal and professional capabilities, ensuring they are well-equipped to carry out their responsibilities in accordance with the standards outlined in this article.

Article Three: Nomination Procedures for Board of Directors Membership

- 1) Every shareholder within the company possesses the right to nominate themselves or others for membership in the Board of Directors, following the provisions outlined in the Companies Law and its executive regulations.
- 2) The Company is responsible for publicly announcing the nomination for Board of Directors membership on the Saudi Stock Exchange "Tadawul" website, its own website, and through any other means specified by the Capital Market Authority. This announcement shall occur well in advance of the conclusion of the Board of Directors' term to invite potential candidates. The nomination door remains open for at least one month from the date of the announcement.
- 3) Individuals interested in running for the Company's Board of Directors shall notify the Company's management at least thirty days prior to the General Assembly meeting. This notification shall include a brief on the candidate, including personal information, professional background, current primary occupation, qualifications, and relevant experience.
- 4) Candidates with prior board membership in joint-stock companies shall provide a statement indicating the number and dates of the companies they served on. If they were previously on the Board of Directors of the same Company, they shall attach a statement from the Company Management for the last term they served. This statement shall include the following:
 - The number of board meetings held in each year of the term, the candidate's attendance at these meetings in person, along with the percentage of their attendance in relation to the total meetings.
 - The permanent committees in which the member participated, the number of meetings held in each year of the term, the candidate's attendance at these meetings in person, along with the percentage of their attendance in relation to the total meetings.
 - A summary of the financial results achieved by the company during each year of the term.
- 5) It is imperative to define the membership status of candidates, specifically whether they are executive members, non-executive members, or independent members.
- 6) The nature of membership shall be clearly delineated, distinguishing whether the member is running in a personal capacity or as a representative of a legal entity.
- 7) The Nominations and Remuneration Committee diligently evaluates all nomination

applications for Board membership and scrutinizes the candidates' CVs in accordance with the stipulated policies and standards.

- 8) The Nominations and Remuneration Committee provides recommendations to the Board of Directors, endorsing candidates for Board membership who possess the capacity to fortify the Board's competence in effectively managing and guiding the Company's affairs, in compliance with the established policies and standards.
- 9) The Company announces the names of the candidates, allowing the Assembly to vote.
- 10) The Capital Market Authority is supplied with the CVs of the candidates for membership in the Company's Board of Directors, following the "CV Form for the candidate for membership in the board of directors of a joint stock company listed on the Saudi Stock Exchange (Tadawul)."
- 11) The Company's Management is responsible for providing the nomination notification along with its associated documents at the Company's head office, available for shareholders to review. This shall be accomplished at least 15 days before the scheduled date for selecting board members.
- 12) Voting in the General Assembly is restricted to those who have nominated themselves in accordance with the aforementioned policies, standards, and procedures.
- 13) Cumulative voting is adopted for the election of nominated members to the Board, to ensure that the right to vote per share is exercised only once.
- 14) The Company announces the names of the members elected by the Assembly, indicating insight into their respective membership attributes.
- 15) The Board of Directors appoints a Chairman and Vice-Chairman from among its elected members.
- 16) Within five working days from the commencement of the Board of Directors term or from the date of their appointment, whichever is earlier, the Company shall promptly inform the Capital Market Authority of the names of the elected Board of Directors members and their membership attributes. Any changes occurring to their membership shall be reported within five working days from the date of such changes.

Article Four: Board Vacancies

- 1) In the event that a position on the Board of Directors becomes vacant during the membership term, the Board retains the authority to appoint a temporary member to fill the vacant position, provided that this temporary appointee possesses the requisite experience and competence. Both the Ministry of Trade and Investment and the Capital Market Authority shall be notified of this appointment within the stipulated statutory timeframe. Subsequently, the appointment shall be presented to the Ordinary General Assembly at its first meeting for ratification. The newly appointed member shall serve the remaining term of their predecessor in accordance with the provisions specified in the Company's Articles of Association.

- 2) In circumstances where the Board of Directors is unable to convene due to the number of its members falling below the minimum threshold defined in the Companies Law or the Company's Articles of Association, the existing members shall call for the Ordinary General Assembly to convene within sixty days to elect the required number of members.

Article Five: Termination of Board of Directors Membership

- 1) Board Membership may be terminated under the following circumstances: At the conclusion of the member's term, upon their voluntary resignation, in the event of their unfortunate death, upon convictions for offenses that compromise honor or trust, a declaration of bankruptcy, or upon the expiration of a member's authority in accordance with applicable laws or regulations within the Kingdom.
- 2) The Ordinary General Assembly may dismiss any or all of the Board members at any time, regardless of any stipulations in the Company's Articles of Association to the contrary. Such dismissal should not infringe upon the dismissed individual's right to compensation if the dismissal occurs for unjustifiable reasons or at an inappropriate juncture. In the case of a Board member's resignation, they are obligated to ensure that it is conducted appropriately. Failure to do so may render them liable to the Company for any resultant damages. Furthermore, the General Assembly, based on the recommendation of the Board of Directors, may terminate the membership of any member who has failed to attend three consecutive Board meetings without a valid justification.
- 3) In the event of a termination of Board membership, whether by resignation or any other method, the Company is required to promptly inform the Capital Market Authority and the Saudi Stock Exchange (Tadawul), providing a clear statement of the reasons for such termination.
- 4) If a Board member opts to resign and possesses observations concerning the Company's performance, they shall submit a written statement to the Chairman of the Board of Directors. This statement is then to be presented to all Board members for their review.

Article Six: Procedures for Amending the Policy

The Board of Directors may enact amendments to this policy at any time it deems appropriate, based on the recommendation of the Nominations and Remuneration Committee. However, such amendments shall obtain approval from the General Assembly of Shareholders before they can be implemented.