



# Policies, Standards and Procedures

## Board Membership



the page

Table of contents:

2	Policy information, archiving and documentation
3	Definitions and terms used
5	Article One : Preamble
5	Article Two: Policies and Criteria for Membership in theBoard
7	Article Three: Procedures for Candidacy for Board Membership
8	Article Four: Vacant position in the membership of theBoard
8	Article Five: Termination of the membership of theBoard
9	Article Six : Final Provisions

## Rules, documentation and preservation information:

Modifications to these rules must be numbered and dated using the following record and signed at each update.

Summary of the amendments:

Nature of the amendment	Version Number

Preparing, reviewing and approving amendments:

Date and decision of accreditation	Reviewed by	Prepared by	Date	Version Number

Conservatory:

Reviews	Entity

Rely:

Chairman of the Board	Secretary of the Board

## Definitions and terms used:

The following words and expressions shall have the meanings assigned to each of them, unless the context otherwise requires:

Definition	Word/phrase
Board Membership Policies, Criteria and Procedures	<b>Politics</b>
Jazan Development and Investment Company (JAZADCO)	<b>company</b>
Saudi Arabia	<b>Kingdom</b>
Ministry of Commerce.	<b>The Ministry</b>
Capital Market Authority.	<b>Authority</b>
Companies Law, promulgated by Royal Decree No. (M/132) dated 01/12/1443H.	<b>Companies Law</b>
Capital Market Law promulgated by Royal Decree No. (M/30) dated 8/6/1424H	<b>Capital Market Law</b>
Articles of Association of the company.	<b>Statute</b>
Joint Stock Companies Governance Regulations issued by the Board of the Capital Market Authority	<b>Corporate Governance Regulations</b>
An assembly formed from the company's shareholders in accordance with the provisions of the Companies Law and the Company's Articles of Association.	<b>Association</b>
Board of Directors of Jazan Development and Investment Company (JAZADCO).	<b>Board</b>
Committees emanating from the Board or formed by it or by the Association	<b>Committees/Committee</b>
A full-time board member of the company's executive management, and participates in its daily business.	<b>Executive Member</b>
A part-time board member of the company's executive management, and does not participate in its day-to-day business.	<b>Non-Executive Member</b>
A non-executive board member who enjoys full independence in his position and decisions, and none of the symptoms of independence stipulated in Article (19)	<b>Independent Member</b>

Definition	Word/phrase
of the Corporate Governance Regulations apply to him.	
People entrusted with managing the company's day-to-day operations, proposing and implementing strategic decisions, such as the CEO, his deputies and the Chief Financial Officer.	<b>Executive management or senior executives</b>
Anyone who has an interest with the company, such as employees, creditors, customers, suppliers, and society.	<b>Stakeholders</b>
Any person who owns (5%) or more of the company's shares or voting rights therein.	<b>Major Shareholders</b>
<p>Fathers, mothers, grandparents, and grandmothers, even if they are higher.</p> <ul style="list-style-type: none"> <li>- Children, and their children, even if they descend.</li> <li>- Brothers and sisters, siblings, father, or mother.</li> <li>- Husbands and wives.</li> </ul>	<b>Relatives or kinship</b>
<ol style="list-style-type: none"> <li>1. Affiliate the company except for companies wholly owned by the company.</li> <li>2. Major shareholders of the company.</li> <li>3. Members of the Board of Directors and senior executives of the company.</li> <li>4. Members of the Board of Directors of the company's affiliates.</li> <li>5. Members of the Board of Directors and senior executives of the major shareholders of the Company.</li> <li>6. Any relatives of the persons referred to in paragraphs (1), (2), (3) or (5) above.</li> <li>7. Any other company or establishment controlled by any person referred to in paragraphs (1), (2), (3), (5) or (6) above.</li> </ol> <p>For the purposes of paragraph (6) of this definition, relatives mean father, mother, husband, wife and children.</p>	<b>Related Parties:</b>
A calendar day, whether it's a business day or not.	<b>day</b>

All terms not defined in this Policy shall have the same meaning as those used in the Corporate Governance Rules and the Corporate Governance Regulations, unless the context otherwise requires.

## Article One: Preamble

- 1- This policy has been prepared in accordance with the company's corporate governance rules, and in accordance with the provisions of paragraph (3) of Article (21) of the Corporate Governance Regulations: (Preparing clear and specific policies, standards and procedures for membership in the Board of Directors - in a manner that does not conflict with the mandatory provisions of the Corporate Governance Regulations - , and putting them into effect after the approval of the General Assembly).
- 2- These Rules shall be subject to the provisions of the Articles contained in the Companies Law and its Implementing Regulations, the Company's Articles of Association , and the Capital Market Law and its Implementing Regulations.
- 3- This policy aims to establish a legal framework for the rules for selecting members of the Board of Directors and the controls governing the nomination mechanism.

## Article Tow: Membership Policies and Criteria

The General Assembly shall, when electing the members of the Board of Directors, take into account the recommendations of the Remuneration and Nomination Committee and the availability of personal and professional assets to perform their duties effectively in accordance with the following policies and standards:

- 1- The candidate for membership of the Board must not have previously been convicted of a crime involving moral turpitude and dishonesty, and he must not be insolvent, bankrupt or become unfit for membership of the Board in accordance with any system or instructions in force in the Kingdom.
- 2- In all cases, a member of the Board of Directors must be a natural person.
- 3- Not to be a member of the Board of Directors of more than five joint stock companies listed on the market at the same time, including membership in Jazan Development and Investment Company (JAZADCO).
- 4- The member of the Board of Directors shall represent all shareholders, and shall commit to what is in the interest of the company in general and not what achieves the interests of the group he represents or that voted to appoint him to the Board of Directors.
- 5- The majority of the members of the Board shall be non-executive members, and the number of independent members shall not be less than two members or one third of the members of the Board, whichever is greater, even if the calculation of the third results in a fraction, it shall be calculated on the basis of the higher integer number.

- 6- The independent member must enjoy full independence in his position and decisions, and none of the independence symptoms stipulated in Article (19) of the Corporate Governance Regulations shall apply to him.
- 7- Taking into account diversity in scientific qualification and practical experience, and giving priority in nomination to the needs required of those with the appropriate skills for membership of the Board of Directors.
- 8- Each member of the Board of Directors shall abide by the duties of care and loyalty, including, in particular, the following:
- I- **Exercising duties within the prescribed powers:** A member of the Board of Directors shall exercise his duties and powers in managing the company and directing its work within the limits of his prescribed powers in accordance with the provisions of the Companies Law, its implementing regulations, the company's articles of association and other relevant regulations, in order to achieve the purposes for which he was granted those powers.
  - II- **Working on the interest of the company and enhancing its success:** A member of the Board of Directors must act 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, in addition to being keen to do everything that would enhance the company's success, development and maximize its value for the benefit of its shareholders in the long term.
  - III- **Independent decision-making or voting:** A member of the Board of Directors must exercise his duties objectively and independently with regard to the management and decision-making of the company, and avoid situations that affect his independence in making decisions or when voting on them.
  - IV- **Reasonable and expected care, attention, diligence and skill:** A member of the Board of Directors shall perform his duties and responsibilities in accordance with the Companies Law, the Capital Market Law and their Implementing Regulations, the Company's Articles of Association and other relevant regulations, and in accordance with the care and care that must be exercised by the careful person with the general knowledge, skill and experience possessed by the Board member himself, and those expected of him performing the same functions performed by that member.
  - V- **Avoid Conflict of Interest:** A member of the Board of Directors must avoid transactions and cases in which he has or is likely to have a direct or indirect interest that conflicts or may conflict with the interest

of the company, and abide by the provisions of the conflict of interest contained in the Companies Law and its implementing regulations.

**VI- Disclosure of any interest he has directly or indirectly in the business and contracts concluded for the company' s account:** A member of the Board of Directors shall be obliged to disclose any interest he has directly or indirectly in the business and contracts concluded for the company's account as soon as he becomes aware of them, and he must abide by the provisions for disclosure of interest in business and contracts contained in the Companies Law and its implementing regulations.

**VII-Non-acceptance of any benefit granted to him by third parties in relation to his role in the company:** A member of the Board of Directors shall not exploit his position and the tasks and powers he has as a member of the Board of Directors in any way to obtain benefits from third parties or accept any benefit granted to him by third parties in return for performing a certain work or refraining from performing a specific work.

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

- I- **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 spreading professional values and ethics.
- II- **Competence:** by having academic qualifications, appropriate professional and personal skills, level of training and practical experience related to the company's current and future activities, management, economics, accounting, law or governance, as well as the desire to learn and train.
- III- **Ability to direct:** by having technical, leadership, and administrative capabilities, speed of decision-making, understanding the technical requirements related to workflow, and being able to strategic direction, planning and a clear future vision.
- IV- **Financial knowledge:** to be able to read and understand financial statements and reports.
- V- **Health fitness:** by not having a health impediment that hinders him from exercising his duties and competencies.



- 10- The candidate must be committed to performing the duties and responsibilities set forth in the Companies Law , the Capital Market Law, their implementing regulations, the relevant regulations and the Company's Articles of Association.
- 11- The nominee must be at least twenty-five (25) years old, whether the candidate is applying in his personal capacity or representing a legal person.
- 12- The candidate's employer shall not object to his appointment to the Board if the candidate is an employee.
- 13- A member of the Board of Directors shall resign before the end of his term in the Board, in the event that he loses his eligibility to work as a member of the Board of Directors, or is unable to exercise his duties, or is unable to allocate the time or effort necessary to perform his duties in the Board, but in the event of a conflict of interest, the member shall have the option to obtain a license from the General Assembly or submit his resignation.

### Article Three: Procedures for Candidacy for Board Membership

- 1- Each shareholder has the right to nominate himself or one or more other persons for membership of the Board of Directors, within the limits of his ownership percentage in the capital.
- 2- The Remuneration and Nomination Committee shall coordinate with the Company's Executive Management to announce the opening of nomination for membership of the Board of Directors of the Company at least ninety (90) days before the end of the Board session and in light of the requirements required by the laws and regulations.
- 3- The announcement of candidacy shall be published on the Capital Market "Tadawul" website and the company's website, and in any other means specified by the Authority, in order to invite persons wishing to be nominated for membership of the Board of Directors, provided that the nomination door remains open for at least (30) days from the date of the announcement.
- 4- Whoever wishes to nominate himself for membership of the company's board of directors must disclose his desire to be nominated according to an application submitted to the Nomination and Remuneration Committee in accordance with the period and dates stipulated in accordance with this policy and the applicable laws and regulations, and this application must be accompanied by a definition of the candidate in both Arabic and English in terms of his CV, qualifications, practical experience and experience in the field of the company's work. In addition to providing the company with all supporting documents such as (national

identity card, family card, passport for non-Saudis nominated for membership of the Board and any other relevant documents required by the company to meet the statutory requirements) in addition to filling out the forms and declarations required by the company or the authority.

- 5- A candidate for membership of the Board must disclose to the Board and the General Assembly any conflicts of interest that include:
  - A- The existence of a direct or indirect interest in the business and contracts made for the account of the company for which he wishes to run for the Board of Directors.
  - B- Participating in a business that would compete with the company or compete with it in one of the branches of the activity it engages.
- 6- Clarify any kinship or other relationship between him or any of the company's major shareholders, senior executives or one of his external auditors as described in the definitions in this policy or in the corporate governance regulations.
- 7- A candidate who has previously served as a member of the board of directors of a joint stock company or one of its committees shall attach a statement of the number and dates of the boards of directors of the companies and the committees in which he is a member.
- 8- The candidate who has previously served as a member of the Board of Directors of the Company must attach to the nomination application a statement from the Company's management about the last session in which he became a member of the Board, including the following information:
  - I- The number of Board meetings held during each year of the session.
  - II- The number of meetings attended by the member Asala, and the percentage of his attendance to the total meetings.
  - III- 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 ratio of his attendance to the total meetings.
- 9- Membership status must be clarified when nominating, i.e. whether the member is an executive, a non-executive member or an independent member.
- 10- The nature of the membership must be clarified, i.e. whether the member is a candidate in his personal capacity or a representative of a legal person.

- 11- The number of candidates for the Board of Directors whose names are submitted to the General Assembly must exceed the number of seats available so that the General Assembly has the opportunity to choose from among the candidates.
- 12- The Remuneration and Nomination Committee shall submit its recommendations to the Board regarding candidacy for membership of the Board in accordance with the criteria described in this policy.
- 13- The Remuneration and Nomination Committee coordinates with the executive management to finalize the statutory requirements and provide the competent statutory authorities with all the required documents.
- 14- The selection of the members of the Board of Directors is voted on through the cumulative voting method.
- 15- Voting in the General Assembly shall be restricted to those who have nominated themselves in accordance with the above-mentioned policies, criteria and procedures .

#### Article Four: Vacant position in the membership of the Board

If the position of a member of the Board of Directors becomes vacant due to his death, retirement or termination of his membership by one of the other methods of termination of membership and such vacancy does not result in a violation of the conditions necessary for the validity of the convening of the Board due to the lack of its members from the minimum stipulated in the Companies Law, the Board may appoint, temporarily, to the vacant position a person who has experience and competence, provided that he is informed of this by the Commercial Register, as well as the Capital Market Authority within (fifteen) days from the date of appointment, and the appointment shall be submitted to the Assembly. The ordinary general assembly at its first meeting, and the appointed member shall complete the term of his predecessor.

#### Article Five: Termination of the membership of the Board

- 1- The membership of the Board shall expire upon the expiry of its term, retirement, or the expiry of the member's validity thereof in accordance with any system or instructions in force in the Kingdom, or the absence of any of the conditions and criteria for membership approved by the General Assembly.
- 2- The Ordinary General Assembly may at any time dismiss all or some of the members of the Board of Directors, subject to the controls set by the Capital Market Authority.
- 3- The General Assembly may, upon the recommendation of the Board, terminate the membership of any member who is absent from attending three consecutive meetings or five separate meetings of the Board during his term of office without a legitimate excuse acceptable to the Board.

## Article Six: Final Provisions

- 1- The policy is subject to annual review as part of the company's governance review or when new instructions or regulations are issued by the competent authorities, and this regulation is complementary to the company's articles of association and corporate governance rules.
- 2- The provisions of this policy shall be effective and complied with by the Company as of the date of its approval by the Ordinary General Assembly and shall be published on the Company's website to enable shareholders, the public and stakeholders to view it. The contents of this policy shall be amended – as needed – based on a proposal from the Nomination and Remuneration Committee and upon a recommendation from the Board of Directors, provided that the amendment is submitted to the Ordinary General Assembly at its earliest meeting for approval.
- 3- These Regulations belong to the Company, and it is prohibited to reproduce or disclose them in whole or in part without the written permission of the Company