

الشركة الوطنية للتنمية الزراعية
The National Agricultural Dev. Co.



Policies, Standards, and Procedures For

Board of Directors Membership

Approved On 10-12-2017 By The Extraordinary General Assembly

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Introduction

In line with the Corporate Governance Regulations issued by the Capital Market Authority, which states that one of the basic functions of the Board of Directors is "to set clear and specific policies, standards and procedures for membership in the Board of Directors and put them into effect after the approval of the Assembly."

Composition of the Board of Directors

- 1 The number of the members must be proportional to the size of the company and the nature of its activity.
- 2 The majority of the members must be non-executive members.
- 3 The number of its independent members is not less than two members or more than one third of the members of the Board, whichever is more.
- 4 Every shareholder has the right to nominate himself or another person or more for membership in the Board of Directors, within the limits of his ownership percentage in the capital.
- 5 The CEO may not be appointed as the Chairman of the Board of Directors of the company during the first year after the end of his services.

Appointing board members

- A The company's bylaw determines the number of board members is not less than three and not more than eleven.
- B The general assembly elects the members of the board of directors for the period stipulated in the company's articles of association, which it does not exceed three years. Members of the board of directors may be re-elected unless the company's articles of association stipulate otherwise.
- C The board member must not occupy being a board of directors' member of more than five listed companies in the Saudi market simultaneously.

Conditions, criteria, and requirements for membership in the Board of Directors

In addition to any controls or procedures issued by the regulatory authorities regarding the formation of the Board of Directors, a member of the Board of Directors must be of professional competence who possesses the necessary experience, knowledge, skill and independence, in order to enable him to carry out his duties efficiently and competently, taking into account that in particular he has the following:

- 1 **Leadership ability** : To have leadership skills that qualify him to grant powers in a way that leads to stimulating performance, applying best practices in the field of effective management, and adhering to professional values and ethics.
- 2 **Efficiency** : To have the appropriate academic qualifications, professional and personal skills, level of training and practical experience related to the current and future activities of the company, administration, economics, accounting, law or governance, as well as the desire for learning and training that contribute to supporting and developing the company's ability to perform optimally.

- 3 **The ability to direct** : To have technical, leadership, and administrative capabilities, and to have speed in decision-making, to understand the technical requirements related to the progress of work, and to be able to strategic direction, planning and a clear future vision.
- 4 **Financial Knowledge** : To be able to read and understand financial statements and reports.
- 5 **Health Fitness** : He should not have a health obstacle that hinders him from exercising his mission and specializations, and he shall be fully qualified according to Sharia.
- 6 The independent member must not have any of the situations that contradict the independence.
- 7 He must not have been previously convicted of a crime involving breach of honor or trust.

Issues Affecting Independence

The following is inconsistent with the independence required 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 To have a direct or indirect interest in the business and contracts that are made for the company's account. Except:
 - A Prior authorization from the Ordinary General Assembly, to be renewed every year.
 - B The member of the board of directors must inform the board of his direct or indirect interest in the business and contracts that are made for the company's account, and this notification shall be recorded in the minutes of the meeting.
 - C It is not permissible for this member to participate in voting on the decision to be issued in this regard by the Board of Directors and shareholders' assemblies.
 - D The chairman of the board of directors informs the ordinary general assembly when it convenes about the business and contracts in which one of the board members has a direct or indirect interest in it, and the notification shall be accompanied by a special report from the company's external auditor.

- 8 To receive money from the company in addition to the remuneration for membership in the board of directors 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.
- 10 If he/she served for more than nine years, consecutive or inconsecutive, as a Board member of the Company.

Nomination procedures for membership of the Board of Directors

- ❖ The company publishes the nomination announcement on the Saudi Stock Exchange (Tadawul) and the company's website, to invite those wishing to run for membership in the Board of Directors, and the nomination period remains open for at least (one month) from the date of the announcement.
- ❖ Whoever wishes to nominate himself for membership in the company's board of directors announces his desire to do so by a notification submitted to the company's management at least thirty days before the meeting of the general assembly. This notification includes an introduction to the candidate in terms of his CV, qualifications, and experience in the company's business.
- ❖ The candidate who previously held a membership in the board of directors of a joint-stock company must declare the number and date of the boards of directors of the companies whose membership he took over. If he had previously held the membership of the company's board of directors, he must attach to the nomination notification a statement from the company's management about the last period in which he took up the membership of the board, including the following information:
 - 1 The number of board meetings that took place during each year of the session, the number of meetings the member attended originally, and the percentage of his attendance for the total meetings.
 - 2 The permanent 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 period.
- ❖ Those wishing to nominate themselves for membership must disclose in their candidacy application and the board any cases of conflict of interest, including the following:
 - 1 Existence of a direct or indirect interest in the business and contracts that are made for the company's benefit.
 - 2 His participation in a business that would compete with the company or in one of the branches of the activity that it is practicing.
- ❖ The Nominations Committee reviews the nominations submitted in accordance with the previous controls and determines a list of the names of the candidates to vote on their appointment in the General Assembly after providing them to the Capital Market Authority.
- ❖ The number of nominees to the Board whose names are presented to the General Assembly shall be more than the number of available seats to give a chance to the General Assembly to select the Board members among those nominees.

The Procedures of Electing the Board Members

- ❖ Upon calling for the General Assembly, the Company shall announce on the **TADAWUL** website information about the nominees for the membership of the Board which shall include the nominees' experience, qualifications, skills and their previous and current jobs and memberships. The Company shall make a copy of the mentioned information available in the Company's head office and its website.
- ❖ Cumulative voting shall be used in electing the Board, in which it is not allowed to use the voting right of a single share more than once.
- ❖ Voting in the general assembly is restricted to the candidates for board membership whose information the company announced in the assembly's invitation in accordance with the mentioned policies, standards and procedures.

Termination of a Board Membership

Membership in the Board of Directors ends when one of the following conditions is fulfilled:

- 1 The membership term expires.
- 2 Resignation of the member.
- 3 The death of the member.
- 4 The member's loss of one or more of the membership conditions.
- 5 Termination of the membership of a member absent from attending three consecutive meetings in one session without a legitimate excuse from the General Assembly after the recommendation of the Board of Directors.
- 6 Dismissal of a member by the general assembly.

- ❖ Unless the company's articles of association stipulate otherwise, if the position of a member becomes vacant, the board of directors may appoint a member to temporarily fill the vacancy, according to the order of the number of votes received by each candidate, provided that such member is a competent person. Such appointment shall be reported to the Ministry, and CMA in the case of a listed company, within five working days from the date of appointment. The appointment shall be referred to the ordinary general assembly in its first meeting. The new member shall complete the term of his predecessor.

- ❖ The general assembly may, at any time, remove all or some of the members even if the company's articles of association provides otherwise, without prejudice to the right of the removed member to claim compensation from the company if the removal is made without acceptable justification or at an inappropriate time. A board member may resign, provided that such resignation is made at an appropriate time. Otherwise, he shall be liable towards the company for damages caused by such resignation.
- ❖ If the General Assembly did not renew the license granted to the member In accordance with the provisions of Articles (71 and 72) of the Companies Law and Article (46) of the Corporate Governance Regulations, a member must submit his resignation within a period specified by the General Assembly, otherwise his membership in the Board is expired, and that is unless he decides to abandon the contract, deal or competition, or adjust his position before The expiry of the deadline set by the General Assembly.
- ❖ Upon the termination of the membership of a Board member by any termination method, the Company shall promptly notify the Authority and the Exchange and shall specify the reasons for such termination.
- ❖ If a member of the Board resigns and has comments on the performance of the Company, he/she shall submit a written statement explaining such comments to the chairman of the Board and such statement shall be presented to the Board members.
- ❖ In line with the companies' law, if the chairman and members of the company's board of directors submit their resignations, or if the general assembly is unable to elect a board of directors for the company, the competent minister or the board of the authority in the companies listed on the financial market will form a temporary committee with expertise and specialization as many as he deems appropriate, A chairperson and a vice president shall be appointed for it from among its members, to supervise the management of the company, and to invite the general assembly to meet within a period not exceeding three months from the date of the formation of the aforementioned committee, to elect a new board of directors for the company, and the chairman and members of the committee shall be granted remuneration on the company's account, as determined The minister or the board of the commission, as the case.