Policies And Criteria of Board Membership Procedures

Zahrat Al Waha for Trading

Saudi public joint stock company

شـركـة زهـرة الـواحـة للتجـارة
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Regulations and policies generated from Corporate Governance

This policy was issued in accordance with the decision of the general assembly of the shareholders of the company held on Monday on 14/09/1442 H corresponding to 26/04/2021 based on the proposal of the company's board of directors meeting No. 4/2020, held on 02/12/1441 AH, corresponding to 23/07/2020.

This policy was amended based on the amendment of the Companies Law and the Corporate Governance Regulations based on Royal Decree 132 dated 01/12/1443 AH, and in accordance with the decision of the General Assembly of the company’s shareholders held on sunday on 01/11/1444 AH corresponding to 21/05/2023 AD, based on the recommendation of the Board of Directors in its meeting No. 1/2023 held on 10/08/1444 AH corresponding to 02/03/2023 AD.

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Article One: Purpose

In the interest of the company's management to raise the effectiveness of governance, and with the aim of achieving a high degree of transparency, achieving the company's objectives, and developing its performance, the company has adopted criteria for nominating members of the Board of Directors in the company and selecting them based on competence and ability to represent the Board of Directors and the committees emerging from it, in a manner that ensures the availability of expertise. The scientific and practical ability and knowledge that would contribute to raising the company's operational efficiency and determining their remuneration and the remuneration of the executive management, in accordance with the standards and controls contained in the Companies Law and the Corporate Governance Regulations and other relevant laws and regulations.

This regulation aims to regulate the criteria and procedures for nomination for membership of the Board of Directors, in light of the rules governing membership of the Board of Directors in listed joint stock companies stipulated in the Companies Law, the regulatory controls and procedures issued in implementation of the Companies Law for Listed Joint Stock Companies, and the Corporate Governance Regulations issued by the Capital Market Authority.

Article Two: Responsibilities

- The Remuneration and Nomination Committee is responsible for preparing and reviewing the policy and proposing the changes it deems appropriate and submitting it to the Board of Directors for consideration.
- The Board Secretary is responsible for supporting the Remuneration and Nomination Committee to issue and update this policy and to develop procedures that assist in its implementation.
- The policy is submitted to the General assembly for approval.
- The company's Remuneration and Nomination committee are responsible for implementing what is stated in this policy on behalf of the company's board of directors responsible for its implementation.

Article Three: References

- Companies Law issued by Royal Decree No. (M/3) on 1/28/1437 AH corresponding to 11/10/2015, as amended by Resolution of the Board of the Capital Market Authority on 7/1/1441 AH corresponding to 02/25/2020. Amended by CMA Council Resolution No. (8-5-2023) dated 06/25/1444 AH corresponding to 01/18/2023 AD based on the Companies Law issued by Royal Decree No. (M / 132) dated 01/12/1443 AH corresponding to 06/30/ 2022 AD.
- Articles of association of the company issued on 10/10/1440 AH corresponding to 6/13/2019 based on the decision of the company's extraordinary general assembly on 9/14/1440 AH corresponding to 5/19/2019, Amended based on the decision of the Extraordinary General Assembly of the company on 01/11/1444 AH corresponding to 21/05/2023 AD.
- The regulatory controls and procedures issued in implementation of the Companies Law for Joint Stock Companies issued by the Capital Market Authority.
- Corporate Governance Regulations issued by the Board of the Capital Market Authority under Resolution No (16-8-2017) on 5/16/1438 AH corresponding to 2/13/2017 amended by Resolution of the Capital Market

Authority Board No. (3-57-2019) on 9/15/1440 AH corresponding to 5/20/2019, Amended by Capital Market Authority Board Resolution No. (8-5-2023) dated 06/25/1444 AH 01/18/2023 AD.

- Corporate Governance Regulations.
- A regulation of the procedures of the Board of Directors.
- Audit Committee regulation.
- Remuneration and Nomination committee Regulation.
- Risk management regulation.
- Corporate Governance Committee regulation.

Article Four: The rules governing membership of the Board of Directors

In light of the provisions governing membership of the Board of Directors stipulated in the Companies Law and the Corporate Governance Regulations, the standards, and procedures for membership of the Board of Directors include the following:

First: Responsibilities of the Remuneration and Nomination Committee for nominating Board Members:

- Recommending to the Board of Directors to nominate the new member or to re-nominate him again in accordance with articles of association of the company, considering not to nominate any person previously convicted of the crime of breach of trust.
- Preparing standards for the capabilities and qualifications required for membership of the Board of Directors.
- Determine the time that the member should allocate to the work of the Board of Directors.
- Annual review of the necessary skills needed for membership of the Board of Directors.
- Develop job descriptions for members of the Board of Directors.
- Publish a disclosure on the company's website on the Saudi Stock Exchange website (Tadawul) and in any other means specified by the competent authority, to invite persons wishing to run for membership in the Board of Directors, provided that the door for nomination remains open for at least one month from the date of the Disclosure.
- Considering that there should be a sufficient number of independents among the candidates in order to allow the General Assembly to elect from among them at least one third of the members of the Board, whichever is greater.
- Considering that the number of candidates for the Board of Directors whose names are presented to the General Assembly exceeds the number of seats available so that the General Assembly has the opportunity to choose from among the candidates.
- The Remuneration and Nomination Committee coordinates with the company's executive representative in front of the Capital Market Authority to provide the Capital Market Authority with the CVs of the candidates for membership of the Board of Directors according to the CV template of the candidate for membership of

the Board of Directors in the joint stock companies listed in the Saudi Stock Exchange (Tadawul), in addition to any copies of notices Nomination and its attachments.

Second: Requirements related to candidacy for membership of the Board of Directors:

- Submit a letter to the company's management stating his desire to nominate within the one-month Disclosure of period of the opening for nomination, provided that the letter is accompanied by his curriculum vitae, qualifications, and experience in the company's business field in accordance with the relevant statutory forms and requirements.
- Submit a statement that includes the names of the joint-stock companies that he participates in the membership of their boards of directors and the committees emanating from them.
- Submit a statement of the companies or establishments that he participates in managing or owning and conducting business similar to that of the company.
- Disclosure to the Board of Directors and the General Assembly of any cases of conflict of interest - in accordance with the procedures prescribed by the authority - and include:
  - Any direct or indirect interest in the business and contracts made for the company's account.
  - His participation in a business that would compete with the company or compete with it in one of the branches of the activity that he is practicing.
- Submit a statement of the number and date of the boards of directors of the companies whose membership he has assumed if he has previously held a membership in the board of directors of one of the joint-stock companies, but if he has previously held the membership of the company's board of directors in previous sessions, he must attach a statement of the sessions in which he participated. The company has completed the necessary.

Third: Conditions for membership of the Board of Directors

It is a requirement that a member of the Board of Directors be of those with professional competence and appropriate academic qualifications who possess the necessary experience, knowledge, skill, and independence in order to enable him to carry out his duties efficiently and competently, and in particular the following shall be taken into consideration:

1. The candidate for membership in the Board should not have been previously convicted of a crime involving breach of honor and trust, and not be insolvent or bankrupt, or become unfit for membership in the Board in accordance with any system or instructions in force in the Kingdom.
2. A board member should not hold a membership in more than five joint stock companies listed in the financial market simultaneously.
3. That the member of the board of directors represents all the shareholders and that he adheres to what is in the interest of the company in general and not what is in the interests of the group he represents, or which voted to appoint him to the board of directors.
4. The number of independent members should not be less than two, which represents one-third of the board members, as the membership of the company's board of directors consists of (6) members.

5. An independent member must enjoy complete independence in his position and decisions, and none of the independence symptoms stipulated in Article (19) of the Governance Regulations issued by the Authority shall not apply to him.
6. Leadership ability: That he has leadership skills that qualify him to grant authority in a way that leads to stimulating performance, applying best practices in the field of effective management, and adhering to professional values and ethics.
7. Competence: by having academic qualifications, appropriate professional and personal skills, level of training, practical experiences related to the company's current and future activities, management, economics, accounting, law, or governance, as well as a desire to learn and train.
8. Ability to direct: By having technical, leadership, and administrative capabilities, speed in decision-making, comprehension of technical requirements related to workflow, and be able to strategic direction, planning and a clear future vision.
9. Financial Knowledge: By being able to read and understand financial statements and reports.
10. Health fitness: That he does not have a health obstacle that hinders him from exercising his duties and specializations.
11. Good behavior: continuous commitment to work ethics and to the provisions of applicable laws, regulations, and instructions.

When electing members of the Board of Directors, the General Assembly must consider the recommendations of the Remuneration and Nomination Committee and the availability of the personal and professional assets necessary to perform their duties effectively in accordance with what is stated in this Article.

Fourth: The vacant position in the board of directors or upon the expiration of the membership of a member of the board

- According to what is stated in articles of association, when the position of one of the members of the board of directors becomes vacant, the board may appoint a member - temporarily - in the vacant position at their discretion according to the selection conditions mentioned in the policy and it must inform the competent authority of that within five working days from the date of appointment and present this Appointment of the general assembly in its first meeting, and the new member completes the term of his predecessor. If the conditions for the meeting of the Board of Directors are not met due to the lack of the number of its members below the minimum stipulated in articles of association, the members 'dome must call the general assembly to convene within sixty days to elect the necessary number of members.
- The Articles of Association of the company indicate how the membership of the Board of Directors ends. The Ordinary General Assembly may at any time dismiss all or some of the members of the Board of Directors, without prejudice to the right of the dismissed member towards the company to claim compensation if the dismissal occurred for an unacceptable reason or at an inappropriate time, and a member of the Board of Directors may retire on condition This must be at an appropriate time, otherwise he will be liable to the company for the damages resulting from his retirement. The General Assembly may - based on

the recommendation of the Board of Directors - terminate the membership of any member who was absent from attending (three) consecutive meetings or (five) separate meetings during his membership period without a legitimate excuse accepted by the Board of Directors.

- When the membership of a member of the board of directors ends in one of the methods stipulated in articles of association of the company due to the expiration of the membership, the secretary of the board must immediately notify the competent authority in the ministry and the authority, stating the reasons for this.
- If a member of the board of directors resigns and has comments on the performance of the company, he must submit a written statement thereof to the chairman of the company's board of directors. This statement must be presented to all members of the board of directors.

Article Five: General provisions for membership of the Board of Directors

- The company shall make available to the shareholders information about the candidates for membership of the Board of Directors no less than three days before the date of the election, provided that this information includes a description of the candidates' experiences, qualifications, and skills.
- Each shareholder has the right to nominate himself or one or more shareholders or others for membership in the Board of Directors. And that is within the limits of his ownership percentage in the capital.

Article Six: Remuneration for Board Members

- The remuneration of a member of the Board of Directors - for the work of the Board of Directors - is a specific amount and an attendance allowance for the sessions.
- A member deserves a remuneration for the additional work, or executive, technical, administrative, or advisory positions assigned to him under a professional license that he is assigned to in the company, in addition to the bonus that can be collected in his capacity as a member of the Board of Directors and in the committees formed by the Board Management according to the Companies Law and the Company's Articles of Association.
- The Board may set a remuneration for the members / member of the Board of Directors for his membership in the committees emanating from the Board.
- The remunerations that a member of the board of directors collect shall be fair and proportionate to the member's competencies and the work and responsibilities that the board members undertake and bear, and Purposes set by the board of directors to be achieved during fiscal year.
- The bonus payment will be stopped or refunded if it appears that it was decided based on inaccurate information provided by the member of the Board of Directors.
- The remuneration must be proportional to the number of sessions the member attends.
- The remuneration of the members of the Board of Directors and the committees emerging from it shall be taken into consideration what is stated in the relevant regulations and regulations.

- In all cases, the total remuneration that a member of the board of directors receives does not exceed what is stipulated in the regulations and controls laid down by the competent authority and within the limits of what is stipulated in the Companies Law and its regulations.
- Pursuant to what was mentioned in the previous clauses of this article, the remuneration and benefits of the members of the Board of Directors shall be according to the table below:

Subject	Amount
Allowance for attending one session	SAR 3,000
Remuneration for a non-executive board member (Deducted)	SAR 100,000
Remuneration for an executive board member	SAR Zero

Allowances for attending meetings and other allowances are disbursed annually, while the deducted allowance is disbursed after it has been approved by the General Assembly.

Article Seven: Review and Update of the Policy

This policy is subject to periodic review by the Board of Directors and the recommendation of the Remuneration and Nomination Committee, and it can be amended by a decision of the General Assembly, bearing in mind that members of the Board of Directors are not allowed to vote on the item of remuneration of members of the Board of Directors at the General Assembly meeting.

Article Eight: Disclosure

The Board of Directors must disclose in its annual report the details of this policy, the mechanisms for determining the remuneration of the members of the board, its committees, and the executive directors and the amounts and financial and in-kind benefits paid to each member of the Board of Directors for any executive, technical, administrative, or advisory work or positions.

Article Nine: Implementation

This policy shall be effective from the date of its approval by the General assembly, and the responsibility for its implementation rests with the Board of Directors.

The Board of Directors - with the support of the Remuneration and Nomination Committee - reviews this policy periodically to ensure its suitability to the changes that may occur to the nature of the company's business, its strategic objectives, relevant legislation and regulations and the recommendation to the General Assembly in this regard.