



SAUDI LISTED JOINT STOCK COMPANY —

## The Policies, Criteria, and Procedures of Nomination for Board Membership of Retal Urban Development Co.

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## INTRODUCTION

In accordance with the provisions of Article 21, paragraph 3, of the Corporate Governance Regulation issued by the Board of the Capital Market Authority pursuant to decision No. 8-16-2017 and dated 16/05/1438 A.H. corresponding to 13/02/2017, according to the Companies Regulation issued by Royal Decree No. M/3. On 28/1/1437H, as amended by the CMA Board decision No. 1- 94-2022 and dated 24/ 1/ 1444-H corresponding to 22/ 8/2022, the Regulation of the policies, criteria and procedures of membership in the Board of Directors has been prepared in accordance with the requirements of the company's governance and the company's Bylaw.

### Article 1: The Purpose of Policy Development

The Policy and criteria for Board Membership aims to establish clear and specific criteria and procedures for Board membership, setting out the conditions and procedures for selection and how they are elected.

### Article 2: The Composition and Appointment of the Members of the Board of Directors

1. The Board of Directors is composed of nine members according to the company's Bylaw.
2. The majority of the members must be non-executive members.
3. The number of independent members shall not be less than two or one third of the members of the Board, whichever is higher.
4. The Members of the Board are elected by the General Assembly for a term not exceeding four years and may be re-elected.
5. The Board Member should not occupy the membership of more than five listed companies in the market at the same time.
6. The company will notify the CMA of the names and terms of membership within five working days from the date of the commencement of the Board of Directors' session or from the date of their appointment, whichever comes first, and any changes to their membership within five working days from the date of the changes.

### Article 3: Policies and Criteria of Membership in the Board of Directors

1. The candidate for membership of the Board has not previously been convicted of a crime of dishonor and honesty and has not been insolvent, bankrupt or ineligible for membership of the Board in accordance with any regulations or instructions in force in Saudi Arabia.
2. The independent member shall have full independence in his or her position and decision, and none of the discrepancies of independence provided for in Article 19 of the Corporate Governance Rules apply to him or her.
3. The candidate must be of professional competence with the necessary experience, knowledge, skill and independence to carry out his or her functions efficiently and with full capacity.
4. The Board member should represent all Shareholders and be committed to the interests of the company in general and not to the interests of the group he represents or that voted on appointing him/her on the Board.
5. Candidate ability to lead: Having the leadership skills to grant authorities leading to driving performance, applying best practices in effective management and adherence to professional values and ethics.
6. Ability to guide: By having the capabilities of technical, leadership, management, decision-making speed, understanding the technical requirements of the workflow, and being able to provide strategic guidance, planning and clear vision for the future.
7. Financial knowledge: By being able to read and understand financial statements and reports.
8. Health fitness: By not having a health objection, that prevents him from exercising his duties and functions.
9. Each member of the Board of Directors shall fulfill their duties of care and loyalty, including in particular:
  - a) Performing duties within the prescribed limits of authority: Each member of the Board of Directors shall carry out his duties and powers in managing the company and directing its business within his prescribed limits of authority, in accordance with the provisions of the Companies Law and its executive regulations, the company's bylaw, and other related regulations, in order to achieve the purposes for which those powers were granted.
  - b) Making decisions and voting in an independent manner: The member of the Board of Directors must perform his duties objectively and independently when it comes to managing the company and making decisions, and must avoid situations that could compromise his independence when making or voting in decisions.
  - c) Exercising reasonable care, skill, diligence, and attention: Each member of the Board of Directors must fulfill his duties and responsibilities in accordance with the Companies Law, the Capital Market Law and its implementing regulations, the Company's bylaw, and other relevant regulations, as well as with the care, skill, and diligence that a prudent person would exercise with the general knowledge, skill, and experience that the director has or is expected to obtain, in performing the same functions as those of that member.
  - d) Disclosing any direct or indirect interest in the company's business and contracts being conducted on behalf of the company: The member of the Board of Directors must disclose any direct or indirect interest he has in any business or contract carried out on behalf of the company as soon as he become aware of it. In this regard, he must comply with the provisions of

- the Companies Disclosure of Interest in Business and Contracts System and its executive regulations.
- e) Not accepting any benefit granted to him from others in relation to his role in the company: The board member must not exploit his position, duties, and authorities as a member of the Board of Directors in any way to obtain benefits from others or accept any benefit granted to him from others in return for performing a certain action or refraining from performing a certain action.
  - f) Working for the benefit of the company and enhancing its success: The board member is required to adhere to the following:
    - ✓ Acting in good faith to achieve the best interest of the company and all shareholders, and not prioritizing personal interest over the company's interest and its shareholders, while considering the rights of others.
    - ✓ Striving to enhance the success, development, and long-term value of the company for the benefit of its shareholders.
10. Diversity in scientific qualification and professional experience should be considered, and priority should be given to nominations for the required needs.
11. The member of the Board must resign before the end of his/her term in the Board in case he loses the capacity to serve as a member of the Board, fails to perform his/her work, or is unable to devote the time or effort required to carry out his responsibilities in the Board. In the event of a conflict of interest, the Member shall have the option of obtaining a license from the General Assembly renewed every year or to resign.

#### Article 4: Procedures of Nomination for Membership of the Board of Directors

1. The Nomination and Remuneration Committee, in coordination with the Executive Management of the Company, shall publish and announce the opening of the nomination for membership of the Board of Directors on the Saudi Exchange website (Tadawul), on the company's website, and in any other means specified by the Capital Market Authority to invite those who wish to nominate for membership of the Board of Directors, where the nomination period should remain open for at least one month from the date of the announcement.
2. Each Shareholder shall be entitled to nominate himself or others for membership of the Board of Directors in accordance with the Companies Law, and its Implementing Regulations.
3. The Company shall announce information of the candidates for membership the Board of Directors in the Saudi Exchange website, when publishing or sending invitations for the General Assembly meeting, and the company shall provide a copy of this information at its head office and on its website.
4. The Nomination and Remuneration Committee shall provide its recommendation to the Board of Directors regarding the nomination for membership of the Board in accordance with the criteria set out in this Policy.
5. Whoever wants to nominate himself/herself for the Board of Directors shall apply for nomination to the Company during the announced nomination period with the following attachments:

- The nomination application for membership of the Board shall be submitted to the Secretary of the Nomination and Remuneration Committee.
  - The filled-out CMA's form of the candidate's curriculum vitae for the Board of Directors membership of the listed joint stock companies, which has been prepared for this purpose, attached with the advertisement in Tadawul and can be obtained from the CMA website.
6. Whoever wants to nominate himself for the Board of Directors membership shall announce any conflict-of-interest situations including:
- The existence of a direct or indirect interest in the business and contracts of the company that he/she wishes to be nominated for its Board of Directors.
  - Participation in a competitive business with the company or competing it in any of its branch activities.
7. The candidate who has previously held a Board Member of a joint stock company, must state the number and date of the Boards of the companies that follow its membership.
8. The candidate who has previously held a Board Membership of the company must attach with the nomination notice, a statement of the last Board session from the company's management, including the following information:
- Number of meetings attended in person, attendance percentage for total meetings.
  - Number of Board meetings held during each year from session years.
  - The permanent Committees in which the member participated, the number of meetings held by each of the Committees during each year of the session years, the number of meetings attended, and the percentage of attendance in total.
9. The membership status must be clarified, i.e. whether the member is an executive, a non-executive, or an independent member.
10. The type of the membership must be clarified, i.e. whether the member is a person, or a representative of a legal person.
11. The Nomination and Remuneration Committee, in coordination with the Executive Management of the Company, shall provide the capital Market Authority with the curriculum vitae of the candidates for the membership of the company's Board of Directors according to the curriculum vitae form of the candidate for Board of Directors membership in a joint stock company listed through the CMA electronic link system, in addition to copies of the nomination notices and their annexes.
12. Voting in the General Assembly is limited to candidates for Board Members whose information the Company has announced.
13. The selection of Board Members is voted by cumulative voting.

#### Article 5: Termination of the Membership of the Board of Directors

1. The membership of the Board of Directors shall terminate upon expiry date or the expiry of membership. The Ordinary General Assembly may - even if the Companies Law states otherwise - dismiss all or some of the Members of the Board subject to any controls set by the regulatory authority.; The General Assembly may also, on the recommendation of the Board of Directors, terminate the membership of any member who is absent from attending three consecutive meetings or five scattered meetings without a legitimate reason.
2. When a member of the Board of Directors has ended in any way, the Company has an obligation to immediately notify the Capital Market Authority and the Market and with the reasons for this occurrence.
3. If a Board Member resigns, and has notes on the company's performance, he or she must submit a written statement to the Chairman of the Board, which should be brought to the attention of the Board Members.
4. If the Ordinary General Assembly decides to dismiss a member of the Board of Directors in accordance with paragraph (1) of this Article:
  - If this dismissal does not result in a breach of the conditions necessary for the validity of the Board meeting due to the number of its members being less than the minimum required level, the seat may be kept vacant until the end of the Board window. The Board may also nominate a temporary member to replace the dismissed member, and to obtain the General Assembly approval on such nomination, and the appointed member completes the term of his predecessor.
  - If this dismissal results in a violation of the conditions necessary for the validity of the meeting of the Board due to the number of its members being less than the minimum required level, then the candidate who obtains the highest number of votes, according to the order in obtaining votes when electing the members of the current Board of Directors, shall replace him, provided that the approval of that candidate is obtained. If the nominee's approval is not obtained, the door for candidacy for membership of the Board of Directors must be opened to elect a new member in the same meeting of the General Assembly in which the dismissal took place in accordance with the conditions stipulated in the Corporate Governance Regulations
5. When receiving a request to dismiss one of the members of the Board of Directors, the company must immediately inform the authority and the market, and take the necessary measures to convene an Ordinary General Assembly meeting to discuss and vote in the request within a period not exceeding three months from the date of receiving the request. The member in question is entitled to provide a statement regarding the request at the relevant Ordinary General Assembly meeting.
6. If a new board of directors cannot be elected for a new term and the current board's term has ended, its members will continue their duties until a new board is elected. However, the duration of the expired

board's term should not exceed 90 days from the expiration date. The board must take the necessary actions to elect a new board to replace it before the end of the specified term.

7. If the chairman and members of the Board of Directors resign, they must call for an Ordinary General Assembly to convene and elect a new board of directors. The resignation shall not be effective until the new board is elected, provided that the duration of the resigned board doesn't exceed 120 days from the date of resignation. The Board of Directors must take the necessary steps to elect a new board to replace it before the end of the specified term in this paragraph.

#### Article 6: Vacant position of the Board

1. If a seat of one of the members of the Board of Directors becomes vacant, and this vacancy does not result in a breach of the quorum necessary for the validity of the meeting of the Board due to the decrease in the number of its members below the minimum level, the seat may be kept vacant until the end of the window. Also, The Board may appoint a member for the vacant position, provided that he/she will be one of those with experience and competency. The Ministry of Commerce and the Capital Market Authority must be notified of such within five working days from the date of appointment. The appointment shall be presented to the Ordinary General Assembly at its first meeting, and the new member shall complete the term of his predecessor.
2. If the necessary conditions for the holding the meeting of Board of Directors are not met because the number of members is below the minimum stipulated in the Companies Law or this Regulation, the remaining members shall convene the Ordinary General Assembly within sixty days to elect the necessary number of Members.

#### Article 7: Avoiding Conflicts of Interest

1- The Board Member shall:

- Exercise his functions honestly and impartially, to give priority of the interests of the company to his personal interest and not to exploit his position for private interests.
- Avoid conflicts of interest and inform the Board of conflicts of interest that may affect his neutrality of the presented subjects for the Board, and the Board shall not involve such Member in the deliberations and not count his vote on such matters in the meetings of the Board of Directors and the Shareholders' Associations.
- Maintain the confidentiality of information about the Company and its activities and not disclose it to anyone.

2- A Board Member is prohibited from:

- Voting on the decision of the Board of Directors or the General Assembly in business and contracts for the benefit of the Company if he has a direct or indirect interest in it.
- Directly or indirectly, exploit or get use of any of the Company's assets, information or investment imposition offered to him as a Member of the Board of Directors, or offered to the Company, including investment opportunities that are within the Company's activities, or which the Company wishes to take advantage of, The ban applies to the Board Member who resigns in order to exploit investment opportunities, directly or indirectly, that the company wishes to take advantage of and that he knew about during his membership in the Board of Directors.

Article 8: Final Provisions, Publication, and Enforcement

- 1- The regulation is subject to annual review as part of a corporate governance review.
- 2- These Regulations shall be amended, when necessary, by a proposal of the Board of Directors pursuant to the recommendation of the Nominations and Remuneration Committee.
- 3- These Regulations shall be applied, and their provisions shall be complied once they are approved by the General Assembly.
- 4- The list will be published on the company's website after approval.