

# Board Membership Policy, Criteria, Procedures

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## Article (1): Purpose

This Policy is called ‘Board Membership Policy, Criteria, Procedures’, and was prepared in accordance with the provisions of the Corporate Governance Regulations (CG Regulations) issued by the Capital Market Authority’s Board (CMA's Board), which stipulates that among the main functions and competencies of the Board is: ‘setting forth specific and explicit policies, criteria 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.’

This Policy explains all the procedures and conditions related to the Board of Directors membership procedures.

## Article (2): Definitions

The terms and expressions in this regulation shall have the meanings ascribed thereto hereunder, and the masculine shall include the feminine, and the singular shall include the plural and vice versa, unless the presumption or context indicates otherwise:

<b>Term</b>	<b>Definition</b>
<b>Governance Department</b>	: Corporate Governance Department in the Company.
<b>Secretary</b>	: Secretary of the Remuneration and Nominations Committee (RNC).
<b>General Assembly</b>	: Ordinary General Assembly of the Company.
<b>Company</b>	: Power and Water Utility Company for Jubail and Yanbu (a public joint-stock company).
<b>Board</b>	: The Board of the Company.
<b>Authority</b>	: Capital Market Authority.
<b>Business Day</b>	: A day on which the Authority normally performs its business.

## Article (3): Policy Interpretation

### 3.1 Interpretation Rules

3.1.1 This Policy and the addendums attached thereto (if any) are considered an integral part thereof, and complementary to its clauses and shall be read and interpreted therewith for this purpose.

3.1.2 This Policy is directed and addresses job positions and not the people in charge of them.

3.1.3 All headings in this Policy are for convenience of reference only and shall not affect the interpretation of the Policy provisions as a whole.

3.1.4 This Policy prevails over any other Policy on the same subject that may conflict therewith.

3.1.5 The Board is entitled to set rules and executive policies for this Policy.

3.1.6 This Policy is formulated in accordance with the jus cogens in the CG Regulations issued by the Authority. In the event that the Authority decides, at any time, to consider any provision in the corporate governance Policy as jus cogen rather than a complementary, then this Policy is read in light of that, and the complementary provision becomes as jus cogen by force of law and an integral part of this Policy. In the event that a complementary provision is included in this Policy in the form of a jus cogen, this shall not prejudice its remaining complementary and not binding until the Authority decides otherwise.

3.1.7 The Company's application of any of the guidelines, steadily or incidentally, does not prejudice the provision to remain guiding unless a special resolution is issued by the Board or the Authority otherwise. The Company is entitled to echange between applying and not applying the guiding provision in accordance with what it decides in this regard, and it is not allowed in any way to consider approval of this Policy/ regulation as an approval for the guiding provisions contained therein to be mandatory.

3.2 Sources of Judging the Incident

3.2.1 The provisions of this Policy apply to the issues dealt with in these provisions in their terms and meanings, and there is no justification for effort in the source of the provision.

3.2.2 The provisions of this Policy shall not conflict with the legislative laws in the Kingdom of Saudi Arabia (KSA), and in the event of a conflict, the provisions of the jus cogen legislative laws shall be applied.

3.2.3 In the absence of a provision in this Policy on the issue, the following legislative sequence shall be applied:

3.2.3.1 The jus cogens in the CG Regulations issued by the Authority are applied.

3.2.3.2 The provisions of the Companies Law and its executive regulations shall be applied.

3.2.3.3 The provisions of the Company's articles of association shall be applied.

3.2.3.4 The resolutions of the Company's General Assembly shall be applied.

3.2.3.5 The resolutions of the Board of Directors shall be applied.

3.2.3.6 Diligence of from the Governance Department according to the circumstances surrounding regarding each issue for which there is no provision.

#### **Article (4): Board Nomination Conditions**

To stand for the Board, Nominees shall fulfil the following:

4.1 Nominees shall not have been previously convicted of a crime involving moral turpitude or dishonesty, in addition, nominees shall not be insolvent or bankrupt or be unfit for the Board membership in accordance with any law or instructions in force in the KSA.

4.2 Nominees shall not be board members for more than five joint-stock companies listed the capital market, at the same time.

4.3 Nominees shall not be employees of competitors or participants in any business that may compete with the Company.

4.4 Nominees shall not have been subjected to disciplinary action including dismissal from their position or membership of any other company's board or any of its committees due to negligence, gross error, or failure to attend meetings.

4.5 Nominees shall value the principles of honesty, trustworthiness and loyalty and show care to and concern for the interests of the Company and the shareholders, prioritising them over their personal interests.

4.6 Nominees shall have professional competence and possess the necessary experience, knowledge, skills and independence, in order to enable them to, efficiently and effectively, perform their duties. In particular, nominees shall fulfil the following:

4.6.1 **Ability to lead:** Nominees shall have leadership skills which enable them to delegate powers in order to enhance performance, apply best practices in the effective management and comply with professional values and ethics.

4.6.2 **Competence:** Nominees shall have the academic qualifications and proper professional and personal skills, as well as appropriate level of training and practical experiences related to the current and future businesses of the Company, management, economics, accounting, law or governance, besides the willingness to learn and train.

4.6.3 **Ability to guide:** Nominees shall have the technical, leadership and administrative competencies, as well as the ability to take prompt resolutions, and understand technical requirements related to business continuity. Nominees shall also be able to provide strategic guides and plans with a clear future vision.

4.6.4 **Financial Knowledge:** Nominees shall be able to read and understand financial statements and reports.

4.6.5 **Health Fitness:** Nominees shall have no health barrier that impede them to exercise their functions and competencies.

4.6.6 When electing members to the Board, the General Assembly shall take into account the recommendations of the RNC and the availability of the personal and professional capabilities required to, effectively, exercise their functions, in accordance with the provisions of this Article.

4.7 Independent members shall be completely independent in their position and resolutions, and have no independence conflicts stipulated in the CG Regulations, including the following:

4.4.1 Independent members shall not be owners of five percent (5%) or more of the of the Company or any other company within the Company's group, or have relationships with the owners of this percentage

4.4.2 Independent members shall not have relationships with any member of the Board of the Company or any other company within the Company's group.

4.4.3 Independent members shall not be members of board of any other company within the Company's group.

4.4.4 Independent members shall not have relationships with senior executives of the Company or any other company within the Company's group.

4.4.5 Independent members shall, during the preceding two years, not be or be used to be employees of the Company or any company within the Company's group, in addition, independent members shall, during the preceding two years, not hold a controlling interest in the Company, any party dealing with the Company or any company within the Company's group, such as external auditors or senior suppliers.

4.4.6 Independent members shall not have direct or indirect interest in the businesses executed and contracts drawn up for the Company's account.

4.4.7 Independent members shall not receive financial consideration from the Company in addition to the remuneration for their membership of the Board or any of its Committees exceeding an amount of (SAR 200,000) or 50% of their remuneration of the last year for the membership of the Board or any of its Committees, whichever is less.

4.4.8 Independent members shall not engage in a business where such members compete with the Company, or conduct businesses in any of the branches of activity operated by the Company.

4.4.9 Independent members shall not have served for more than nine consecutive or non-consecutive years as a Board member of the Company.

4.8 The number of independent members shall not be less than two or one-third of the members of the Board, whichever is greater.

4.9 Members of the Board shall abide by whatever may serve the interest of the Company, in general, and not the interests of the group they represent or the group that voted in favour of their appointment to the Board.

#### **Article (5): Nomination Procedures**

5.1 RNC shall coordinate with the executive management of the Company to announce the opening of nomination period for the Board of Directors membership, in accordance with the Companies Law, the Governance Regulation and the Authority's instructions through an announcement on the Company's website and the Saudi Stock Exchange (Tadawul).

5.2 The announcement shall define the commencement and terminations dates of the nomination term, provided that it shall not be less than one month as of date of the relevant General Assembly.

5.3 Each shareholder is entitled to nominate himself/herself or one or more other persons for the Board membership.

5.4 Without prejudice to Clause (5.6) of this Article, whoever wishes to nominate himself/herself for the Board membership shall notify his/her willingness to do so by submitting the nomination application to the management of the Company in accordance with the terms and dates stipulated in the applicable laws, regulations, circulars, resolutions, and the Company's announcement of the opening of the nomination door, and the application shall include an introduction to the nominee in terms of his/her resume, qualifications and practical experience, in addition, the nominee shall complete any form issued by the Authority or the Company in this regard, provided that the nominee shall enclose, with the notice, all the documents specified in the above-mentioned announcement, including the resume and all documents and certificates supporting what is stated therein in Arabic.

5.5 Whoever wishes to nominate himself/herself to the Board membership shall disclose to the Board and the General Assembly any cases of conflicts of interest, including:

5.5.1 Having a direct or indirect interest in the business executed and contracts drawn up for the company.

5.5.2 His/her participation in any business that would compete with the Company or one of the branches of the activity the Company is engaged in.

5.6 Whoever wishes to nominate himself/herself to the Board membership shall submit, to the Company, the following:

5.6.1 A clear copy of a valid national identity card, contact numbers, residence address, mobile phone number and e-mail address.

5.6.2 An acknowledgement that he/she fulfils the membership criteria mentioned in this Policy, and if it is proven otherwise, his/her nomination notice will be excluded.

5.6.3 A completed Authority's Board membership nomination form.

5.6.7 Any other information or documents the Company may require.

5.7 A nominee who has previously held a board membership shall enclose, with the nomination notice, a statement from the Company's management on the last term wherein a nominee served as a board member, including the following information:

5.7.1 The number of Board meetings held during each year of the term.

5.7.2 The number of meetings attended by the member, in person, and the percentage of his/her attendance of the total meetings.

5.7.3 Standing committees wherein the member participated, the number of meetings held by each of such committees wherein the member participated, the number of meetings he/she attended, and the percentage of his/her attendance to the total number of meetings.

5.7.4 Membership status shall be clarified, i.e. if the nominee is an executive member or a non-executive member or an independent member.

5.7.5 Membership nature shall be clarified, i.e. if the member is a nominee in his/her personal capacity or a representative of a legal person.

5.8 Cumulative voting shall be used in electing the Board, wherein it is not allowed to use the voting right of a single share more than once.

5.9 RNC, in coordination with the Company's management, shall provide the CMA with the resumes of the nominees to the Company's Board of Directors membership, in accordance with the "resume of nominee to Board of Directors membership of joint-stock company listed on the Saudi Stock Exchange (Tadawul) form', in addition to any copies of the nomination notices and their attachments.

5.10 RNC shall implement any comments received from the appropriate authorities about any nominee.

5.11 The Company shall announce on the Company's website and Tadawul information about the nominees to the Board of Directors membership when publishing or convening the General Assembly, provided that such information shall include a description of the nominees' experiences, qualifications, skills, jobs, and previous and current memberships, and the Company shall provide a copy of such information in the Company's headquarters and website.

5.12 Voting in the General Assembly shall be only for those who nominate themselves in accordance with the above-mentioned policies, criteria and procedures.

5.13 The General Assembly shall elect the members of the Board for the term stipulated in the Company's articles of association, provided that members are elected for a four-year term and may seek re-election, unless the Company's articles of association stipulate otherwise.

5.14 The Company shall notify the CMA of the names of the Board members and their membership descriptions within five (5) business days as of Board term commencement date or date of appointment of Board members - whichever is earlier - and any changes to the membership of Board members within five (5) business days as of date of changes.

#### **Article (6): Board Membership Termination**

6.1 Upon his/her resignation or death, or in the event of his/her dismissal by a resolution of the General Assembly, or if he/she is convicted of a crime involving moral turpitude or dishonesty, became insolvent or bankrupt or is unfit for the Board membership in accordance with any law or instructions in force in the KSA, membership of a member of the Board shall end.

6.2 A member of the Board shall resign before the end of his/her office term, if he/she lost his/her eligibility to serve as a member of the Board, or if he/she lost his/her ability to perform responsibilities or couldn't allocate the time or effort required to perform his/her role and responsibilities in the Board. Moreover, in the event of a conflict of interest, the member has the option either to obtain the approval of the Ordinary General Assembly or to submit his/her resignation.



6.3 The Ordinary General Assembly may - based on a recommendation from the Board - terminate the membership of any of its members who fail to attend three consecutive meetings of the Board without a legitimate excuse accepted by the Board.

6.4 However, the General Assembly may, at any time, dismiss all or some of the Board members, and a Board member may resign, provided that this is at an appropriate time, otherwise he/she shall be liable to the Company for the damages resulting from his/her resignation.

#### **Article (7): Revision and Amendment**

7.1 The Company's management revises this Policy in cooperation with the Company's appropriate departments, when needed, and recommend any amendments thereto to the Board for approval before obtaining the approval of the General Assembly.

7.2 The Corporate Governance of the Company maintains the original duly signed copy of this Policy and, from time to time, provides the Authority with a copy thereof and any amendments thereto.

#### **Article (8): Policy Validity**

This Policy shall be in effect and implemented as of date of Policy approval by the General Assembly.

<b>Policy Title</b>	<b>Board Membership Policy, Criteria, Procedures</b>			
Revised and Amended by: Governance Department	Name: Dr. Akram Ibrahim Faisal Khalaf Al-Anzy	Signature:	Date:	
Board Secretary:	Name: Muhammad Abdulhamid Al- Mulhim	Signature:	Date:	
Date of Policy Approval by General Assembly:				
Approved Language of Policy:	The Arabic language, and the English, if any, is only considered as a guiding language.			

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