



Membership Procedures Policy Amendments on the Board of directors





Approval of the regulations

This policy was adopted by the resolution of the Ordinary General Assembly Eighteenth for the company held on 19/05/2024 AD. According to the recommendation of the Board of Directors pursuant to its resolution issued on 21/04/2024 AD.



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1/ Preamble

According to the Board of Directors of Al-Andalus Property Company's confirmation of the importance of adhering to the regulations of the relevant supervisory authorities, and the importance of applying good governance principles that enhance the company's ability to grow and develop its performance, including appointing members to the Board of Directors who possess qualifications, leadership competencies and diverse experiences, whereas the requirements contained in the Corporate Governance Regulations issued by the Capital Market Authority by Resolution No. (8-16- 2017) and dated 16/05/1438 AH corresponding to 13/02/2017 AD, based on the Companies Law issued by Royal Decree No. M/3 and dated 28/01/1437 AH, as amended by Resolution of the Capital Market Authority No. 8-5-2023 and dated 25/06/1444 AH corresponding to 18/01/2023 AD, based on Corporate Governance Regulations issued by Capital Market Authority, specifying one of the most important basic functions of the Board of Directors which stipulates in its article No (Twenty-First) Paragraph No (3): **"to prepare clear and specific policies, standards, and procedures for the membership in the Board of Directors that do not conflict with the mandatory provisions in this regulation and put them into effect after their approval by the General Assembly."**

This policy has set out the general guidelines for the policies, standards, and procedures for the membership in the Board of Directors, their conditions, how they end, and the policies that guarantee the rights of shareholders to run for the Board of Directors.

2/ Article One: the Objectives of the Regulation

This regulation aims to set clear and specific standards and procedures for membership in the company's board of directors and announce them to all for review, as this regulation includes policies, rules and standards for candidacy for membership and the procedures that the company shall follow in selecting the members of the board of directors and the provisions related thereto and cases of termination of membership in the board of directors.

3/ Article Two: Definitions

For applying the provisions of this regulation, the words and phrases mentioned below shall have the meanings indicated before each of them, unless the context requires otherwise:

Regulations: Membership Regulations of the Board of Directors of Al-andalus Property. Company: Al-andalus Property Company (Saudi joint stock Company).

Board: Al-andalus Property Company Board of Directors.

Members: Executive, non-executive, and independent members of the company's board of directors.

Executive Member: A board member who is dedicated to managing the company and participates in its daily work and receiving its compensation from the company.

Non-Executive Member: A board member who is not dedicated to managing the company and does not participate in its daily work.

Independent Member: A non-executive board member who enjoys complete independence in his position and decisions and the obstacles of independence cannot be processed for him.

Authority: Saudi Capital Market Authority

Commission: Nominations and Remuneration Committee of Alandalus Property Company.

Controlling shares: The ability of influence to decisions by owning 30% or more of the company's voting rights. Relatives:

- Father, mother, grand father, grand mother and above.
- Sons, and below.
- Brothers and sisters or half brothers
- Husband and wife.

4/ Article Three: Formation of the Board of Directors

The Board of Directors consists of nine (9) and its formation takes into account the following:

1. The number of its members shall be proportional to the size of the company and thenature of its activity.
2. The majority shall be non-executive members.

3. The number of its independent members shall not be less than two or one-third of the Board of Directors' members, whichever is more.

5/ Article Four: Standards and Conditions for Candidacy for Membership in the Board of Directors

- The following standards shall be taken into account when selecting members of the Board:
 - 0) The advantage shall be given to those who have one of the following terms:
 - Possessing potential experience in the field of investment and real estate development.
 - Possessing potential experience in the field of economic and banking consultancy.
 - Possessing potential experience in the field of engineering development.
 - Possessing potential experience in the field of marketing and leadership consulting.
 - Possessing potential legal experience in discussing various real estate issues and providing legal consultations regarding them.
 - Possessing potential experience in the field of governance, compliance, and risk.
 - 1) Candidates shall exemplify moral integrity, honesty and unwavering credibility.
 - 2) Candidate shall have no sanctions imposed by the Capital Market Authority's Board of Directors, in relation to manipulative practices involving shares of listed companies or any activities entailing deception and fraud.
 - 3) Candidate shall not be a former CEO or general manager of a company that was liquidated due to losses.
 - 4) Candidates shall have no record of previous convictions for offenses that compromise honor or trust, bankruptcy declaration, creditor arrangements, or any disqualifications from Board membership in accordance with the applicable Laws and Regulations in the Kingdom of Saudi Arabia.
 - 5) Candidate shall not concurrently serve on the Boards of Directors of more than five (5) listed joint-stock companies in the same time.
 - 6) Candidate shall not hold civil positions.
 - 7) Candidate shall fully commit to the provisions of applicable laws, rules, and regulations and directives.
 - 8) In selecting members, diversity in academic qualifications and practical experience shall be considered, with a focus on nominating those possessing the required skills for Board Membership.
 - 9) At least one-third of the Board's members shall be independent.
 - 10) The independent member shall not have any conditions that contradict with the independence mentioned in the Corporate Governance Regulations issued by the Capital Market Authority.
 - 11) Board Members shall represent all shareholders in the Company and commit to the interest of the Company and the interest of shareholders and take into account the rights of other stakeholders, and not limited to taking into account the interests of any specific group that voted for their appointment.
 - 12) Board Members shall be of natural character.
 - 13) **Board members shall adhere to principles of due diligence, loyalty, particularly through:**

- **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 executive regulations, the company's Bylaws and other relevant regulations, in order to achieve the purposes for which he was granted those powers.
- **Working for the company's interest and enhancing its success:** A member of the Board of Directors shall adhere to the following:
 - 1- Act in good faith in a way that serves the interests of the company and all shareholders and not to put his personal interest above the interests of the company and its shareholders, while taking into account the rights of other stakeholders.
 - 2- Making every effort to enhance the success of the company, its development, and maximize its value for its shareholders in the long term.
 - 3- Making decisions or vote thereon independently: A member of the Board of Directors shall exercise his duties in an objective and independent manner with regard to the management of the company and the making of decisions therein, and shall avoid situations that affect his independence in making decisions or when voting thereon.
 - 4- Exercising 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, their executive regulations, the company's Bylaws and other related regulations, and in accordance with the care and diligence that a prudent person shall exercise with the general knowledge, skills, and experience that the board member himself possesses, and those expected skills for those who perform the same functions as that member.
 - 5- Avoiding conflict of interests: A member of the Board of Directors shall avoid transactions and situations in which he has or may have a direct or indirect interest that conflicts or could conflict with the interest of the company, and shall comply with the provisions on conflicts of interest contained in the Companies Law and its executive regulations.
 - 6- Disclosing any interest he has, directly or indirectly, in the works and contracts that are done on behalf of the company: A member of the board of directors shall be committed to disclosing any interest he has, directly or indirectly, in the works and contracts that are done on behalf of the company immediately upon his knowledge of it, and he shall be committed to the provisions on disclosure of interest in works and contracts contained in the Companies Law and its executive regulations.
 - 7- Accept not any benefit granted thereto by third parties in relation to his role in the company: A member shall not exploit his position and the duties 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 specific duty or refraining from performing a specific duty.
 - 8- Board Member shall adhere to the principles of honesty, integrity, loyalty, diligence, and attention to the interests of the company and its shareholders and place them over his personal interest.
 - 9- Board members shall exhibit professional competence, possessing the necessary experience,

knowledge, skills, and independence required to perform their duties efficiently and effectively. This includes, in particular:

- a) **Leadership Competence:** The candidate shall possess exceptional leadership skills, enabling him to delegate powers effectively, drive performance, implement best management practices, and uphold professional values and ethical standards.
- b) **Competency:** This entails the possession of the appropriate academic qualifications, professional and personal skills, level of training, and practical experience related to the of training, and practical experience related to the company's current and future activities or to management, economics, accounting, law, or governance, as well as the desire to learn and train.
- c) **Ability to Guide:** This entails the possession of technical, leadership, and administrative capabilities. He shall demonstrate the ability to make prompt decisions, a comprehensive understanding of technical workflow requirements, and the capacity to provide strategic guidance, planning, and a clear vision for the Company's future.
- d) **Financial Knowledge:** The ability to read and comprehend financial statements and reports.
- e) **Physical Fitness:** Board members shall not have any health conditions that hinder their ability to fulfill their duties and exercise their powers effectively.

When appointing members to the Board of Directors, the General Assembly shall consider the recommendations put forth by the Remuneration and Nominations Committee and the availability of the personal and professional qualities necessary to perform their duties effectively in accordance with what is mentioned in this article.

6/ Article Five: Conditions and Standards for Selecting Independent Board Of Directors Members

- 1) In addition to the standards and conditions of membership in the board of directors mentioned above, the following are required for Board Member:
- 2) Board Member shall not own (5%) of the company's shares or the shares of another company in its group or more, or be related to someone who owns this percentage.
- 3) Board Member shall not be related to any member of the board of directors of the company or another company in its group.
- 4) Board Member shall not be related to any of the senior executives of the company or another company in its group.
- 5) Board Member shall not be a member of the board of directors of another company in the company group that the member is nominated to join.
- 6) Board Member shall not have worked or have been employed by the company or another company in its group during the past two years, or be the owner of controlling shares in the company or any party dealing with the company or another company in its group, such as auditors and major suppliers during the past two years.

- 7) Board Member shall not have a direct or indirect interest in the works and contracts that are done on behalf of the company.
- 8) Board Member shall not receive from the company any financial sums in addition to the remuneration for membership of the board of directors or any of its committees that exceed (200,000) riyals or 50% of his remuneration in the previous year that he receives for membership of the board of directors or any of its committees, whichever is less.
- 9) Board Member shall not engage in any work that would compete with the company, or trade in any of the branches of the activity that the company engages in.
- 10) Board Member shall not have served for more than nine consecutive or separate years as a member of the board of directors of the company.
 - Businesses and contracts that are concluded to meet personal needs are not considered to be of the nature that negates the independence of the board member, which requires the approval of the Ordinary General Assembly, if these businesses and contracts were concluded under the same conditions and terms that the company follows with all contractors and suppliers and were within the company's normal activity, unless the nominations committee decides otherwise.
 - The board of directors shall conduct an annual evaluation to assess the independence of board members and ensures that there are no relationships or circumstances that could affect or could affect to them.

7/ Article Six: Procedures for Membership in the Board of Directors

- 1) Every shareholder within the company possesses the right to nominate themselves or another person or more persons for membership in the Board of Directors.
- 2) The Company is responsible for publicly announcing the nomination for Board of Directors membership on the Saudi Stock Exchange "Tadawul" website, its own website, and through any other means specified by the Capital Market Authority. This announcement shall occur well in advance of the conclusion of the Board of Directors' term to invite candidates wishing to be members in the Board of Directors. The nomination opportunity remains open for at least one month from the date of the announcement.
- 3) The company shall publish information on the candidates for the board of directors on the market's website when issuing or directing the invitation to convene the General Assembly, provided that such information includes a description of the candidates' experiences, qualifications, skills, positions, and previous and current memberships. The company shall provide a copy of this information at its head office and on its website.
- 4) Voting in the General Assembly shall be limited to candidates for the board of directors for whom the company has published information in accordance with paragraph (3) of this article.

- 5) The General Assembly shall elect members of the board of directors for the period specified in the company's bylaws, provided that it does not exceed four years, and they may be re-elected unless the company's bylaws provides otherwise.
- 6) Individuals interested in running for the Company's Board of Directors shall notify the company's management at least thirty days before the date of the General Assembly meeting. This notification shall include the information of the candidate in terms of his CV, including information about his profession, the main position he currently holds, and his qualifications and experience, following the Capital Market Authority's template for the candidate's CV.
- 7) Candidate with prior board membership in joint-stock companies shall provide a statement indicating the number and dates of the board memberships he served on. If he was previously on the Board of Directors of the same Company, he shall attach with the nomination letter a statement from the Company Management for the last term he served. This statement shall include the following:
 - The number of board meetings held in each year of the term, the candidate's attendance at these meetings in person, along with the percentage of their attendance in relation to the total meetings.
 - The permanent committees in which the member participated, the number of meetings held in each year of the term, the candidate's attendance at these meetings in person, along with the percentage of their attendance in relation to the total meetings.
 - A summary of the financial results achieved by the company during each year of the term.
- 8) The status of the membership shall be clarified, i.e., whether the member is an executive, a non-executive, or an independent member.
- 9) The nature of membership shall be clarified, distinguishing whether the member is running in a personal capacity or as a representative of a legal entity.
- 10) The Nominations and Remuneration Committee shall evaluate all nomination applications for Board membership and scrutinize the candidates' CVs in accordance with the stipulated policies and standards.
- 11) The Nominations and Remuneration Committee shall provide recommendations to the Board of Directors, endorsing candidates for Board membership who possess the capacity to fortify the Board's competence in effectively managing and guiding the Company's works, in accordance with the stipulated policies and standards.
- 12) The Company shall announce the names of the candidates, allowing the Assembly to vote.
- 13) The Capital Market Authority shall be provided with the CVs of the candidates for membership in the Company's Board of Directors, following the "CV Form for the candidate for membership in the board of directors of a joint stock company listed on the Saudi Stock Exchange (Tadawul)."
- 14) The Company's Management shall provide the nomination notification along with its associated documents at the Company's head office, and make them available for shareholders to review. This shall be accomplished at least 15 days before the scheduled date for selecting board members.
- 15) Voting in the General Assembly shall be restricted to those who have nominated themselves in accordance with the aforementioned policies, standards, and procedures.

- 16) Cumulative voting is adopted for the election of nominated members to the Board, to ensure that the right to vote per share is exercised only one time.
- 17) The Company shall announce the names of the members elected by the Assembly, indicating into their respective membership attributes.
- 18) The Board of Directors shall appoint a Chairman and Vice-Chairman from among its elected members.
- 19) Within five working days from the commencement of the Board of Directors term or from the date of their appointment, whichever is earlier, the Company shall promptly inform the Capital Market Authority of the names of the elected Board of Directors members and their membership attributes. Any changes occurring to their membership shall be reported within five working days from the date of such changes.

8/ Article Seven: Vacant Position in the Board of Directors

- 1- In the event that a position of the Board of Directors to the joint-stock company becomes vacant due to the death or resignation of a member, and this vacancy does not result in a violation of the conditions necessary for the validity of the meeting of the board due to a decrease in the number of its members below the minimum limit stipulated in the law or the company's bylaws, then the board may appoint temporarily to the vacant position someone who has the experience and competence, provided that it notifies the commercial register and the authority if the company is listed on the financial market within (fifteen days from the date of appointment), and the appointment is presented to the Ordinary General Assembly at its first meeting. The appointed member shall complete the term of his predecessor.
- 2- In circumstances where the Board of Directors is unable to convene due to the number of its members falling below the minimum threshold defined in the Companies Law or the Company's Bylaws, the existing members shall call for the Ordinary General Assembly to convene within sixty days to elect the required number of members

9/ Article Eight: Introducing the Company's Activities to the members

1. The company shall provide new board members with an orientation program on the company's business, its strategies, organizational and functional structure, regulatory policies, internal and external governance framework, and senior executives.
2. Based on the recommendation of the Nominations and Remuneration committee, board members shall participate in quality training programs to maintain the necessary level of skills to perform their duties to the fullest.
3. Board members shall make periodic visits to the company and its subsidiaries to monitor their activities and the extent of their commitment to implementing the strategy and achieving targets

10 / Article Nine: Termination of Board of Directors Membership

- 1) Board Membership shall be terminated at the conclusion of the member's term, upon their resignation, in the event of their

- death, incapacity.
- 2) upon convictions for offenses that compromise honor or trust, a declaration of bankruptcy, or upon the expiration of a member's authority in accordance with applicable laws or regulations within the Kingdom of Saudi Arabia.
 - 3) The Ordinary General Assembly may at any time dismiss all or some of the members of the board, even if the company's articles of association provide otherwise, without prejudice to the right of the person who was dismissed to compensation if the dismissing was for an unacceptable reason or at an inappropriate time. A board member may also resign, provided that this is appropriate, otherwise he/she shall be liable before the company for any damages resulting from the resignation.
 - 4) When a member of the board of directors terminates his membership by one of the methods of termination of membership, the company shall notify the Authority and Market immediately, stating the reasons therefore.
 - 5) If a Board member opts to resign and possesses observations concerning the Company's performance, they shall submit a written statement to the Chairman of the Board of Directors. This statement is then to be presented to all Board members.
 - 6) The General Assembly may, upon the recommendation of the board of directors, terminate the membership of a member who fails to attend (three) consecutive or (five) separate meetings during his term of office without a valid excuse accepted by the board of directors.
 - 7) If it is impossible to hold the election and the current board term has ended, its members shall continue to perform their duties until the election of a new board for a new term, provided that the period of continuation of the members of the board whose term has ended shall not exceed the period specified in the regulations.
 - 8) If the chairman and members of the board of directors resign, they shall convene the Ordinary General Assembly to elect a new Board of Directors, and the resignation shall not take into effect until the election of the new Board is processed, provided that the term of continuation of the resigned Board shall not exceed the period specified by the regulations.

11/ Article Ten: Procedures for Amending the Policy

1. This regulations shall be applied and complied with by the company as of the date of its approval by the General Assembly of shareholders.
2. This policy shall be published on the company's website to enable shareholders, the public, and stakeholders to review it.
3. This policy shall be reviewed on a regular basis - as needed - by the Nominations and Remuneration committee. Any proposed amendments by the committee shall be presented to the Board of Directors, in which the Board of Directors shall study and review the proposed amendments and recommend them to the General Assembly of shareholders for approval.
4. This policy is considered complementary to what is stated in the regulations and rules of the regulatory authorities in the Kingdom of Saudi Arabia and is not a substitute for them. In the event of any conflict between what is stated in this policy and the regulations and rules of the regulatory authorities, the regulations and rules of the regulatory authorities shall prevail.

5. The Board of Directors may approve any amendments to this policy at any time it deems appropriate, based on the recommendation of the Nominations and Remuneration Committee, provided that they are approved by the General Assembly of shareholders.
 6. The Board of Directors may approve any amendments to this policy at any time it deems appropriate based on the recommendation of the Nomination and Remuneration Committee, provided that they are ratified by the General Assembly of Shareholders.
 7. This regulations shall be communicated to all members of the Board of Directors, committees emanating from the board, and all relevant employees in the company.
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