

**Policies, Standards and Procedures for
Board Membership of the Arabian
Contracting Services Co.**

Introduction

The importance of the membership policy and procedures in the Board of Directors, with its statement of the criteria (conditions) that must be met by the candidates for the company's Board of Directors membership, is clear, given that the Board of Directors is entrusted with establishing a governance framework and providing the appropriate environment for its implementation, and then follow-up and control of the implementation.

1-1 Composition of the board of directors

The criteria for membership of the company's board of directors is determined in accordance with the Companies Law, the company's Bylaws, the corporate governance regulations, the rules for offering securities and continuing obligations issued by the Board of the Capital Market Authority and its amendments.

- The company is managed by a board of directors consisting of six (6) members elected by the ordinary general assembly for a period not exceeding four years, and they may be re-elected for another term or sessions unless there is any amendment to the company's bylaws to the contrary.
- The majority of the board of directors must be non-executive members.
- The number of independent members must not be less than two members or one third of the members of the board, whichever is more. The independent member must maintain complete independence in position and decisions and not apply to any of none of the independency affecting issues stipulated in the Corporate Governance Regulations issued by the Capital Market Authority.
- The company must notify the Authority of the names of the members of the Board of Directors and their membership descriptions within five working days from the date of the start of the term of the Board of Directors or five days from the date of their appointment - whichever is sooner - and any changes that occur to their membership within five working days from the date of the changes taking place.

1-2 Standards (conditions) for membership in the Board of Directors

- To have an academic qualification that allows him/her to perform his/her responsibilities in the Board of Directors.
- Must have sufficient experience in the company's field of business or similar field.
- To be familiar with the companies' laws, rules, regulations, and circulars related to the company's activity.
- To have the ability to read and analyse balance sheets and have knowledge in finance and accounting.
- To have sufficient motive and time to contributed to directing the company's business and policies.

- To have independence in thought and the courage to present own opinions on strategic and commercial matters in the company's field of business.
- To be knowledgeable and continually educated.
- To have a commitment to serve the company as a board member for at least one full term since the start of the appointment.
- To have morals, integrity, honesty, and credibility.
- Must not have been convicted in a crime involving moral turpitude and dishonesty.
- That no decision has been issued against him/her by the Capital Market Authority.
- Shall not have any direct or indirect interest in the business and contracts made for the account of the company except after obtaining the approval of the Assembly.
- Not to be involved in any business that would compete with the company, or to compete in any of the areas of the company's activity, except after obtaining the approval of the assembly.
- A member of the Board of Directors shall not be a member of the Board of Directors of more than five joint stock companies listed on the Saudi Stock Exchange at the same time.
- Commitment to all the articles and clauses related to membership in the board of directors of joint-stock companies mentioned in the Companies Law and the regulations of the Capital Market Authority.
- Agreeing to conduct a personal interview with the Company's Remuneration and Nomination Committee.

1-3 Board Membership Procedures

- The approval of the Board of Directors to open the nominations for membership of the Board, and the approval of the period for submitting applications for candidacy and the agenda of the Ordinary General Assembly to vote on the appointment of members of the Board of Directors whenever the rules or circumstances required that.
- Notifying the Ministry of Commerce on each of the agenda of the ordinary general assembly, and the format for announcing the company's shareholders' invitation to nominate for members of the board of directors for its session (to be determined) or to complete the remaining period of the current session (to be determined).
- Announcing the invitation of the company's shareholders to apply or to nominate another person or more for membership of the Board of Directors for its session (to be determined) or to complete the remaining period of the current session (to be determined).

- Those wishing to apply, or shareholders wishing to nominate another person or more for membership in the company's board of directors must submit the following:
 - A. The application form of the Arabian Contracting Services Co.
 - B. Form 1 and form 3 of the Capital Market Authority.
 - C. The National Identity, and Family record, if applicable.
 - D. Statement of the number and dates of the current and previous board membership of the applicant.
 - E. Submit all other requested documents mentioned in the announcement of opening nomination to the Board of Directors membership published on Saudi Stock Exchange website (Tadawul).
- The candidate must provide a certified Arabic translation of any documents written in other languages
- Examine applications by the company's Remuneration and Nomination committee.
- Arranging personal interviews for those who are initially selected.
- Presenting a report to the Board of Directors that includes the recommendation of the Remuneration and Nomination Committee of qualified candidates for membership, explaining the number of applicants for membership, those who were initially selected for personal interviews, and the justifications for recommending qualified members to fill the membership.
- Convene an ordinary general assembly to vote on the appointment of vacant board members in accordance with the recommendations of the Board of Directors and the Remuneration and Nomination Committee, after obtaining the approval of the competent authorities.
- The form for the membership of the boards of directors of listed companies is sent to the Capital Market Authority after completing the above-mentioned procedures.
- The company announces on the Saudi Stock Exchange website (Tadawul) information about the candidates for membership of the Board of Directors when publishing or sending the invitation to the general assembly, provided that this information includes a description of the candidates' experiences, qualifications, skills, jobs, previous and current memberships. The company must keep a copy of this information in the head office of the company and on its website.
- Cumulative voting must be used in electing the board of directors, so that the right to vote per share may not be used more than once.
- Voting in the General Assembly is limited to the candidates for membership of the Board of Directors whose information has been announced by the Company.

1-4 Termination of membership in the Board of Directors

The membership of the Board shall terminate in accordance with the conditions stipulated in Article 17 of the Company's Bylaws and shall be terminated if one or more of the following cases are fulfilled:

- The membership of the Board shall expire upon the expiry of its prescribed term, from the date of its election by the General Assembly.
- The membership of a board member shall terminate in accordance with any laws and regulations in force in the Kingdom, or due to death or resignation, or if convicted of a crime that violates honor and honesty. The member has the right to claim compensation if the dismissal occurred for an unacceptable reason or at an inappropriate time. The member of the Board may resign, provided that the resignation is at an appropriate time, otherwise he/she shall be liable before the company for the damages resulting from the resignation.
- The General Assembly may, upon the recommendation of the Board, terminate the membership of a member who has been absent for three consecutive meetings or five non-consecutive meetings of the Board without a legitimate excuse.
- If the position of a member of the Board of Directors becomes vacant during the term of membership, the Board shall have the right to appoint a temporary member in the vacant position, provided that he/she is one of those who have experience and competence. The appointment shall be presented to the Ordinary General Assembly at its first meeting for approval, and the new member shall complete the term of his/her predecessor, as per what is stated in the company's bylaws.
- If a member of the Board of Directors resigns, and he/she has comments on the company's performance, he/she must submit a written statement containing his/her remarks to the Chairman of the Board of Directors, and this statement must be presented to the members of the Board of Directors.
- Considering the provisions of the Companies Law and its implementing regulations in this regard.

1-5 The candidate's disclosure of conflict of interest

Whoever wishes to apply for membership in the Board of Directors shall disclose to the Board and the General Assembly any cases of conflict of interest in accordance with the procedures established by the Authority, including the following:

- Having a direct or indirect interest in the business and contracts that are made for the account of the company he/she wishes to run for its board of directors.
- Participation in a business that competes with the company, or its competition in one of the areas of its activity.

1-6 Final Provisions (Publication, enforcement, and Amendment)

The provisions of this policy shall be implemented and shall be enforced by the company as of the date of its approval by the general assembly of shareholders. This policy shall be published on the company's website to enable shareholders, the public and stakeholders to view it. Presenting any proposed amendments to the Board of Directors, which studies and reviews the proposed amendments and recommends them to the Shareholders' General Assembly for approval.

