

# POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ)

(A Saudi Joint Stock Company)

BOARD MEMBERSHIP POLICY, CRITERIA AND PROCEDURES

## Table of Contents

<b>Article 1: Purpose</b> .....	2
<b>Article 2: Definitions</b> .....	2
<b>Article 3: Interpretation of the Policy</b> .....	2
<b>Article 4: Nomination Requirements for Board Membership</b> .....	3
<b>Article 5: Nomination Procedures</b> .....	4
<b>Article 6: Termination of Board Membership</b> .....	6
<b>Article 7: Review and Amendment</b> .....	6
<b>Article 8: Effective Date of the Policy</b> .....	6

## Article 1: Purpose

This Policy shall be referred to as the “Board Membership Policy, Criteria and Procedures”, and it has been prepared in accordance with the provisions of the Corporate Governance Regulations issued by the Capital Market Authority Board, which stipulate that among the duties and responsibilities of the Board of Directors is the development of clear and specific policies, standards, and procedures for Board membership, provided that they do not conflict with the mandatory provisions of the Governance Regulations, and the implementation of such policies following their approval by the General Assembly.

This Policy outlines all procedures and requirements related to Board membership.

## Article 2: Definitions

The words and expressions used in this policy shall have the meanings assigned to each of them. The masculine form includes the feminine, and the singular includes the dual and plural, and vice versa, unless the context or a specific indication suggests otherwise.

Term	Definition
<b>Governance Department</b>	Corporate Governance Department within the Company.
<b>Secretary</b>	Secretary of the Nomination and Remuneration Committee.
<b>General Assembly</b>	The Company's Ordinary General Assembly.
<b>Company</b>	Power and Water Utility Company for Jubail and Yanbu (Marafiq) (Saudi Joint-Stock Company).
<b>Board</b>	Board of Directors of the Company
<b>Authority</b>	The Capital Market Authority.
<b>Working Days</b>	The day on which the Authority normally conducts its business.

## Article 3: Interpretation of the Policy

### 3.1 Interpretation Rules

3.1.1 This Policy and any attached appendices (if any) are considered an integral part of it and serve to complement and complete its provisions. They shall be read and interpreted together for this purpose.

3.1.2 This Policy is addressed to job positions or functional roles, not to the individuals holding those positions.

3.1.3 All headings in this policy are intended solely to facilitate reference and should not affect the interpretation of the policy's provisions as a unified whole.

3.1.4 This Policy takes precedence over any other policy on the same subject matter that may conflict with it.

3.1.5 The Board of Directors may establish implementing rules and policies for this Policy.

3.1.6 This Policy is drafted in accordance with the mandatory provisions of the Corporate Governance Regulations issued by the Authority. If, at any time, the Authority decides to consider a provision in the Corporate Governance Regulations as mandatory rather than supplementary, then this policy shall be interpreted accordingly, and such a supplementary provision shall become mandatory by force of law and be deemed an integral part of this policy. Even if a supplementary provision is expressed in mandatory language within this policy, that does not make it binding unless and until the Authority rules otherwise.

3.1.7 The company's consistent or occasional application of any guidance-based provision does not render it binding, unless a specific resolution is issued by the Board or the Authority to the contrary. The company may alternate between applying or not applying such guidance-based provisions as it deems appropriate. Under no circumstances shall the approval of this policy or regulation be construed as rendering any guidance-based provisions therein mandatory.

### 3.2 Sources of Judgment in Practice

3.2.1 The provisions of this policy apply to matters explicitly addressed in both wording and meaning. There is no room for interpretation when a clear provision exists.

3.2.2 The provisions of this policy shall not conflict with the legislative regulations in the Kingdom of Saudi Arabia. In the event of any conflict, the mandatory legislative provisions shall prevail.

3.2.3 In the absence of a specific provision in this policy, the following legislative hierarchy shall apply:

3.2.3.1 The mandatory provisions of the Corporate Governance Regulations issued by the Authority.

3.2.3.2 The provisions of the Companies Law and its implementing regulations.

3.2.3.3 The provisions of the company's Articles of Association.

3.2.3.4 The decisions of the company's General Assembly.

3.2.3.5 The decisions of the Board of Directors.

3.2.3.6 Interpretation by the Corporate Governance Department in light of the circumstances of each case not covered by a specific provision.

### **Article 4: Nomination Requirements for Board Membership**

A nominee for Board membership shall meet the following conditions:

4.1 Must not have been convicted of a crime involving dishonesty or breach of trust, must not be insolvent or bankrupt, or otherwise deemed unfit for Board membership under any applicable laws or regulations in the Kingdom of Saudi Arabia.

4.2 Must not hold membership on the boards of more than five listed joint-stock companies simultaneously.

4.3 Must not be employed by a competing company or engaged in any activity that competes with the company.

4.4 Must not have been subject to disciplinary action resulting in dismissal from a job or from the board or any of its committees in another company due to negligence, gross misconduct, or consistent failure to attend meetings.

4.5 Must demonstrate integrity, honesty, loyalty, diligence, and a commitment to prioritize the interests of the company and its shareholder's over personal interest.

4.6 Must have the required professional competence, including relevant experience, knowledge, skill, and independence to effectively perform Board duties. Specifically, the candidate should possess:

4.6.1 Leadership ability: having the leadership skills necessary to delegate authority, motivate performance, implement best practices in effective management, and uphold ethical standards.

4.6.2 Competence: holding appropriate academic qualifications, professional and personal skills, and relevant training and practical experience, particularly in fields related to the company's current and future business, or in management, economics, accounting, law, or governance, along with a willingness to learn and grow.

4.6.3 Guidance capability: possessing technical, leadership, and managerial abilities; the ability to make quick decisions; an understanding of operational requirements; and the capacity for strategic planning and clear future vision.

4.6.4 Financial literacy: the ability to read and understand financial statements and reports.

4.6.5 Good health: having no health condition that would hinder the performance of Board duties.

4.6.6 The General Assembly shall consider the Nomination and Remuneration Committee's recommendations and assess the personal and professional qualifications of candidates to ensure they can effectively perform their roles in accordance with this article.

4.7 An independent member must maintain full independence in both position and decision-making and must not be affected by any of the following disqualifiers, as stated in the Corporate Governance Regulations:

4.7.1 Owning or being a relative of someone who owns 5% or more of the company's shares or those of any company in the group.

4.7.2 Having a relative who is a board member of the company or any other company within the group.

4.7.3 Being a board member in another company within the group.

4.7.4 Being employed by the company or any other company in the group within the past two years or owning a controlling interest in the company or any party dealing with the company (such as auditors or major suppliers) within the past two years.

4.7.5 Having a direct or indirect interest in transactions or contracts carried out on behalf of the company.

4.7.6 Receiving financial compensation from the company exceeding SAR 200,000 or more than 50% of the previous year's board/committee remuneration (whichever is lower), excluding board/committee membership fees.

4.7.7 Must not engage in any activity that competes with the company or conduct business in a sector where the company operates.

4.7.8 Must not have served for more than nine years (consecutive or non-consecutive) on the company's Board.

4.7.9 Must not be a relative of any senior executive in the company or any other company within the group.

4.8 The number of independent members must be at least two or one-third of the Board, whichever is greater.

4.9 A Board member must act in the overall best interest of the company, rather than serving the interests of the group that nominated or voted for them.

#### **Article 5: Nomination Procedures**

5.1 The Nomination and Remuneration Committee shall coordinate with the company's executive management to announce the opening of nominations for Board membership, in accordance with the Companies Law, Corporate Governance Regulations, and Capital Market Authority guidelines, through a notice posted on the company's website and the Saudi Exchange (Tadawul).

5.2 The announcement must specify the start and end dates of the nomination period, which must be no less than one month prior to the relevant General Assembly meeting.

5.3 Every shareholder has the right to nominate themselves or another person(s) for Board membership.

5.4 Without prejudice to paragraph (5.6) of this Article, any person wishing to nominate themselves for Board membership must submit their nomination request to the company's management within the timeframes specified in applicable laws, regulations, circulars, and decisions, as well as in the company's nomination announcement. The application must include a profile of the nominee, including their resume, qualifications, and professional experience, along with the completion of any forms issued by the Authority or the company. All supporting documents mentioned in the announcement must be attached in Arabic, including the resume and verified copies of credentials.

5.5 A nominee must disclose to the Board and the General Assembly any conflict-of-interest situations, including:

5.5.1 A direct or indirect interest in business dealings or contracts carried out on behalf of the company.

5.5.2 Participation in any activity that competes with the company or any of its business sectors.

5.6 A nominee must provide the following for the company:

5.6.1 A clear copy of a valid national ID, along with contact numbers, home address, mobile number, and email address.

5.6.2 A declaration confirming that the nominee meets the membership criteria set forth in this policy. If otherwise proven, the nomination will be disqualified.

5.6.3 Completion of the Authority's Board Membership Nomination Form.

5.6.4 Any other information or documents requested by the company.

5.7 A nominee who has previously served on the Board must attach to their nomination notice a statement from the company regarding their most recent Board term, including:

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

5.7.2 The number of meetings the member attended in person, and their attendance percentage.

5.7.3 The standing committees the member participated in, the number of meetings held by each committee, and the number of meetings attended by the member, including attendance percentage.

5.7.4 A clarification of the membership type, executive, non-executive, or independent.

5.7.5 A clarification of the nature of the membership, whether personal or as a representative of a legal entity.

5.8 Cumulative voting must be used in electing the Board of Directors. A shareholder may not use their share's voting rights more than once.

5.9 The Nomination and Remuneration Committee, in coordination with company management, shall provide the Capital Market Authority with the resumes of the nominees using the official form for Board nominees in listed joint-stock companies, along with any nomination notices and attachments.

5.10 The Nomination and Remuneration Committee must address any feedback or comments from competent authorities regarding any nominee.

5.11 The company shall publish information about Board nominees on its website and on Tadawul when the General Assembly meeting invitation is published or sent. The information must include a description of the candidates' qualifications, experience, skills, positions, and previous and current Board memberships. Copies must also be available at the company's headquarters and on its website.

5.12 Voting at the General Assembly shall be limited to those who have nominated themselves in accordance with the policies, standards, and procedures outlined above.

5.13 The General Assembly elects the Board members for the term specified in the company's Articles of Association, provided that it does not exceed four years. Re-election is permitted unless the Articles of Association state otherwise.

5.14 The company must notify the Capital Market Authority of the names and membership types of the Board members within five (5) business days from the start of the Board's term or from their appointment date, whichever comes first, and of any changes within five (5) business days from the date such changes occur.

#### **Article 6: Termination of Board Membership**

6.1 A Board member's term shall end in the event of resignation, death, dismissal by a General Assembly resolution, conviction of a dishonorable or dishonest crime, bankruptcy or insolvency, or if deemed unfit for Board membership under any applicable laws, regulations, or instructions in the Kingdom of Saudi Arabia.

6.2 A Board member must resign before the end of their term if they lose eligibility to serve, become unable to perform their duties, or fail to allocate sufficient time or effort to fulfill their responsibilities. In the case of a conflict of interest, the member must either obtain approval from the General Assembly or submit their resignation.

6.3 The Ordinary General Assembly may, based on a recommendation from the Board, terminate the membership of any Board member who misses three consecutive meetings without a valid excuse acceptable to the Board.

6.4 The General Assembly may, at any time, dismiss all or some of the Board members. A Board member may resign, provided that it occurs at an appropriate time; otherwise, they may be held liable to the company for any damages resulting from such resignation.

#### **Article 7: Review and Amendment**

7.1 The Company's management shall review this Policy, in cooperation with the relevant Company departments, when necessary, and recommend any amendments to the Board for approval prior to obtaining the approval of the General Assembly.

7.2 The Company's Governance Department shall retain the original, duly signed copy of this policy and provide the Authority with a copy of it and any amendments thereto from time to time.

#### **Article 8: Effective Date of the Policy**

This Policy shall be effective and implemented from the date of its approval by the General Assembly.

<b>Name of the Policy</b>	Board Membership Policy, Criteria and Procedures			
<b>Reviewed and Amended by the Governance Department</b>	Akram Ibrahim Hamdan	Signature:	Date	23/10/2023
	Faisal Khalaf Al-Anazi	Signature:	Date	23/10/2023
<b>Board Secretary</b>	Muhammed Abdulhamid Al-Mulhim	Signature:	Date	23/10/2023
<b>Date of Policy Approved by the General Assembly</b>	23/10/2023			
<b>Official Language of the Charter</b>	Arabic is the language and English, if available, is for guidance only.			

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