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Membership policies, Standards, and  
procedures in the board of directors and  
competition business standards

A Governance Regulation of City Cement  
Company (Listed Joint-Stock Company)

After Amendment

## Article 1: Preamble:

This regulation aims to establish clear and specific policies, standards, and procedures for membership in the Board of Directors and to implement them after their approval by the General Assembly.

The meanings provided below for the words and phrases are intended unless the context of the text indicates otherwise:

**Regulation:** Policies, standards, and procedures for membership in the Board of Directors and standards for competition.

**Company:** City Cement Company (a listed joint-stock company).

**Board:** The Board of Directors of City Cement Company, which is authorized to manage the company in a manner that achieves the interests of the shareholders and stakeholders fairly.

**Members:** Executive, non-executive, and independent members of the company's Board of Directors.

**Executive Member:** A member of the company's Board of Directors who is dedicated to managing the company and carries out executive work within the company, receiving a monthly or annual salary.

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

**Independent Member:** A board member who enjoys complete independence and is able to perform his duties, express his opinions, and vote on decisions objectively and impartially, assisting the Board of Directors in making sound decisions that contribute to safeguarding the company's interests. Examples that contradict independence include but are not limited to:

- The member who owns (5%) or more shares of the company or of a company within its group or having a close relationship with those who own this percentage.
- Whoever has a close relationship with any of the members of the Board of Directors or any of the senior executives in City Cement Company, or any other company within its group.
- The member who has worked as an employee during the past two years for City Cement Company or any other company within its group, or for any related parties to the company such as accountants and major suppliers, or has ownership of controlling interests in any of those parties during the past two years.
- Being a board member of another company within the company's group.
- The member who has a direct or indirect interest in the business and contracts conducted on behalf of the company.
- The member who receives financial amounts from the company in addition to the remuneration of the board of directors or any of its committees exceeding (SAR 200,000) or exceeding 50% of the previous year's remuneration received for board membership or any of its committees, whichever is less.
- The member who engages in activities that compete with the company or trades in any of the business branches carried out by the company.
- The member who served more than nine consecutive or non-consecutive years on the board of directors.

Acts that negate the independence of a board member, which require approval from the ordinary general assembly, shall include conducting business and contracts with a board member to meet their personal needs if these activities and contracts are carried out under the same conditions and terms followed by the company with the general contractors and counterparts without any preferential conditions and were within the usual business activities of the company, unless the nomination and remuneration committee deems otherwise.

**Control:** The ability or capacity to influence the actions or decisions of another person directly or indirectly individually or collectively with a close relative, or affiliate through any of the following:

- Ownership of a percentage equal to or greater than 30% of the voting rights in the company.
- The right to appoint 30% or more of the members of the administrative apparatus of the company, with the term "controller" interpreted accordingly.

## **Article 2: Composition of the Board of Directors**

The composition of the Board of Directors shall take into account the following:

- The number of its members shall be proportional to the size of the company and the nature of its activities, without violating the clauses of the company's Articles of Association.
- The majority of its members shall be non-executive.
- The number of independent members shall not be less than two members, or one-third of the board members, whichever is greater.

## **Article 3: Appointment of Board Members**

- The company's Articles of Association shall specify the number of Board of Directors members, which shall not be less than three and not exceed eleven.
- The General Assembly shall elect Board of Directors members for a term of four years, and they may be re-elected unless otherwise provided in the company's Articles of Association.
- No Board Member may concurrently hold membership in five listed joint-stock companies in the market.
- The company's management shall notify the Capital Market Authority of the names of the Board of Directors members and their membership qualifications within five working days from the start date of the board's term or from the date of their appointment, whichever is closer, and any changes to their membership shall be within five working days from the date of the changes.

## Article 4: Membership Requirements

- **Leadership Ability:** The member shall have leadership skills that qualify them to delegate authority in a way that motivates performance and applies best practices in effective management while adhering to professional values and ethics.
- **Competence:** The member shall have academic qualifications, professional skills, suitable personality traits, training level, and relevant scientific experience related to the company's current and future activities, management, economics, accounting, law, or governance, as well as a willingness to learn and train.
- **Directive Ability:** The member shall have technical, leadership, and administrative capabilities, the ability to make decisions swiftly, and understand the technical requirements related to workflow management, and being capable of strategic direction, planning, and clear future vision.
- **Financial Literacy:** The member shall be able to read and understand financial statements and reports.
- **Physical Fitness:** The member shall have no health impediment that would hinder them from performing their duties and responsibilities.

## Article 5: Membership Requirements

- The company shall announce on the Saudi Exchange (Tadawul) website and through any other means determined by the Authority at least three months before the end of the Board's term, the opening of the nomination period for membership of the Board for a specified term and start and end dates. The nomination period shall remain open for at least one month from the date of the announcement. Effective means of communication with shareholders shall be followed, and no discrimination shall be made in providing information. The company's announcement shall include:
- Determining dates, places and methods of application for nomination

- Minimum required information to be provided by the candidate, including but not limited to:
- Candidate's profile accompanied by a brief resume containing supporting documents.
- Submission of a signed copy in Arabic and English of the nomination forms for membership of the Board of Directors issued by the Capital Market Authority and Saudi Tadawul Company.
- A copy of the valid national ID for the Saudi candidate.
- A copy of the valid passport for the non-Saudi candidate.
- Statement of companies and institutions in which the candidate held a board membership or commonly owned, with clarification of the activities of those companies, especially if they engage in activities similar to the company's current or future activities, its subsidiaries, or compete with the company or its subsidiaries, or engage in transactions with the company or its subsidiaries.
- Disclosing to the Board of Directors and the General Assembly any cases of conflict of interest, in accordance with the procedures established by the Authority and including:
- Having a direct or indirect interest in business and contracts carried out on behalf of the company for which he wishes to run for the board of directors.
- Participating in work that would compete with the company, or compete with it in one of the branches of activity it practices.
- A candidate, who previously has served as a board member of a joint-stock company, shall state the number and date of the boards of directors of the company of which he has served.
- If the candidate has previously served as a member of the company's Board of Directors, he shall attach to the nomination notice, a supporting statement from the company's management for the last round in which he has served as a member of the Board, including the following information:

- The number of Board of Directors meetings that took place during each year of the round, the number of meetings that the member has attended in person, and his attendance percentage to all of these meetings.
- The permanent committees in which the member has participated, the number of meetings held by each of those committees during each year of the round, the number of meetings he has attended, and the percentage of his attendance to all of these meetings.
- A summary of the financial results have been achieved by the company during the years of the round.
- Proof of the candidate's classification, in accordance with the Capital Market Authority's classification (independent, executive, non-executive).
- The candidate shall submit all the required information to the company's Investor Relations Department sixty days before the date of holding of the General Assembly.
- The company announces on Saudi Exchange website information about the candidates for membership in the Board of Directors, whose fulfillment of the requirements have been approved by the Nominations and Remuneration Committee, when publishing or directing the invitation to hold the General Assembly, provided that this information shall include a description of the candidates' experiences, qualifications, skills, jobs, and their previous and current memberships. the company shall provide a copy of this information in its head office and on its website.
- Voting in the General Assembly shall be limited to candidates for membership in the Board of Directors, whose requirements have been approved by the Nominations and Remuneration Committee.

The independent board members shall not be less than one-third of the Board members.

## Article 6: Termination of Board of Directors' Membership:

- Membership in the Board of Directors shall expire for one of the following reasons:
  - Expiration of the period of membership in the Board of Directors.
  - If the member becomes unfit for Board of Directors membership, in accordance with any law or instructions applicable in the Kingdom.
  - A member's resignation from its membership in the Board of Directors, its death, or its loss of eligibility.
  - If he has been convicted of a crime against honor and dishonesty.
  - If he has declared its bankruptcy.
  - If the member has been dismissed by a decision of the Ordinary General Assembly by a majority of 51% of the shares represented at the meeting.
  - Member's missing of one or more of the membership requirements
  - Member's absence from three consecutive meetings of the Board of Directors without a legitimate excuse.
- If the position of a board member becomes vacant, the Board may appoint a temporary member, provided that he shall be one of those who possess experience and competence. The Board of Directors shall inform the Commercial Register and the Capital Market Authority within five working days from the date of appointment. Additionally, the Board of Directors shall present the appointment to the Ordinary General Assembly at its first meeting, and the new member shall complete the period of his predecessor. If the necessary requirements for holding the Board of Directors are not met due to the number of its members being less than the minimum stipulated in the Companies Law or these Laws, the remaining members shall call the Ordinary General Assembly to be hold within sixty days to elect the necessary number of members. The General Assembly may, at any time, dismiss all or some of the members of the Board of Directors.



### **Article 7: Main functions of the Board of Directors:**

- The Board of Directors represents all shareholders, and they shall do their best for care and loyalty in managing the company and everything that will safeguard its interests, develop it, and maximize its value.
- The company's Board of Directors shall be responsible for its work, even if it delegates committees, entities or individuals to exercise some of its competencies. In all cases, the Board of Directors may not issue a general or indefinite period authorization.

### **Article 8: Main functions of the Board of Directors:**

The tasks of the Board of Directors, in addition to the tasks stipulated in the company's articles of association, include, but are not limited to, the following:

- Developing the company's main plans, policies, strategies and objectives, supervising their implementation and reviewing them periodically, and ensuring the availability of the necessary human and financial resources to achieve them, including:
  - Establishing and reviewing the company's comprehensive strategy, main business plans, risk management policies and procedures.
  - Determining the company's optimal capital structure, strategies and financial objectives, and approving all types of estimated budgets.
  - Supervising the company's main capital expenditures, owning and disposing of assets.
  - Setting performance objectives and monitoring implementation and comprehensive performance in the company.
  - Periodic review and approval of the company's organizational and functional structures.
  - Verifying the availability of the necessary human and financial resources to achieve the company's objectives and main plans.

- Establishing laws and controls for internal control and general supervision thereof, including:
  - Developing a written policy to address actual and potential conflicts of interest for each board member and the executive management and shareholders, including misuse of the company's assets and its facilities, and misconduct resulting from dealings with related parties.
  - Ensuring the safety of financial and accounting laws, including laws related to preparing financial reports
  - Ensuring the implementation of appropriate control systems to measure and manage risks by developing a general perception of the risks that the company may face, and creating an environment familiar with the culture of risk management at the company level, and transparently presenting the same to stakeholders and parties related to the company.
  - Annual review of the effectiveness of the company's internal control procedures.
- Preparing clear and specific policies, standards and procedures for board membership that do not conflict with the mandatory provisions of the regulations of the Capital Market Authority and the Companies Law and putting them into effect after their approval by the General Assembly. .

- Developing a written policy that shall regulate the relationship with stakeholders, in accordance with the provisions of these regulations.
- Developing policies and procedures that ensure the company's compliance with laws and regulations and its commitment to disclosing essential information to shareholders and stakeholders, and also verifying the executive management's compliance with them.
- Supervising the company's financial management, its cash flows, and financial and credit relationships with others.
- Proposing to the Ordinary General Assembly of which the Board of Directors deems appropriate and within the Assembly's powers.
- Proposing to the Extraordinary General Assembly of which the Board of Directors deems appropriate and within the Assembly's powers.
- Preparing the company's initial and annual financial statements and approving them before publication.
- Preparing and approving the Board of Directors' report before publishing the same.
- Ensuring the accuracy and integrity of the information that shall be disclosed, in accordance with applicable disclosure and transparency policies and laws.
- Establishing effective communication channels to enable the company's shareholders to be continuously and periodically aware of the various aspects of its activities and significant developments.

- Forming specialized committees emanating from the board by decisions determining the committee period, powers and responsibilities, in addition to how the Board would oversee such committee. The Formation decision shall include the designation of members and the determination of their functions, rights and duties with the assessment of performance and works of the committees and the members.
- Determining the types of remuneration granted to the workers as fixed remuneration, performance-related remuneration and remuneration in the form of shares, in manner not inconsistent with regulatory controls and procedures issued pursuant to the Companies Law related to Listed Joint Stock Companies
- Informing the General Assembly, when it convenes, of business and contract in which a board member has a direct or indirect interest, which shall include information submitted by the director in addition to providing a special report prepared by the company's external auditor.
- Establishing values and standards governing the business in the company

### **Article 9: Standards for competition**

If a board member wishes to participate in a business that would compete with the company or one of the branches of activity operated by the company, he shall take into account the following:

- Informing the board of competitions he wishes to practice, and recording the same in the minutes of the Board's meeting.
- The stakeholder board member shall not vote on the decision in this regard by the board of directors or assemblies of shareholders.
- The chairman of board of directors or his deputy shall inform the ordinary general assembly, when it convenes, of board member's competition, after the Board of Directors verifies the competition of the board member with the company or one of the branches of activity.



- Obtaining a prior permit from the ordinary general assembly of the company allowing the member to perform competitive works.
- The company may claim adequate compensation before the judicial authorities, unless the board member engaging in any business that would compete with the company or one of the branches of activity operated by the company obtained a prior permit from the ordinary general assembly to do so.
- If the general assembly refused to grant such permit, the board member shall resign within a period determined by general assembly. Otherwise, his membership will be considered terminated, unless he decides to renounce competing the company or reconcile his situations in accordance with the Companies Law and executive regulations before the deadline determined by general assembly.

Engagement in any business that would compete with the company or one of the branches of activity operated by the company includes the following:

- Establishing a company sole institution or holding an influential proportion of shares or stakes in a company or another institution operates an activity of the company or the company group.
- Accepting a board membership of a company or institution competing with the company or the group or assuming management of a competing company or institution in any form, except for the company's affiliates.
- Obtaining a commercial agency or the like, whether latent or overt, of another company or institution competing with the company or the group.