

**- Item 16:****Remuneration and Nominations Committee Regulations****Introduction**

This regulation aims to define the scope of work of the Remuneration and Nomination Committee in the Dar Al-Arkan Real Estate Development Company, in application of the provisions of paragraph (7) of Article Fifty and paragraph (b) of Article 60 and paragraph (b) of Article 64 of the Corporate Governance Regulations issued by the Board of the Capital Market Authority under Resolution No. (8-16-2017), dated 16/5/1438H, 13/2/2017.

**1. Objectives**

The objectives of forming the Remuneration and Nominations Committee (the Committee) are to assist the Board of Directors (The Board), of Dar Al-Arkan Real Estate Development Company (the company) in exercising its responsibilities in nominating and independence the members of the Board of Directors and the affiliate committees.

**2. General provisions****Formation of the committee**

- a) The Remuneration and Nominations Committee shall be formed by a decision of the company's Board of Directors who are not members of the executive Board of Directors, provided that at least one of them is an independent member.
- b) The General Assembly of the company shall issue - based on the proposal of the Board of Directors - the work regulations of the Remuneration and Nominations Committee, provided that this regulation includes the controls and procedures for the work of the committee, its tasks, the rules for selecting its members, the duration of their membership, and remunerations.
- c) The Board of Directors shall form the Remuneration and Nominations Committee according to the following:
  - 1) The company's need, circumstances and conditions, to enable it to perform its duties effectively.
  - 2) The formation of the committee shall be according to general procedures established by the Board, which include defining the mission of the Committee, the duration of its work, the powers vested in it during this period, and how the Board of Directors controls it. The Committee shall inform the Board of Directors of its results or take decisions transparently. The Board of Directors shall follow up on the work of this Committee regularly to verify the exercise of the tasks assigned to it..

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- 3) The committee is responsible for its actions before the Board of Directors, without prejudice to the Board's responsibility for those actions and the powers or authorities delegated to it.
- 4) The number of Committee members should not be less than three and not more than five.
- 5) The head of the Committee or his delegate from among its members, must attend the general assemblies to answer the shareholders' questions.
- 6) The company shall notify the Commission of the names of the members of the Committee and their membership status within five working days from the date of their appointment and any changes to that within five working days from the date of the changes.

### Head of the Committee

1. A member of the Committee works as a head of the committee and this person will be appointed by the Board of Directors or appointed by the committee members through an affirmative vote for the majority of the committee members.
2. The head of the Committee determines its agenda, the number and duration of its meetings, and he has the right to meet the company's management and access all their information. This head may also draw up any other regulations that he deems necessary for the functioning of the Committee.
3. The head of the Committee shall prepare the agenda for the meetings of the Committee, and the schedule of meetings shall be distributed - whenever practicable - the agenda of the meetings to the members at least one week before the date of the meeting.

### Secretary (Secretary of the Committee)

The Committee appoints a secretary who is responsible for keeping records of the Committee's procedures and minutes in order to provide the Board of Directors with reports on the work of the Committee, in addition to performing other tasks assigned to him from time to time by the committee or under the guidance of one of their members. This secretary is not required to be a member of the Board of Directors.

### 3. Membership of the Committee

- a) A sufficient number of non-executive Board members must be appointed to the Committee as it is concerned with the tasks that may give rise to conflicts of interest, such as ensuring the integrity of financial and non-financial reports, reviewing the deals of related parties, nominating for membership in the Board of Directors, appointing senior executives, and determining remuneration. The head and members of the Committee shall adhere to the principles of honesty, loyalty, care and attention to the interests of the company and the shareholders, and put them before their personal interest.





b) The company takes into account when forming the Committee that its members are from the independent Board members, and it is permissible to seek the help of non executive members or persons who are not members of the Board, whether they are shareholders or others.

c) The Chairman of the Board of Directors may participate in the membership of the Committee, provided that he does not held the position of head in this Committee.

#### 4. Subjects

a) The Committee studies the subjects that are related to it or that are referred to it by the Board of Directors, and submits its recommendations to the Board to take a decision thereon, or to take decisions if the Board authorizes it to do so.

b) The Committee may seek assistance from experts and specialists from within the company or outside it within the limits of its validity, provided that this should be included in the minutes of the Committee meeting, with the name of the expert mentioned and his relationship to the company or the executive management.

#### 5. Meeting of the Committee

a) The Committee meets periodically at least every six months.

b) No member of the Board of Directors or executive management, except for the Committee's secretary and members of the Committee, has the right to attend its meetings unless the Committee requests to hear his opinion or obtain his advice.

c) In order for the committee's meeting to be valid, a majority of its members must be present. Its decisions shall be issued by the majority of the votes of those present, and in the case of equal votes, the Chairman shall have the casting vote.

d) The Committee's meetings must be documented and its minutes prepared include discussions and deliberations, document the committee's recommendations and voting results, keep them in a special and organized record, and indicate the names of the members present and the reservations they make - if any -, and signing these minutes from all the members present.

#### 6. Remuneration

##### Committee terms of reference regarding remuneration

The Committee shall be responsible of the following:

1) Prepare a clear policy for the remuneration of the members of the Board of Directors and the Committees emanating from the Board and the executive management, and submit it to the



Board of Directors for consideration in preparation for approval by the General Assembly, provided that this policy follows the standard related to performance, disclosure and verification of their implementation.

- 2) Clarify the relationship between the remuneration granted and the applicable remuneration policy, and indicate any substantial deviation from this policy.
- 3) Periodically review the remuneration policy and evaluate its effectiveness in achieving the objectives expected of it.
- 4) To recommend to the Board of Directors the remuneration of the members of the Board of Directors, the Committees emanating from it and the senior executives of the company in accordance with the approved policy.

### **Remuneration Policy**

Without prejudice to the provisions of the corporate and financial market regulations and their executive regulations, the remuneration policy must take into account the following:

- 1) Its consistency with the company's strategy and objectives.
- 2) To offer remuneration for the purpose of urging members of the Board of Directors and executive management to make the company successful on the long term, such as linking the changing part of the remuneration to long-term performance.
- 3) Remuneration are determined based on the level of post, tasks and responsibilities assigned to them, educational qualifications, work experience, skills and level of performance.
- 4) Its consistency with the scale, nature and degree of risk of the company.
- 5) Taking into account the practices of other companies in determining remunerations, while avoiding the unjustified rise in remuneration and compensation that may result from that.
- 6) To aim for attracting, maintaining and motivating professional competencies, without any exaggeration.
- 7) To be prepared upon new appointments.
- 8) Cases of stopping the exchange of the remuneration or its refund if it is determined that it was decided on the basis of inaccurate information provided by a member of the Board of Directors or executive management; This is to prevent the employment situation from being used to obtain unpaid remuneration.
- 9) Regulating the granting of shares in the company to the members of the Board of Directors and executive management, whether it is a new issue or shares bought by the company.

### **Disclosure of remuneration**

- a) The Board of Directors shall comply with the following:





- 1) Disclosure of remuneration policy and how to determine the remuneration of the members of the Board and the executive management of the company.
  - 2) Disclose accurately, transparently and in detail in the report of the Board of Directors, the remuneration granted to members of the Board of Directors and the Executive Management directly or indirectly, without concealment or deception, whether they are amounts, benefits or advantages, whatever their nature and name. If the benefits are shares in the company, then the value entered for the shares is the market value at the due date.
  - 3) Clarify the relationship between the remuneration granted and the applicable remuneration policy, and indicate any substantial deviation from this policy.
  - 4) Indicate the necessary details regarding the remuneration and compensation paid to each of the following separately:
    - a. Board of Directors.
    - b. Five of the senior executives who received the highest remuneration from the company, including the CEO and CFO.
    - c. Committee members.
- b) The disclosure in this paragraph shall be included in the report of the Board of Directors.

## 7. Nominations

### Committee terms of reference regarding nominations

The Committee shall be responsible of the following:

- 1) Proposing clear policies and standards for membership in the Board of Directors and Executive Management.
- 2) Recommendation to the Board of Directors to nominate members and re-nominate them in accordance with the approved policies and standards, taking into consideration that no person previously convicted of an offence prejudice to integrity is nominated.
- 3) Preparing a description of the capabilities and qualifications required for membership of the Board of Directors and filling executive management positions.
- 4) Determine the time that the member must allocate to the work of the Board of Directors.
- 5) Annual review of the necessary skills or appropriate experiences for Board membership and executive management positions.
- 6) Review the structure of the Board of Directors and executive management and provide recommendations regarding changes that can be made.
- 7) Annual verification of the independence of the independent members, and the absence of any conflict of interest if the member is a member of the Board of Directors of another company.



8) Job description for executives, non-executive members, independent members, and senior executives.

9) Establishing special procedures in the event of vacancy of the position of a member of the Board of Directors or senior executives.

10) Identify weaknesses and strengths in the Board of Directors, and propose solutions to address them in a manner consistent with the company's interest.

### **Nomination procedures**

a) When nominating members of the Board of Directors, the committee shall observe the conditions and provisions stated in this regulation, and the requirements determined by the Committee.

b) The number of nominees for the Board of Directors whose names appear before the General Assembly must exceed the number of available seats so that the General Assembly has the opportunity to choose from among the nominees.

### **Posting the nomination announcement**

The company shall publish the nomination announcement on the company's website, the website of the market and in any other means determined by the authority; this is to invite people who wish to run for membership in the Board of Directors, provided that the nomination will remain open for at least one month from the date of the announcement.

### **The right of the shareholder to stand for nomination**

The provisions of these regulations shall not prejudice the right of every shareholder in the company to nominate himself or others to membership in the Board of Directors in accordance with the provisions of the Companies Law and its executive regulations.

### **Election of the members of the Board of Directors**

a) The company announces, on the market's website, information about the nominees for membership in the Board of Directors when publishing or inviting the general assembly. This information should include a description of the nominees' experiences, qualifications, skills, jobs and previous and current memberships. The company must provide a copy of this information in its headquarters and website.

b) The cumulative vote must be used in the election of the Board of Directors, so that the right to vote per share may not be used more than once.

- Cumulative voting: a voting method for selecting members of the Board of Directors that gives each shareholder the ability to vote with the number of shares they hold; so that he has the right to vote for one nominee or divide it among his chosen nominees without repeating these votes.

c) Voting in the general assembly is restricted to the nominees for membership in the Board of Directors whose information was announced by the company in accordance with paragraph (a).





## 8. Reporting

1. The Committee shall regularly provide the board of directors with a report on its work and any reports requested by the board.
2. Each committee meeting must be followed by a report on the outcomes of the meeting, which will be submitted to the Board of Directors.

## 9. Annual performance evaluation

1. The Board of Directors evaluates the performance and work of this committee and its members.
2. On the proposal of the Remuneration and Nominations Committee, the Board of Directors sets the necessary mechanisms to evaluate the performance of the Committee members annually. That is through appropriate performance measurement indicators related to the extent of achieving the strategic goals of the company and the quality of risk management and the adequacy of internal control systems and others, provided that the weaknesses and strengths are identified and the proposal to address them in consistency with the company's interest.
3. The Committee shall annually assess its performance of its duties and the obligations of the Committee members towards its activities and duties stipulated in this regulation, and refer the results of those evaluations to the Board of Directors.
4. The performance evaluation procedures must be written, clear, and disclosed to the Committee members.

## 10. Delegation

1. The Board of Directors of the company is responsible for its activities and if it delegates the Committee, entities or individuals to exercise some of its powers. In all cases, the Board of Directors may not issue a general or indefinite delegation.
2. The Committee may, according to a written decision or power of attorney, delegate all or some of its powers to one or some of its members.

## 11. Confidentiality

The work of the committee must be kept completely confidential and without obtaining written permission from the head of the Committee. It is not permissible for any member to disclose any information related to what took place in the meeting he attended or what was taken in it.

