



Board Membership Policy



SADAFCO**سدافكو**

SAUDIA DAIRY & FOODSTUFF COMPANY
SAUDI JOINT STOCK CO.

الشركة السعودية لمنتجات الألبان والأغذية
شركة مساهمة سعودية

Proposed Amendments to the Policies, Standards and Measures of Board of Directors Membership

In compliance with the new Companies Law Issued by Royal Decree No. M/132 dated 1/12/1443H corresponding to 30/6/2022G, its Implementing regulations, and the Company's Bylaws as amended by Extraordinary General Assembly on 22/08/2023.

Before Amendments

After Amendments

Second: Policies and Standards for the Board Membership

In addition to any rules, procedures or conditions issued by the competent authorities in relevant with the formation of the Board of Directors and its membership standards, a Board member shall have the following:

- Competence:** A member of the Board shall have the academic qualifications and proper professional and personal skills, as well as appropriate level of training and practical experiences related to the current and future businesses of the Company, and the knowledge of management, economics, accounting, law, or governance, as well as the desire to learn and receive training.
- A member of the Board shall not work for any external auditors of the Company or has any kinship with that auditor or with any of affiliate or subsidiary companies.
- A member of the Board shall have experience and knowledge of the Company's activities, purposes, works and the risks faced by the Company.
- Aware of Arabic and English languages.
- Ability to lead:** A member of the Board shall have leadership skills which enable him to delegate powers in order to enhance performance, apply best practices in the effective management and compliance with professional ethic and values.
- Ability to guide:** A member of the Board shall have the technical, leadership and administrative competencies, as well as the ability to take prompt decision, and understand technical requirements related to business continuity. He

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shall also be able to provide strategic guides and long-term planning with clear future vision.

7. **Financial Knowledge:** A member of the Board has to be able to read and understand financial statements and reports.
8. **Health Fitness:** A member of the Board should have no health restriction that impedes him to practice his assignments and specialties.

Clauses (9,10,11,12,13) added

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7. **Financial Knowledge:** A member of the Board has to be able to read and understand financial statements and reports.
8. **Health Fitness:** A member of the Board should have no health restriction that impedes him to practice his assignments and specialties.
9. **Duty to exercise independent judgment:** A member of the Board shall perform his/her duties objectively and independently in relation to managing the Company and making decisions and shall avoid cases that affect his/her independence in making decisions or voting on them.
10. **Duty to exercise reasonable and expected care, and skill:** A member of the Board shall perform his/her duties and responsibilities in accordance with the Companies Law, the Capital Market Law, their implementing regulations, the Company bylaws, and other relevant laws, and in accordance with the diligence and care that should be exercised by a diligent person with the general knowledge, skill and experience that the member of the Board has and that are expected of a person carrying out the functions carried out by the member of the Board.
11. **Duty to avoid conflict of interest:** A member of the Board shall avoid transactions and situations in which he/she has actual or potential direct or indirect interest that conflicts or may conflict with the Company's interest, and the member of the Board shall comply with the provisions relating to conflicts of interest in the Companies Law and its implementing regulations.
12. **Duty to disclose any direct or indirect interest in businesses and contracts executed for the Company's account:** A member of the Board shall disclose any direct or indirect interest he/she has in the business and contract

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9. Have good fame and should have not been convicted in any cases that breach honour and moral, unless he has been rehabilitated or has been convicted in a matter violating the laws and regulations in the Kingdom of Saudi Arabia or in any other state.
10. A member of the Board should not be insolvent or bankrupt or unfit for the board membership, according to any applicable law or instructions in the Kingdom of Saudi Arabia.
11. A member of the Board wishes to accept membership and is strictly ready to comply with his duties as a board member.
12. His/her nomination should not violate the relevant laws and regulations.
13. A member of the Board should not be a board member for more than five joint stock companies listed the capital market, at the same time.
14. A member of the Board should be fully legally competent.
15. A member of the Board should not be a government employee.
16. A member of the Board should represent all shareholders and comply with conducting what achieves the company interest in general and not what achieves the interest of the group

- executed for the Company's account immediately upon becoming aware thereof and shall comply with the provisions relating to disclosure of interest in business and contracts in the Companies Law and its implementing regulations.
13. **Duty not to accept benefits from third parties in relation to his/her role in the Company:** A member of the Board shall not exploit his/her position, duties and powers vested in him/her in his/her capacity as a Board member in any way to obtain or accept benefits from third parties for a specific act or to refrain from doing a specific act.
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<p>which he represents or that which voted for his assignment in the board of directors.</p> <p>17. The independent member should be completely independent in his status, decisions and not applicable to any of independence contingencies stated in corporate governance regulation.</p>	<p>which he represents or that which voted for his assignment in the Board of directors.</p> <p>22. The independent member should be completely independent in his status, decisions and not applicable to any of independence contingencies stated in corporate governance regulation.</p>
<p>Third: End of Membership</p> <p>The membership of the Board member ends at the end of his/her membership duration, or upon the end of the member power/authority according to any law or instructions applicable in the Kingdom, or by his/her resignation, or his/her death, or his/her conviction of any crime breaches honour and honesty, or by his/her bankrupt or insolvency or lacking competence. However, the ordinary general assembly has the right, at any time, to seclude all board members or some of them, without prejudice to the secluded member right towards the company for claiming the compensation, if the seclusion takes place for an unacceptable reason, or at an unsuitable time. The Board member can resign, provided that this takes place in a suitable time, otherwise he/she will be responsible before the company for the losses resulting from resignation. In case of interest conflicts, the member has the option to get a permit from the general assembly, to be renewed each year or forward his/her resignation.</p>	<p>Third: End of Membership</p> <p>1. The membership of the Board member ends at the end of his/her membership duration, or upon the end of the member power/authority according to any law or instructions applicable in the Kingdom, or by his/her resignation, or his/her death, or his/her conviction of any crime breaches honour and honesty, or by his/her bankrupt or insolvency or lacking competence. However, the ordinary general assembly has the right, at any time, to seclude all Board members or some of them, without prejudice to the secluded member right towards the Company for claiming the compensation, if the seclusion takes place for an unacceptable reason, or at an unsuitable time. The Board member can resign, provided that this takes place in a suitable time, otherwise he/she will be responsible before the Company for the losses resulting from resignation. In case of interest conflicts, or competition, the member has the option to get a permit from the general assembly, to be renewed each year or forward his/her resignation.</p> <p>2. If the Board's chairman and members resign, they must call the ordinary general assembly to convene to elect a new Board of Directors, and the resignation shall not come into force until the election of a new Board of Directors, provided that the period of continuity of the resigned Board of Directors does not exceed (120) days from the date of that resignation. The Board of Directors shall take all necessary</p>

Clauses (2,3) added

measures to elect a new Board of Directors before the expiry of the period of continuity specified in this paragraph.

3. A Board member may resign from the membership of the Board by virtue of a written notification addressed to the Chairman of the Board. If the Chairman of the Board resigns, the notification must be directed to the remaining Board members and the Board's Secretary. Resignation shall come into force -in both cases- from the date specified in the notification.

Fourth: Revision and Enforcement

3. The nominee should show, upon nomination, the membership status i.e., whether the member is executive, non-executive or independent, and the nominee should show the nature of his membership i.e., whether he is nominated ~~personally or representing a legal personality.~~

Fourth: Revision and Enforcement

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Fifth: Revision and Enforcement

1. The Board of Directors will undertake revising this Policy, according to the need and recommendation of any amendments of the shareholder general assembly, for approval in the nearest general assembly meeting.
2. The effectiveness and enforcement of this Policy start effective its approval from the company shareholder general assembly.
3. Texts or rules, whatsoever, not stated in this Policy, will be subject to the application of the Saudi corporate law, its regulations, Capital Market Authority law and its executive regulations, company basic law and decisions issued by the concerned bodies.

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Added

4. This Policy will be published, after approval by the shareholders general assembly, in the Company website or via any other means for enabling the shareholders, the public and the stakeholders to review it.

4. This Policy has been drawn in Arabic and English texts. In case of any discrepancy or misinterpretation, the Arabic text shall prevail.

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