

Nomination and Remuneration of stc Board members and the members of its standing Committees and Remuneration of the Executive Management Policy



1. Purpose

With the intention from Saudi Telecom Company management (the Company) to increase the effectiveness of Corporate Governance, achieve a high level of transparency, reach the company's goals, and improve its performance, the company has adopted standards to elect members of Board of Directors based on efficiency, and the ability to represent the Board of Directors and its Standing Committees in a manner that provides the experience and the educational and operational abilities and knowledge that will contribute in increasing the operational efficiency of the Company, and to determine their Remuneration and that of the Executive Committee in accordance with Corporate Law and Governance Document's standards and regulations, as well as relevant regulations and Charters.

2. Scope

This policy applies to all Board of Directors' members, the members of its standing Committees, elected members, and the Executive Committee.

3. Policy Administrator (Owner)

Board Nomination and Remuneration Committee.

4. Responsibilities

- 4-1 Nomination and Remuneration Committee is responsible for preparing and reviewing the policy and suggests changes where it sees fit and to submit the policy to the Board for review.
- 4-2 Board Secretary is responsible for reinforcing and supporting Nomination and Remuneration Committee to release and update this policy, and to develop procedures to help implementing the same.
- 4-3 The company's Finance Unit is responsible for implementing this Policy.

5. Definitions

- 5-1 Phrases and words mentioned in this Policy which clarify the meaning in companies Law issued by MCI, and Corporate Governance Document issued by CMA, and STC's Incorporation Document.

6. References

- 6-1 Corporate Law issued by Royal Decree 28/01/1437 3/ρ .
- 6-2 Governance Document issued on Capital Market Authority under the decision number (8-16-2-17) 1438/05/16.ρ Corresponding 2017/02/13.ρ.
- 6-3 Regulatory standards and procedures issued to implement privet Joint-stock Companies' Corporate Law listed by Capital Market Authority.
- 6-4 Company's Incorporation Document.
- 6-5 Governance Document.
- 6-6 Nomination and Remuneration Charter.

7. Policy Statement

7-1 Nomination and Remuneration Committee's responsibilities to elect members of Board of Directors:

- 7-1-1 Gives recommendations to the Board of Directors for electing new members or re-electing old ones in accordance with the Company's Incorporation Document, taking into account not to nominate any person charged with a criminal offense.
- 7-1-2 Prepare standards for abilities and qualifications needed for Board of Directors' membership.
- 7-1-3 Determine an adequate time for the member to perform the Board's duties.
- 7-1-4 Annual review of necessary skills needed for the membership of the Board.
- 7-1-5 Setting a job title for Board of Directors' members.
- 7-1-6 Publish the nomination announcement on STC and Saudi Stock Exchange's (Tadawul) websites and through any other medium specified by the Authority; to invite persons wishing to be nominated to the membership of the Board, provided that the nomination period shall remain open for at least a month from the date of the announcement.
- 7-1-7 Taking into account the availability of enough independent directors amongst the elected members, to give the General Assembly the opportunity to elect at least third of the elected members for the Board.

7-2 Requirements for nomination for Board of Directors membership:

- 7-2-1 Present a report for the Company's management includes his willingness in nomination within one month from opening the registration, it should include his Curriculum vitae, qualifications, and his

- experience in the Company's activities according to the related forms and the regulated requirements.
- 7-2-2 Present a statement includes the names of the companies that he participates in their Board of Directors.
- 7-2-3 Present a statement includes the names of the companies or corporations that he participates in their management or ownership and it practices similar activities that of the Company.
- 7-2-4 The disclosure to the Board of Directors and the General Assembly for conflict of interests cases – according to the regulations stated by the organization – and it includes:
- The existence of any interest directly or indirectly in the activities and contracts for the Company.
 - His participation in a business that competes with the Company, or in respect to any of its activities.
- 7-2-5 Present a statement with the numbers and dates of the companies' board of directors that he took membership in if the membership was one of the Joint-Stock companies, if he undertook board of director's membership in previous courses, he shall then include a statement with the courses he participated in, and the Company shall fulfil the remaining.

7-3 Conditions for choosing Board of Directors members:

- 7-3-1 Board member should have the professional adequacy, experience, knowledge, and the necessary skill, as well as the scientific qualifications, which will enable him to practice his duties efficiently and accurately, in addition to the participation in managing, growing, and protecting the Company's earnings.
- 7-3-2 For the Board member not to occupy his Board membership of more than Five Listed Joint-Stock companies at the same time.
- 7-3-3 To enjoy a good health and does not have health issues that prevents him from practicing his duties and competencies.
- 7-3-4 The Board member cannot be an employee in a competitive company, or participates in any activity that competes the Company.
- 7-3-5 The elected cannot be a governmental employee (with the exception of governmental electors and representatives of Semi-Governmental sectors in the Company).
- 7-3-6 To have never been isolated, or fired from the Board of Directors of a Joint-Stock company or from any department due to his carelessness, or poor management, or the irregular attendance of Board of Directors or its Standing Committees meetings.
- 7-3-7 To have never been charged with dishonorable or dishonest cases.

7-4 General provisions for Board of Directors membership:

- 7-4-1 The Company makes available for the shareholders, information of the nominees for Board of Directors membership not less than Three days before the election date, such information contains a description of the nominees' experiences, their qualification, and skills.
- 7-4-2 Every shareholder has the right to nominate himself or someone else or more for Board of Directors membership. And that is within the limits of his percentage ownership of the Company.

7-5 Remunerations of Board of Directors members:

- 7-5-1 The remuneration of the Board member shall be –For Board of Directors activities– a fixed amount and an allowance for attending the meetings.
- 7-5-2 The Board can determine a remuneration for members/member of Board of Directors for his membership in the Board's Standing Committees.
- 7-5-3 The remunerations that the Board of Directors' member receives shall be fair and coordinates with the member's competences as well as the activities and the responsibilities that Board of Directors' members undertake and endure, in addition to the specified goals from the Board of Directors that to be achieved during the fiscal year.
- 7-5-4 The remuneration payment shall be stopped or retrieved if it turns out that it was approved based on inaccurate information presented by Board of Directors' member.
- 7-5-5 The remuneration shall be coordinated with the number of meetings that the member attends.
- 7-5-6 The remunerations of the members of Board of Directors and its Standing Committees shall be in accordance with the related charters and regulations.
- 7-5-7 In all cases the overall amount that the member of Board of Directors receives from remunerations shall not exceed that in the rules and regulations set by the competent authority, and in accordance to the Companies' Law and Charters.
- 7-5-8 The member deserves a remuneration that coordinates with the additional activities or executive positions or technical or advisory that he is assigned for in the Company.

7-6 Vacancy in the Board of Directors or membership expiration of one of the Board members:

- 7-6-1 According to the Incorporation Document, when one of Board of Directors members position becomes vacant the Board shall hire a temporary member in that position according to their evaluation as per the conditions stated in paragraph (7-3) of this Policy, and must inform the Competent Authority within Five business days from the hiring date and shall be represented to the General Assembly in its first meeting and the new member shall resume the time period of his predecessor. If the required conditions were not met to convene a Board of Directors meeting due to shortage in its members from the minimum stated in the Incorporation Document, the rest of the members must invite the General Assembly for a meeting within Sixty days to elect the required number of members.
- 7-6-2 The Company's Incorporation Document explains the method on Board of Directors membership expiration and the General Assembly may at any time isolate all or some Board of Directors members,

even if it was stated in the Incorporation Document otherwise.

7-6-3 Upon the expiration of a member's membership in Board of Directors within the ways stated in the Incorporation Document for membership expiration, the Board Secretary shall notify the Competent Authority in the Ministry and the Organization immediately with a statement that contain the reasons for such actions.

7-6-4 If a Board of Directors' member resigns with notes about the performance of the Company, he shall then present a written statement about such notes to the Board of Directors' Chairman, such statement must be presented to all Board of Directors' members.

7-7 Remunerations of the Executive Management:

7-7-1 The annual remuneration for the GCEO shall be determined upon his achievement for the financial and strategic goals as well as others according to the approved Policy in the Company.

7-7-2 The annual remuneration for the GCEO shall be calculated after the publication of the financial statements according to the approved Policy in the Company.

7-7-3 The annual remuneration for the Executive management in the Company shall be calculated according to the Policy and the mechanism for the approved annual remuneration in the Company.

7-7-4 The specified salaries and advantages for the Executive management shall be determined to include (the primary salary and advantages and allowances) according to the approved Policy in the Company.

7-8 Responsibility Insurance Document:

7-8-1 The Board may issue a Document "Responsibility Insurance" for its members for the responsibility that may rise systematically due to a mistake or unintentional negligence that was committed during the membership period (or in the presence of any later notice after the ending of the membership period) up to the completion of the accountability period. In case the individual was convicted with a charge, the paid benefit shall be deducted from the member or executive's total remuneration.

7-9 Duties and Responsibilities of the Financial Operations Unit in the Company:

7-9-1 The Financial Operations Unit shall undertake the responsibility of coordination with the Board Secretary to announce the Board membership or the membership of the Board's Standing Committees, and the ending of its membership in the Organization's Website according to approved regulations.

7-9-2 The Financial Operations Unit shall undertake the responsibility of Board of Directors' members' remunerations payroll according to the followed financial procedures.

8 Policy Revision and Update

8-1 This Policy shall be subjected for revision by the Board of Directors and with Nomination and Remuneration Committee's recommendation, and may be modified by a decision from the General Assembly, knowing that Board of Directors' members may not vote on the Remuneration article for the Board of Directors' members in the General Assembly meeting.

9 Disclosure

9-1 The Board of Directors must disclose in its annual report about the details of this Policy and the mechanisms of determining the remunerations of the Board and its Standing Committees' members, and the overall remunerations of the Senior Executives, and the amounts and the financial benefits and the benefits in kind paid for every member of Board of Directors' members for any activities or Executive positions or technical or managerial or advisory, and the disclosure shall be mandatory and detailed in the Board of Directors' reports that shall be issued for the fiscal periods which shall commence on 01/01/2020 it shall be detailed according to the Senior Executives' remuneration schedule.

10 Attachments

10-1 remuneration schedule, as stated in the Governance Document issued by CMA.