

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 the 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. Police Administrator (Owner)

The 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 submitting 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

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

6. References

6.1 Corporate Law issued by Royal Decree M/79 dated 25/07/1439H.

6.2 Governance bylaw issued on Capital Market Authority under the decision number (3-45-2018) dated 23/4/2018 corresponding to 7/8/1439H.

6.3 Regulatory standards and procedures issued to implement privat Joint-stock

Companies' Corporate Law listed by Capital Market Authority.

6.4 Company's Articles of Association, approved by the extraordinary General Assembly dated 24/4/2019.

6.5 The Governance bylaw approved by the Board of Directors dated 20/3/2019.

6.6 Nomination and Remuneration bylaw approved by the extraordinary General Assembly dated 24/4/2019.

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 A letter should be presented within a month from opening the registration to the Company's management indicating the candidate's interest in being a Board member. The letter should include the Curriculum vitae, qualifications, and experience in the Company's activities according to relevant forms and requirements.

7.2.2 A list of the current Boards' memberships.

7.2.3 A list of companies or corporations which practice similar activities and the candidate participates in their ownership or management.

7.2.4 A disclosure of any conflict of interest cases should be presented to the Board of Directors and the General Assembly according to the regulations stated by the organization which includes:

- Any direct or indirect interest in the Company activities and contracts.
- Being part of any business that competes with the Company or any of its activities.

7.2.5 A list of the previous Boards' memberships and their dates. If the Company's previous Board of Directors included in that list, the candidates shall state the Board term and the Company shall complete the remaining procedures.

7.3 Conditions for choosing Board of Directors members:

7.3.1 The Board member should have sufficient professional adequacy, experience, knowledge, and necessary skill, as well as the academic qualifications, which will enable them to carry out their duties efficiently and accurately, in addition to the effective contribution in managing, fostering, and protecting the Company's profits\interests.

7.3.2 Not to serve as a member of more than five Boards of listed joint-stock companies at the same time.

7.3.3 Healthy, free from any medical problems which hinder them from carrying out their duties and tasks.

7.3.4 Not an employee in a competing company, or take part in any activity that competes with the Company.

7.3.5 Not a Government employee (except Government nominees and representatives of shareholding Quasi-Government bodies).

7.3.6 Never been removed or fired from the Board of Directors of a joint-stock company or from any department due to carelessness, poor management, or irregular attendance of Board of Directors or its Committees meetings.

7.3.7 Never been convicted of any offence involving breach of honor or integrity.

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 A 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, in addition to the remuneration that he can obtain as a member of the Board of Directors and in the committees formed by the Board of Directors in accordance with the Companies Law and Company's Articles of Association.

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 (3-7) 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 Articles of Association 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 Company's Articles of Association for membership expiration, the Board Secretary shall notify the Competent Authority in the Ministry and the Organization immediately with a statement that contains 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