

## Sports Club Company

### Remuneration and Nomination Committee Charter

Version: 1/2024

This charter was approved by the General Assembly of Shareholders of Sports Club Company in its meeting held on 22/08/2024

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## 1) Definitions:

The following terms and expressions shall have the meaning they bear as follows unless the contrary intention appears:

- **Charter:** The Nomination and Remuneration Committee Charter.
- **Committee:** The Nomination and Remuneration Committee.
- **Chairman:** The Chairman of the Committee.
- **Member:** A member of the Nomination and Remuneration Committee, collectively referred to as "Members."
- **Secretary:** The Secretary of the Nomination and Remuneration Committee.
- **Company:** the Sports Club Company.
- **Board or Board of Directors:** The Board of Directors of the Company.
- **Authority:** The Capital Market Authority (CMA).
- **Tadawul or Market:** The Saudi Stock Exchange (Tadawul).
- **Companies Law:** The Companies Law issued by Royal Decree No. (M/132) dated 1/12/1443H (corresponding to 30/6/2022G), as amended.
- **Corporate Governance Regulations:** The Corporate Governance Regulations issued by the Authority's Board pursuant to Resolution No. 8-16-2017, dated 16/5/1438H (corresponding to 13/2/2017G), as amended by Resolution No. 8-5-2023, dated 25/6/1444H (corresponding to 18/1/2023G), as amended.
- **Non-Executive Member:** A member of the Board who is not a full-time member of the management team of the Company and does not participate in its daily activities.
- **Independent Member:** A non-executive member of the Board who enjoys complete independence in his position and decisions and none of the independence affecting issues stipulated in the Corporate Governance Regulations apply to him/her.
- **Executives:** persons responsible for managing the daily operations of the Company, and proposing and executing strategic decisions, such as the Chief Executive Officer (CEO) and his/her delegates and the Chief Financial Officer (CFO).

The definitions provided in the Corporate Governance Regulations and the "Glossary of Defined Terms Used in the Regulations and Rules of the Authority" shall serve as a primary reference for any undefined terms used in this Charter.

## **2. Overview of the Nomination and Remuneration Committee:**

- 1) The Nomination and Remuneration Committee ("Committee") is formed within the Company by a resolution of the Board of Directors, subsequent combining the Nomination committee and Remuneration committee into one Committee to comply with the requirements of chapters three and four of Part four of the Corporate Governance Regulations. The Committee exercises its functions in alignment with the provisions set forth in the Corporate Governance Regulations.
- 2) This Charter outlines the responsibilities, authorities, and obligations designated to the Committee, along with additional provisions concerning membership criteria, meetings, and remunerations. This charter has been developed in alignment with the recommendation of the Board to be presented to the General Assembly for approval in compliance with the Corporate Governance Regulations.
- 3) The main aim of the Committee is to support the Board in executing its oversight duties related to the nomination of Board members and senior executives, while also safeguarding the integrity of the Company's approach in terms of compensation, benefits, incentives, and salaries.

## **3. Formation, Term, and Rules Governing Committee Membership:**

- The members of the Committee are appointed by the Board for a term not exceeding four (4) years. Membership will end either at the end of the designated term or upon the termination of the Board's term. Members may be reappointed. Members of the committee shall not be Executive Directors, provided that there shall be at least one Independent Director among them.
- The Committee shall consist of a minimum of three (3) and a maximum of five (5) members, all of whom are non-executive Board members, provided that there shall be at least one independent member among them. The Committee may also include individuals other than Board members either from shareholders or others. The Chairman of the Board may be a member of the Committee, provided that he does not assume the role of Chairman of the Committee.
- The Committee shall appoint, from among its members, a Chairman who must be an independent member of the Board.
- During the process of selecting Committee members, the Board shall consider the expertise and experience of each potential member, particularly any specialized knowledge pertinent to the Committee's functions. This includes areas such as the compensation and payment structures for Board members and executive management, employee benefits, labor law, and the required

responsibilities and areas of specialization of the Board members. It is essential that the appointed member is capable of dedicating the requisite time and effort to effectively carry out their responsibilities.

- The Committee chairman shall appoint the Secretary for the Committee, who may either be a member of the Committee or an employee from the Company's staff, to oversee the administrative responsibilities of the Committee.
- The Board holds the authority to remove any or all members of a committee if they breach the provisions of the Corporate Governance Regulations or any other applicable regulations set forth by the Authority, or for any other reasons deemed appropriate by the Board. Additionally, the Board retains the right to reappoint these members. A Committee member may choose to resign, provided that such resignation occurs at a time that the Board considers acceptable.
- It is prohibited for any executive of the Company to serve as a member of the Committee.
- The term of a committee member who also serves on the Board will end either with the conclusion of their Board membership or their voluntary resignation from the Committee. For those Committee members who are not Board members, their membership will terminate upon their

resignation or at the end of the Committee's designated term. Members are expected to continue in their roles until their successors are appointed.

- A Committee member's membership will also be terminated if they are absent from three consecutive meetings without a valid excuse approved by the Board.
- Should a vacancy arise during a committee member's term, the Board shall have the responsibility to appoint a new member to complete the remaining term of the predecessor.
- When appointing Committee members, it is crucial to minimize potential conflicts of interest to the greatest extent possible.
- The Authority shall be notified of the names of Committee members and the type of their memberships within five (5) business days of their appointment or any changes thereto within five (5) business days
- of the date of such changes. This provision shall apply only after the Company becomes a publicly listed Company.

#### 4. Meetings, Procedures, and Operating Guidelines of the Committee:

- The Committee shall convene periodically, at least once every six months. Additional meetings may be held from time to time at the request of the Board, the Chairman of the Committee, or two members of the Committee.
- In circumstances where the Chairman is unable to participate in the meeting or faces a conflict of interest concerning any of the topics under discussion, the attending members shall appoint a Chairperson to preside over the meeting.
- Members shall submit to the Secretary the topics proposed for discussion and the decisions to be made by the Committee at its upcoming meeting at least ten business days prior to the meeting's scheduled date.
- The Chairman, with the assistance of the Secretary, shall set the agenda for each meeting, taking into account the topics submitted by members, as well as any other matters deemed necessary by the Chairman. The agenda shall specify the meeting time and the time allocated

for each agenda item. The agenda and related documents shall be sent to members at least five days before the scheduled meeting.

- A meeting shall be deemed achieved if the majority of members attend, either in person or by proxy, provided that at least two members must be present in person. A member may not represent more than one other member at the same meeting. Committee resolutions are adopted by the majority votes of the present members, in the event of a tie, the meeting chairman shall have a casting vote.
- A member may attend Committee meetings via modern communication means, such as conference calls, video conferences, or telephone, and such participation will be regarded as being the same as physically present at the meeting, having full voting rights, and having their acknowledgement noted in the minutes.
- Committee meetings shall be documented through minutes that include the discussions and deliberations held, the Committee's recommendations, voting results, and the names of attendees, including any objections raised. The minutes of meeting shall be signed by all attending members, including the Secretary, and stored in an organized register.
- The Committee may issue its recommendations and decisions by circulation.
- No Board member or executive management member may attend Committee meetings unless specifically requested by the Committee.
- The Committee may delegate any of its responsibilities to a subcommittee consisting of one or more members of the Committee.
- A Committee member is prohibited from exploiting or benefiting—directly or indirectly—from any of the Company's assets, information, or investment opportunities presented to the member in their capacity as a committee member or to the Company. This includes

investment opportunities that fall within the Company's activities or those in which the Company wishes to participate.

- Furthermore, the restriction aforementioned, shall extend to any member who resigns in order to exploit—directly or indirectly—investment opportunities that the Company wishes to utilize and that became known to them during their tenure as a Committee member.
- A member shall notify both the Committee and the Board of any conflicts of interest that may affect his neutrality, in considering matters being addressed by the committee. The Chairman of the Committee shall exclude the member from the relevant deliberations and voting on such matters, with this exclusion being recorded in the meeting minutes. This exclusion will be documented in the minutes of the meeting.
- The Committee shall notify the Board of any developments that may affect its independence or any conflicts of interest that arise in connection with the Committee's decisions.
- The Committee is accountable to the Board of Directors for its actions.
- The Chairman of the Committee, or a committee designated representative, is required to participate in General Assembly meetings to respond to shareholders inquiries.

##### **5. Powers and Responsibilities of the Committee:**

- Preparing a clear policy for the remunerations of the Board members and its committees and the Executive Management, and presenting such policy to the Board in preparation for approval by the General Assembly, provided that such policy follows standards that linked to performance, and disclosing and ensuring the implementation of such policy; and be subject



to annual review or review upon request by the Board, with appropriate recommendations submitted to the Board.

- Clarifying the relation between the paid remunerations and the adopted remuneration policy and highlighting any material deviation from that policy. 3)
- Reviewing periodically the remuneration policy and assessing its effectiveness in achieving its objectives.
- Providing recommendations to the Board in respect of the remunerations of its members, the committees' members, and Senior Executives, in accordance with the approved policy.
- Recommending to the Board the remuneration for Board members, Board committees, and senior executives of the Company in accordance with the approved policy.
- Oversee the disclosure of remunerations, which shall be included in the Board's annual report.
- Providing recommendations to the Board regarding the criteria for individuals to fill the role of Chief Executive Officer (CEO), including contract terms and job descriptions.

In addition, providing recommendations to the Board for the nomination for the positions of CEO, Chief Financial Officer (CFO), and senior executives.

- Suggesting clear policies and standards for membership of the Board and the Executive Management.
- Providing recommendations to the Board for the nomination or re-nomination of its members in accordance with approved policies and standards, taking into account that nomination shall not include any person convicted of a crime involving moral turpitude or dishonesty.
- Preparing a description of the capabilities and qualifications required for membership of the Board and Executive Management positions.
- Determining the amount of time that the member shall allocate to the activities of the Board.
- Annually reviewing the skills and expertise required of the Board members and the Executive Management.
- Reviewing the structure of the Board and the Executive Management and providing recommendations regarding changes that may be made to such structure.

- Annually ensuring the independence of Independent Directors and the absence of any conflicts of interest if a Board member also acts as a member of the Board of directors of another company.
- Providing job descriptions for the Executive, Non-Executive and Independent Directors and the Senior Executive Management.
- Setting procedures to be followed if the position of a member of the Board or a Senior Executive becomes vacant.
- Determining the strengths and weaknesses of the Board and recommending remedy solutions that serve the Company's interests.
- Review and evaluate the aforementioned principles and policies, making recommendations for amendments when deemed necessary.

While preparing and forming the remuneration policy, the Committee shall ensure the following:

- 1) Be consistent with the Company's strategy and objectives.
- 2) Provide remunerations with the aim of encouraging the Board members and Executive Management to achieve the success of the Company and its long-term development, by for example making the variable part of the remuneration linked to the long-term performance.
- 3) Determine remuneration based on job level, duties and responsibilities, educational qualifications, practical experience, skills, and level of performance.
- 4) Be consistent with the magnitude, nature and level of risks faced by the Company.
- 5) Take into consideration the practices of other companies in respect of the determination of remunerations and avoid the disadvantages of such comparisons in leading to unjustifiable increases in remunerations and compensations.
- 6) Attract talented professionals and retain and motivate them without exaggeration.
- 7) Be prepared in coordination with the nomination committee in respect of new appointments;
- 8) Take into consideration situations where remunerations should be suspended or reclaimed if it is determined that such remunerations were set based on inaccurate information provided by a member

of the Board or the executive management, in order to prevent abuse of power to obtain unmerited remunerations; and

- 9) Regulating the grant of Company's shares to the Board members and the Executive Management, whether newly issued or purchased by the Company. Any stock option shall be in compliance with the relevant regulations set forth by the competent authorities and obtain approval from the General Assembly.

#### **6. Allowances and Remuneration:**

- 1) Without prejudice to the relevant statutory requirements and the Company's bylaws, the remuneration of Committee members shall consist of annual remuneration, in addition to a meeting attendance allowance and reimbursement for travel and accommodation expenses for the members residing outside the city where meetings are conducted, in accordance with the Company's approved remuneration policy.
- 2) Remuneration shall be paid on a monthly or quarterly basis, as determined by the Board.
- 3) The annual remuneration shall be calculated as of the date the Board approves the member to join the Committee.
- 4) Remuneration shall be proportional to the number of meetings attended by the Committee member. Details of the remuneration and allowances received by Committee members shall be disclosed into the Board annual report.
- 5) The Chairman of the Committee shall determine the annual remuneration and/or attendance allowances for the Committee Secretary.

#### **7. Nomination Procedures**

When nominating members for the Board, the Committee shall adhere to the provisions set forth in the Policy and Criteria for Board Membership and comply with the requirements established by the Authority. Additionally, the Committee shall ensure that the number of nominees presented to the

General Assembly exceeds the available seats on the Board, thereby providing the General Assembly with an opportunity to select from among the candidates.

## 8. Publishing the Nomination Announcement

The Company shall publish the nomination announcement on the websites of the Company and Tadawul, 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. If the Committee determines that an extension of the nomination period is necessary, it will make the appropriate decision.

## 9. Additional Powers and Duties:

- 1) The Committee shall have the authority, at its discretion, to retain or dismiss legal or advisors who report directly to the Committee, under terms and conditions, including fees, agreed upon by the Committee. The Committee alone has the authority to approve such engagements.
- 2) The Committee is entitled to request the attendance of any Company officer or employee, external consultant, or any other advisors at its meetings or to meet with any of its members or advisors.
- 3) The Committee shall conduct an annual review of its Charter and performance, including an assessment of the qualifications of its members, each member's attendance, understanding of responsibilities, and

contributions to the Committee's functions. The Committee shall recommend any changes deemed appropriate to be approved by the Board in due course.

- 4) The Committee shall submit reports to the Board, granting the board access to its meeting minutes, findings, and decisions, while the Chairman of the Committee shall present any significant matters to the Board.
- 5) The Committee shall study matters referred to it by the Board and submit recommendations for Board decision-making or make decisions directly if delegated authority by the Board.
- 6) Committee members **must maintain** strict **confidentiality** of all discussions and committee work-related matters.

## **10. Implementation and Amendment**

- 1) This policy shall come into effect as of the date of its approval by the General Assembly.
- 2) The Committee shall conduct an annual review of this Charter, and any amendments shall be approved by the Board and ratified by the General Assembly.
- 3) The provisions and requirements hereof that are in relation to disclosure, notification, transparency, and reporting that apply to listed companies shall apply to the Company as of the date of listing the Company's shares on the Saudi stock exchange.