



شركة الأندية للرياضة  
SPORT CLUBS COMPANY

شركة مساهمة سعودية مغلقة | Closed Joint Stock Saudi Co.  
رأس المال المدفوع: ١٠٤,٠٠٠,٠٠٠ ريال سعودي | س.ت: ١٠١٦٧٨٩٢

Sports Clubs Company  
Board Membership Policy and Standards  
Version: 1/2024

This Policy was formulated in accordance with the Board of Club Sports Company recommendation provided in its meeting held on 28/07/2024, and subsequently approved by the Company's General Assembly, in its meeting held on 22/08/2024.

**DISCLAIMER** This English version of this document is a translation of the original Arabic document and has been made for the purpose of informing non-Arabic speakers of the said document. In case of any discrepancy or misinterpretation of any clause or article, the original Arabic document shall prevail.



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## 1. Definitions:

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

- **Company:** Sports Clubs Company.
- **Board or Board of Directors:** The Board of Directors of the Company.
- **Authority:** The Capital Market Authority (CMA).
- **Tadawul or the Market:** The Saudi Stock Market.
- **Companies Law:** The Companies Law issued by Royal Decree No. (M/132) dated 1/12/1443 (corresponding to 30/6/2022), along with any amendments that may be made to it.
- **Corporate Governance Regulations:** The Corporate Governance Regulations issued by the Authority's Board under Decision No. 8-16-2017 dated 16/5/1438 (corresponding to 13/2/2017), amended by the Capital Market Authority Board Decision No. 8-5-2023 dated 25/6/1444 (corresponding to 18/1/2023), along with any amendments that may be made to it.
- **Non-Executive Member:** A member of the Board of Directors who is not full-time member of the management 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 Corporate Governance Regulations apply to him.
- **Nominations and Remuneration Committee:** The Nominations and Remuneration Committee of the Sports Clubs Company.

The definitions provided in the Corporate Governance Regulations and the "Glossary of Terms Used in the Capital Market Authority's Regulations and Rules" shall serve as the primary reference for any undefined terms in this policy.



## 2. Introduction:

The objective of this policy is to define clear standards and procedures for individuals seeking membership on the Company's Board of Directors, in compliance with the stipulations set forth in the Corporate Governance Regulations. This policy is applicable to those aspiring to join the Board. Furthermore, it seeks to reinforce and enhance the pertinent stipulations set forth in the Company's bylaws. Should any discrepancies arise between this policy and the bylaws, the bylaws will prevail.

## 3. Formation of the Board:

- 1) The Company is managed by a board of directors consisting of six (6) members elected by the general assembly of shareholders for a term not exceeding four (4) years. Board members may be re-elected for multiple terms.
- 2) Cumulative Voting shall be used in electing the Board members, in which it is not allowed to use the voting right of a single share more than once.
- 3) The majority of the Board members shall be non-executive members.
- 4) The number of Independent Members shall not be less than two members or one-third of the Board members, whichever is greater. The independent member is expected to maintain full independence in their role and decision-making, free from any disqualifications criteria of the independence as stipulated in Corporate Governance Regulations.
- 5) When forming the Board, consideration should be given to elect a sufficient number of members with relevant expertise in the Company's core business activities are appointed, alongside their general experience as detailed in their biographies.

## 4. Shareholder's Right to Nomination for the Board Membership

Each shareholder has the right to nominate himself or another individual or more, whether from among the shareholders or otherwise, for the membership of the Board. The Board represents all shareholders; it shall perform its duties of care and loyalty in managing the Company's affairs and undertake all actions in the general interest of the Company and develop it and maximize its value.



#### 5. Conditions for Board Membership

The Board Candidate is required to be professionally capable and has the required experience, knowledge, skill, and independence, as well as the desire to ongoing learning, which enable him to perform his duties efficiently. The candidate shall have the following qualifications in particular:

- 1) Leadership skills which enable him to delegate powers in order to enhance performance and apply best practices in effective management and compliance with professional ethics and values.
- 2) Technical, leadership, and administrative competencies as well as the ability to take prompt decisions, and understand technical requirements and developments related to the job. He shall also be able to provide strategic guidance and long-term planning and have a clear future vision.
- 3) Ability to make decisions impartially, free from influence by executive management or external parties, consistently putting the Company's and its shareholders' interests first.
- 4) Have academic qualifications and proper professional and personal skills as well as an appropriate level of training and practical experience related to the current and future businesses of the Company and the knowledge of management, economics, accounting, as well as the desire to learn and receive training.
- 5) Shall not suffer from any health issue that may hinder him/her from performing his/her duties and responsibilities.
- 6) Enjoys a reputation of utmost honesty.
- 7) The General Assembly shall take into account, when electing members to the Board, the regulations and the personal and professional capabilities required to perform their duties effectively pursuant to this Article.
- 8) The Nominations and Remuneration Committee is required to follow the stipulations, provisions, and criteria specified in this policy, as well as any additional requirements set forth by the Authority, when nominating the eligible candidates for Board membership.

#### 6. Criteria of the Board Membership

Individuals seeking to nominate themselves for a position on the Company's Board of Directors shall meet the following conditions and criteria:

- 1) The candidate must be at least 25 years old.



- 2) The candidate must hold an appropriate academic qualification, ideally holding at least a bachelor's degree, preferably in a major that prepares him to effectively oversee the Company's management.
- 3) The candidate is expected to have a minimum of three years of pertinent professional experience within the Company's sector or in closely related fields.
- 4) The candidate must possess knowledge and experience with technologies relevant to the Company's operations and should have a reasonable understanding of information technology and associated domains.
- 5) The candidate must be knowledgeable in accounting, financial analysis, statistical analysis, and risk management.
- 6) The candidate must have the financial literacy necessary to interpret and analyze financial statements and reports, including the ratios used to measure the KPIs.
- 7) Preference will be given to candidate who have a solid understanding of management and finance, be familiar with applicable rules, regulations, and legislation, and as well as understanding the rights and responsibilities of the Board. They should also have acceptable experience serving on boards or in senior executive positions within similar companies in the private or public sectors and be effective in external communications.
- 8) Preference will be given to candidates who have held or currently hold a leadership position where they have been involved in strategic planning and decision-making.
- 9) For those candidates who have previously served on a Board, it is required that their attendance at Board meetings during their previous term is at least 75% of the total meetings conducted over the last four years.
- 10) Compliance with the relevant laws, regulations, and guidelines in the Kingdom is mandatory for all candidates.
- 11) Preference is given to those who have previously served on the Board of Directors of a joint-stock company.
- 12) The candidate must not have been subject to a decision from the Authority.
- 13) Individuals who have previously served on the Board of Directors of a Company that has been liquidated or who have been dismissed from a Board position shall not be eligible for nomination.



- 14) A Board member shall not be a member of the Boards of Directors of more than five listed joint stock companies at the same time.
- 15) The candidate must not have previously been convicted of any crimes involving dishonor or trust.
- 16) The candidate shall not have been previously declared bankrupt.
- 17) The candidate cannot be a government employee, except for those appointed by state sectors.
- 18) The candidate shall not have any interests or to be engaged in any activities that would compete with the Company's business or operations, except as permitted under applicable regulations, the Company Bylaws, and the Conflict-of-Interest Policy regarding transactions with related parties.
- 19) It is essential that all members of the Board are individuals with natural legal status.
- 20) The candidate shall agree to be interviewed by the Nominations and Remuneration Committee.
- 21) The candidate should have experience in management, sufficient knowledge of enhancing and developing company performance, familiarity with developmental perspectives, crisis management, and time management.
- 22) The candidate shall allocate sufficient time to fulfill their responsibilities.
- 23) The recognition of a diverse range of educational backgrounds and practical experiences is essential in the selection process for Board membership, with a focus on identifying candidates who possess the requisite skills tailored to the specific needs of the organization. This includes individuals with experience in:
  - Governance, risk management, auditing, or investment, which may encompass time spent in academic roles at the university level or in specialized applied institutes within these domains.
  - Proven track record in formulating strategies, policies, and economic plans for organizations, as well as in overseeing their execution or managing daily operations.
  - Supervising transactions, acquisitions, contracts, and sales and marketing initiatives is also vital.
  - Demonstrate expertise in organizational development and workplace dynamics, along with a foundational understanding of human resources.



- The Board retains the authority to set additional conditions, qualifications, and criteria for membership beyond those outlined in Sections Four and Five, based on the recommendations put forth by the Nominations and Remuneration Committee.

#### 7. Procedures for Nominating Board Members:

1. The Nominations and Remuneration Committee is responsible for coordinating with the Company's executive management to announce the opening of nominations for membership on the Board of Directors in compliance with the Companies Law and the Corporate Governance Regulations.
2. The Company shall announce the opening of nominations for the Board membership at least 60 days prior to the conclusion of the Board term.
3. The Company publishes the nomination announcement on the Company's website, the market website, and in any other manner specified by the Authority to invite individuals who wish to nominate to the Board of Directors; The announcement must include the conditions, qualifications, and criteria for Board membership, and the nominations shall be open for at least one month following the date of the announcement.
4. Individuals interested in nominating themselves for a position on the Company's Board are required to express their intention through a written notification addressed to the Company's Nominations and Remuneration Committee, adhering to the specified timelines and dates outlined in the relevant policy and regulations. The notification shall incorporate a comprehensive introduction of the candidate in Arabic, along with the official CV format as provided by the Authority, detailing their qualifications and professional experiences. Furthermore, candidates shall submit all necessary identification documents, including a national ID card, family card, and passport for non-Saudis seeking council membership, as well as any additional documentation mandated by the Company to meet regulatory standards. It is also essential to indicate the description of the candidate's membership (whether independent, executive, or non-executive) and clarify the nature of their membership, whether in a personal capacity or as a representative of a legal entity.
5. The candidate who has previously served on the Company's Board shall attach a statement from the Company's management, detailing their last term on the Board and including the following information:





- Number of Board meetings held during each year of the term.
  - Number of meetings attended by the member in person, along with their attendance percentage relative to the total number of meetings.
  - The Committees in which the member participated, including the number of meetings held by each committee during each year of the term, the number of meetings attended by the member, and their attendance percentage relative to the total number of meetings.
6. The candidate is required to disclose to the Board and the General Assembly any potential conflict of interest, in accordance with the provisions set forth by the Authority, including:
- Any direct or indirect interest in transactions and contracts executed on behalf of the Company for which the candidate seeks Board membership.
  - Participation in any activity that could compete with the Company or any of its business sectors.
  - A statement of the joint-stock companies in which they currently hold membership.
  - If the candidate is considered a relative (as defined in the Corporate Governance Regulations) of any members of the Board or senior executives of the Company, or of any members of the Board or senior executives of any of the Company's subsidiaries.
7. At the end of the nomination period, the Nominations and Remuneration Committee will convene to review the submitted nomination applications and document all relevant observations and recommendations. The Committee shall review and assess the resumes and the received documentation pertain of the candidates in accordance with the applied policies and adopted criteria and shall recommend to the Board those candidates who meet the membership requirements.
8. If a candidate does not meet the necessary requirements as outlined above, including the inability to provide the required information within the stipulated time limit, the Committee has the right to reject the nomination request and archive it.
9. The Nominations and Remuneration Committee will coordinate with the Company's executive management to provide the Authority with the nomination notifications, including the candidates' resumes, in accordance with the format approved by the Authority.

**Commented [je1]:** Board or General assembly - review Arabic version



10. The Nominations and Remuneration Committee is required to act according to any feedback provided by the pertinent authorities concerning the nominations.
11. Information regarding the candidates for Board membership shall be posted on the market's website at the time the invitation for the convening of the General Assembly is posted and published. The information shall include a comprehensive overview of the candidates' experiences, qualifications, skills, as well as their current and previous roles and affiliations. Additionally, a copy of this information shall be accessible at the Company's head office and on its official website.
12. Cumulative Voting shall be used in electing the Board members, in which it is not allowed to use the voting right of a single share more than once.
13. Voting in the General Assembly shall be confined to the Board nominees whose information has been announced as per paragraph (7) of this Article.
14. It should be noted be ensured that the number of nominees to the Board whose names are presented to the General Assembly shall be more than the number of available seats.

**8. Termination of Membership and Vacant Positions on the Board:**

- 1) Membership of the Board ends with the expiration of its term, or the member becomes unfit for membership in the Board in accordance with the Board membership criteria or by any law or regulations prevailing in the Kingdom. However, the General Assembly may, upon the recommendation of the Board of Directors, terminate the membership of any of its members who fail to attend three consecutive or five separate Board meetings during their term of office without a legitimate excuse accepted by the Board.
- 2) The Ordinary General Assembly may dismiss all or some Board members, and in such cases, the Assembly shall elect a new Board or appoint a replacement for the dismissed member, as applicable, in accordance with the provisions of the Companies Law and its implementing regulations.
- 3) The Board, before the board term ends, shall take the necessary steps to call for the Ordinary General Assembly meeting to convene in order to elect a new Board. If the election cannot be held, and In the event of expiration of the term of the Board of Directors, all members shall continue to perform their functions until the election of a new Board of Directors for new term, the duration of which shall not exceed the period of ninety (90) days from the date of expiration.



- 4) In the event that the chairman and members of the Board resign, they shall call for the Ordinary General Assembly meeting to convene in order to elect a new Board, and such resignation shall not be effective until a new Board is elected, provided that the period of such continuation of the resigned Board does not exceed (120) days from the date of such resignation.
- 5) A member of the Board may resign through a written notification addressed to the Chairman of the Board. In case of the Chairman resignation, the notification needs to be addressed to the Board members and the Secretary of the Board. In such cases, the resignation shall take effect from the date of its notification.
- 6) If the position of a Board member becomes vacant, due to death or resignation, and such vacancy does not affect the required conditions to convene the Board, accordingly, the Board may appoint a member to temporarily fill the vacancy provided that such member meets the conditions of experience and efficiency. This appointment should be notified to the CMA and The Ministry of Commerce within five (5) days from the date of appointment. The appointment shall be referred to the ordinary general assembly in its first meeting. The new member shall complete the term of his predecessor.
- 7) If the board of directors fails to convene due to not satisfying the minimum number of members as prescribed in the Companies Law or these Bylaws, the existing members shall call for an Ordinary General Assembly within sixty (60) days to elect the required number of members.
- 8) In the event that a Board member's membership is terminated for any reason, the Company is required to promptly inform both the Authority and the market, with providing the reasons for such termination.
- 9) Upon receiving a request from one or more shareholders representing (10%) of the Company's voting shares for removal of some or all Board members in accordance with Article (90) of the Companies Law, the Board shall include, in the invitation to convene the Ordinary General Assembly, the name of the shareholder who submitted the request and the justifications of such request. The concerned Board member shall have the right to make a statement regarding the request in the relevant Ordinary General Assembly meeting.



#### **9. Implementation and Amendment:**

- The Company is committed to upholding this policy, which will take effect as of the date of its approval by the General Assembly. It is critical that this policy is communicated to relevant stakeholders in accordance with the disclosure requirements established by the relevant regulatory bodies.
- This policy will be reviewed annually and may be revised based on recommendations from the Nominations and Remuneration Committee, as deemed necessary, or in response to any regulatory changes issued by the relevant authorities in the Kingdom that necessitate a reassessment or modification of the policy. Any changes must be approved by the General Assembly upon the Board's recommendation.
- 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 Tadawul.