

Board of Directors and Independent Members' Evaluation Policy

Approved by the Board of Directors in January 2023 AD.



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Introduction

Based on the provisions of Paragraph B of Article 20 and Article 41 of the Corporate Governance Regulations issued by the CMA Board by virtue of Resolution No. (8-16 - 2017) dated 16/05/1438 AH corresponding to 13/02/2017 and based on the Companies Law issued by Royal Decree No. (M/3) dated 28/1/1437 AH, as amended by CMA's Resolution No. 1-7-2021 dated 1/6/1442 AH corresponding to 14/1/2021 AD, the evaluation policy of the Board of Directors and its independent members has been prepared.

Article 1: The Board's Performance Evaluation and Review

The Board of Directors shall, upon the proposal of the Nomination and Remuneration Committee, develop the necessary mechanisms to evaluate the performance of the Board, its members, committees and executive management through appropriate performance indicators related to the extent to which the Company's strategic objectives are achieved, the quality of risk management, the adequacy of internal control systems, and other factors, provided that the strengths and weaknesses should be specified and proposals for addressing them should be made in line with the Company's interests.

Performance appraisal procedures shall be disclosed to the members of the Board of Directors and persons concerned with evaluation in a clear and written format.

The performance evaluation shall include the skills and expertise of the Board and identify its weaknesses and strengths while addressing the weaknesses by practical means, such as the nomination of professional competencies that can develop the Board's overall performance. The performance evaluation must also include an assessment of the Board's work mechanisms in general.

The Chairman shall review the results of the performance appraisal by identifying strengths and addressing the Board's weaknesses, and proposing new members - if necessary - to the Board. In its annual report, the Board shall explain how the performance appraisal has been carried out, and a specialized third party can be outsourced to conduct this evaluation.

The Board of Directors shall make the necessary arrangements to obtain the assessment of a competent third party for its performance every three years, as and when required.

Article 2: Final Provisions (Publishing, Enforcement and Amendment)

1. This policy shall be applied and adhered to by the Company as of the date of its approval by the Board of Directors.
2. This policy shall be reviewed periodically, when needed, by the Nomination and Remuneration Committee. Any amendments proposed by the Committee shall be submitted to the Board of Directors for approval.
3. This procedure is performed by the Board's Secretary, who must also keep copies of the assessments.

Assessment models

1- Board Evaluation Form

Assessment:

1 = rare / weak

2 = Sometimes / below average

3 = Time / Average

4 = Most time / better than average

5 = all time / full satisfaction

The Board's and Board Committees' Effectiveness # of actions		Assessment:				
		5	4	3	2	1
1	Corporate Strategy Development All board members support and discuss the company's strategy and values so that they can control its performance from the top of the pyramid					
2	STRATEGY All Board members clearly understand the company's core activity, strategic direction, and financial and human resources needed to achieve the company's objectives					
3	Managing the Board's Meetings and Deliberations In board meetings, good discussions should be encouraged, and decisions must be communicated transparently and effectively					
4	Success of the Internal Relationships in the Board The members of the Board shall issue their decisions in a cooperative and objective manner for the benefit of the Company, and they should be committed to a collective responsibility for the success of the Company.					
5	Success of the Board's relations with others The Board of Directors effectively communicates with all stakeholders of the company and seeks to obtain their views and feedback					
6	Skills of the Board Members The Board members should understand each other's role and their peers' roles expected to be performed in the Board, and they should possess the required skills and experience to carry out their duties					
7	Responsiveness to Events The Board of Directors should respond positively and constructively to events in order to help reaching and implementing effective decisions and promote transparency in information exchange					
8	Chairman of the Board The character and leadership style of the Chairman should encourage effective decision-making and constructive discussions in order to ensure that the Board acts and behaves in a collective and unified manner					
9	Relationship of the Chairman with the Company's CEO The Chairman and CEO should cooperate closely in a manner guaranteeing that their skills and expertise complement each other					
10	Attendance of and Contribution to the Meetings All board members must attend the meetings and participate positively to them					
11	Keeping Open Communication Channels The Board of Directors shall maintain open communication channels with the management of the Company and other entities to let information be passed to it according to the required specifications					
12	The Board's Composition The Board of Directors must have the right number of members with an optimal mixture of skills to maximize its effectiveness					

13	The Board's Charter The Board's charter is appropriate, and its tasks and responsibilities are clear so that it is competent to address due matters and decide on them					
14	The Board's Committees The Board's committees should be duly established, thus carrying out the tasks assigned to them and reporting their results to the Board in a clear and flawless manner					
15	The Company's Secretary The secretary should act appropriately to duly inform the Board, and s/he should also collaborate with the Chairman and the non-executive members of the Board					
16	Non-executive Board Members They should actively contribute to the development and formulation of the company's strategy and monitor its management's performance through their constructive assistance and criticism					
17	The Meetings and their Management The Board of Directors shall hold adequate meetings periodically, equipped with the required level of information quality and details, so that agenda items can be discussed within their allocated time periods					
18	Appropriate Timing of Information Disclosure The Board receives the required information within a sufficient period to be studied with an opportunity for further clarification if required					
19	Agenda items The agenda of the Board of Directors includes all matters of concern to the Company according to its priorities					
20	General Assembly Meeting The company should make the most of the annual General Assembly meeting					
21	External Stakeholders The Board of Directors should be fully aware of the external stakeholders, thus ensuring a proper level of communication with them					
22	Company Introduction and Training The Board members ought to receive an appropriate orientation upon their appointment, and they should receive regular training to meet their developmental needs					
23	Career Succession Plan The availability of an appropriate plan to onboard key senior executives					
24	Performance Evaluation Each board member is personally subject to an annual performance assessment that measures his/her contribution and commitment to his/her duties					

2- Board Member Evaluation Form

Assessment:

1 = rare / weak

2 = Sometimes / below average

3 = Time / Average

4 = Most time / better than average

5 = all time / full satisfaction

Board member effectiveness assessment tool # actions		Assessment:				
		5	4	3	2	1
1	Strategy Creation Board member clearly understands the company's core activity and participates in the development of its strategic objectives					
2	Ensuring Successful Performance The Board member ensures the availability of the financial and human resources necessary to achieve the company's objectives					
3	Defining and Implementing the Values The Board member supports the company's standards and values, which enables him/her to control performance from the top of the organizational pyramid					
4	Demonstrating Courage and Integrity The Board member is willing to constructively uphold his or her position, express opposition, and act as a role model in ethical matters					
5	Attending Board meetings Board member regularly attends meetings					
6	Meeting Preparations Board member prepares well before attending the meetings					
7	Positive Engagement Board member participates actively, positively, and transparently during the discussions of the Board meetings					
8	Personal Accountability Board member demonstrates accountability to contribute to the company's success					
9	Risk and Control Frameworks Board member's approach to risk assessment of the company is open-minded and receptive					
10	Responsiveness to Bad News Board member responds positively and constructively to bad news, encouraging transparency and openness in information exchange					
11	Member's Skills Board member has the right skills and expertise for his/her role					
12	Understanding the Company and its Work Activities The Board member exerts sufficient efforts to know and understand the company and its work activities					
13	Sufficient Time for Tasks The Board member devotes enough time to fulfill his/her duties					
14	Flexibility The Board member anticipates and accepts the concept of change, and promotes positive aspects of change for others					
15	Personal impact The Board member actively communicates and seeks to understand the perspectives of others, and negotiates or influences as per the context					
16	Demonstrating Business Acumen The Board member makes sound decisions and sane judgments when discussing the Board's agenda					

17	Professional Development The Board member is responsible for personal continuous development of the professional competencies					
18	Success of Relations with the Company Management The Board member is open-minded in communications with the company management and other sides, as required					
19	Ensuring the Success of Relations with External Entities The Board member is open-minded in communications with major shareholders and other stakeholders as appropriate to his/her role in the Board					
20	Coordinating with the Company's Secretary Board member benefits adequately from the support provided by the company secretary					

5. Evaluation of Independent Members

Approving the membership status (independent - non-independent) in accordance with the CMA's key Corporate Governance Regulations.

In reference to the key principles of governance in the Corporate Governance Regulations issued by the Capital Market Authority, kindly fill in the Membership Statement Form (independent - non-independent) as per the definition of the independent member below. We hope that you will observe accuracy, and in case any violation of your independence emerges in the future, please inform the Compliance Department or the Secretary of the Board of Directors thereof.

The Independent Member: A non-executive board member with full independence. This means the member's full independence from the company and its management. His Independence also refers to the availability of his ability to judge matters after taking into account all relevant information without any influence from the management or external parties, and that s/he is able to carry out his tasks, express his opinions, and vote on sound decisions objectively and impartially, so that the Board of Directors can make the right decisions that contribute to fulfilling the Company's interests. Thus, none of the following violations to his/her independence should exist:

#	Type:	Assessment:	
		Applicable	Not applicable
1	If the candidate has a relationship with the company in his/her name or in the name of a relative.		
2	Being a member of the Board of Directors of any subsidiary company within the company's group.		
3	Having a direct or indirect interest in the works and contracts carried out for the company.		
4	To participate in a work that would compete with the company's interests, or to work independently in one of the industries carried out by the Company.		
5	To receive money from the Company in addition to the reward for the Board of Directors membership or any of its committees exceeding SAR (200,000) or 50% of his remuneration in the previous year which was received in return for his membership in the Board of Directors or any of its committees, whichever is less.		
6	Being or having been an employee during the past two years with the Company or any entity dealing with the Company or another subsidiary company from the Company's group, such as auditors and senior suppliers, and to hold control shares with any of the past two public parties.		
7	S/he must have spent more than nine consecutive or separate years on the Board of Directors of the Company.		
8	To be the owner of 5% or more of the Company's shares or shares of another subsidiary company in the Company's group, or related to the owner of this percentage.		
9	To be a representative of a person with a legal capacity who owns 5% or more of the Company's shares, or of the shares of another subsidiary company in the company's group.		
10	The existence of a blood relation with any Board member, or any board member of the Company's subsidiaries.		

11	The existence of a blood relation with the Company's executives, or any of the executives of other subsidiaries of the Company.		
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Independence Assessment Model

Relatives:

Parents, mothers, grandparents, grandmothers, extending to all further relatives.
 The boys, their children, extending to all further relatives.
 brothers and sisters, father or mother.
 Couples and wives.

Company Group: Retal Urban Development Company and each of its subsidiary companies.
 The Superiors: the person who controls another person, or shares responsibility with him as being controlled by a third person. In any of the above, control is direct or indirect.

Subsidiaries: Any company controlled by Retal for Urban Development.

Control: the ability to influence the actions or decisions of another person, directly or indirectly, individually or collectively with a relative or an affiliate, through any of the following:

- ✓ Having a percentage equal to 30% or more of the voting rights in the company.
- ✓ The right to appoint 30% or more of the administrative staff.

The Concept of Competitive Works:

The concept of participating in any business in which the Company is being competed against by one of the branches of the activities in which it is engaged:

The establishment by a member of the Board of Directors of a company or individual establishment, or having an influential shareholding or dividends in another company or establishment that carries out an activity of a type identical of the company's activity, or that of its group.

Accepting the membership in the Board of Directors of another competitive company or establishment or of its group, or assuming the management of a competitive individual institution or a competing company in any form, except for the Company's subsidiaries.

If the member obtains a commercial agency or similar, whether visible or hidden, to another company or establishment that competes with the Company or its subsidiary group.

Direct or Indirect Interest in Works and Contracts:

After obtaining the obligatory approval from the Ordinary Assembly for it, it shall not be considered as an interest that violates the independence of the Board member to have his/her work activities and contracts concluded with the Company to meet his personal needs, provided that such works and contracts are carried out under the same conditions and regulations that the Company follows with contractors and customers in general, and are within the Company's usual activities, unless the Nomination and Remuneration Committee decides otherwise.

I hereby attest to the following:	
That I am an independent member as defined above, and in the event of a lack of independence, the Compliance Department or the Secretary of the Board of Directors at Retal Urban Development Company will be informed accordingly.	()
I have been proven not to be an independent member since one of the above cases applies to: (paragraph).	()
	Name of Member
	Signature:
	Date: