

## Replacement and Succession Regulation

Approved by the Board of Directors in January 2023 AD.



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### Introduction

According to the provisions of Article (25 Paragraph 8) and (30 Paragraph 8) of the Corporate Governance Regulation issued by the CMA Board by virtue of Resolution No. (8-16 - 2017) and dated 16/05/1438 AH corresponding to 13/02/2017 based on the Companies Law issued by Royal Decree No. (M/3) dated 28/1/1437 AH, as amended by CMA's Resolution No. 1-94-2022 dated 24/01/1444 AH corresponding to 22/8/2022 AD, the replacement and succession regulation has been prepared in accordance with the requirements of the Company's governance.

The Company's performance depends on a set of key and essential functions. The implementation of these functions is driven by a group of qualified, experienced, and distinguished people with leadership skills. Hence, the Company's management is interested in attracting qualified and talented human resources to work for it, and the management works on retaining these competencies, since the loss of any of them for any reason may lead to poor overall performance of the company. Thus, the company must plan for such cases by working on preparing and qualifying potential successors to fill key and leadership positions by discovering talents available at the company through using modern methods in human capital management to maintain the required level of the company's overall performance. The company should first identify the main and important positions it has, and then work on human resources planning as a basis and an approach to plan for replacement and career succession, given the role of career succession in maintaining the continuity of the company's employment of outstanding competencies. The company must follow the principles of selecting candidates to fill important positions and leadership positions, and it must work in an institutional and systematic manner to develop replacement or career succession policies with the aim of preparing alternative leadership cadres.

### Article 1: Definition of Replacement or Career Succession

Replacement or career succession is the process of identifying potential successors to key positions in the company, and qualifying them with the appropriate skills and experience for their current and future roles, so that they would be ready to take on new leadership roles and to fill key positions when assigned to do so. It is the process of finding the substitute person for the person on duty in the event of the latter's temporary or permanent absence for any reason whatsoever, in order not to leave their position vacant.

### Article 2: Objectives of Replacement or Career Succession

Replacement or career succession aims at:

- a) Identifying alternative employees for important and influential jobs in the Company.
- b) Identifying employees with distinctive competencies and skills who seek to be promoted and aspire to reach leadership levels.
- c) Providing them with training opportunities, developing their capabilities, equipping them with leadership and management skills, and expanding their career horizons to prepare them for assuming leadership responsibilities in the future.

- d) Maintain the talented employees by creating common functions between human capital planning and career replacement.

### Article 3: Replacement or Career Succession Plan

The replacement or career succession plan serves as a type of long-term planning and preparedness in case a vacuum in senior management, middle management, or operations management emerges. Such a vacant position includes, for instance, a CEO, a vice presidents, or a departmental director. These positions are of the utmost importance for ensuring the proper conduct of the Company's work activities, and the sudden occurrence of such a vacancy for any reason may lead to severe disruption to the company, while filling that vacancy from within it saves a lot of time, effort and money compared to recruitment from outside the company. Based on the career succession plan, the company prepares identification policies for those qualified to occupy leadership or supervisory positions in the future, so that the Company can benefit from its internal cadres to the fullest extent. Accordingly, vacancies emerging in the Company will be filled by employees from within it, without the need for interviewing anyone from outside it.

### Article 4: Implications of the Replacement or Career Succession Plan

The career succession plan has a significant impact on preparing and building future leaders, as it rather resembles a planned prediction of the Company's future. On the other hand, the lack of an early implementation of the career succession process can lead to large or sudden gaps in the company's leadership positions, which negatively affects its overall performance. Meanwhile, in order for this planned process to be effective, competent and experienced cadres must be selected, qualified, developed, and given the freedom to launch their own innovation and creativity while following the latest methods in performance assessment, monitoring, and follow-up in order to make the best selection of future leaders.

### Article 5: The Replacement or Career Succession Process

The replacement or career succession planning shall be carried out as follows:

1. Identifying the key functions and tasks of the company, which are the basic factors contributing to its growth.
2. Identifying the promising employees intended for assuming critical key positions in the future, and training them in the necessary skills required for such positions.
3. Making key position candidates aware of the tasks and jobs they are being prepared for, and developing their capabilities to fill them.
4. Determining the time required for refilling key functions and positions.
5. Continuing to search for distinguished and qualified employees throughout the company and ensure their continuity in work.
6. Continuous review – by the Human Capital Department – of the career succession plan for its continuous improvement.

Authorities	Career Succession	Position:
The Board's Authority (based on the recommendation of Nomination and Remuneration Committee)	The appointment of a deputy	Replacement plan for the position of Chairman of the Board
The Board's Authority (based on the recommendation of Nomination and Remuneration Committee)	The appointment of a deputy	Replacement plan (for Chairmen of emerging committees)
Board Chairman's Authority (based on the recommendation of Nomination and Remuneration Committee and the CEO)	The appointment of a deputy	Company CEO replacement plan
CEO's authority (based on the recommendation of the company's leadership team and human capital)	The appointment of a deputy	Company leadership team replacement plan
Authority of the company's leadership team (prepared by the human capital)	The appointment of a deputy	Replacement plan for all directors and heads of departments in the company

Article 6: Forms of Replacement or Career Succession Planning

Model 1: Short-term planning – Contingency replacements:

This model focuses on the emergency needs that occur as a result of a sudden development within the company, such as an employee's resignation for any reason. According to this model, the company's management usually tries to fill the vacancy either from its current cadres, or from outside the company.

Model 2: Long Term Planning – Talent Management:

This model focuses on the future needs of the company, where it identifies key positions and crucial targeted positions, then specifies potential candidates from its staff for filling these positions. This model is characterized by discovering and identifying the talents available among the company's cadres, specifying their potential future job tasks, retaining them and motivating them to get upgraded and reach leadership positions.

Model 3: Short-term and long-term planning combination:

This model allows the company to plan for its future needs, identify key functions and positions within it on the long term, and grant the company's management the power to fill the vacant positions and prepare for the emergency succession to ensure that the flow of business will not be affected by loss of knowledge or absence of skilled employees.

Article 7: 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, and any proposed amendments to it by the Committee shall be submitted to the Board of Directors for approval.
3. This policy is complementary to, and is not alternative to, the laws and regulations of regulatory authorities in the Kingdom of Saudi Arabia. In the event of any conflict between this policy's regulations and the laws and regulations of the official Saudi regulatory authorities, the latter shall prevail.