

# **Saudi Arabian Mining Company (Ma'aden)**

## **Nomination and Remuneration Committee Charter**



## TABLE OF CONTENTS

<b>1</b>	<b>INTRODUCTION</b> .....	<b>3</b>
<b>2</b>	<b>NOMINATION AND REMUNERATION COMMITTEE</b> .....	<b>4</b>
<b>3</b>	<b>ORGANISATION OF THE NOMINATION AND REMUNERATION COMMITTEE</b> .....	<b>5</b>
3.1	COMPOSITION .....	5
3.2	THE CHAIRMAN .....	5
3.3	SECRETARY .....	5
3.4	COMMITTEE TERM.....	6
3.5	COMMITTEE DISCHARGE.....	6
3.6	REMUNERATION OF THE COMMITTEE.....	6
3.7	MEETINGS & PROCEDURES.....	7
3.8	AUTHORITY.....	7
3.9	MINUTES OF MEETINGS .....	7
3.10	REPORTING RESPONSIBILITIES.....	8
<b>4</b>	<b>RESPONSIBILITIES OF THE NOMINATION &amp; REMUNERATION COMMITTEE</b> .....	<b>9</b>
<b>5</b>	<b>RELATIONSHIP WITH OTHERS</b> .....	<b>13</b>
<b>6</b>	<b>RECOMMENDING DIRECTORS TO SERVE ON THE BOARD</b> .....	<b>14</b>
<b>7</b>	<b>APPROVAL</b> .....	<b>16</b>

The Board may amend this Nomination & Remuneration Committee Charter or grant waivers in exceptional circumstances, provided that any such modification or waiver does not violate any applicable law, rule, regulation or the Company's Authority Matrix and further provided that any such modification or waiver is appropriately disclosed.

- The changes to the document shall be consecutively numbered and dated.
- The following log shall be used and signed off for all updates.

VERSION NO.	DATE	NAME AND INITIAL

---

## **1 INTRODUCTION**

- 1.1 **Article 15 of the Corporate Governance Regulations issued by the Board of the Capital Market Authority (CMA)** in the Kingdom of Saudi Arabia, pursuant to its resolution number 1-212-2006 dated 21/10/1427H corresponding to 12/11/2006, require the establishment of the Nomination and Remuneration Committee.
- 1.2 This Charter governs the operations of the Nomination and Remuneration Committee (the Committee) and details the scope of the Committee's responsibilities and how it carries out those responsibilities, including its structure, procedures and membership requirements.
- 1.3 The Board of Directors (the Board) shall review this Charter annually and shall make any such changes as it deems necessary, wholly at its own discretion, and to the extent required under any applicable securities laws or stock exchange regulations, as well as to bring them into line with leading practices.
- 1.4 The Board shall annually evaluate the Committee's performance and make recommendations to enhance the performance or change the members of the Committee.

## 2 NOMINATION AND REMUNERATION COMMITTEE

2.1 The Nomination and Remuneration Committee of Ma'aden is responsible primarily for identifying, screening and recommending candidates as members to the Board to fill new or vacant positions of the Board on an interim basis as they become available. The Committee is also responsible for the nomination of such candidates to the General Shareholders Meeting of the shareholders.

2.2 The Committee is also responsible for:

- a. drawing policies on remuneration of the Company's Board of Directors for their service in the Board in line with the Company's Articles of Incorporations; and for their service in the Board's committees. Any amendment of such policies shall be approved by the General Assembly.
- b. producing an annual report on executive remuneration for inclusion in the Company's annual report in line with **Article 9 of the Corporate Governance Regulations issued by the CMA**;
- c. overseeing and advising the Board on the adoption of plans and policies that govern the Company's remuneration programs;
- d. ensuring independence of the Board's independent members (refer to the BoD manual for the Independent Director definition);
- e. reviewing the Board's strengths and weaknesses and recommending improvements; and
- f. performing such other duties and responsibilities as are detailed in and consistent with this Charter.

### **3 ORGANISATION OF THE NOMINATION AND REMUNERATION COMMITTEE**

#### **3.1 Composition**

- 3.1.1 The Committee shall consist of at least four Directors from the Board. It is preferable that most the members of the Committee shall be non executive Directors of the Board.
- 3.1.2 The members of the Committee shall be free of any relationship that, in the opinion of the Board, would interfere with their exercise of independent judgment. Applicable laws and regulations will be followed in evaluating a member's independence.
- 3.1.3 As per **Article 15 of the Corporate Governance Regulations issued by the CMA**, the selection rules of the Committee, their membership term and the work methodology will be approved by the Shareholders in their Annual General Meeting, based on the Board's proposal.
- 3.1.4 The Board shall appoint the Committee's members and its Chairman and they might be removed by the Board.
- 3.1.5 The right to attend Committee meetings is conferred exclusively to its members. Other individuals may be invited to attend all or part of any meeting as and when appropriate.

#### **3.2 The Chairman**

- 3.2.1 A Chairman of the Committee (the "Chairman") is named by the Board of Directors.
- 3.2.2 In the absence of the Committee Chairman, the remaining present members shall elect one amongst themselves to chair the meeting.
- 3.2.3 The Chairman shall determine the agenda, the frequency and length of meetings and shall have unlimited access to management and information necessary for the Committee to execute its responsibilities.
- 3.2.4 The Chairman shall establish such other rules, as may from time to time be necessary and proper for the conduct of the business of the Committee.

#### **3.3 Secretary**

- 3.3.1 The Committee may appoint a Secretary whose duties and responsibilities shall be to keep full and complete records of the proceedings of the Committee for the

purposes of reporting Committee activities to the Board and to perform all other duties as may from time to time be assigned to him by the Committee.

### **3.4 Committee Term**

3.4.1 The term of the Committee shall be in line with the term of the Board of Directors of Ma'aden.

### **3.5 Committee Discharge**

3.5.1 The entire Committee or any individual Committee member may be discharged, with or without cause, by the affirmative vote of the majority of the Board of Directors of the Company.

3.5.2 Any Committee member may resign upon giving written notice to the Chairman of the Committee and the Chairman of the Board and the resignation shall be effective at the time such notice is given (unless the notice specifies a later time for the effectiveness of such resignation).

3.5.3 If the resignation of a Committee member is effective at a future date, the Board may elect a successor to take office when the resignation becomes effective.

### **3.6 Remuneration of the Committee**

3.6.1 Each member of the Committee is entitled to the below compensation:

1. An attendance payment for each meeting attended by the Committee member and
2. Annual compensation.

3.6.2 Committee members who are resident outside Riyadh are entitled to all out of pocket expenses incurred by them to attend the meeting. Such expenses include a first class ticket (back and forth) from his place of residence to the Company's head office or to the place where the meeting is held as well as any accommodation and transportation expenses incurred by them.

3.6.3 The Board report presented to the General Assembly will state the remunerations and other payments paid to the Committee members during the financial year.

### **3.7 Meetings & Procedures**

- 3.7.1 The Committee shall meet twice a year and at such additional times as may be necessary to carry out its responsibilities. Committee members can attend meetings in person or via tele-conference or video-conference. Meeting invitations are sent one week in advance along with the meeting agenda and any other documents.
- 3.7.2 A majority of the members of the Committee shall constitute a quorum.
- 3.7.3 A member can't elect another member of the Committee to act on his behalf and to vote in the meetings.
- 3.7.4 The Chairman shall have a casting vote in case of an equality of votes.
- 3.7.5 Members of the Committee and other persons who attend a Nomination and Remuneration Committee meeting shall maintain silence and confidentiality on all documents they receive, on the contents of deliberations and on all confidential information and secrets of the Company and, particularly operating and business secrets that are disclosed to them in the course of their work on the Committee.
- 3.7.6 The Committee shall keep written minutes of its meetings as detailed in this document under section 3.9 "Minutes of Meetings".
- 3.7.7 The Committee may follow up the results of previous meetings and outstanding matters.

### **3.8 Authority**

- 3.8.1 The Committee shall have the access to resources and information necessary for it to discharge its duties and responsibilities.

### **3.9 Minutes of Meetings**

- 3.9.1 The deliberations and resolutions of the Nomination and Remuneration Committee will be recorded in minutes. Such minutes will be kept with the Board of Directors' records. These minutes will be provided to each of the Committee members after the approval of all Committee members who attended the meeting.
- 3.9.2 The Committee's meetings will be documented as follows:



- a. The Chairman and the Secretary of the Committee shall record in the minutes of meeting all decisions and recommendations arising from discussions during the meeting.
- b. For each meeting, the minutes shall include the date and the place of the meeting, the name of attendees and absentees, summary of discussions took place in the meeting and their related decisions and recommendations.
- c. All comments of the Committee's members shall be provided to the Secretary within a week from the date of receipt of the draft minutes from the Secretary.
- d. The Committee's Secretary shall amend the draft minutes based on the members' observations and send it attached with these observations to the Chairman.
- e. The final minutes shall be prepared according to the Chairman's recommendations and sent to the Committee members duly signed by the Chairman and the Secretary.
- f. If any of the members' comments are considered important by the member, he may ask the Committee's Secretary to include his comments in the next meeting's agenda as one of the main subjects. The next meeting's agenda will be then decided by the Committee's Chairman as per 3.2.3.
- g. The signed copy of the minutes shall be kept attached with its related documents and correspondence in a special file maintained by the Secretary of the Committee.

### **3.10 Reporting Responsibilities**

- 3.10.1 The Committee's Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 3.10.2 The Committee shall make recommendations to the Board it deems appropriate on any area within its responsibilities where action or improvement is needed.
- 3.10.3 The Committee shall review the annual report of the Company's remuneration policy pertaining to the remuneration of the Board of Directors and its Committees' members, which will form part of the Company's Board of Directors Report and ensure each year that it is put to shareholders for approval at the General Meeting. The Board of Directors Report should also state the frequency of, and attendance by members at the Nomination and Remuneration Committee meetings.

#### **4 RESPONSIBILITIES OF THE NOMINATION & REMUNERATION COMMITTEE**

- 4.1 The Committee shall annually assess the skills, competencies and industry backgrounds that are needed to strengthen and balance the Board and shall pass their recommendations to the Board of Directors.
- 4.2 The Committee shall verify annually the independence of independent members and the existence or non-existence of any conflict of interests if the member is acting concurrently as a board member of another company.
- 4.3 The Committee shall consider several factors in assessing the potential candidates including, but not limited to:
- a. integrity, honesty and accountability;
  - b. successful leadership experience;
  - c. strong business acumen;
  - d. independence and absence of conflicts of interests; and
  - e. ability to devote the necessary time to fulfil their directorial responsibilities.
- 4.4 The Committee shall also make recommendations to the Board with regard to directors nominated to be selected for membership of other Board committees. In doing so, the Committee shall consider the following:
- a. required qualifications for membership on each committee, such as the Audit Committee requirement for at least one Financial Expert;
  - b. policy of periodic rotation of directors among committees;
  - c. limitations on the number of consecutive years a director should serve on any one of the Board committees. If the tenure of directors on any committee is restricted by law or by the Company's Corporate Governance Framework, the Nomination and Remuneration Committee will ensure that the director's membership of the committee will not exceed that maximum term specified; and
  - d. guidelines issued by CMA.
- 4.5 The Committee shall recommend nominees that it believes will enhance the Board's ability to manage and direct, in an effective manner, the affairs and business of the Company.

- 
- 4.6 The Committee shall ensure that an orientation program is available for new Board members and shall also make available continuing education programs for all members of the Board.
- 4.7 The Committee shall specify the minimum time to be devoted by the directors for work related to their role as members of the Board of Directors or any of its committees.
- 4.8 The Committee shall help the Board in selecting and developing potential Board Members, and in long term succession planning as deemed necessary.
- 4.9 The Committee shall identify the strengths and weaknesses of the Board and propose solutions to address any shortcomings.
- 4.10 The Committee shall ensure that the President & Chief Executive Officer (CEO) has drafted procedures for the timely and efficient transfer of his responsibilities in the event of his sudden incapacitation or departure. The Committee shall review these procedures with the President & CEO and also receive from him his recommendations for longer term succession arrangements.
- 4.11 The Committee shall establish criteria for evaluation of performance of the President & CEO and such criteria shall be communicated to the President & CEO.
- 4.12 The Nomination and Remuneration Committee will assist the Board to establish criteria for evaluation of the Chairman's performance and such criteria shall be communicated to the Chairman.
- 4.13 The Committee's recommendations to the Board shall be required before a Board member, who is not an employee of the Company, enter into any consulting arrangements with the Company.
- 4.14 The Committee shall review and approve the short and long term compensation and benefits policies of the Company and its subsidiaries/affiliates, when applicable.
- 4.15 Review and approve the corporate goals and objectives relevant to the compensation of the President & CEO.
- 4.16 Conduct an annual review of the President & CEO's performance to ensure that the President & CEO is providing adequate leadership for the Company in the long and short term. The President & CEO shall not attend meeting sessions discussing his performance or remuneration.
- 4.17 Annually, approve the overall compensation (salary, allowances and shares) for President & CEO, Vice Presidents and Executive Directors.

4.18 The Committee shall review and approve the following:

- a. Human Resources policies and procedures;
- b. Management development programs and senior management succession planning; and
- c. Assessment objectives (including the performance indicators) that should be achieved as part of the compensation and incentives programs.

4.19 The Committee shall recommend all forms of compensation for the Board's Committees members, the Boards; and Committees' Secretaries. Such compensation will include the following:

1. An attendance payment for each meeting And
2. Annual compensation.

4.20 The Committee shall also recommend the compensation of the Board of Directors in line with **Article 44 of Ma'aden's Articles of Incorporation** which states that *"The Company's annual net profits shall be distributed after deduction of all general expenditures and other costs as follows:*

- A. *The company shall annually withhold ten percent (10%) of the net profits to build up the statutory reserve. The ordinary General Assembly may stop such withholding when the said reserve reaches half of the Company's capital.*
- B. *Preference shareholders shall receive the percentages allocated for such shares.*
- C. *Based on the BOD's recommendation, the Ordinary General Assembly may withhold a percentage of Company' annual profits to build up an additional agreed statutory reserve that shall be allocated for a certain purpose (s) determined by the General Assembly.*
- D. *First payment; out of the balance equivalent to five percent (5%) of the paid capital shall then be distributed to the shareholders.*
- E. ***The board members remunerations shall then be allocated.***
- F. *The balance shall be distributed to the shareholders as an additional dividend.*

*The Company may after satisfying established controls made by the authorized agencies distribute half-yearly and quarterly profits".*

**According to Article 74 of the Companies Act**, if, however, such remuneration (i.e. Board of Directors remuneration) represents a certain percentage of the Company's profits, **it must not exceed 10% of the net profits** after deduction of expenses, depreciation's, and such reserves as are determined by the general meeting pursuant to the provisions of these Regulations or of the Company's by-laws, and after distribution of a dividend of not less than 5% of the Company's

capital to Stockholders. Moreover, such remuneration shall not exceed also SR 200,000 per annum for each Director as per the **Ministerial Resolution No.1071 dated 2/11/1412 H.**

- 4.21 The Committee shall review annually the remuneration of all Board's committees' members, including Board members representing the Government, and make recommendations to the Board for any revision.
- 4.22 In laying down the compensation policies, the standards related to performance shall be followed by the Committee. Moreover, the Committee shall:
  - a. Consider competitive rewards to attract, motivate and retain highly-skilled executives.
  - b. Apply demanding key performance indicators (KPIs), including financial and non-financial measures of performance.
- 4.23 The Committee shall produce an annual report on executive remuneration for inclusion in the Company's annual reports in compliance with applicable authority rules and regulations **in line with Article 9 of Corporate Governance regulations issued by CMA.**
- 4.24 The Committee shall discuss and review its performance at least annually to determine whether it is functioning effectively and agree actions on how they can improve their performance. A report on the Committee's performance shall be submitted to the Board of Directors.
- 4.25 The Committee shall perform any other duties or responsibilities expressly delegated to the Committee by the Board from time to time.
- 4.26 Obtain advice and assistance, as needed, from external or internal legal counsel, accounting firm, search firm, compensation specialist, or other advisors, with sole authority to retain, terminate and negotiate the terms and condition of the assignment.
- 4.27 In consultation with President & CEO review the succession planning process so that there is sufficient pool of qualified internal candidates to fill senior and leadership positions and to identify opportunities, performance gaps and the next steps as part of the Ma'aden's executive succession planning and development process, all of which shall be reviewed with the Committee.

## **5 RELATIONSHIP WITH OTHERS**

### **5.1 EXECUTIVE COMMITTEE**

5.1.1 The Chairman of the Nomination and Remuneration Committee may elect to consult with the Chairman of the Executive Committee to discuss the performance and compensation of President & CEO, Vice Presidents and Executive Directors of the Company.

5.1.2 The Nomination and Remuneration Committee may also elect to coordinate with Executive Committee to ensure that proper succession plan is in place in the Company for the President & CEO, Vice Presidents and Executive Directors positions.

### **5.2 AUDIT COMMITTEE**

5.2.1 The Nomination and Remuneration Committee may coordinate with Audit Committee to oversee the appropriate and adequate disclosure is made with respect to remuneration of Chairman of the Board, members of the Board and top five executives who have received the highest compensation and remuneration from the Company. The President & CEO (if not a member in the Board) and the CFO shall be included if they are not within the top five, **in accordance with Article 9 of the Corporate Governance Regulations**, in the Annual Report of the Board of Directors.

## **6 RECOMMENDING DIRECTORS TO SERVE ON THE BOARD**

6.1 The Board of Ma'aden will adhere to all applicable laws and regulations related to facilitating shareholders recommendations of directors to serve as members of the Board of Ma'aden. A shareholder may recommend a director using the following procedures:

6.1.1 A notice should be sent to the Chairman of the Committee at least 60 days prior to the General Assembly Meeting. The notice must include:

- a. The name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated as Board member.
- b. A declaration that the nominating shareholder is a shareholder of the Company's stock and is entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice.
- c. A description of all arrangements or understandings between the shareholder and each nominee based on which the nomination was to be made by the shareholder.
- d. Such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules.
- e. The consent of each nominee to serve as an independent board member of the Company if so elected.

6.1.2 The Chairman of the Annual Shareholders' Meeting may refuse to acknowledge the nomination of a director by a shareholder not made in compliance with the foregoing procedures.

6.2 Individuals who wish to apply for membership to the Board of Ma'aden must notify the Company at least 60 days prior to the General Assembly Meeting. The Notification shall include:

- a. The individual's curriculum vitae detailing his qualifications and experience, including his experience of serving on the Boards of other companies and number of companies he is currently a board member. The candidate shall also detail the number of companies he owns or he is an executive on those companies which are exercising similar trading activities of Ma'aden or involved in any relation with Ma'aden.
- b. The Nomination and Remuneration Committee shall review the candidate application in line with the requirements of applicable rules and



---

regulations and based upon this review, will make recommendations to the Board as to the nomination of candidates. In doing so, the Committee will ensure that the candidates recommended do not have any past convictions for dishonesty and other crimes.

- c. For those candidates who satisfy the requirements, Investor Relations department of Ma'aden will deposit the nomination notifications along with all relevant attachments at the Head Office of Ma'aden at least 15 days prior to the General Assembly Meeting and these will be accessible to all shareholders.
- d. Voting at the General Assembly Meeting shall be restricted for those candidates who satisfy the requirements for nomination.
- e. If any candidate does not satisfy the requirements for nomination, including failure to provide the required information within the required timeframe, the Board reserves the right to refuse that nomination.



---

**7 APPROVAL**

- 7.1 This Nomination and Remuneration Committee Charter has been approved by the Board of Directors at their meeting held on 23/02/2010.
- 7.2 This Nomination and Remuneration Committee Charter was proposed by the Board of Directors and approved by the General Assembly Meeting held on 24/04/2010.

---

Chairman of the Board

---

Board Secretary

