

Board Charter

Saudi Basic Industries Corporation (SABIC)



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Article (1): Objective

The objective of this charter is to clarify how the Board should assume its functions in accordance with regulatory requirements and best practices of corporate governance.

Article (2): Board Composition

- The Board is comprised of nine members who have the right expertise to manage the company's business. Five members are nominated by the Public Investment Fund (PIF), representing the government's share, including the Chairman and Vice Chairman (who works full time and replaces the Chairman in his absence). All members are elected by the General Assembly for a period of three years, renewable.
- If the position of a board member, other than government representatives, becomes vacant, the Board may appoint a temporary member to the vacant position without considering the order of votes gained by such member, provided that such a temporary appointment is presented on the first meeting of the Ordinary General Assembly. However, If the position of a board member who is a government representative becomes vacant, the board may designate a temporary member to the vacant position based on the nomination of the PIF, provided that such an appointment is submitted to the Ordinary General Assembly at its first meeting. The new member should complete the term of his predecessor. If the number of board members is less than three, the General Assembly is convened in sixty days to elect the necessary members.
- The Board appoints a Secretary General, who meets the requirements specified in the Corporate Governance Regulations issued by the Capital Market Authority (CMA).

Article (3): Role and Responsibilities

The Board assumes its role and responsibilities in sprit of regulatory requirements, including the following:

A. Overall Policies and Procedures

The Board lay out, oversee and review company's governance principles and policies in way to ensure compliance with relevant regulations and enhance growth & sustainability of the company. Such policies and procedures include:

- Enterprise risk management policy and procedures.
 - Dividend policy, to achieve the interests of shareholders and the company.
 - Conflicts of interest policy, it clarifies possible conflicts of interest of board members, executive management, and shareholders, including the misuse of company assets and facilities, and misconduct resulting from transactions with third parties.
 - Board membership policy and procedures, it takes effect after approval by the General Assembly.
 - Disclosure policy, which make sure the company complies with disclosure requirement of major events.
 - Corporate social responsibility policy.
 - Stakeholders relationship policy, which cover the following:
 - Procedures to be followed by stakeholders in filing complaints and reporting infringing practices.
 - Mechanisms for compensating stakeholders in case of violation of their rights that are recognized by regulations and protected by contracts.
 - Mechanisms for resolving complaints or disputes that may arise between the company and stakeholders.
 - Suitable mechanisms for establishing good relations with customers and suppliers and maintaining the confidentiality of their information.
 - Rules of professional conduct for company managers and employees consistent with professional and ethical standards, which regulate the relationship between them and stakeholders, provided that the Board of Directors sets up mechanisms to monitor the implementation of such rules and complying with them.
 - Powers delegated to the CEO, which involves decision-making procedures and duration of the delegation.
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- Procedures of comprehensive orientation program, and ongoing development program for board members
 - Appropriate Mechanisms to annually evaluate the performance of the board, its members, committees, and executive management.

B. Internal Control Systems

- Establishing, reviewing and overseeing internal control system.
- Ensuring the integrity of financial and accounting systems, including financial reporting systems.
- Approving the company's preliminary and annual financial statements.
- Defining the scope of Internal Audit report in accordance with the relevant regulations.

C. Strategic Direction and Main Objectives

- Setting and reviewing the main corporate objectives, strategic plans and overall key performance indicators, including overall supervision of its implementation.
- Approving annual business plans and budgets and ensuring the availability of financial and human resources necessary to achieve it.
- Identifying optimal capital structure, major capital expenditures, as well as assets ownership and disposal.
- Developing an organizational structure that enhances the company's ability to achieve its objectives and reviewing it periodically.

Article (4): Board Authority

With consideration of matters reserved by the General Assembly, the Board has all the authorities necessary for the company's administration. The ultimate responsibility of the company shall remain with the board even if it forms committees or authorizes other parties or individuals to perform some of its functions. In all cases, the Board may not issue a general or indefinite delegation.

Article 5: Delegation to CEO

The Board delegates some of its authorities to the CEO to manage the day-to-day operations of the company, to oversee its employees, and to implement its policies and strategic plans. These authorities are identified in the Master Authority Schedule approved by the Board.

Article 6: Board Processes

A. Role of the Chairman, Vice Chairman and Secretary

- The Chairman assumes his role in spirit of regulation, which includes the following:
 - leadership and effective performance of the Board.
 - Representing the company before the authorities and signing on behalf of the company.
 - Supervising the preparation of the agenda of board meetings, and encouraging board members and the CEO in determining the topics and timing of the meetings.
 - Convening board meetings, and specifying the time, date, and venue of the meeting in coordination with board members.
 - Ensuring that subjects presented to the board are accompanied by sufficient information for decision making.
 - Encouraging board members to participate effectively; to study and discuss agenda items and express their views in a manner that contributes to the achievement of the company's objectives.
 - Ensuring that sufficient time is available to discuss agenda items.
 - Ensuring accessibility to board's database, which includes, topics presented, minutes of meetings, and previous resolutions.
 - Ensuring board decisions are based on a complete knowledge base.
 - Approving the draft of Passover resolution to board members; considering what is mentioned in part (C) of this article.
 - Ensuring availability of communication channels with shareholders and communicating their views to the Board of Directors.
 - Ensuring compliance with the Board Charter.
 - Holding regular meetings with non-executive board members without presence of company's executives.
 - Presenting remarks made by board members to the Board.
 - Supervising performance evaluation of the board and its committees.
- The Vice Chairman shall assume the role of the Chairman in his absence. However, In the absence of the Chairman and Vice-Chairman, the board members elect a Chairman among them to preside the board meeting.

- The Secretary General assumes his role in sprit of regulation, which includes the following:
 - Developing an annual plan for board meetings and submitting it to the Chairman.
 - Preparing the board meeting schedule in coordination with the members of the board and CEO, and presenting the proposed agenda to the Chairman for Board approval.
 - Communicating to board members the timing of board meetings and ensuring accessibility to the relevant information through the use of modern technical means.
 - Attending board meetings and taking minutes of the meeting according to the relevant regulations.
 - Maintaining meeting's minutes and reports submitted to the Board, and making the necessary arrangements to ensure accessibility to those minutes and reports.
 - Preparing the board's resolutions and ensuring that they are communicated.
 - Overseeing and updating (as necessarily) the record and forms of disclosures for board members in accordance with regulatory requirements.
 - Reviewing compliance with the Board Charter and Committee's Charter, and submitting the review results to the Chairman.
 - Providing advice to the Board, its committees, or members in matters related to Board Governance.
 - Assuming any other advisory functions assigned by the Board or one of its committees.
 - Maintaining all the minutes, documents, and reports required to be kept under the relevant regulations, including Board of Director report and Audit Committee report, at the company's headquarters for a period of not less than ten years or until the end of any legal action, whichever occurs later.

B. Member's Responsibilities

- Complying with all regulatory requirements under the Companies Law and Regulations, the Capital Market Law and Regulations, and the Company's articles of association in exercising his duties, and refraining from taking or participating in any work that would harm the interests of the company.
- Being aware of the board's role and responsibilities and devoting sufficient time to exercise his role in achieving them.
- Carrying his duties away from any inappropriate influence both inside and outside the company and not prioritizing personal interests over those of the company.

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- Not accepting gifts from anyone who has business dealings with the company.
 - Preparing for meetings and not being absent except for valid reasons notified to the board chairman in advance, or emergency matters accepted by the board.
 - Participating effectively in board meetings through examination and discussion of agendas items.
 - Increasing his knowledge of the subjects related to board's role and responsibilities.
 - Increasing his knowledge of the developments related the company's activities, business, and other areas.
 - Maintaining the confidentiality of the information and documents made available to him. In any case, he may not, even in the case of termination of his membership, disclose it to any individual or entity unless authorized by the Board, or use any such information for his personal benefit or that of relatives or third parties. The company has the right to demand compensation in case of violation of what is stated in this article.
 - Complying with board charter.
 - Attending the meetings of the General Assembly unless he has an excuse accepted by the Board.

C. Board Meetings

- The board meets at least twice every year at the Chairman's invitation. The Board Chairman also convenes meeting if requested by two board members, the external Auditor, the Internal Auditor, the CEO, or if circumstances so require, indicating the reasons for the meeting.
- The board approves the dates and agenda of annual meetings prior to commencement. The meeting's invitation is issued at least 10 days in advance. The invitation is accompanied by the agenda items and required documents and information.
- In exceptional cases, meeting invitations can be issued at least five days in advance in accordance with the invitation procedures specified in this charter.
- The board holds its meetings at company headquarters and may meet outside if necessary.
- Meeting's quorum is five members, including three government representatives and an independent member. A member – in cases of necessity – may attend using one of the forms of communication, and may not delegate someone to attend the meeting on his behalf.

- Board decisions are made by a majority vote of the present members. When votes are equal, the side that includes the meeting Chairman's vote prevails.
- The Board may issue resolutions on urgent matters by presenting them to members in a separate manner, unless a member requests (in writing) a board meeting to deliberate. These decisions shall be presented to the board at its first subsequent meeting.
- Board members are entitled to object to any board decision, provided that his objection is expressly stated in the meeting minutes with the reasons for the objection. Absence from meetings at which a decision is made is not a reason for exemption from liability for implementing a decision unless proven that the member is unaware of the decision or is unable to challenge it directly after knowing it.

D. Documentation

- The Board Secretary prepares minutes of meeting which must include:
 - The venue, date, and start and end time of the meeting.
 - Names of present and absent members.
 - Board deliberations and decisions, indicating results of votes and reasons for the objections, if any.
 - Party whose is responsible for implementing decisions.
- The Board Secretary sends drafted minutes of the meeting to board members. Members must present comments on the draft, if any, within a maximum period of five working days from the date of dispatch.
- After processing the board members' comments on the draft minutes, and the meeting's Chairman approves, the Board Secretary sends the amended draft to the Board members for approval at the next board meeting.
- The minutes of the meeting must be maintained with the meeting agenda and all documents in a special record signed by the Chairman and Secretary.

E. Monitoring

- The Chairman, or his delegate, communicates decisions taken by the board to the responsible party within the company for implementation.
- The Secretary General presents to the board members an annual progress report.

F. Board Performance

- The board will review its performance in regular basis against, for example, its effectiveness and achieving its objectives.

Article 7: Board Committees

A. Composition

- The Board forms Committees to support it in carrying out its responsibilities effectively, in accordance with the company's needs and nature of business.
- The Board resolution defines Committee's role and responsibilities, authority, processes, tenure and remuneration, provided that the number of Committee members shouldn't be less than three nor more than five.
- Regarding the Audit Committee, the General Assembly issues a resolution, based on Board proposal, to form the Audit Committee, determining its role and responsibilities, authority, processes, tenure and remuneration.
- The Chairman shall not be a member of the Audit Committee, and by a decision of the board, he may be a member of other Committees of the Board, provided that he is not the Chairman of the Committees mentioned in the Corporate Governance Regulations issued by the Capital Market Authority.
- Each Committee shall have a Secretary General appointed by the Board. The Board shall determine the remuneration and allowances for the Secretary General.

B. Monitoring

- The Committees will study subjects that are related to their role and referred to them by the Board and submit their recommendations to the Board for decision making.
 - The Committee Chairman will submit Committee's recommendations and outcomes to the board at the first meeting after the Committee's meeting.
 - Each Committee is accountable to the Board in performing its role and responsibilities.
 - Each Committee will review its performance in regular basis against, for example, its effectiveness and achieving its objectives.
 - Committees may have access to independent advisers, specialists, or other parties to study specific topic that fall within the scope of their role and responsibilities, after the Board approval. This should be included in the committee minutes of meeting, while mentioning the name of the adviser and his relevancy to the company or executive management.
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C. Meetings

- The Committee meeting will be attended by its members only. However, other Board / Committee members or Executive Management may attend that meeting based on invitation by the Committee to take their opinion or advice.
- The majority of the Committee members must be present for the validity of Committee's meeting. Committee decisions are made by a majority vote of the present members. When votes are equal, the side that includes the Chairman's vote prevails.
- The Committee holds its meeting at company headquarters and may meet outside should the circumstances require after approval of the Board.

Article 8: Board Training

- The Chairman or his replacement supervises the orientation program for new members with the assistance of the Secretary General, provided that the program includes the following:
 - Company's business activities.
 - Company's strategy and future objectives.
 - Organizational structure of the company and the role and responsibilities of each department.
 - Financial and operational aspects of the company.
 - Obligations of the Board members and their role, responsibilities, and rights.
 - Functions of the Board committees and their charters.
 - Visits to any of the company's plants and affiliates.
 - The Board, upon recommendation of the Remuneration and Nomination Committee, defines the continues development program for its members. This will be based on the annual review of the required skills and abilities, after identifying weaknesses and strengths of the Board, and taking into consideration the changes in the external market environment and contemporary issues and economic developments, in align with the company's interest.
 - The Secretary General coordinates the approved training programs for board members with the Human Resources Department.

Article 9: Conflicts of Interest

- Members must avoid situations that lead to conflicts of interest with the company. A conflict of interest means that there is a direct or indirect interest to a member of any subject listed on the board agenda. Such an interest would influence (or could influence) the way in which the member reflects his professional point of view.
- If a member has a conflict of interest with a subject on the board agenda, he must disclose this before starting the discussion of the subject, provided that it is mentioned in the minutes of the meeting. In such cases, the member must not attend the discussion of the subject, participate in the discussion, nor vote.
- Board members may not have a direct or indirect interest in the contracts that are carried out for the company's account nor participate in any work that would compete with the company in any branch of its business activity, unless through a prior approval by the General Assembly – renewed annually – as per relevant regulations.
- If a Board member fails to disclose his interest in the contracts carried out for the company's account, the company, or any stakeholder of interest, may claim the judicial authority to terminate the contract and claim for compensation or require the member to pay any profit or benefit realized through such interest.
- If a Board member fails to disclose his participation in any business that would compete with the company or one of the branches of its business activity, the company may claim the judicial authority for proper compensation.
- Board members must not – directly or indirectly – make use of, exploit, or benefit from any of the company's assets, information, or investment opportunities that are under study by the company – even if a decision is taken not to implement such opportunity. A member may not exploit such opportunity even after expiry of his membership term – regardless of how his membership terminates.
- If proved that a member exploited an investment opportunity, the company or any stakeholder of interest, may claim the judicial authority to terminate any work, profit, or advantage resulting from such an opportunity. The company may also claim for proper compensation.

Article 9: Remunerations

- Board members are entitled to an annual remuneration in accordance with the Remuneration Policy approved by the General Assembly.
- The Board determines the remuneration and allowances received by the Board Secretary.
- In the event of a decision by the General Assembly to terminate the membership of a board member due to absence of three consecutive meetings within one year, the member is not entitled to any remuneration or compensation for the period following the last meeting attended and is required to return all the remuneration and compensation paid to him for that period.
- The company has the right to claim compensation for damage to its reputation and get back the remunerations, and any other costs incurred that enable the member to do his responsibilities, if the member committed an act of dishonesty, honesty, forgery, or violation of regulations in Saudi Arabia or any other country, or when he fails to carry out his responsibilities, duties resulting in damage to the company's interest.

Article 11: Review

This Charter are subject to regular review to be align with the relevant regulations and in accordance with the board's perspective.

Article 11: Application

This Charter are effective from the date of approval by the Board.