

Remuneration Policy for Board, Committees, and Executive Management

First: Introduction

The Remuneration Policy for Board, Committees, and Executive Management (“the Policy”) has been formed in pursuance of the provisions of paragraph (1) of Article 61 of the Corporate Governance Regulations of the Kingdom of Saudi Arabia issued by the Board of the Capital Market Authority (CMA) by Decision No. (8-16-2017), dated 16/05/1438H corresponding to 13/02/2017, based on the Companies Law issued by Royal Decree No. (M/3), dated 28/01/1437H.

This Policy was issued as directed by the decision of the General Assembly of the company’s shareholders held on Sunday, 13/04/1439H corresponding to 31/12/2017, based on a proposal from the Board of Directors (“the Board”).

Second: Purpose

The purpose of this Policy is to stipulate and clearly outline the remuneration for the Board and its Nomination and Remuneration Committee (“the Committee”) members and executive management so that they are linked to performance, to ensure disclosure of the Policy, and to verify its implementation. The Policy also aims to attract, maintain, and motivate professional skills.

Third: General Standards for Remuneration

The Committee shall, under this Policy, recommend to the Board the remuneration and compensation of the Board, its committees, and the executive management in accordance with the approved criteria, as follows:

1. Remuneration and compensation shall be in line with the company’s strategy and objectives.
2. Remuneration shall be proportionate to the company’s activities and the required skills for its management.
3. The Policy shall be prepared in coordination with the Committee with respect to new appointments.
4. The Policy shall take into consideration the sector in which the company operates, its size, and the experience of its Board members and executive management.
5. Benchmarking shall be used to take into consideration the remuneration practices of other companies in addition to what is prevalent in the labor market. The disadvantages of such comparisons in leading to unjustifiable increases in remunerations and compensations shall be avoided.
6. Remuneration shall be based on job level, duties, and responsibilities; educational qualifications; practical experience; skills; and performance level.
7. Remunerations are intended to encourage Board members and executive management contribute to the company’s success and its long-term development, such as linking the variable part of the remuneration to long-term performance.

8. The remuneration shall be suspended if it has been determined that such remuneration was based on inaccurate information provided by a member of the Board, its committees, or the executive management in order to prevent the use of one's position in the company to derive undeserved benefits.
9. If the company develops a program to grant some of its shares to Board members and executive management, whether a new issue or shares purchased by the company, then the Committee shall supervise this program in light of the company's bylaws and the relevant CMA laws and regulations.
10. Members of the Board may not vote on the remuneration of directors at the General Assembly meeting of the company's shareholders.
11. A member of the Board may receive remuneration for his membership in the Audit Committee formed by the General Assembly or for any other additional executive, technical, administrative, or advisory work or positions (under professional license) assigned to him by the company in addition to the remuneration that may be acquired as a member of the Board and any committees formed by the Board, in accordance with the Companies Laws and the company's Articles of Association.
12. The remunerations of different Board members may vary depending on the Board members' experience, expertise, duties he undertakes, and the independence and number of Board meetings he attended, in addition to other considerations.
13. The remuneration of independent Board members shall not be a percentage of the profits that are realized by the company, nor shall it be based directly or indirectly on the company's profitability.
14. If the General Assembly decides to terminate the membership of any Board member who fails to attend three consecutive Board meetings without a legitimate excuse, then such Board member shall not be entitled to any remuneration since the last Board meeting he failed to attend, and he shall pay back any remuneration he received for that period.

Fourth: Board Members' Remuneration

1. Board members' remuneration may consist of a specified sum, an attendance fee, expense fees, other in-kind benefits, a certain percentage of the net profits, or a combination of two or more of those benefits.
2. If the remuneration is a certain percentage of the profits of the company, this percentage must not exceed 10% of the net profits after deduction of the reserves decided by the General Assembly in application of the provisions of the applicable laws and the Articles of Association of the company, or, after distribution of profit to shareholders, not less than 5% of the company's paid-up capital, provided that the remuneration is commensurate with the number of sessions attended by the member, and any other estimate contradicting that is invalid.

3. In no event may the total amount of any compensation and remuneration, whether it be cash or in-kind benefits received by a Board member, be greater than SAR (500,000) five hundred thousand Saudi Riyals annually, in accordance with the regulations established by the competent authority.
4. The Board's annual report to the General Assembly shall include a comprehensive statement of all the amounts received by each Board member during the fiscal year, including remunerations, allowances, expenses, and other benefits, as well as all the amounts received by the members in their capacity as employees or executives, or in consideration of such technical, administrative, or advisory services (if any). Such a report shall also include a statement of the number of the Board meetings held and the number of meetings attended by each member beginning from the date of the last meeting of the General Assembly.

Fifth: The Committees' Members Remuneration

1. The Board shall determine and approve its committee's remuneration, excluding the Audit Committee remuneration, attendance fees, and other benefits based on the Committee's recommendation.
2. Committee member remuneration shall comprise an annual remuneration (a lump sum) and attendance fees, along with other benefits as defined in this Policy.
3. Audit Committee members' remuneration shall be determined by the General Assembly based on the Board's recommendation.
4. When forming any Board committee, the number of seats occupied by each Board member shall be taken into consideration, as the total amount paid for his membership on both the Board and all committees shall not exceed the statutory limit defined in the Companies Law, considering paragraph (11) of Article 3 of this Policy.

Sixth: Executive Management's Remuneration

1. The Board shall, on the recommendation of the Committee, determine the types of remuneration awarded to senior executives of the company – for example: fixed bonuses, performance-related bonuses, and incentive bonuses – not inconsistent with the regulatory controls and procedures issued to the joint stock companies.
2. Senior executives' remuneration must be consistent with the company's strategic objectives, its business activity, and the skills required to manage the company, taking into account the sector in which the company operates and its size.
3. The Committee shall review the incentive scheme for the executive management on a regular basis and submit its recommendations to the Board for approval.
4. Remuneration aims to provide the competitive advantage needed to attract and retain highly qualified and experienced staff and to maintain the high level of skills needed by the company.

Seventh: General Provisions

1. The remuneration of directors, committees, and the secretary shall be paid annually after the approval of the annual audited consolidated financial statements by the General Assembly of the company's shareholders.
2. Attendance allowances may be paid after each session, quarterly, or with annual remuneration.
3. Allowances and other expenses are disbursed only once if one or more meetings are held on the same day.
4. The executive management's remuneration shall be paid annually upon approval by the Board pursuant to a recommendation from the Committee.

Eighth: Final Provisions

1. This Policy shall be implemented and complied with by the company starting from the date it is approved by the General Assembly of the company's shareholders.
2. This Policy shall be published on the company's website.
3. This Policy shall be amended, as and when required, by a proposal of the Board based on a recommendation by the Committee under a resolution issued by the General Assembly of the shareholders of the company.