

# **MARAFIQ**

## **Directors, Members of Boards' Committees and Executive Management Remuneration Policy**

**Table of Contents**

**Article (1): Purpose..... 3**

**Article (2): Definitions ..... 3**

**Article (3): Policy Interpretation ..... 3**

**Article (4): Remuneration and Nomination Committee (RNC) Role..... 5**

**Article (5): Directors and Members of Boards’ Committees Remuneration ..... 5**

**Article (6): Restrictions on Directors and Members of Members of Boards’ Committees Remuneration ..... 6**

**Article (7): Executive Management Remuneration ..... 7**

**Article (8): Employee Share Plan ..... 8**

**Article (9): Remuneration Structure..... 9**

**Article (10): Disclosure and Transparency..... 9**

**Article (11): Revision and Amendment..... 10**

**Article (12): Policy Validity..... 10**

### **Article (1): Purpose**

This Policy is called ‘Directors, Members of Boards’ Committees and Executive Management Remuneration Policy’, which was prepared in accordance with the Corporate Governance Regulations (CG Regulations) issued by the Capital Market Authority (CMA) and the Saudi Companies Law. The purpose of preparing this Policy is to compensate and remunerate the Directors, Members of Boards’ Committees, and the Executive Management of the Company in order to motivate them to enhance their performance, assist the Company in its growth, achieve its goals and objectives, and ensure compliance with applicable regulations, and alignment of remuneration of the Board, Boards’ Committees, and Executive Management with prevailing market practices, laws, and regulations. Additionally, this Policy ensures alignment with the long-term strategic interests of the Company's shareholders.

### **Article (2): Definitions**

The terms and expressions in this Regulation shall have the meanings ascribed thereto hereunder, and the masculine shall include the feminine, and the singular shall include the plural and vice versa, unless the presumption or context indicates otherwise:

<b>Term</b>	<b>Definition</b>
<b>Governance Department</b>	: Corporate Governance Department in the Company.
<b>General Assembly</b>	: Ordinary General Assembly of the Company.
<b>Company</b>	: Power and Water Utility Company for Jubail and Yanbu (a public joint-stock company).
<b>Committee</b>	: Remuneration and Nomination Committee (RNC).
<b>Board</b>	: The Board of the Company.
<b>Authority</b>	: Capital Market Authority.
<b>Executive Management</b>	: Persons responsible for managing the Company's day-to-day operations, executing the Board's resolutions, proposing and executing strategic decisions.

### **Article (3): Policy Interpretation**

#### **3.1 Interpretation Rules**

3.1.1 This Policy and the addendums attached thereto (if any) are considered an integral part thereof, and complementary to its clauses and shall be read and interpreted therewith for this purpose.

3.1.2 This Policy is directed and addresses job positions and not the people in charge of them.

3.1.3 All headings in this Policy are for convenience of reference only and shall not affect the interpretation of the Policy provisions as a whole.

3.1.4 This Policy prevails over any other Policy on the same subject that may conflict therewith.

3.1.5 The Board is entitled to set rules and executive policies for this Policy.

3.1.6 This Policy is formulated in accordance with the jus cogens in the CG Regulations issued by the Authority. In the event that the Authority decides, at any time, to consider any provision in the CG Regulations as jus cogen rather than a complementary, then this Policy is read in light of that, and the complementary provision becomes as jus cogen by force of law and an integral part of this Policy. In the event that a complementary provision is included in this Policy in the form of a jus cogen, this shall not prejudice its remaining complementary and not binding until the Authority decides otherwise.

3.1.7 The Company's application of any of the guidelines, steadily or incidentally, does not prejudice the provision to remain guiding unless a special resolution is issued by the Board or the Authority otherwise. The Company is entitled to exchange between applying and not applying the guiding provision in accordance with what it decides in this regard, and it is not allowed in any way to consider approval of this Policy/ regulation as an approval for the guiding provisions contained therein to be mandatory.

### 3.2 Sources of Judging the Incident

3.2.1 The provisions of this Policy apply to the issues dealt with in these provisions in their terms and meanings, and there is no justification for effort in the source of the provision.

3.2.2 The provisions of this Policy shall not conflict with the legislative laws in the KSA, and in the event of a conflict, the provisions of the jus cogen legislative laws shall be applied.

3.2.3 In the absence of a provision in this Policy on the issue, the following legislative sequence shall be applied:

3.2.3.1 The jus cogens in the CG Regulations issued by the Authority are applied.

3.2.3.2 The provisions of the Companies Law and its executive regulations shall be applied.

3.2.3.3 The provisions of the Company's articles of association shall be applied.

3.2.3.4 The resolutions of the Company's General Assembly shall be applied.

3.2.3.5 The resolutions of the Board of Directors shall be applied.

3.2.3.6 Diligence of from the Governance Department according to the circumstances surrounding regarding each issue for which there is no provision.

#### **Article (4): Remuneration and Nomination Committee (RNC) Role**

The RNC shall undertake the following tasks and responsibilities in relation to this Policy:

4.1 Determination of the incentive system and adoption of remuneration in accordance with relevant laws and regulations, and focusing on encouraging Directors, Members of Boards' Committees and Executive Management to achieve the Company's long-term success, development, and alignment with its strategy and objectives.

4.2 Ensuring periodic review of the incentive system.

4.3 Periodic evaluation of the adequacy and effectiveness of this Policy, including clarification of the relationship between paid remuneration and adopted remuneration policies, and identification of any significant deviations from such policies.

4.4 Presentation of recommendations to the Board regarding the level and components of remuneration of the Executive Management and the Boards' Committees within the Company.

4.5 Ensuring that the remuneration of the Directors, and Independent Committee Members is not a percentage of the Company's profits and is not directly or indirectly tied to the Company's profitability.

4.6 Provision of a performance measurement system for assessing and objectively evaluating the performance of employees at various levels.

4.7 Ensuring that the evaluation of Executive Management's performance is based on the Company's long-term performance, not just its current performance.

#### **Article (5): Directors and Members of Boards' Committees Remuneration**

5.1 Each Director and the Permanent Members of Boards' Committees is entitled to the following remuneration and allowances:

5.1.1 An attendance allowance of SAR three thousand for each attended meeting.

5.1.2 Housing, transportation, and meal allowances or a delegation allowance (as preferred by the Director/ Committee Member) of SAR one thousand per day for meetings held within the KSA and outside the city wherein the Director/ Member

resides, and a delegation allowance of SAR two thousand per day for meetings held outside the KSA. This includes travel days as per the Company's adopted policy of senior executives.

5.1.3 First-class round-trip airfare from the city where the Director/ Member resides to the city where the meeting is held, according to the Company's adopted policy in this regard.

5.2 The annual remuneration of Directors is SAR two hundred and fifty thousand (SAR 250,000) for each Director and SAR one hundred and fifty thousand (SAR 150,000) for each Permanent Committee Member for each committee membership, provided that this remuneration shall be calculated based on the Director or Committee Member tenure during the year, provided that the total amount received by the Director or Committee Member for their membership in the Board and Committees during the year shall not exceed SAR five hundred thousand (SAR 500,000) as a maximum. This limit does not include attendance allowances, delegation allowances, or travel expenses (if covered by the Company).

5.3 The remuneration of the Secretary of the Board and the Secretaries of the Annual Committees shall be determined in accordance with what the Board decides in this regard.

5.4 The remuneration shall be paid annually in accordance with what the Board decides, based on the recommendation of the Nomination and Remuneration Committee.

5.5 The benefits and remuneration of Committee Members who are not Directors are determined as follows:

5.5.1 A Committee Member who are not Directors is entitled to a financial remuneration of SAR (150,000), provided that this remuneration shall be calculated in accordance with the Committee Member tenure during the year.

5.5.2 Each Committee Member who are not Directors shall receive SAR three thousand (3,000) for attending each meeting of the Committee.

5.5.3 Members of Boards' Committees who are not Directors shall be compensated for travel expenses and their expenses in accordance with the rules applicable to Directors and set forth in this Policy.

## **Article (6): Restrictions on Directors and Members of Boards' Committees Remuneration**

6.1 The Board of Directors has the right to pay an additional remuneration to the Chairman of the Board of Directors in the amount of (250,000) Two Hundred and

Fifty Thousand Saudi Riyals, and an additional remuneration to the Chairman of the affiliated Committees in the amount of (75,000) Seventy Five Thousand Saudi Riyals, based on the recommendation of the Nomination and Remuneration Committee in this regard and without this being included within the maximum limit received by members of the Board and Committees.

6.2 The Company is entitled to refuse to pay the remuneration, to suspend its payment, or to demand it to be repaid by any Director, Member of Boards' Committees, and Secretaries, and to seek compensation for damages to its reputation, operations, or business in the following cases:

6.2.1 If there is any act or omission involving forgery and/or compromising integrity, trustworthiness, or laws and regulations of the KSA, or the regulations of any other relevant country.

6.2.2 If a Director/ Member fails to fulfil the responsibilities and duties in a responsible and serious manner, resulting in harm to the Company's interests, expectations, growth, and operations.

6.2.3 If the General Assembly or the Board decides to terminate a Director/ Member's membership due to their absence from three consecutive meetings without an acceptable excuse approved by the Board. In such cases, the Director/ Member shall not be entitled to any remuneration of the period starting from the last meeting the Director/ Member did not attend, and the Director/ Member shall also be required to return any remuneration received for that period.

6.2.4 If the approved remuneration of the Director/ Member is based on inaccurate information or incorrect results.

### **Article (7): Executive Management Remuneration**

7.1 The RNC continuously shall review the salary scale established for all employees and Executive Management, as well as the incentive program and plans, and approve them based on a recommendation from the Executive Management.

7.2 Executive Management remuneration includes the following:

7.2.1 Basic Salary: To be paid at the end of each calendar month on a monthly basis.

7.2.2 Allowances, including, but not limited to, housing and transportation allowances.

7.2.3 performance-based bonus for Executive Management.

7.3 The CEO or his/her authorised representative is responsible for implementing the employee and Executive Management remuneration policy in line with the

plans, programs, and general guidelines adopted by the Board/ Boards' Committees.

7.4 The Board, upon a recommendation from the RNC, shall determine the executive management remuneration, provided that this remuneration shall align with the following principles:

7.4.1 Remuneration and compensation shall be in line with the Company's strategic goals, serving as an incentive for Executive Management to achieve those goals and enhance the Company's growth and sustainability.

7.4.2 Remuneration shall align with the nature of the Company's operations, activities, position, and required skills and experience.

7.4.3 Enabling the Company to attract executive managers with the necessary abilities, skills, and qualifications to achieve its objectives.

7.4.4 Avoiding conflicts of interest that could negatively impact the Company's interests and its ability to achieve its objectives.

7.4.5 The maximum limit of executive management remuneration may be reviewed annually, provided that any proposed amendments shall be based on a recommendation of the RNC.

7.4.6 Approved remuneration of each employee in the executive management may vary based on their level of responsibility and duties, the significance of their role in the Company, and the achieved goals.

#### **Article (8): Employee Share Plan**

8.1 If the Company repurchase shares for the purposes of allocating them to the Company's employees and executive members (employee share plan), the Company shall comply with the following, in addition to satisfying the share repurchase requirements:

8.1.1 The repurchase and allocation process shall be permitted under the Memorandum of Association or Articles of Association.

8.1.2 Obtaining the approval of the regulatory authorities.

8.1.3 Obtaining the approval of the General Assembly for the employee share plan.

8.1.4 Obtaining a permit from the General Assembly of the Board to determine the terms and conditions of the employee share plan, including the allocation price for each share if it is offered for consideration.

8.1.5 Ensuring that Non-executive Directors or Members of the Boards' Committees do not participate in the employee share plan, and that Executive



Directors or Members of the Boards' Committees may not vote on the decision related to the employee share plan.

### **Article (9): Remuneration Structure**

9.1 Structures shall be designed to achieve remuneration and performance objectives.

9.2 The set of forms of remuneration can vary between Executive Management based on the criteria specified in this Policy and may include cash, equity and other forms of remuneration.

9.3 Components of remuneration may be determined taking into account the nature and level of responsibilities of the executive management

### **Article (10): Disclosure and Transparency**

10.1 The annual report submitted by the Board to the General Assembly shall contain a comprehensive statement of all amounts paid to the Directors and Members of the Boards' Committees during the relevant fiscal year as remuneration, share in the profits, attendance allowance, expenses and other benefits. The report shall also contain a statement of the amounts paid to the Directors and the Members of Boards' Committees in their capacity as employees or executive managers of the Company or in exchange for technical, administrative or advisory tasks they have performed for the Company. The report shall also indicate the number of meetings of the Board and Boards' Committees and the number of meetings attended by each member since the date of the last meeting of the General Assembly.

10.2 In addition to the requirements set forth in the listing rules regarding the content of the Board's annual report, this annual report shall include the following:

10.2.1 Details of compensation and remuneration, including compensation and remuneration paid to each of the following:

10.2.1.1 Board Chairman, Directors and Boards' Committees.

10.2.1.2 The top five executives who receive the highest compensation and remuneration from the Company shall be included, provided that the CEO and the CFO (Deputy CFO) shall be included, if they are not among these five. For the purpose of this paragraph, 'compensation and remuneration' refers to salaries, allowances, profits, or any of these, as well as annual and periodic performance-based bonuses.

10.2.2 Disclosure of the Directors, Members of Boards' Committees and Executive Management determined remuneration in accordance with this Policy.

10.2.3 The Board's report shall provide accurate, transparent, and detailed information about the remuneration granted to the Board, Boards' Committees and Executive Management, whether directly or indirectly, and whether the remuneration is in cash or in any other form of benefits, of any kind, provided that the remuneration shall be granted in the form of Company shares, the value of the shares shall be the market value on the vesting date.

10.2.4 Clarification of the relationship between the granted remuneration and this Policy, along with indication of any material deviation from the Policy.

#### **Article (11): Revision and Amendment**

11.1 The RNC shall revise this Policy, in cooperation with the Company's management, when needed, and recommend any amendments to the same to the Board for approval before obtaining the approval of the General Assembly.

11.2 The Corporate Governance Department shall maintain the original duly signed copy of this Regulations and shall provide the Authority with a copy thereof and any amendments thereto from time to time.

#### **Article (12): Policy Validity**

This Policy shall be in effect and implemented as of date of Policy approval by the General Assembly.