

**MARAFIQ**

**Work Regulation of the  
Remuneration and  
Nomination Committee**

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

This regulation is called the “Regulations of the Remuneration and Nomination Committee”. Which was prepared in accordance with the provisions of the Corporate Governance Regulations (CG Regulations) issued by the Capital Market Authority in the Kingdom of Saudi Arabia, which stipulates that the General Assembly of the company, based on a proposal by the Board of Directors, approve the Regulations of the Remuneration and Nomination Committee. To clarify the mechanism for appointing the members of the Remuneration and Nomination Committee, its terms of reference, everything related to its meetings, the legal quorum for this committee, and its work procedures.

## **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>Secretary</b>	: Secretary of the Remuneration and Nominations Committee (RNC).
<b>General Assembly</b>	: Ordinary General Assembly of the Company.
<b>Chairman of the Committee</b>	: Chairman of the Remuneration and Nominations Committee.
<b>Regulation</b>	: Regulations of the Remuneration and Nomination Committee.
<b>Company</b>	: Power and Water Utility Company for Jubail and Yanbu (a public joint-stock company).
<b>Committee</b>	: the Remuneration and Nomination Committee
<b>Board</b>	: The Board of the Company.
<b>Authority</b>	: Capital Market Authority.
<b>Business Day</b>	: A day on which the Authority normally performs its business.

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

### **3.1 Interpretation Rules**

3.1.1 This Regulation 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 Regulation is directed and addresses job positions and not the people in charge of them.

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

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

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

3.1.6 This Regulation 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 corporate governance Regulation as jus cogen rather than a complementary, then this Regulation is read in light of that, and the complementary provision becomes as jus cogen by force of law and an integral part of this Regulation. In the event that a complementary provision is included in this Regulation 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 echange 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 Regulation/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 Regulation 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 Regulation shall not conflict with the legislative laws in the Kingdom of Saudi Arabia (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 Regulation 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): Formation of the Committee and Its Membership**

4.1 The Committee is formed and its Chairman is appointed by a decision of the Board. The remuneration of its members is determined according to the policy of “Remunerations of Board Members, Committee Members and Executive Management” in this regard. Membership in it begins with the beginning of the Board term and ends with its end or with the dissolution of the Board.

4.2 The number of committee members shall not be less than three and not more than five.

4.3 The members of the Committee shall be non-executive members of the Board and at least one of them shall be an independent member of the Board.

4.4 The Chairman of the Committee shall be appointed by the Board, provided that he is an independent member of the Board.

4.5 The Chairman of the Board may not occupy the position of Chairman of the Committee, and may participate in the membership of the Committee.

4.6 The Company shall notify the Authority with the names of the committee members and their membership descriptions from the date of their appointment and any changes that may occur therein within five working days from the date of the change.

4.7 A member of the Committee may retire from the committee by a written notification to the Committee Chairman, who must notify the Board and the Board Secretary directly. If the Committee Chairman resigns, the notification shall be directed to the Board and the Board Secretary from the date specified in the report.

4.8 If the position of a committee member becomes vacant, the Board may appoint to the vacant position an experienced and competent person within ten working days of the vacancy at most. The new member completes the term of his predecessor, the company shall inform the Authority within five days from the date of appointment, and the appointed member completes the term of his predecessor.

4.9 If the necessary conditions for the validity of the committee formation are not met due to less of its members number than half the number of the committee members. The board shall appoint a new committee immediately within ten working days at most, the company shall notify the Authority within five days from the date of appointment, and the appointed committee completes the term of its predecessor.

4.10 Membership in the Committee ends de jure if any of the following conditions are met:

4.10.1 In the event of dissolved the board for any reason or its session ends.

4.10.2 In the event of member death or the existence of a total disability that prevents him from performing his duties.

4.10.3 In the event of retirement (resignation) or dismissal of the member.

4.10.4 In the event that one of the membership conditions set forth in these regulation and related regulations is absent.

#### **Article (5): The Secretary**

The committee appoint a Secretary for it, and the Board determine its remuneration, provided that the appointment of the Secretary is from among the members of the committee or whomever the committee deems appropriate from the company's management team to prepare its meetings, Committee's Minutes, document. To follow up on the implementation of its recommendations, directives, and decisions without having the right to vote in them. The Secretary may resign from his position at any time by virtue of a written notice sent to the Committee Chairman, so that the Secretary continues to carry out his duties until another Secretary is appointed by the committee.

#### **Article (6): Controls of the Committee's work**

6.1 The legal quorum of the committee is achieved by the attendance of at least the majority of its members, and the committee shall be entitled to exercise all or any of the powers, powers vested in it or that it is entitled to exercise in any meeting with a full quorum it holds, in accordance with the rules. The Committee take its decisions by a majority of the members present at the meeting; if the votes are equal, the side for which the Committee Chairman/meeting Chairman voted is likely.

6.2 In the absence of the Committee Chairman, the remaining members present shall elect one of them to chair the meeting.

6.3 Members may participate in any meeting by telephone, videoconference, or by any similar electronic means.

6.4 A committee member shall be entitled to object to any decision taken by the committee, provided that his objection is expressly recorded in the Meeting Committee's Minutes. In the event of Absence from any meeting in which the decision is taken does not prevent the member from taking responsibility for implementing the decision unless it is proven that the member was not aware of the decision, or was not able to object to it.

#### **Article (7): Committee Meetings**

7.1 The Committee Meetings are held at the invitation of the Secretary according to a request from the Committee Chairman at least twice a year. It may also hold extraordinary or emergency meetings as circumstances require and at any other time as decided by the Committee Chairman. The committee meeting is also held when requested. The Board or two members of the Committee shall do so, and in all cases the reasons for the

extraordinary meeting shall be clarified in the relevant Meeting Committee's Minutes.

7.2 Unless otherwise agreed, notice of each meeting confirming the place, time, date, agenda and items to be discussed shall be sent to each committee member, any other person required to attend and all other members at least 10 working days prior to the meeting. However, the notice may be issued in exceptional cases and notified of it, before 5 working days from the date of the meeting, with a note on the extent of its urgency, and sent with supporting documents to the committee members and to other attendees as appropriate at the same time.

7.3 The Committee shall hold its meetings at the company's headquarters. However, it may be held in any other place or by any available electronic means.

7.4 The CEO of the company, the chief financial officer, the head of the internal audit department, the representative of the external auditor and other specialists may attend the meetings upon an invitation from the committee.

#### **Article (8): Meetings Committee's Minutes**

8.1 The Secretary shall prepare Committee's Minutes in Arabic language of the proceedings of all the Committee's meetings and the decisions issued therein, including the registration of the names of the attendees. The Committee's Minutes may be drawn up in an additional language other than the Arabic language, in the event of difference; the Arabic language is considered only.

8.2 The Secretary shall make sure, at the beginning of each meeting, that there are any cases of conflict of interest and include them in the Meeting Committee's Minutes accordingly.

8.3 The Secretary prepares a draft Meeting Committee's Minutes and presents it to the Committee Chairman and its members via e-mail to review it and add their notes within (5) working days from the date of each meeting. In the event that the notes are not received within (10) working days after sending them, this is considered as confirmation there are no notes on the initial draft, and the Meeting Committee's Minutes are kept after being signed by the Secretary and all attending members.

#### **Article (9): Committee Prerogatives**

In addition to the mandatory tasks decided by the Authority in the Corporate Governance Regulations issued by it or those guiding tasks that become mandatory based on what the Authority decides in this regard, the committee shall perform the following tasks:

9.1 To prepare a clear policy for the remuneration of members of the Board, the committees emanating from the Board, and the Executive Management. To submit it to the Board for consideration in preparation for

approval by the General Assembly, provided that performance-related standards are followed in that Regulation.

9.2 To Clarify the relation between the paid rewards, the approved rewards policy, and indicate any material deviation from this regulation.

9.3 Periodically reviewing the remuneration policy, and evaluating its effectiveness in achieving its objectives.

9.4 To recommend to the Board the remuneration of its members, committee members and senior executives in the company in according to the approved Regulation.

9.5 To prepare clear policies and criteria for the membership of the Board of Directors and the Executive Management and recommending them to the Board for approval by the company's General Assembly.

9.6 To recommend to the Board the nomination of its members, and re-nomination of them in accordance with the approved policies and membership criteria. Taking into consider not to nominate any person previously convicted of a crime involving moral turpitude or dishonesty.

9.7 To determine the time that the member should allocate for the work of the Board.

9.8 To review the structure of the Board and the executive management and make recommendations regarding changes that can be made to it.

9.9 To develop job descriptions for the executive, non-executive and independent members of the Board and the executive management of the company.

9.10 To set procedures to be followed in the event of a vacancy in the position of a member of the Board of Directors or a senior executive.

9.11 To determine the strengths and weaknesses of the Board and propose solutions to address them in line with the interests of the company.

9.12 Periodically reviewing the skills, knowledge and experience required for the members of the Board, and preparing a description of the tasks and capabilities required when appointing any member.

9.13 Reviewing the company's leadership needs and its executive departments (Chief Executive Officer and Vice Presidents), with the aim of ensuring the company has continued ability to achieve achievements and strategies effectively.

9.14 Annually review the budgets of remuneration and benefits due to the members of the Board and the executive management of the company and recommend to the Board any changes in employee benefits policies and structures at the company level.

9.15 To set appropriate standards and making recommendations to the Board regarding the independence of Board members and candidates for membership.

9.16 To ensure the independence of the independent board members annually, and that there is no conflict of interest.



9.17 To recommend to the Board the general framework or regulation for the remuneration of the members of the Board and the executive management team (Chief Executive Officer and Vice-Chairmen) and the value of those remunerations.

9.18 To determine the total individual remuneration package for each / any member of the Board within the terms of the agreed bylaws including (as applicable) bonuses and other incentives.

9.19 To recommend to the Board the number of members, the competence and responsibilities of the committee. as well as the responsibilities of the chairman and members of each of the other committees, including providing advice regarding the appointments of the Board committees and their dismissal from the committee or the Board, the rotation of committee members and chairmen, and the structure and operations of the committees.

9.20 To make recommendations regarding recruitment, retention and termination policies for the Company's management and policies for management's participation in various forms of bonus benefits that may be considered, and recommend relevant development programs and plans to Board members.

9.21 To submit an annual report to the Board that includes an evaluation of the Board's performance.

9.22 To submit recommendations to the Council regarding criteria for selecting candidates for Council membership.

9.23 To perform any other duties or responsibilities that the Board expressly assigns to the Committee from time to time.

#### **Article (10): Powers of the Committee**

The Committee has the following powers (in addition to its other powers set forth in these regulation and other powers decided by the Authority in its corporate governance regulations):

10.1 The Committee shall have access to adequate resources to perform its duties.

10.2 To request any information from the company's management in order to perform its duties, provided that the committee determines the information that shall be provided to it by the company's departments, its size and date of submission, so that the information is submitted to the committee when it becomes available.

10.3 To obtain advice and assistance, as needed, from any department in the company.

#### **Article (11): Duties and Powers of Committee Members**

11.1 In addition to his mandatory competencies determined by the Authority in the Corporate Governance Regulations issued by it, or those guiding competencies that become mandatory based on what the Authority decides in this regard, he shall have the following:

11.1.1 To lead committee meetings and strive to enhance their effectiveness.

11.1.2 To represent the Committee before the Board and the General Assembly, and answer inquiries that may be raised in the field of work of the Committee.

11.1.3 To call for committee meetings and specifying their dates and locations, in coordination with the committee members.

11.1.4 To prepare meeting agendas.

11.1.5 To ensure that the topics presented to the committee are supported by the required basic documents and information.

11.1.6 To ensure enough time to discuss the agenda items.

11.1.7 To submit the recommendations of the committee to the board according to what the committee deems appropriate in any aspect of its competence when there is a need to take action or make an improvement.

11.1.8 To follow up on the implementation of the committee's decisions.

11.2 The Secretary of the Committee shall assume the following duties and responsibilities:

11.2.1 To coordinate committee meetings and propose items in coordination with the Committee Chairman.

11.2.2 To notify the committee members of the meeting dates and provide them with the agenda and any necessary information.

11.2.3 To attend and document committee meetings, prepare and keep Meeting Committee's Minutes.

11.2.4 To keep the Committee's Minutes, documents, reports and other documents issued by the committee, including the reports of the audit committee, at the company's headquarters for a period of no less than ten years. Without prejudice to this period, the foregoing shall be kept in the event of a lawsuit, including any Lawsuit. Existing or pending lawsuit, claim, or any existing investigation procedures related to these documents until they are completed. This matter - i.e. keeping documents - applies to the policy approved by the company in this regard.

11.3 In addition to other mandatory tasks that the Authority decides in the Corporate Governance Regulations issued by it, or those guiding tasks that become mandatory based on what the Authority decides in this regard, each member of the Committee must do the following:

11.3.1 To commitment to the provisions of the Authority's act, bylaws, companies' act, its executive bylaws, other relevant acts and the company's articles of association when performing his duties. To refrain from entering or participating in any matter that may harm the interest of the company.

11.3.2 To know the duties and responsibilities of the committee while allocating enough time to perform his role in achieving them.

11.3.3 To perform the tasks entrusted to him without any external influence, whether from inside or outside the company, and not giving preference to his personal interest over the interests of the company.

11.3.4 To refrain from accepting gifts from any person with whom the company has commercial dealings.

11.3.5 To prepare for all meetings, attending them, and participating in all discussions effectively.

11.3.6 To ensure knowledge of the regulatory updates related to the company, its activities, business and other related fields.

## **Article (12): Conflict of Jurisdiction and Conflict of Interests**

### **12.1 Conflict of Positive and Negative Jurisdiction:**

In the event of a positive conflict between the terms of reference of the committee and any other permanent committee affiliated with the Board, so that each committee adhered to having jurisdiction to consider a specific matter or incident. In the event of a negative conflict with any other permanent committee affiliated to the Board, so that each committee insisted that it does not have jurisdiction to consider a matter or a specific incident, then the matter is referred to the Board to issue its decision in this regard.

### **12.2 Conflict of Interest:**

Without prejudice to the rules of the policy of avoiding conflicts of interest approved by the company and the details it includes in this regard:

12.2.1 Members shall avoid any situations leading to a conflict of interest with the Company at all times.

12.2.2 If a member has a conflict of interest in relation to any matter of the committee, he must disclose this conflict before starting to discuss that matter, provided that this is recorded in the Meeting Committee's Minutes, and in this case, the member may not attend or participate in discussing or voting on a question.

12.2.3 A committee member may not have any direct or indirect interest in the business and contracts that will be executed or concluded for the account of the company. Unless authorized by the Ordinary General Assembly (if the committee member also holds the position of a member of the Board), or Permission from the Board (if the committee member is not a member of the Board), in according to the applicable act and internal policies of the company.

12.2.4 If the committee member does not disclose his interest in the relevant contracts, the company may demand the cancellation of the contract and obligate the member to pay compensation or any profit/benefit obtained through that interest.

12.2.5 If the committee member does not disclose his participation in any business that would compete with the company or one of its branches of

activity, the company may resort to the competent judicial authority to claim appropriate compensation.

12.2.6 A committee member may not, directly or indirectly, use, exploit or benefit from any of the company's assets, information or investment opportunities that the company is considering, and the member may not exploit any such investment opportunity after the ends of his membership term.

12.2.7 If it is proven that a member has taken advantage of any investment opportunity, the company or any concerned party may resort to the competent judicial authority to claim the cancellation of any work, profit or gain resulting from that opportunity, and the company may also claim appropriate compensation.

12.2.8 A committee member must maintain the confidentiality of the information and documents available to him, and he may not, under any circumstances, even if his membership ends, disclose them to any person or entity. Unless the Board authorizes him to do so in writing, he may not use any of this information for his personal interest or the interest of his relatives or any outside parties. The company shall be entitled to claim compensation in case of violation of the provisions of this article.

#### **Article (13): Revision and Amendment**

13.1 The Company's management shall revise this regulation in cooperation with the Company's appropriate departments, when needed, and recommend any amendments thereto to the Board for approval before obtaining the approval of the General Assembly.

13.2 The Corporate Governance of the Company shall maintain the original duly signed copy of this regulation and shall, from time to time, provide the Authority with a copy thereof and any amendments thereto.

#### **Article (14): Policy Validity**

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

<b>Regulation Title</b>	<b>Regulations of the Remuneration and Nomination Committee</b>			
Revised and Amended by: Governance Department	Name: Dr. Akram Ibrahim Faisal Khalaf Al-Anzy	Signature:	Date:	
Board Secretary:	Name: Muhammad Abdulhamid Al-Mulhim	Signature:	Date:	

Date of regulation Approval by General Assembly:	
Approved Language of Policy:	The Arabic language, and the English, if any, is only considered as a guiding language.