

**United Cooperative Assurance**

**Evaluation and Remuneration Policies for Directors, Committee Members and Senior Management**



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### Introduction:



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Pursuant to the Company's articles of association, in compliance with the provisions of Companies Law and Governance Regulations issued by the Saudi Capital Market Authority and Saudi Central Bank and subject to the recommendation offered by the Board of Directors of the Company based on the proposal of Nomination and Remuneration Committee, General Meeting of the Company convened on ----- has approved this Policy for evaluation, remunerations and compensations of the directors, members of board committees and senior management.

### I: Board of Directors and Members of Board Committees Performance Evaluation:

Nomination and Remuneration Committee shall evaluate the performance of the Board of Directors, directors and members of board committees on an annual basis by assessing the skills, experience and mechanisms of the Board in general, determining the weaknesses and strengths. Performance evaluation of individual directors shall consider whether each director satisfies the fitness requirements and demonstrates commitment to its roles and responsibilities, shall identify the strengths and weaknesses and submit a proposal for overcoming such weaknesses in the interest of the Company. The Board shall address the weaknesses (if any). Evaluation process shall be encapsulated on the following main pillars:

1. The director's satisfaction of the fitness requirements;
2. The director's regular attendance in the meetings; and
3. Independency and absence of conflict of interests preventing the director to continue in office.

The BoD shall take the reasonable measurements for evaluation of its performance by a competent external agency every three years, where applicable. The non-executive directors shall, where required, conduct periodic evaluation of the Board Chairman performance taking into consideration the views of the executive directors (if feasible). The Chairman shall not be allowed to be present in the debate specified for such purpose. The strengths and weaknesses shall be identified and a suggestion shall be put forward for addressing such weaknesses in the interest of the Company.

### II: Fixed Compensations and Remunerations of the Directors:

Compensations of the directors shall compose of:

#### 1. Fixed Annual Remuneration:

Board Chairman and the directors shall receive a fixed annual remuneration as follows:



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Title	Amount of Fixed Annual Remuneration
Chairman	SAR 300,000
Every (independent – executive – non-executive) director	SAR 180,000

### 2. Meeting Attendance Allowance:

Each director of the Board shall get an allowance of SAR (3,000) Three Thousand Riyals for each of the Board meetings attended by such director and an allowance of SAR (1,500) One Thousand and Five Hundred Saudi Riyals for the general meetings (non-inclusive of travel, accommodation and living expenses).

### 3. Meeting Attendance Expenses:

The Company shall take the necessary arrangements for attendance of the Board meetings and the general meetings by the directors and shall reimburse the actual expenses incurred by such directors for attendance of the Board meetings and the general meetings including travel, accommodation and living expenses.

## III: Fixed Compensations and Remunerations of Members of the Board Committees, Secretary of the Board and Committees:

Compensations of members of the board committees shall compose of:

### 1. Fixed Annual Remuneration to the Audit Committee Chairman:

Audit Committee Chairman shall be paid SAR (60,000) Sixty Thousand Saudi Riyals for serving as Chairman of the Audit Committee.

Committee	Directors	Non-Directors
Executive Committee	N/A	SAR 40,000
Investment Committee	N/A	SAR 40,000
Audit Committee	SAR 60,000	SAR 40,000
Risk Committee	N/A	SAR 40,000
Nomination and Remuneration Committee	N/A	SAR 40,000



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### 2. Meeting Attendance Allowance:

Every member of the Board Committees shall receive an amount equivalent to SAR (1,500) One Thousand and Five Hundred Saudi Riyals for each of its committee meetings attended by such member, including attendance of the general meetings by the committee chairs (non-inclusive of travel, accommodation and living expenses).

However, members of the Audit Committee shall get SAR (3,000) Three Thousand Saudi Riyals for each meeting attended. **3. Meeting Attendance Expenses:**

The Company shall take the necessary arrangements for attendance of the Board Committee meetings by their members including attendance of the general meetings by the committee chairs and shall reimburse the actual expenses incurred by the members for attendance of such meetings including travel, accommodation and living expenses.

4. **Annual Remuneration to Secretary of the Board and Committees and Attendance Allowance:** Board Secretary shall be paid SAR (75,000) Seventy Five Thousand Saudi Riyals for its works and as attendance allowance of the Board, committees and the meetings. Directors and secretary of the committees shall receive an attendance allowance of SAR (1500) One Thousand and Five Hundred Saudi Riyals.

### IV: Variable Annual Remunerations of Directors and Members of Board Committees:

Should the Company realize profits at the end of the calendar years, the Board of Directors may, pursuant to the recommendation of the Nomination and Remuneration Committee, distribute portion of the profits to some or all directors and members of the Board committees not exceeding (10%) of the remaining net profits having deducted the reservations resolved by the General Meeting in application of the provisions of Cooperative Insurance Companies Control Law and after distribution of the dividends to the shareholders by no less than (5%) of the Company's paid-up capital. Payment of such remuneration shall be commensurate with the number of sessions attended by the member and based on the evaluation conducted by the Nomination and Remuneration Committee of its roles, responsibilities and performance during the year.

In any event, total remunerations paid to a director and any member of the Board committees shall not exceed SAR (500,000) Five Hundred Thousand Saudi Riyals per annum, be it in kind or in cash. This ceiling shall not be applicable to members of the Audit Committee.



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### V: Senior Management Performance Evaluation and Remuneration Determination:

#### 1. Fixed Compensations of Senior Management:

Fixed remunerations of the Senior Management shall be determined in accordance with the salary structure approved by the Company's Board of Directors. The structure is a group of job grades dividing into levels. The job grades and position level of those holding senior management positions shall be identified by evaluating their job roles, responsibilities and competencies while taking into consideration their academic qualifications, work experience, capabilities, skills and personal abilities in addition to observing the salary-related practices of other companies. The Company should be managed to attract, retain and motivate the local and professional competences. All senior managers shall get paid in accordance with the Compensation and Remuneration Policy approved by the Company.

#### 2. Variable Remunerations tied to the Senior Management Performance:

Annual "performance bonus" is an incentive bonus that is paid only once per annum to the senior managers and is directly tied to the individual and group performance levels and financial results of the Company. In any event, such bonus shall be exclusively paid to the managers achieving satisfactory performance scores. Since the bonus is directly based upon the Company's accomplishment and profitability for such financial year, thence, performance bonus shall be considered "pay at risk" and shall neither be deemed nor construed, by any mean, as merit pay or benefit. The management should never expressly or implicitly state that such bonus is included within the fixed compensations unless otherwise is agreed under the contract with the senior managers at time of contract.

United Cooperative Insurance aims to tie portion of the total compensations entitled to the senior management and senior executives to performance for the following reasons:

1. Clearly associating the Company's objectives with the performance and accomplishments of the senior managers which greatly impacts achievement of the overall results of the Company;
2. Providing feedback on the individual and group performance of each executive department; and
3. Fostering awareness of the executives' performance results to continue work and retain such managers as long as possible.



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### 3. Criteria for Payment of Annual Variable Remuneration to the Senior Management:

- Remuneration shall be paid to the managers achieving satisfactory results in the balanced scorecard and overall evaluation by the CEO.
- The remuneration shall be paid to the managers who have completed at least six consecutive months in service by the end of the year.
- Upon payment of the remuneration, the manager should be in service and has not resigned or expressed its desire not to renew the contract.
- The manager has neither received a warning letter nor been investigated for any violation in this year.

### 4. Senior Management Performance Measurement and Evaluation Instruments: Annual performance measurement of the senior management is the most critical procedure for any organization. Thus, United Cooperative Insurance has not employed two main measurement standards so as to avoid personal or biased judgments aiming to commit to complete transparency while taking all factors affecting awarding and payment of the annual performance bonus into consideration.

#### 1. Balanced Scorecard covering four main targets:

- Financial target;
- Customer target (internally, externally);
- Bylaws; and
- Personnel target (development, training, human resources and information systems).

#### 2. Overall Evaluation:

This includes the evaluation of capabilities or other competency such as behavior, regular attendance, teamwork, overall appearance and other basic skills required for the comprehensive evaluation of each member.

### 5. Procedures for Performance Evaluation and Remuneration Determination of the Senior Management reporting to the CEO:

At the end of each calendar year, the Chief Executive Officer (CEO) shall evaluate members of the senior management reporting to the CEO. The final result shall be documented in the evaluation form, to be signed by the CEO and the relevant senior member in acknowledgment of getting familiar with the contents thereof while giving such member a



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chance to express its opinion on the evaluation. Evaluation results of the senior management reporting to the CEO shall be submitted to the Remuneration and Nomination Committee by the CEO in accordance with the above evaluation mechanism.

- Practices of other companies with regard to determining remuneration shall be taken into consideration while avoiding the unjustifiable increase in remunerations;
- Remunerations should be fair and based upon specific mechanism away from personal opinion and with zero-tolerance to discrimination between the members subject to the same evaluation;
- Remunerations should not cause conflict of interests that may adversely affect performance of the Company; and
- Remunerations should aim to achieve interests of the insured, shareholders and longterm strategic objectives of the Company.

### 6. Procedures for Performance Evaluation and Remuneration Determination of the Supervisory Departments' Managers reporting to the Audit Committee:

Managers of the supervisory departments reporting the Audit Committee shall be evaluated by the Audit Committee. The final result shall be documented in the evaluation form, to be signed by the Chairman of Audit Committee and the relevant manager of the supervisory department in acknowledgment of getting familiar with the contents thereof while giving such manager a chance to express its opinion on the evaluation. Evaluation results of the supervisory departments' managers shall be submitted to the Remuneration and Nomination Committee by the managing director in accordance with the above evaluation mechanism.

Audit Committee shall establish the proposed remunerations of managers of the supervisory departments reporting to the Audit Committee. Upon setting such remunerations, the following shall be considered:

- Performance evaluation and remuneration determination of the personnel holding such offices shall be conducted without any interference by the Company's executive department while taking into account views of the CEO during the evaluation process without prejudice to the independency of the committee's resolution pursuant to the adopted laws;
- Remunerations shall contribute to enhancement of the impartiality and independency of such positions;





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- Practices of other companies with regard to determining remuneration shall be taken into consideration while avoiding the unjustifiable increase in remunerations;
- Remunerations should be fair and based upon specific mechanism away from personal opinion and with zero-tolerance to discrimination between the members subject to the same evaluation;
- Remunerations should not cause conflict of interests that may adversely affect performance of the Company; and
- Remunerations should aim to achieve interests of the insured, shareholders and longterm strategic objectives of the Company.

### VII: Remuneration and Nomination Committee Recommendation to the Board of Directors:

Remuneration and Nomination Committee shall review the evaluation results and the remunerations proposed for the senior management made by the CEO and Chairman of the Audit Committee to ensure their compliance with this policy, estimated budget of the Company and results of their works. The Committee shall be responsible for:

- Approving the total remunerations of all personnel of the Company after taking into account the percentage of such remunerations of the net profits and recommendation of the CEO;
- Approving remunerations of the senior management reporting to the CEO taking into account recommendation of the CEO to this effect;
- Approving remunerations of managers of the supervisory departments reporting to the Audit Committee seeking for the remunerations to be in balance with such remuneration approved for the senior management reporting to the CEO and taking into account recommendations of the Audit Committee Chairman to this effect;
- Putting forward to the Board of Directors a recommendation on the annual remunerations of the directors, members of the Board committees and the senior management; and
- Disclosing, in all cases, the above remunerations approved by the Nomination and Remuneration Committee and any substantial variations from the standards and limits of this policy.

### VIII: Payment of Remunerations and Compensations:



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Having these compensation and remuneration proposal been approved by the Board of Directors, the senior management shall enter such proposal into full force and effect within at most 10 working days.

### **IX: Disclosure of Compensations and Remunerations:**

At the end of each calendar year, the Nomination and Remuneration Committee shall develop, in line with the form specified for such purpose, a comprehensive statement of all the amounts received by each director, member of the Board committees and senior management during the financial year including remunerations, allowances, expenses, and other benefits in their capacity as employees or administrators, or in consideration of such technical, administrative, or advisory services. Such statement shall also include the number of the Board and committees' meetings held and the number of meetings attended by each member as of the date of the last General Meeting convened. Such statement shall be included in the Board report to the Ordinary General Meeting and remunerations shall be covered by the agenda of the General Meeting to be approved.

### **X: Suspension and Recovery of Remunerations:**

Board of Directors of the Company may, pursuant to a resolution to be passed by the Board, discontinue payment of or recover the remuneration if it is determined that such remuneration has been based on inaccurate information provided by a director, member of the Board committees or senior management in order to prevent abuse of position to obtain undue remunerations.

### **XI: Compensation and Remuneration Policy Review:**

Nomination and Remuneration Committee shall periodically review and assess the effectiveness of this policy with regard to achieving the intended purposes and shall submit a recommendation to the Board of Directors on making amendments hereto, where applicable.

This policy has been approved by the General Meeting held on --/--/2021

