

# Nominations and Remuneration Policy at Orient Insurance Company

## 1- General Introduction:

The policy and operational guidelines for the Nominations and Remuneration Committee, formed under the Board of Directors, have been prepared in accordance with:

1. **Decision No. 3 of 2020 by the Chairman of the Board of the Securities and Commodities Authority** regarding the approval of the Corporate Governance Guide for Public Joint Stock Companies.
2. **The Corporate Governance Framework for Insurance Companies** issued by the Central Bank on 29/09/2022.

## 2- Rules for Selecting Members and Forming the Nominations and Remuneration Committee:

1. The Board of Directors shall establish a permanent committee called the Nominations and Remuneration Committee.
2. The committee shall consist of at least three non-executive members of the Board of Directors.
3. At least two members of the committee, regardless of its total size, must be independent.
4. The committee shall be chaired by one of the independent members.
5. The Chairman of the Board of Directors may not be a member of any of the committees.

## 3- Committee Meetings and Operating Rules:

1. The committee shall convene at least once a year or whenever needed.
2. No member of the Board of Directors or executive management, except for the committee secretary or a committee member, is allowed to attend committee meetings.
3. A quorum for meetings is achieved when the majority of committee members are physically present (not via proxy). Decisions are made by a majority of the attending members' votes, with the chairperson's vote being decisive in case of a tie.

4. Committee meetings shall be documented, with approved minutes prepared to record recommendations, voting outcomes, attendees, and any objections raised. These minutes must be signed by all attending members and properly archived.
5. The committee may invite consultants or non-board members as committee members. Such members are subject to the same obligations as board members, and their representation must not exceed one-third of the committee's total membership.
6. Committee members must attend all meetings in person, and representation by proxy is not permitted. However, other individuals (e.g., other board members, executives, or external parties) may attend committee meetings upon invitation by the committee chairperson.

#### 4- Roles and Responsibilities of the Committee:

1. **Establish a nomination policy** for Board of Directors and executive management membership.
2. **Organize and oversee the nomination procedures** for Board membership in compliance with relevant laws and regulations.
3. **Annually verify the continued fulfillment of membership requirements** for Board members.
4. **Ensure the ongoing independence of independent members.** If a member is found to lack independence, the matter shall be referred to the Board of Directors. The member will be notified via registered mail with the reasons for the loss of independence and must respond within 15 days. The Board shall then decide on the member's independence in the following meeting. Independence is also deemed lost if the member fails to respond within the 15-day period.
5. **Prepare and annually review the policy** for granting remuneration, benefits, incentives, and salaries for Board members, senior management, and employees. The committee must ensure that the remuneration and benefits provided to senior executive management are reasonable and aligned with company performance.
6. **Review the performance of senior management.**
7. **Link rewards and bonuses**—including stock options, deferred compensation, and other benefits offered to senior executive management—to the company's medium- and long-term performance.
8. **Conduct an annual review of the required skills** for Board membership and prepare a description of the necessary capabilities and qualifications, including the time commitment expected from members for Board activities.
9. **Review the structure of the Board** and make recommendations regarding potential changes.

10. **Identify the company's needs for talent** at the level of senior executive management and employees and set the criteria for their selection.
11. **Approve the company's human resources and training policy**, monitor its implementation, and review it annually.
12. **Evaluate the performance of the Board as a whole**, its committees, individual Board members, and oversee their training.

**Additional Roles and Responsibilities of the Committee:**

13. **Conduct an annual evaluation** of the Board's performance and that of its committees to identify ways to enhance their effectiveness. This evaluation is conducted through the Nominations and Remuneration Committee, which also ensures the provision of training courses as part of continuous professional development in areas directly related to the company's interests.
14. **Determine and assess the suitability of candidates** for the Board of Directors and senior management positions.
15. **Ensure that suitability criteria for selected candidates include:**
  - a. Possessing the necessary knowledge, skills, and experience;
  - b. Maintaining a record of integrity and good reputation;
  - c. Having sufficient time to fully undertake their responsibilities;
  - d. Adding collective suitability and value to the Board/senior management;
  - e. Having no conflicts of interest; and
  - f. Maintaining a record of financial soundness.

*(Prior to granting no-objection approval for nominations, appointments, or renewals, the Central Bank conducts additional interviews and/or background checks to verify the candidates' suitability, including their ability to manage the time commitments required for their role, and ensures the accuracy and completeness of the information and documentation provided by the company.)*
16. **Establish a policy requiring at least 20% of Board nominees to be women.** Information about the policy, actual numbers of female nominees, and their representation on the Board must be disclosed in the company's annual corporate governance statement.
17. **Provide comprehensive oversight of the company's compensation system** implementation by management.
18. **Regularly monitor and review outcomes** to assess whether the company-wide compensation system creates the desired incentives for risk management, capital allocation, and liquidity.
19. **Collaborate closely with the Risk Committee** to evaluate the incentives generated by the compensation system.
20. **Review compensation plans, processes, and outcomes** at least annually.

21. **Conduct an independent assessment of the compensation system** by an external third party at least once every five (5) years.
22. **Oversee the operation of the company-wide compensation policies, including:**
  - a. The ratio and balance between fixed compensation (basic salary and pre-determined routine allowances not linked to performance) and variable compensation components;
  - b. The nature of duties and tasks performed by the concerned employees and their seniority within the company;
  - c. The evaluation criteria upon which performance-based compensation components will be granted; and
  - d. The fairness and objectivity of the performance evaluation process based on the established criteria.
23. **Examine the alignment of the compensation structure** for employees capable of making decisions or commitments that expose the company to significant risks, ensuring effective risk management.

#### **5- Role of the Board of Directors Regarding Compensation:**

- 1- **Oversight of the company's compensation system:** The Board is responsible for overseeing the compensation system across the entire company, not just senior management. The compensation structure must align with the company's strategy, risk appetite, objectives, values, and long-term interests. Incentives within the compensation structures should not encourage employees to take excessive risks.
- 2- **Approval of senior management compensation:** The Board must approve the compensation packages for senior management.
- 3- **Supervision of compensation policies and controls:** The Board oversees the development and implementation of compensation policies, systems, and related control processes.
- 4- **Ensuring sound governance and risk management:** The Board must ensure that the approved compensation system supports sound corporate governance and effective risk management. This includes establishing appropriate incentives that align with prudent risk-taking. Performance criteria should support the company's long-term sustainability and financial stability.

#### **6- Board of Directors Nomination Guidelines**

1. The chairman and the majority of Board members must be UAE nationals.
2. Gender diversity must be considered in the Board composition, with encouragement for women's participation through incentives, training, and development programs.
3. The number of Board members should be appropriate for the company's size and nature of activities, with a minimum of 7 and a maximum of 11 members.

4. The Board members collectively must have a suitable balance of skills, knowledge, competencies, experience, diversity, and independence.
5. All Board members must be non-executive, with practical experience and technical skills. At least one-third of the members must be independent.
6. The independence of a Board member is deemed to expire after 12 consecutive years of serving on the same company's Board.
7. The nomination process for Board membership must be announced with the invitation to the General Assembly meeting, observing the following:
  - The nomination period must remain open for at least 10 days from the announcement date.
  - The names and details of candidates must be published on the company's noticeboard and website at least two days before the General Assembly meeting.
8. Candidates may not withdraw their candidacy or transfer it to another person after the nomination period has closed.
9. A list of candidates' names must be submitted to the ESCA, the stock market, and the Central Bank on the day following the closure of the nomination period.

#### **7- Board of Directors Nomination Requirements**

1. Candidate names must be submitted to the Central Bank at least three weeks before the General Assembly meeting, as per Circular No. 1935/2023 dated 14/04/2023.
2. Candidates must have at least five years of experience in the company's field of activity.
3. Candidates must not have been convicted of a criminal offense or a crime involving moral turpitude or dishonesty unless they have been rehabilitated.
4. Candidates must not have been judicially dismissed or stripped of their position as a Board member in any publicly listed company within the year preceding their nomination.
5. The professional record issued by the Authority must be free from administrative penalties.
6. Candidates must not have any pending lawsuits, complaints, or investigations related to honesty or integrity.
7. Candidates must provide the documents specified in Article 10 of Decision 3/2020 on Governance.

## **8- Allowances and Compensation**

### **A- Compensation for Board Members**

1. Board members shall be compensated in fixed monetary amounts only, which include an annual fixed payment and reimbursement for costs directly associated with performing their duties. No performance-based incentives linked to the company's performance are allowed.
2. Compensation consists of two components:
  - One for service on the Board.
  - Another for service on committees, with greater weight given to members chairing committees.
3. Compensation may also include non-monetary benefits, such as insurance and healthcare coverage.
4. Each Board member's agreement must include all details related to their compensation.
5. Negative financial performance or a net loss reported by the company during the fiscal year will generally lead to a reduction in the total compensation for the Board, senior management bonuses, and overall employee compensation.

### **B- Compensation for Control Functions**

1. Employees in control functions such as risk management, compliance, and internal audit must be compensated in a manner that ensures their incentives remain independent of the business lines they oversee. Instead, performance metrics and incentives should be based on achieving their own objectives to maintain their independence.
2. If employees in control functions receive variable compensation, their total compensation must include a higher proportion of fixed compensation compared to variable components.

### **C- Compensation for Senior Management**

The following provisions apply to senior management compensation:

1. A portion of compensation must be variable and tied to individual, business unit, and company-wide metrics that appropriately measure performance.

2. A significant portion of variable compensation must be subject to deferral arrangements for a period of at least three (3) years. These deferral ratios must increase significantly with the level of position and/or responsibility. For senior management and higher-paid employees, the proportion of deferred variable compensation must be significantly higher than for other employees.
3. The remaining portion of deferred compensation may be paid as cash compensation, gradually vested over time.
4. In the event of negative financial performance or a net loss for the company and/or the relevant business unit during any year of the vesting period, any unpaid portions must be forfeited, taking into account the company's and the business unit's realized performance.
5. Contractual payments related to the termination of employment should be examined to ensure there is a clear basis for concluding that they are aligned with long-term value creation and prudent risk-taking; any such payments must be related to performance achieved over time and designed in a way that does not reward failure.
6. Severance payments must be subject to appropriate governance, restrictions, and controls and must relate to performance over time. Severance packages must not reward failure or potential failures of the company.
7. The company aims to adopt best international practices in sound compensation, including the guidelines issued by the Financial Stability Board.
8. Compensation outcomes must be fully aligned with risk outcomes.
9. Compensation payment schedules must be sensitive to the time horizon of risks by deferring a sufficiently large portion of compensation until the risk outcomes are realized.
10. The compensation framework must include mechanisms for adjusting variable rewards, including in-year adjustments and clawback arrangements, which allow variable rewards to be reduced after they are granted or paid. Any arrangements implemented after the effective date of this regulation must account for clawbacks and deferrals.
11. For senior management and material risk-takers, a portion of total compensation must be performance-based. The framework must include arrangements to reduce or reverse compensation based on realized risks, legal or regulatory violations, breaches of conduct, or other policy violations prior to the reward being granted.
12. The annual bonus for senior management and material risk-takers must not exceed 100% of the fixed portion of their total compensation. A higher bonus of up to 150% may be approved by the Board, and bonuses of up to 200% require the approval of the General Assembly of the company.

#### **D- Total Compensation**

1. The total annual compensation for all employees must not exceed 5% of the company's net profits. Any bonuses exceeding this limit must be approved by the

General Assembly of the company prior to disbursement. Additionally, a certificate signed by all Board members must confirm that the company has complied with all relevant laws and regulations issued by the Central Bank during the year for which bonuses were granted.

## 9- Record Keeping

1. **Record Maintenance:** The Nominations and Remuneration Committee shall ensure that all records related to its meetings, decisions, recommendations, evaluations, and correspondence are maintained in a secure and accessible manner. These records must be retained for a minimum of ten (10) years or as required by applicable laws and regulations.
2. **Documentation of Processes:** All processes related to Board nominations, remuneration approvals, and performance evaluations must be documented and updated regularly.
3. **Access to Records:** Only authorized personnel, as designated by the committee, may access these records. Requests for access must be logged and reviewed periodically to ensure compliance with company policies and confidentiality requirements.

## 10- Training and Awareness

1. **Mandatory Training:** All committee members must undergo annual training on regulatory updates, corporate governance best practices, and other relevant topics to enhance their effectiveness.
2. **Board Member Orientation:** Newly appointed Board members shall participate in an orientation program covering their roles, responsibilities, and the company's governance framework, including the Nomination and Remuneration Policy.
3. **Awareness Campaigns:** The committee shall conduct regular awareness campaigns to ensure that Board members, senior management, and relevant stakeholders understand the company's nomination and remuneration policies and their alignment with regulatory and strategic objectives.
4. **Continuous Development:** The committee shall facilitate opportunities for continuous professional development for Board members and senior management in areas related to governance, risk management, and corporate strategy.

## 11- Review and Update

1. **Annual Review:** The Nominations and Remuneration Policy shall be reviewed annually by the committee to ensure compliance with applicable laws, regulations, and industry best practices.
2. **Amendments:** Any amendments to the policy must be approved by the Board of Directors and communicated to relevant stakeholders promptly.



3. **Monitoring of Effectiveness:** The committee shall evaluate the effectiveness of the policy and its implementation. Feedback from stakeholders, including Board members and senior management, shall be considered during the review process.
4. **Regulatory Updates:** The policy must be updated to reflect any changes in regulatory requirements issued by the Central Bank, Securities and Commodities Authority, or other relevant bodies.
5. **Communication:** Updates to the policy shall be disseminated to all relevant stakeholders, through appropriate channels.

**Approved by Board of Directors on: 25/12/2024**

**Approved by General Assembly on :**