

Sports Clubs Company

BOD, Committees, and Executive Remuneration Policy

Version: 1/2024

This policy was approved by the Board of Directors of Sports Clubs Company, in its meeting held 28/07/2024.

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## 1. Purpose of the Policy:

The purpose of this policy is to set guidelines concerning the remuneration of the Board members, Committees' members, and Executive management, while defining clear criteria and mechanisms for these remunerations. The Company is committed to adhering to the regulations and directives issued by the Ministry of Commerce and the Capital Market Authority regarding the remunerations of the members of the board and its committees.

Additionally, this policy aims to outline performance-based remuneration principles utilized by the Company to reward senior executives and employees who significantly contribute to achieving the approved objectives set by the Board. Their performance will be assessed in accordance with their job descriptions and expectations aligned with specified KPIs.

Remunerations include, amounts, allowances, dividends and the like, periodic, or annual bonuses linked to performance, long or short-term incentive plans and any other in-kind benefits except the actual reasonable expenses and fees incurred by the Company to enable the Board member to perform his duties.

## 2. General Remuneration Standards:

- 1) The Company ensures that the remunerations be consistent with the Company's strategy and objectives and with the importance, nature and level of risks faced by the Company.
- 2) Considering making the variable part of the remuneration linked to the long-term performance.
- 3) The Company considers the practices of other organizations, particularly those operating in the same sector, and benchmarks in respect of the determination of remunerations and avoid the disadvantages of such comparisons in leading to unjustifiable increases in remunerations and compensations.
- 4) It shall be prepared in coordination with the Nomination and Remuneration Committee in respect of new appointments.
- 5) Determine the remuneration based on job level, duties and responsibilities, educational qualifications, practical experience, skills, and level of performance.

- 6) Considering the business sector in which the Company operates, its size and the experience of the board members.
- 7) Aiming to attract, retain, motivate, talented professionals without exaggeration.
- 8) The remunerations should be suspended or reclaimed if it is determined that such remunerations were set based on inaccurate information provided by a member of the Board or the executive management, in order to prevent abuse of power to obtain unmerited remunerations.
- 9) In the event that the Company establishes a stock option plan for Board members, executive management, and employees—whether through newly issued shares or shares buyback—such plan must be overseen by the Nomination and Remuneration Committee, and to be in comply with the Company's bylaws and the relevant applicable Capital Market Authority regulations.
- 10) The Nomination and Compensation Committee is in charge of recommending to the Board in relation to the remunerations of Board members, committees' members and senior executives based on the set criteria described above.

### 3. Remuneration of the Board of Directors and Committee Members:

- 1) In accordance with the Company's bylaws, the remuneration for the Board of Directors may consist of a fixed amount, meeting attendance fees, in kind benefits, or a specified percentage of net profits. It is permissible to combine two (2) or more of these benefits in accordance with what is decided by the General Assembly.
- 2) Consequently, the remuneration for Board members, if any, is decided by the Ordinary General Assembly. This may take the form of a fixed amount, a meeting attendance fee, in kind benefits, or a specified percentage of net profits, with the possibility of combining two or more of these benefits in accordance with the applied regulations and official directives issued in this regard, and within the ceiling set forth by the Companies Law and its implementing regulation.
- 3) In line with the above, the remuneration for Board members and members of the committees is structured as follows:

- The Chairman of the Board is entitled to an annual remuneration of 200,000 SAR, while each Board member is entitled to an annual remuneration of 150,000 SAR.
- Each Board member will receive an attendance fee of 3,000 SAR for every meeting they attend.
- Additionally, each Board member serving on any of the Board committee will receive an annual remuneration of 50,000 SAR, calculated from the date the Board approves their appointment to the committee, along with a fee of 3,000 SAR for each committee meeting attended.
- A member (who is not a Board member) participating in any of the Board's committees (including the Audit Committee) is entitled to an annual remuneration of 50,000 SAR.

#### 4. Remuneration Determination Guidelines and Implementation Mechanism:

- 1) Remuneration is based on the recommendations of the Company's Nominations and Remuneration Committee, which reviews the attendance records of Board meetings and committee meetings, along with the tasks and subjects undertaken by the members. The committee then submits appropriate recommendations to the Board for determining the remuneration of Board members. In formulating these recommendations, the Nominations and Remuneration Committee, along with the Board when setting and disbursing the remuneration for each Board member, should consider the following criteria:
  - The remuneration must be fair and commensurate with the member's responsibilities, the tasks performed, and the specific goals set by the Board for achievement during the fiscal year.
  - Remuneration should align with the Company's activities and the skill level required for its management.
  - The business sector in which the Company operates, its size, and the member's experience must be taken into account.
  - The extent and percentage of the company's achievement of its annual goals and target should also be considered.
  - The remuneration should be reasonably sufficient to attract competent and experienced members, motivate them, and retain their services.



- 2) Board members are expressly prohibited from participating in the voting process on the agenda item regarding their own remuneration at the General Assembly.
- 3) A Board member may receive a Remuneration for any additional executive, technical, managerial or consultative – pursuant to a professional license- duties or positions carried out by the Board member, and such Remuneration should be in addition to the Remuneration he may receive in his capacity as a member in the Board and in the committees formed by the Board, pursuant to the Companies Law and the Company's bylaws.
- 4) The Remunerations of different Board members may vary depending on the Board members' experience, expertise, duties undertake, independence and number of Board meetings attended in addition to other considerations
- 5) 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.
- 6) The Board, based on the recommendations of the Nominations and Remuneration Committee, may grant additional remuneration to the Chairman of the Board, the Managing Director, or the CEO (if they also serve as a Board member).
- 7) If it is evidenced to the Audit committee or the Capital Market Authority that the Remuneration paid to any Board member was based on false or misleading information presented to the General Assembly or included in the annual Board report, the Board member shall return such Remuneration to the Company, and the Company may request such Board member to return such Remuneration.
- 8) In instances where the General Assembly resolves to terminate the membership of any Board member due to misconduct, a significant breach of appointment terms, or actions characterized by fraud, dishonesty, or willful neglect of duties, the member in question shall forfeit any entitlement to remuneration and shall return any payments received during the period of invalidated membership.
- 9) If the General Assembly decides to terminate the membership of a member of the Board of Directors for failing to attend three consecutive or five separate meetings of the Board without a legitimate excuse, that member shall not be entitled to any remuneration for the period following the last meeting they attended.

- 10) If a Board member's membership is terminated for any other reason, the Board member will receive a compensation corresponding to the time from the start of the fiscal year in which the membership was terminated to the termination date.
- 11) Fees for attendance at a meeting at Board will be paid quarterly, while the annual Remuneration for the Board members will be paid upon its approval by the General Assembly.
- 12) Fees for attendance at a meeting at Committees and the remuneration for the members of the Committees will be paid quarterly.
- 13) The annual remuneration will be apportioned among two Board members in cases of resignation and subsequent appointment of a new member, based on the date of such appointment. Similarly, The Board members will receive their annual remuneration proportionally if the Board term ends and a new term begins.
- 14) The Board shall disclose in its annual report to the General Assembly details of all Remuneration, attendance fees, amounts and any benefits paid to each Board member in exchange for any executive, technical, managerial, or advisory work or positions. In addition to documenting the total number of Board meetings and each member's attendance record.

#### 5. Expenses and Additional Benefits:

The company shall bear the travel expenses for Board members and committee members residing outside of Riyadh in accordance with the company's applied policy.

Additionally, the company will cover accommodation costs and travel expenses for all Board members and committee members in the event that a meeting is convened outside of Riyadh, according to the company's applied policy.

#### 6. Executive Remuneration:

- 1) Employees at the executive and senior management levels of the Company are targeted in this policy. Annually, the Nomination and Remuneration Committee identify the targeted executive and managerial positions.

2) The remuneration for Executive and senior management roles consists of a fixed sum in addition to the base salary, designed to reward performance and achievements aligned with specific annual objectives. The general goal is to:

- Attract and retain top talent.
- Motivate and elevate employee performance to meet the company's annual goals and align with their tasks and duties.
- Connect employee performance with the company's annual objectives.
- Ensure fairness and equality by making the reward and associated KPI clear, measurable, and tied to both the overall organizational performance and each employee's individual performance, where the bonus will be granted based on the results of a rigorous thorough performance evaluation process.

**A. Performance-Based Compensation:**

- At the beginning of each fiscal year, the Company sets the overall objectives, the executives' objectives, their individual performance indicators, and the contribution of each sector or department in proportion to the tasks and responsibilities.
- The Board determines whether to award bonuses at the end of each year, Based on the Nomination and Remuneration Committee's recommendation and the Company's performance in meeting its operational and net profit targets.
- Executive bonuses are directly correlated with the company's net profit, the sector's contribution, and each executive's role in accomplishing corporate goals, as well as their actual tenure during the evaluation year.
- It is important to note that the purpose of bonuses is not to serve as a supplement to executive salaries or function as an extra financial inducement.
- The Board maintains complete authority over the allocation, schedule, and value of bonuses. There should be no assumption that prior payments establish a precedent for future bonuses.
- Annual bonuses are not guaranteed; executives are not entitled to any bonuses in years where the Company does not report a net profit or report a loss.



- Furthermore, executives will not receive any annual bonuses unless the financial targets set at the beginning of the year are met.
- No bonus will be granted to any executive in charge of a sector that fails to achieve its set objectives for the related year.
- If it is determined that a bonus was awarded based on inaccurate information, the payment will either be suspended or reclaimed.
- Should the Board decide to grant executive management shares in the company for a particular financial year, the bonus structure and its percentage will be reevaluated based on performance indicators.

#### **B. Factors Influencing the Executive Bonus Calculation:**

- Employee Performance.
- Sector Performance.
- Position.
- Contribution to Company objectives.
- Annual performance evaluation process based on specific tasks outlined in the job description, incorporating key performance indicators (KPIs) pertinent to the assessment year. This process involves a review of the completed work against the goals attained.

#### **C. Implementation Mechanism:**

- To determine the proper bonus pool in accordance with the established policy, the executive management, under the direction of the CEO, will submit the financial result attained for the previous evaluation year to the Board of Directors.
- The Board shall conduct a thorough review of the previous year's financial results.
- Upon confirming that the targeted net profit has been achieved, the Board shall direct the Nomination and Remuneration Committee to determine the size of the bonus pool in accordance with the approved guidelines.
- The Committee will determine the size of the bonus pool, reviewing the remuneration framework applicable to all employees and senior executives.

- The Committee will conduct an in-depth evaluation of the Company's overall performance and the performance of its various sectors.
- The Committee shall report back to the Board with detailed information regarding the size of the bonus pool, the qualifying sectors, and its recommendations in this regard.
- Following the Board's approval, instructions will be issued to the executive management to implement the bonus distribution, with a subsequent report provided to the Board detailing the actions taken.

## 7. Regulatory Documents:

This policy is governed by the following regulatory documents:

- **Company Bylaws.**
- **Companies Law** issued by Royal Decree No. M/132 dated 01/12/1443H, as amended.
- **Corporate Governance Regulations** issued by the Capital Market Authority under Board Resolution No. 8-5-2023 dated 25/06/1444H, corresponding to 18/01/2023.
- **Implementing Regulation of the Companies Law for Listed Joint Stock Companies** issued by the Capital Market Authority.

## 8. Implementation and Amendment

This policy shall be implemented and adhered to by the Company as of the date of its approval by the General Assembly of Shareholders.

The Policy shall be reviewed periodically and as needed by the Nomination and Remuneration Committee. Any amendments proposed by the Committee shall be studied and reviewed by the Board before recommending them to the General Assembly of Shareholders for approval.