



الشركة العملىة للطاقة (ش.م.ك.م)
Action Energy Company (K.S.C.C)

**ACTION ENERGY COMPANY
REMUNERATIONS' POLICY
ISSUE DATE: OCTOBER 2024**

Review & Approval

Approval	Date
BOD Approval	10/02/2025

This Manual and its contents are strictly for internal use of Action Energy Company KSCC (“the Company”) and are as such treated as confidential material. No part of this manual may be reproduced, stored in any system or form, or transmitted in any form by any means – electronic, mechanical, photocopied, recorded, or otherwise without the prior written consent of the relevant authority in the company. Violation of the above clause subjects an individual or an entity to applicable legal proceedings as per the laws of the State of Kuwait.

Table of Contents

Key Definitions	1
1. Introduction.....	3
1.1. Preface	3
1.2. Purpose and Objectives.....	3
1.1 Standards of Remuneration Policy:	3
2. Responsibilities.....	4
2.1. Key Responsibilities.....	4
2.2 Mandatory disclosures	4
3. Remuneration policy of Board and Executive Management.....	6
3.1 Board remuneration	6
3.2 Executive Management Remuneration	6
4. Recommending Remuneration.....	8
4.1 Procedural steps for recommendation of Remuneration for Board	8
4.2 Procedural steps for recommendation of Executive Remuneration	9
APPENDIX.....	10

Key Definitions

1. **The Company:** refers to the Action Energy Company K.S.C.C. and does not include any of its subsidiaries, associates, or partnerships.
2. **The Authority ('CMA'):** refers to Capital Markets Authority.
3. **Board of Directors ('Board'):** refers to the Board or the Board of Directors of the company or the governing council of the company as required under the Kuwait Companies Law No.1 for 2016 and its executive bylaws as maybe amended from time to time.
4. **Board Members ('Directors' or 'directors'):** refers to the natural person, or the representative of the natural person or the legal person elected to Board of Directors as a member. The term covers Chairman, Vice Chairman, Executive Board Members, Non-Executive Board Members, and Independent Board Members of the company.
5. **Board Committees:** refers to the committees of the company that are, or will be, formed by the company's Board of Directors as per CMA regulations.
6. **Executive Director:** refers to an Executive Management member/ officer of the organization participating in the company's day-to-day operations. Executive directors are responsible for steering the organization and managing its operations.
7. **Non-Executive Member of Board of Directors:** refers to a member of a Board of Directors who is not fully engaged in full-time management of the company and does not receive a salary from it. The remuneration received as a Member of the Board of Directors is not deemed a salary.
8. **Independent Director:** refers to the non-executive directors meeting the key criteria for independence as described by the CMA in their Rules for Corporate Governance.

As per Article 2-3, Chapter Two, of The Executive Bylaws, Module 15, the term "independent director" shall refer to a non-executive director, meeting the criteria for independence as described by the CMA in their Rules for Corporate Governance. The following criteria shall apply to an independent director of the Board. The independent director:

- a) Does not hold 5% or more of the company's shares.
 - b) Does not have a first-degree relative relationship with any of the other Board Members or Executive Management in the company or any other company in its Group or the relevant main related parties.
 - c) Currently is not a Board Member in any company of the group.
 - d) Is not an employee in the company or any company in the Group or employee for any of the interested person.
 - e) Is not an employee for corporate entities who own controlling shares in the company.
9. **Chief Executive Officer ('CEO'):** refers to a person appointed by the company's Board of Directors from amongst the members of the Board (except Chairman of the Board) or others, who shall be directly under the Board of Directors, who is in charge of managing all executive works relating to the company's main activities, in accordance with the responsibilities and authorities granted to him. This includes the general manager of a limited liability company.
 10. **Financial Manager ('CFO'):** refers to a person in charge of supervising accounting and financial procedures at a company.
 11. **Executive Management:** refers to the C-suite executive positions directly subordinate/ reporting to the CEO in accordance with the organizational structure adopted by the organization. The Executive Management are appointed by the Board and are responsible for the day-to-day business of the Company.
 12. **Employee/ Employees:** refers to the employee/s of the company, including member/s of the Executive Management, part time employee/s, seconded employee/s etc.
 13. **General Assembly:** refers to the assembly of the shareholders of the company which is convened in accordance with the provisions of the Companies Law and the company's by-laws.

14. **Remuneration:** refers to the amounts, allowances, and their equivalent, periodic or annual bonuses linked to performance, long or short-term incentive plans and any other in-kind benefits except the actual and reasonable expenses and fees incurred by the company on behalf of a director, member of a Board Committee or the Executive Management in performing their duties.
15. **Fixed Remuneration:** refers to amounts of remuneration that are guaranteed and certain, for example, fixed salary, fixed pay, or base pay. Fixed remuneration may also include fixed benefits, and/or allowances as per prevailing Company practices.
16. **Variable Remuneration:** refers to variable component of an individual's total compensation that is not fixed, but rather varies based on certain factors, such as individual or team performance, company performance, or market conditions, for example, in the form of bonus, and incentives etc.

1. Introduction

1.1. Preface

1.1.1 This Remuneration Policy applies to members of the Board of Directors (the Board) and the Executive Management of Action Energy Company K.S.C.C (“the Company”). This Remuneration Policy is established to organize the granting of compensation and bonuses and in compliance with the Corporate Governance requirements issued by the Capital Market Authority, Kuwait.

The Policy aims to attract and retain high-profile professional managerial individuals and to align the interests of management with the objective of creating value for shareholders over the medium-long term.

The Remuneration Policy contributes to achieving the Company’s mission, values, and strategies, through:

- Promoting actions and conduct that mirror the Company’s culture, respecting the principles of diversity, equal opportunity, recognizing the knowledge and skills of individuals, fairness and non-discrimination.
- Recognizing the roles and responsibilities assigned, the results achieved, and the quality of the professional contribution given, taking into account the reference context and the remuneration markets.
- The definition of incentive systems related to the achievement of economic/financial objectives, to business development, to operational and individual targets, all of them in terms of sustainability of the results in the long-term, in line with the guidelines set out in the Strategic Plan of the Company and with the responsibilities assigned.

1.2. Purpose and Objectives

1.2.1 The remuneration offered to the Company's Board and Executive management must be competitive and ensure that the Company is able to attract and retain qualified and experienced personnel, while working with motivation to achieve its objectives and performance, as well as strengthening the concept of loyalty to the Company

1.2.2 The remuneration offered must be structured so as to appropriately align management's interests with shareholders' interests and so as to promote value creation in the Company and underpin the Company's short-term and long-term strategy and objectives.

1.2.3 Articles of Association shall set out the manner of determining the remuneration of the Chairman and the members of the BOD.

1.2.4 Remuneration of Independent members of the BOD shall be determined by the General Assembly.

1.3 Standards of Remuneration Policy:

1.3.1 The policy of granting remuneration shall include the following standards as a minimum:

- a) It should be approved by the Board.
- b) It is related to the key performance indicators applicable to the employees of the Company,
- c) It is consistent with the Company’s long as well as short-term strategy and objectives,
- d) It is commensurate with the size, nature and the degree of risks to the Company,
- e) Commensurate with the experience and qualifications of the employees in the Company regardless of their level,
- f) Presence of balance in the structure of payroll and remunerations, in a manner that it serves as an incentive to attract qualified individuals while it is not overvalued,
- g) The policy is to be prepared in coordination with the Nomination & Remuneration Committee,
- h) Prohibits employees from entering into transactions or arrangements detrimental to the Company’s interests.

2. Responsibilities

2.1. Key Responsibilities

- 2.1.1** Establish a clear policy for remuneration of the Board members and Executive Management while taking into account the terms prescribed above. This includes:
- Establishing remuneration and salary and other benefits for the BOD and the Executive Management.
 - Ensuring that remuneration policies are designed to meet the needs of the Company to enhance corporate and individual performance and its strategic goals including diversity.
 - Coordinating with the Nomination & Remuneration Committee in fixing the remuneration terms during appointment and reappointment of Board members and Executive Management.
- 2.1.2** Determine the remuneration which will be granted to the Board and Executive Management, such as fixed, performance based and in the form of shares and end-of-service benefits. This includes determining and making recommendations to be made to the Board.
- Compensation arrangements and service contracts for the directors, Chief Executive Officer and other Executive Management.
 - Remuneration strategies and long-term remuneration plans for executives.
 - All equity-based remuneration or compensation plans.
 - Variable remuneration components, incentives and pension rights.
 - Approving termination payments for direct reports of the Managing Director and Chief Executive Officer who are members of the Company's Executive Leadership Team; and
- 2.1.3** Ensure that the remuneration granted is in accordance with this policy.
- 2.1.4** The remuneration for Directors, Chief Executive Officers, and other Managers with strategic responsibilities is defined in line with the following principles and criteria:
- remuneration for Board of Directors commensurate with the efforts required of them also in relation to their participation in Board Committees, with appropriate differentiation between the remuneration envisaged for the Chairman and that of the members of each Committee, unless otherwise decided by the Meeting, the independent Directors are not beneficiaries of equity- based incentive plans.
 - compensation package for Directors with delegated powers, the Chief Executive Officers and other Managers with strategic responsibilities, suitably balanced between:
 - a fixed component consistent with the powers and/or responsibilities assigned and
 - a variable component defined within maximum limits, and which serves to fix the remuneration to the actual performance.
 - Variable remuneration of the executive roles which has a greater influence on business performance levels.
 - Objectives connected to variable remuneration are predetermined, measurable and defined in order to ensure annual performance assessment, on the basis of a balanced scorecard that values the overall business and individual performances, defined in relation to the specific objectives for the area of responsibility.
 - incentives linked to variable remuneration paid at the end of a regular process which verifies the results achieved, by assessing the performance objectives assigned in order to recognize the extent to which the individual effectively contributed to achieving the performance objectives assigned.

2.2 Mandatory disclosures

- 2.2.1** In accordance with CMA regulations, the Company shall disclose in a detailed and accurate manner all remunerations granted to Board members and Executive Management either in cash or as benefits or compensation through the report prepared by the Nomination & Remuneration Committee. The Company should follow the integrity and transparency standards when preparing the Remunerations report in a manner that discloses all remunerations granted directly or indirectly and avoiding any attempts to conceal or mislead. The Board members and Executive Management disclosure

register should include all information related to remunerations, salaries, incentives, and other financial compensation granted to the members of the Board and Executive management.

The following important information should be disclosed at a minimum:

- a) Remuneration and incentive system followed by the Company, especially those relating to members of Board and Executive Management.
- b) Details of remunerations granted to members of the Board and Executive Management like cash, benefits and compensation, including analysis of remuneration scales that consist of the following:
 1. Fixed remuneration e.g., wages and basic salaries.
 2. Variable remuneration categories that are connected with performance e.g., incentives, stock options, or any other type,
 3. Indemnity,
- c) The value of remuneration granted to the Board members either in cash, benefits, or compensation (Total).
- d) The value of remuneration granted to the Chief Executive Officer and the main executives.
- e) Any other remuneration granted directly or indirectly by the Company or by subsidiaries.
- f) Any substantial deviations from the Remuneration policy should be approved by the board of directors.

3. Remuneration Policy of Board and Executive Management

3.1 Board remuneration

- 3.1.1** Company shall establish a clear policy for granting remuneration, including determining the remuneration for Board members and Chairman of the Board, provided such policy is not in violation of the Companies law and its executive regulations.
- 3.1.2** Articles of Association shall set out the manner of determining the remuneration of the Chairman and the members of the BOD.
- 3.1.3** Remuneration of Independent members of the BOD shall be determined by the General Assembly.
- 3.1.4** The ceilings applicable to total remuneration for the Board are as follows: -
- Total remuneration shall not exceed 10% of the net profit after deducting depreciation, provisions and distribution of profit for at least 5% of the capital to shareholders or any greater percentage that is stipulated in the Company's contract ["adjusted net profit"].
 - The annual remuneration not exceeding KWD 6000 [Kuwaiti Dinars Six Thousand only] may be distributed to the Chairman of the Board of directors and each Board member, from the date of establishment of the Company until it achieves profits that allow it to distribute remuneration in accordance with ratios mentioned in preceding paragraph.
 - The General Assembly of the Company may decide on excluding the independent member of the Board of directors from the maximum limits of remuneration mentioned above.
- 3.1.5** The members of the Board are remunerated in cash and shall receive remuneration as agreed upon in their contracts. The Chairman and the Vice-chairman receive an additional remuneration for their additional duties. Members may receive an additional remuneration for serving on the permanent committees of the Board of directors.
- 3.1.6** The amount of the basic remuneration and the additional remuneration of Directors for the current financial year is presented to the General Assembly meeting for approval.
- 3.1.7** Members of the Board who have special ad hoc duties assigned to them may receive a separate remuneration, subject to the subsequent approval of the General meeting.

3.2 Executive Management Remuneration

- 3.2.1** Fixed Remuneration: The fixed remuneration is based on the roles and the responsibilities assigned to and means the approved salary, which is based on the company's approved salary scale and grade matrix.
- 3.2.2** Variable incentive plan: The plan envisages compensation tied to:
- Performance of the employee determined as per his/her KPI and annual performance appraisal.
 - The Committee is entitled to propose to the Board a possible increase in the amounts in case of achievement of results that strengthen the competitive position over the medium and long term of the company in the market.
- 3.2.3** Benefits: Insurance related benefits are envisaged, also for the risk of death or disability. Further, in compliance with the labor law end of service benefits and statutory superannuation entitlements are also envisaged.
- 3.2.4** At least every three years, the Executive Management remuneration will be compared with average compensation paid by companies within a similar industry, for similar roles, responsibility and complexity in the region.
- 3.2.5** Promotion and/or salary increment will be strictly based on the performance evaluation results, experience and qualification of the Executive Manager, and not on other subjective, personal or informal criteria.
- 3.2.6** A salary increment granted should be correlated with the results of the performance evaluation, approved salary scales and other benefits allowed to each Executive Manager.

3.2.7 All promotions and salary increment must be approved by the Nomination & Remuneration Committee.

3.2.8 The employee is evaluated based on the criteria put forth by the Company.

4. Recommending Remuneration

4.1 Procedural steps for recommendation of Remuneration for Board

- 4.1.1 The Nomination & Remuneration Committee recommends remuneration for directors based on the following procedures:
- a) It first confirms whether profits are sufficient to pay the planned or contracted total remuneration to directors.
 - b) If profit is insufficient, the Committee recommends remuneration on criteria it deems fit, but not to exceed KD 6,000 per annum for each director.
 - c) If profit is sufficient to pay directors' remuneration, then the Committee confirms whether such remuneration exceeds 10% of adjusted net profit.
 - d) If it exceeds such a regulatory threshold, the Committee will restrict the recommendation of remuneration to 10% of adjusted net profit.
 - e) If remuneration is within 10% of the adjusted net profit, the Committee then determines whether the director is executive director.
 - f) If yes, the director may also be entitled to a variable component of remuneration based on performance, and this to be also considered in recommending the total remuneration of such director/s.
 - g) Once the remuneration is determined in accordance with the above limitations and ceilings, the Committee will recommend the proposed remuneration to the Board.
 - h) The AGM will approve the remuneration to directors, with or without modifications, based on the recommendation of the Nomination & Remuneration Committee.

4.2. Procedural steps for recommendation of Executive Remuneration

4.2.1 The following steps shall be followed for recommending remuneration for new Executive managers:

- a) The Nomination & Remuneration Committee calls the applicant and informs them about his selection.
- b) If the applicant is interested, the Nomination & Remuneration Committee shall inform the candidate about the salary and job conditions. If the applicant is not interested in the offer, the Nomination & Remuneration Committee shall restart the process for short listing of applicants. The Nomination & Remuneration Committee shall recommend the scale based on the following:
 1. Compare the remuneration for each Executive Manager with the approved Salary and Grade matrix.
 2. Determine the mix of fixed and variable components of the remuneration.
 3. Determine the benefits and perquisites for the executive managers as part of their package.
- c) Where the applicant is interested in the job, but did not agree with the terms of employment, the Nomination & Remuneration Committee shall discuss and consider revising the terms of employment wherever possible and obtain approval of appropriate authority.
- d) The revised terms are communicated to the selected candidate. If the candidate does not accept the re-offer, then another candidate is selected from the short-listed applicants and the same process specified above shall be followed.

When the candidate agrees to the terms, the Nomination & Remuneration Committee agrees on the time for the candidate to come and sign the contract

APPENDIX

Remuneration paid to Directors, Chief Executive Officers and other Executive Managers

	Name	Office/ Designation	Term of office	Fixed remuneration	Variable and non-equity remuneration		Total
					Bonuses &other incentives	Other remuneration	
I	Board of Directors						
1							
2							
3							
4							
5							
II	Executive Management						
1	Chief Executive Officer						
2							
III	Other Managers						
1							
2							