



بروكو للخدمات المالية
Procco Financial Services

CORPORATE GOVERNANCE GUIDELINES



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PREFACE

The Corporate Governance Guidelines of Procco Financial Services WLL was adopted by the Board of Directors on 2 April 2018.



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CORPORATE GOVERNANCE GUIDELINES

INTRODUCTION

These Corporate Governance Guidelines of Procco Financial Services WLL (“**Procco**” or “**Company**”) have been adopted by the Board of Directors (the “**Board**”) to assist the Board in the exercise of their responsibilities.

These guidelines are intended to be a guide for the Board, senior management, and the department heads. These shall also help the management in adhering to the Corporate Governance Code for the Kingdom of Bahrain and applicable Rulebooks of the Central Bank of Bahrain.

The Board will review these guidelines at least annually, and if appropriate, revise these from time to time.

PRINCIPLE 1: THE COMPANY SHALL BE HEADED BY AN EFFECTIVE, COLLEGIAL, AND INFORMED BOARD

1.1. Responsibilities of the Board of Directors

- a. The basic responsibility of the Board is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. The Board must understand its roles and responsibilities under the Commercial Companies Law and any other laws or regulations that may govern their responsibilities from time to time.
- b. In recognition of its duties and responsibilities, the Board has adopted the Charter of the Board of Directors of Procco (the “Board Charter”) that is attached as [Appendix A](#) to these Guidelines.
- c. Although the Board may delegate certain functions to committees or management, it may not delegate its ultimate responsibility to ensure that an adequate, effective, comprehensive, and transparent corporate governance framework is in place.

1.2. Decision Making Process

- a. The Board shall be collegial and deliberative to gain the benefit of each individual director’s judgment and experience.
- b. The Board shall meet frequently but in no event less than four (4) times a year. All directors shall attend the meetings whenever possible.
- c. Each directors of the Board shall attend at least 75% of all Board meetings in a given financial year to enable the Board to discharge its responsibilities effectively.

1.3. Independence of Judgment

- a. Every director shall bring independent judgment to bear in decision-making.



- b. No individual or group of directors shall dominate the board's decision making and no one individual shall have unfettered powers of decision.
- c. Executive directors shall provide the board with all relevant business and financial information within their cognizance, and shall recognize that their role as a director is different from their role as an officer.
- d. Non-executive directors shall be fully independent of management and shall constructively scrutinize and challenge management including the management performance of executive directors.
- e. At least half of the Company's Board shall be non-executive Directors.
- f. The Chairman of the Board shall be an independent Director.
- g. The Chairman shall not be the same person as the General Manager so that there will be an appropriate balance of power and greater capacity of the board for independent decision making.
- h. The Chairman of the Board shall not be an Executive Director.

1.4. Representation of all Shareholders

- a. Each director shall consider himself as representing the shareholders and shall act accordingly.
- b. If the company has a controlling shareholder, both controller(s) and other shareholders shall be aware of controllers-specific responsibilities regarding their duty of loyalty to the company and conflicts of interest.
- c. If the company has a controlling shareholder, at least one-third of the board shall be independent directors.

1.5. Directors' Access to Independent Advice

- a. The board shall ensure that individual directors have access to independent legal or other professional advice at the company's expense whenever they judge this necessary to discharge their responsibilities as directors.
- b. Individual directors shall also have access to the company secretary, who shall have responsibility for reporting to the board on board procedures. Both the appointment and removal of the company secretary shall be a matter for the board as a whole, not for the General Manager or any other officer.
- c. Whenever a director has serious concerns which cannot be resolved concerning the running of the company or a proposed action, he shall consider seeking independent advice and shall ensure that the concerns are recorded in the board minutes and that any dissent from a board action is noted or delivered in writing.

1.6. Directors' Communication with Management



- a. The board shall encourage participation by management regarding matters the board is considering, and also by management members who by reason of responsibilities or succession, the General Manager believes shall have exposure to the directors.

1.7. Committees of the Board

- a. The Board shall create specialized committees as and when such committees are needed.
- b. The Board or a committee may invite non-directors to participate in, but not vote at, a committee's meetings so that the committee may gain the benefit of their advice and expertise in financial or other areas.
- c. Committees must act only within their mandates and therefore the Board must not allow any committee to dominate or effectively replace the whole Board in its decision-making responsibility.
- d. Committees may be combined if no conflict of interest might arise between the duties of such committees.
- e. Every committee should have a formal written charter.
- f. Where committees are set up, they shall keep full minutes of their activities and meet regularly to fulfil their mandates.

1.8. Evaluation of the Board and Each Committee

- a. At least annually, the board must conduct an evaluation of its performance and the performance of each committee and each individual director.

PRINCIPLE 2: THE DIRECTORS AND OFFICERS SHALL HAVE FULL LOYALTY TO THE COMPANY

2.1. Personal Accountability

- a. Each director and officer shall understand that under the Commercial Companies Law, he is personally accountable to the company and the shareholders if he violates his legal duty of loyalty to the company, and that he can be personally sued by the company or the shareholders for such violations.
- b. The duty of loyalty includes a duty not to use any property of the company for his personal needs, not to disclose confidential information of the company or use it for his personal profit, not to take business opportunities of the company for himself, not to compete in business with the company, and to serve Procco's interest in any transactions with a company in which he has a personal interest.

2.2. Avoidance and Disclosure of Conflicts of Interest

- a. Each director and officer shall make every practicable effort to arrange his personal and business affairs to avoid a conflict of interest with the company.



- b. Each director and officer shall inform the entire board of conflicts of interest as they arise and abstain from voting on the matter in accordance with the relevant provisions of the Commercial Companies Law. This disclosure shall include all material facts in the case of a contract or transaction involving the director or officer. The directors and officers must understand that any approval of a conflict transaction is effective only if all material facts are known to the authorizing persons and the conflicted person did not participate in the decision.

PRINCIPLE 3: THE BOARD SHALL HAVE RIGOROUS CONTROLS FOR FINANCIAL AUDIT AND REPORTING, INTERNAL CONTROL, AND COMPLIANCE WITH LAW.

3.1. Audit Committee

- a. The board shall establish an Audit Committee that will assist the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing, and reporting practices of Procco. The Committee must:
 - 1) Review the Company's accounting and financial policies and practices.
 - 2) Review the integrity of the Company's financial and internal controls and financial statements. The information needs of the Board to perform its monitoring responsibilities must be defined in writing, and regularly monitored by the Audit Committee.
 - 3) Review the Company's compliance with legal requirements.
 - 4) Recommend the appointment, compensation and oversight of the Company's external auditor.
 - 5) Recommend the appointment of the internal auditor.
 - 6) Oversee and coordinate the implementation of Procco's Corporate Governance Guidelines and review and recommend from time to time changes in the corporate governance policy framework of the Company, if and when required based on regulatory requirement or industry best practices.
- b. The Audit Committee must be composed of independent non-executive Directors.
- c. The General Manager must not be a member of the Audit Committee.

3.2. Audit Committee Charter

The Audit Committee shall adopt a formal written charter which shall, at a minimum, state the above purposes and other matters in [Appendix B](#).

3.3. General Manager and Head of Finance's Certification of Financial Statements

To encourage management accountability for the financial statements required by the directors, the company's General Manager and Head of Finance must ensure to the Audit Committee and the Board as a whole that Procco's annual financial statements present a true and fair view, in all material respects (including providing adequate provisions), of



Procco's financial condition and results of operations in accordance with International Financial Reporting Standards.

PRINCIPLE 4: THE COMPANY SHALL HAVE RIGOROUS PROCEDURES FOR APPOINTMENT, TRAINING, AND EVALUATION OF THE BOARD

4.1. Nomination Committee

- a. The Board shall establish a Nomination and Remuneration Committee. The Nomination and Remuneration Committee shall:
 - 1) Apart from its remuneration related responsibilities, assist the Board in formulating a framework for nominating and appointing the Directors and senior management of Procco.
 - 2) Identify persons qualified to become members of the board of directors or General Manager, Department Heads, Corporate Secretary, and any other senior officers of the company considered appropriate by the Board, with the exception of the appointment of the internal auditor which shall be the responsibility of the Audit Committee in accordance with Principle 3.1 above.
 - 3) Make recommendations to the whole board of directors including recommendations of candidates for board membership to be included by the board of directors on the agenda for the next annual shareholder meeting.

4.2. Nomination Committee Charter

The Nomination and Remuneration Committee shall adopt a formal written charter which shall, at a minimum, state the above purposes and other matters in [Appendix C](#).

4.3. Induction and Training of Directors

- a. Each new Director must be provided with a formal and tailored induction, based upon the new Director's knowledge of Procco. Unless the Director already possesses detailed knowledge relating to Procco, the induction must include, among other matters, meetings with senior management, visit to Procco's office, and presentations regarding strategic plans, significant financial, accounting and risk management issues, compliance programs, and external auditors.
- b. All continuing directors shall be invited to attend orientation meetings and all directors shall continually educate themselves as to the company's business and corporate governance.

PRINCIPLE 5: THE COMPANY SHALL REMUNERATE DIRECTORS AND OFFICERS FAIRLY AND RESPONSIBLY

5.1. Remuneration Committee

- a. As stated in item no. 4.1., the Board shall establish a Nomination and Remuneration Committee. The Nomination and Remuneration Committee shall:



- 1) Apart from its nomination related responsibilities, assist the Board in the remuneration policies for the directors and senior management of Procco.
 - 2) Review the company's remuneration policies for the board of directors and senior management, which shall be approved by the shareholders.
 - 3) Make recommendations regarding remuneration policies and amounts for specific persons to the whole board, taking account of total remuneration including salaries, fees, expenses, and employee benefits.
- b. The committee shall include only independent directors or, alternatively, only non-executive directors of whom a majority are independent directors and the chairman is an independent director. This is consistent with international best practice and it recognizes that the remuneration committee must exercise judgment free from personal career conflicts of interest.

5.2. Remuneration Committee Charter

The Nomination and Remuneration Committee shall adopt a formal written charter which shall, at a minimum, state the above purposes and other matters in [Appendix C](#).

5.3. Standard for All Remuneration

Remuneration of both directors and officers shall be sufficient enough to attract, retain and motivate persons of the quality needed to run the company successfully, but the company shall avoid paying more than is necessary for that purpose.

5.4. Non-Executive Directors' Remuneration

Remuneration of non-executive directors shall not include performance-related elements such as deferred incentive schemes, bonuses, or pension benefits.

5.5. Senior Management's Remuneration

- a. Remuneration of senior management shall be structured so that a portion of the total is linked to company and individual performance and aligns their interests with the interests of the shareholders. Such rewards may include grants of deferred incentive schemes, bonuses, and pension benefits which are not based on salary.
- b. If a senior manager is also a director, his remuneration as an officer shall take into account compensation received in his capacity as a director.
- c. All plans for performance-based incentives shall be approved by the shareholders, but the approval shall be only of the plan itself and not of the grant to specific individuals of benefits under the plan.

PRINCIPLE 6: THE BOARD SHALL ESTABLISH A CLEAR AND EFFICIENT MANAGEMENT STRUCTURE

6.1. Establishment of Management Structure



The Board shall ensure that senior management's authority includes management and operation of the current activities of Procco, reporting to and under the direction of the Board.

6.2. Titles, Authorities, Duties, and Reporting Responsibilities

- a. The Board shall adopt by-laws prescribing each senior management's title, authorities, duties and internal reporting responsibilities. This shall be done with the advice of the Nomination and Remuneration Committee and in consultation with the General Manager, to whom the other officers shall normally report.
- b. The Board shall specify limits that it wishes to set on the authority of the General Manager or other senior managers, including monetary maximums for transactions that they may authorize without separate Board approval.
- c. At least annually, the Board shall review and concur in a succession plan addressing the policies and principles for selecting a successor to the General Manager, both in emergencies and in the normal course of business. The succession plan shall include an assessment of the experience, performance, skills and planned career paths for possible successors to the General Manager.

PRINCIPLE 7: THE COMPANY SHALL COMMUNICATE WITH SHAREHOLDERS, ENCOURAGE THEIR PARTICIPATION, AND RESPECT THEIR RIGHTS

7.1. Conduct of Shareholders' Meetings

- a. The board shall observe both the letter and the intent of the Commercial Companies Law's requirements for shareholder meetings. Among other things:
 - 1) Notices of meetings must be honest, accurate and not misleading. They shall clearly state and, where necessary, explain the nature of the business of the meeting;
 - 2) Meetings shall be held during normal business hours and at a place convenient for the greatest number of shareholders to attend;
 - 3) Notices shall ensure that all material information and documentation is provided to shareholders on each agenda item for any shareholder meeting.
 - 4) The board shall propose a separate resolution at any meeting on each substantially separate issue, so that unrelated issues are not "bundled" together;
 - 5) The chairman of the meeting shall encourage questions from shareholders, including questions regarding the company's corporate governance guidelines; and
 - 6) The minutes of the meeting must be made available to shareholders upon their request as soon as possible but not later than 30 days after the meeting.
- b. The company shall require all directors to attend and be available to answer questions from shareholders at any shareholder meeting and, in particular, ensure that the chairs of the audit, remuneration and nominating committees are ready to answer



appropriate questions regarding matters within their committee's responsibility (it being understood that confidential and proprietary business information may be kept confidential).

- c. Procco's external auditors shall attend the annual shareholders' meeting and be available to answer shareholders' questions concerning the conduct and conclusions of the audit.

PRINCIPLE 8: THE COMPANY SHALL DISCLOSE ITS CORPORATE GOVERNANCE

8.1. Disclosure under the Company Law

- a. The Board has adopted these written corporate governance guidelines covering the matters stated in corporate governance code and other corporate governance matters deemed appropriate by the Board.
- b. These Guidelines must be published on the Procco website.
- c. At each annual shareholders' meeting, the board shall report on the company's compliance with these guidelines and explain the extent if any to which it has varied them or believes that any variance or noncompliance was justified.

APPENDIX A: CHARTER OF THE BOARD OF DIRECTORS OF PROCCO FINANCIAL SERVICES WLL

1. Introduction

This Charter sets out the role and responsibilities of the Board of Directors (“Directors”) of Procco Financial Services WLL. (“Procco” or “Company”) in order to carry out their fiduciary duties of care and loyalty to Procco and its shareholders, having regard to the fact that the Directors are ultimately accountable and responsible for the overall strategy and business performance of Procco.

2. Directors’ Role and Responsibilities

- a. The Directors’ role and responsibilities include but are not limited to:
- 1) Ensuring financial statements are prepared which accurately disclose the company’s financial position.
 - 2) Monitoring management performance.
 - 3) Convening and preparing the agenda for shareholder meetings.
 - 4) Monitoring conflicts of interest and preventing abusive related party transactions.
 - 5) Adopt and annually review Procco’s strategy.
 - 6) Adopt and review the management structure and responsibilities.
 - 7) Adopt and review the systems and controls framework.
 - 8) Monitor the implementation of strategy by management.
 - 9) Review and ensure the effectiveness of the Company’s policies and practices with respect to compliance, risk assessment, and risk management.
 - 10) Adopt and review compliance with all significant policies and procedures by which Procco is operated.
 - 11) Adopt and review policies and procedures designed to ensure that Procco operates at all times within applicable laws and regulations.
 - 12) Ensure that an adequate, effective, comprehensive, and transparent corporate governance framework is in place.
 - 13) Adopt and review the systems and controls framework of Procco to ensure that this framework, including Procco’s Board structure and organisational structure, is appropriate for Procco’s business and associated risks.
 - 14) Supporting a corporate culture of integrity and responsible stewardship.
 - 15) Enforce its policy respecting confidential treatment of Procco’s proprietary information and the confidentiality of Board deliberations.
 - 16) Put in place effective policies and procedures for approving budgets and reviewing performance against those budgets and key performance indicators, and the management of Procco’s compliance risk.



- 17) Establish corporate standards for itself, senior management and all other employees, including policies and procedures for the identification, disclosure, prevention or strict limitation of conflicts of interest.
- b. In its strategy review process per above item no. 5, the Board must:
- 1) Review the Company's business plans and the inherent level of risk in these plans;
 - 2) Assess the adequacy of capital to support the business risks of the Company;
 - 3) Set performance and other business objectives; and
 - 4) Oversee major capital expenditures, divestitures, and acquisitions.

APPENDIX B: AUDIT COMMITTEE CHARTER

1. Committee Purposes

The Committee's purposes shall include those stated in [Section 3.1](#) of the Corporate Governance Code.

2. Committee Membership and Qualifications

The Audit Committee shall be appointed by the Board from amongst its members. Such members must have no conflict of interest with any other duties they have for Procco.

The majority of members, including the Chairman of the Audit Committee, must be independent directors under the criteria stated in the Corporate Governance Code of the Kingdom of Bahrain.

The members of the Audit Committee shall have recent and relevant financial ability and experience, which includes:

- a) an ability to read and understand corporate financial statements including a company's balance sheet, income statement and cash flow statement and changes in shareholders' equity;
- b) an understanding of the accounting principles which are applicable to the company's financial statements;
- c) experience in evaluating financial statements that have a level of accounting complexity comparable to that which can be expected in the company's business;
- d) an understanding of internal controls and procedures for financial reporting; and
- e) an understanding of the audit committee's functions and importance.

3. Committee Duties and Responsibilities

In serving the above purposes, the Committee shall:

- a) be responsible for the selection, appointment, remuneration, oversight and termination where appropriate of the external auditor, subject to ratification by the company's board and shareholders. The auditor shall report directly to the committee;
- b) make a determination at least once each year of the external auditor's independence, including:
 - determining whether its performance of any non-audit services compromised its independence (the committee may establish a formal policy specifying the types of non-audit services which are permissible);
 - obtaining from the external auditor a written report listing any relationships between the outside auditor and the company or with any other person or entity that may compromise the auditor's independence;
 - review and discuss with the external auditor the scope and results of its audit, any difficulties the auditor encountered including any restrictions on its access to



requested information and any disagreements or difficulties encountered with management;

- review and discuss with management and the external auditor each annual and financial statements of the company including judgments made in connection with the financial statements;
- review and discuss and make recommendations regarding the selection, appointment and termination where appropriate of the head of internal audit and the budget allocated to the internal audit and compliance function, and monitor the responsiveness of management to the committee's recommendations and findings, review and discuss the adequacy of the company's internal auditing personnel and procedures and its internal controls and compliance procedures, and any risk management systems, and any changes in those;
- oversee the company's compliance with legal and regulatory requirements;
- review and discuss arrangements under which company employees can confidentially raise concerns about possible improprieties in financial reporting or other matters, and ensure that arrangements are in place for independent investigation and follow-up regarding such matters.

4. Committee Structure and Operations

- a) The committee shall elect one member as its chair.
- b) The committee shall meet at least four times a year. Its meetings may be scheduled in conjunction with regularly-scheduled meetings of the entire board.
- c) The committee may meet without any other director or any officer of the company present. Only the committee may decide if a nonmember of the committee shall attend for a particular meeting or a particular agenda item.
- d) It is expected that the outside auditor's lead representative will be invited to attend regularly but this shall always be subject to the committee's decision.
- e) The committee shall report regularly to the full board on its activities.

5. Committee Resources and Authority

- a) The committee shall have the resources and authority necessary for its duties and responsibilities, including the authority to select, retain, terminate and approve the fees of outside legal, accounting or other advisors as it deems necessary or appropriate, without seeking the approval of the board or management.
- b) The company shall provide appropriate funding for the compensation of any such persons.

ANNEX C: NOMINATION AND REMUNERATION COMMITTEE

1. Committee Purposes

The committee's purposes shall include those stated in [Section 4.1](#) and [Section 5.1](#) of this Code.

2. Committee Duties and Responsibilities

a. Nomination Committee

In serving those purposes with respect to board membership:

- 1) the committee shall make recommendations to the board from time to time as to changes the committee believes to be desirable to the size of the board or any committee of the board;
- 2) whenever a vacancy arises (including a vacancy resulting from an increase in board size), the committee shall recommend to the board a person to fill the vacancy either through appointment by the board or through shareholder election;
- 3) in performing the above responsibilities, the committee shall consider any criteria approved by the board and such other factors as it deems appropriate. These may include judgment, specific skills, experience with other comparable businesses, the relation of a candidate's experience with that of other board members, and other factors;
- 4) the committee shall also consider all candidates for board membership recommended by the shareholders and any candidates proposed by management;
- 5) the committee shall identify board members qualified to fill vacancies on any committee of the board and recommend to the board that such person appoint the identified person(s) to such committee; and
- 6) assuring that plans are in place for orderly succession of senior management.

In serving those purposes with respect to officers, the committee shall:

- 1) make recommendations to the board from time to time as to changes the committee believes to be desirable in the structure and job descriptions of the officers including the General Manager, and prepare terms of reference for each vacancy stating the job responsibilities, qualifications needed, and other relevant matters;
- 2) recommend persons to fill specific officer vacancies, including the General Manager, considering criteria such as those referred to above;
- 3) design a plan for succession and replacement of officers including replacement in the event of an emergency or other unforeseeable vacancy; and
- 4) If charged with responsibility with respect to company's corporate governance guidelines, the committee shall develop and recommend to the board corporate governance guidelines, and review those guidelines at least once a year.



b. Remuneration Committee

- 1) In serving those purposes the committee shall consider, and make specific recommendations to the board on, both remuneration policy and individual remuneration packages for the General Manager and other senior officers. This remuneration policy shall cover at least:
 - a. The following components:
 - Salary;
 - the specific terms of performance-related plans; including deferred-benefit compensation,
 - pension plans,
 - fringe benefits such as non-salary perquisites, and
 - termination policies including any severance payment policies; and
 - b. Policy guidelines to be used for determining remuneration in individual cases, including on:
 - the relative importance of each component,
 - specific criteria to be used in evaluating an officer's performance
- 2) The committee shall also be responsible for retaining and overseeing outside consultants or firms for the purpose of determining director or officer remuneration, administering remuneration plans, or related matters.

3. Committee Structure and Operations

- 1) The committee shall elect one member as its chair.
- 2) The committee shall meet at least twice a year. Its meetings may be scheduled in conjunction with regularly-scheduled meetings of the entire board.