



REMUNERATION AND BENEFITS POLICY

JAIZ BANK PLC

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SECTIONS	PAGES
Preamble	3
Policy Administration	3
Remuneration & Benefits Policy	4
Remuneration & Benefits Policy for Executives	7
Remuneration & Benefits Policy for Non-Executive Directors	8
Review	9
Effective Date and Term	9



1. REMUNERATION AND BENEFITS ADMINISTRATION POLICY

This policy has been developed in order to establish a well-articulated framework to guide compensation and benefit administration in Jaiz Bank and it deals with the Bank's general remuneration policy.

This policy contains a description of the basic principles of the Bank's remuneration policy and particularly with respect to executive and non-executive board members, and a detailed presentation of the different elements comprising their remuneration. The Bank's Board of Directors is conscious of the importance of good corporate governance in its business and the conduct of its affairs in the best interest of the company and its shareholders.

The policy is Jaiz Bank's sole initiative and the bank reserves absolute discretion over the Policy, its duration, modifications and continued existence. All employees shall be bound by these rules and any other relevant documents, which may be issued from time to time.

At highest level, this policy is informed by the following guiding principles:

- ❖ To incentivise long-term value creation.
- ❖ To remunerate achievement of results on the basis of prudent, responsible risk bearing.
- ❖ To attract and retain the best professionals.
- ❖ Ensure transparency.

POLICY ADMINISTRATION

For the purposes of this policy, the **Board Governance, Remuneration and Nomination Committee** is the primary board committee responsible for advising and recommending to the board on issues relating to appointing directors, remunerating them and equally overseeing compensation and benefits issues across the bank. This committee is made up of a minimum of four members, who are appointed by the Board of Directors.

All the members of the committee are Non-Executive Directors as mandated by the Central Bank of Nigeria Code of Corporate Governance.

This committee shall meet as often as necessary to carry out its duties and its meeting is convened by its Chairman.

JAIZ BANK REMUNERATION AND BENEFIT ADMINISTRATION POLICY.

The Bank's remuneration policy is structured taking into account the environment in which it operates and the results it achieves at the end of each financial year. It includes the following elements:



- **Fixed Remuneration** based on the level of responsibility, which constitutes a relevant part of total pay. In Jaiz Bank, this component shall be determined by taking into account the level of responsibility and the professional level of the employee within the Bank. A wage benchmark is established for each position/level, reflecting its value to the organisation. It entails the **base salary and allowances** payable either monthly and in arrears or annually in advance as the case may be.
- **Variable Remuneration** is linked to the achievement of previously established targets and prudent risk management. In Jaiz Bank, this component rewards the creation of value in the Bank. It recognizes the contributions made by individuals, teams and the aggregation of these based on annual targets. It comprises **profit sharing/productivity bonus** payable annually.

The combination of these elements comprises a balanced remuneration system reflecting the Bank's strategy and its values as well as the interests of its shareholders. The main constituent of these two categories is outlined below:

Fixed Remuneration

- Guaranteed Cash or Fixed Salary:** This is guaranteed salary and is made up of basic pay and all cash allowances payable to the employees.
- Benefits and Perquisites:** These are the non-monetary compensation provided to employees such as medical, company car, generator set, club membership, etc.
- Retirement or Exit Benefits:** This is compensation set aside for employees when they retire or leave active service. This typically includes pension and any ex-gratia payments etc. as may be approved.

Variable Remuneration

- Variable Pay (Short Term Incentives & Long Term Incentives):** This represents pay-at-risk i.e. pay contingent on the achievement of agreed performance indicators. It includes established and incidental payout from the annual incentive/bonus schemes.

Fixed Remuneration

- Guaranteed Cash or Fixed Salary** - This is the cash payable to employees, otherwise called base or guaranteed salary. It comprises different allowances that would be paid at periodic intervals e.g. monthly, quarterly or at particular periods in the year (depending on contract of employment). Components of fixed pay which Jaiz will adopt is as detailed below:
 - Basic Salary
 - Housing
 - Transport
 - Leave Allowance
 - 13th Month



- Lunch Entertainment
- Passage Allowance
- Home Maintenance
- Education
- Domestic
- Furniture
- Car Maintenance
- Utilities.

ii. **Benefits and Perquisites:** These are the non-monetary compensation provided to employees and it shall be provided to employees; depending on grade level and job responsibility; usually to complement cash remuneration. Items that will typically be included in this are:

- Medical Cover – local and or international (subject to a limit)
- Status Vehicle, Vehicle Insurance and Vehicle Maintenance
- Telephone (subject to a limit)
- Club Membership Subscriptions
- Loan Subsidy
- Professional Bodies Membership
- Generator and Fueling

iii. **Retirement/Exit Benefits** - This is compensation set aside for employees when they retire or leave active service. This could include pension and any ex-gratia payments etc. as may be approved.

The bank has a contributory pension scheme and in line with the provisions of the Pension Reform Act (PRA), which stipulate the minimum rate of contribution for the employer (10%) and employee as 8% of the employee's total monthly emoluments (as reviewed in June 2014).

Variable Remuneration - This represents pay-at-risk i.e. pay contingent on the achievement of agreed key performance indicators (KPIs).

Short Term Incentives

a) **Individual Performance Bonus** – This shall be a discretionary scheme and designed to provide a window for rewarding exceptional members of staff as may be identified by management for special recognition.

On an annual basis, the management of the bank shall submit details of any deserving members of staff and criteria utilized in selecting them to the Board Governance and Remuneration Committee for review and recommendation of the full Board. The board shall be solely responsible for taking a final decision on who shall benefit under this scheme and how it should be implemented.

b) **Profit Sharing** – This is designed to reward the accomplishment of specific results within a period of one financial year and it will typically be paid out in the



following financial year. All confirmed staff of the bank shall be eligible to benefit from this scheme subject to their approved performance evaluations in the period under consideration.

For Jaiz Bank, the size of the scheme will be tied to the bank's overall annual financial performance and shall be capped at a fixed % of the bank's profit before tax for the period under consideration as approved by the board annually or at the beginning of each financial year (FY).

The board remuneration and governance committee shall be responsible for reviewing details relating to the short term incentive program on an annual basis and recommending any required changes to the board for approval

Long Term Incentives

This is designed to reward the accomplishment of specific results over a period that is longer than one financial year. These incentives are tied to the achievement of expected goals, resulting from the sustained performance of the business. The plans are based on financial performance and shall include any of the following types of plans or plan mix:

- (i) Employee Share/Stock option plan (ESOP)
- (ii) Performance share plan (PSP)
- (iii) Share purchase plan (SPP)

Qualification for participating in either the STI or LTI shall be based primarily on achieving annual targets as measured during the annual performance appraisal exercise. There shall be two kinds of annual targets:

□ **Financial indicators specific to the Unit** □ **Non-financial indicators specific to the Unit**

For non-market facing units, the annual targets shall weighted more than the financial indicators and be largely focused on key performance indicators specific and relevant to the unit.

REMUNERATION FOR EXECUTIVES

The framework to remunerate Executives in Jaiz takes into account the bank's stage of development, current financial situation and the following globally accepted best practices for structuring executive pay

- Banks shall align executive and Board remuneration with the long term interests of the bank and its shareholders.
- Levels of remuneration shall be sufficient to attract, retain and motivate executive officers of the bank and shall be balanced against the bank's interest in not paying excessive remuneration.
- Where remuneration is linked to performance, it shall be designed in such a way as to prevent excessive risk taking.



- Stock options should not be priced at a discount except with the authorization of the relevant regulatory agencies. They shall also be tied to performance and subject to the approval of the shareholders at AGMs. They shall also not be exercisable until one year after the expiration of the tenure of the Director

In this regard, each executive member of board shall sign an individualized service contract that clearly stipulates his/her expected roles and responsibilities. It shall also explicitly outline approved remuneration and entitlements for the position.

In general, the remuneration for Executives comprises of the same elements as defined under the general system for other staff in the Bank:

❖ Fixed Remuneration ❖ Benefits and Perquisites ❖ Retirement/Exit Benefits ❖ Variable Remuneration (Short Term Incentives - STIs & Long Term Incentives - LTIs)

However, the variable annual remuneration component applicable to Executives shall take into consideration the specific roles of each Executive and from that, a scheme shall be defined for each case, within the corporate framework. Targets will subsequently be established and the individual performance of each Executive is evaluated accordingly at the end of the financial year. The targets to determine the annual variable remuneration of Executive Directors are established by the Remuneration and Corporate Governance committee of the board and then submitted for the approval of the Board of Directors

The setting of key performance Indicators for Executives (*which is the sole determinant for annual variable remuneration*) should adopt the following parameters:

- ❖ **60%**, should account for the extent to which **QUANTITATIVE GOALS** are met: gross earnings, cost/income ratio, investments, PBT growth and earnings per share (EPS); while
- ❖ **40%**, should account for the achievement of **INDIVIDUAL QUALITATIVE OBJECTIVES** such as strategy, balance sheet management, cost control, internal control and risk management, human resources management, social and environmental responsibility, etc.

REMUNERATION FOR NON-EXECUTIVES

The remuneration policy for non-executive directors is not merely intended to reward attendance at meetings via per diem payments. Rather, it is based on criteria measuring responsibility and dedication and also in line with requirements of the Nigerian Code for Corporate governance which limits ***Non-Executive Directors' (Non-EDs) remuneration to Directors' fees, sitting allowances for Board and Board Committee meetings and reimbursable travel and hotel expenses.***



Annual Remuneration for Non executives shall therefore comprise of the following elements:

Directors' fees – This shall be an annual payment for sitting on the Bank's board and another fixed amount for their membership of different committees. Director chairing a committee shall receive a slightly higher compensation in light of the additional responsibilities they bear in this regard.

Sitting allowances - This shall be a payment directly tied to the attendance of a Non-Executive at a board or committee meeting.

Travel and hotel expenses – These are expenses incurred by the non-executive in the course of carry out their duties for Jaiz Bank; they are reimbursable expenses.

REVIEW

The Board Governance and Remuneration Committee, in performance of its duties under the Board Charter, shall periodically review the bank's remuneration policy and recommend changes to the Board on any proposals it deems fit. Such reviews shall take into account the environment in which the bank operates, its prevalent financial circumstances and also its agreed pay positioning/peers.

EFFECTIVE DATE AND TERM

The Policy was approved by the Board of Jaiz Bank PLC at its meeting held on **MARCH 22, 2016** and becomes effective upon approval.