

Conclusion:

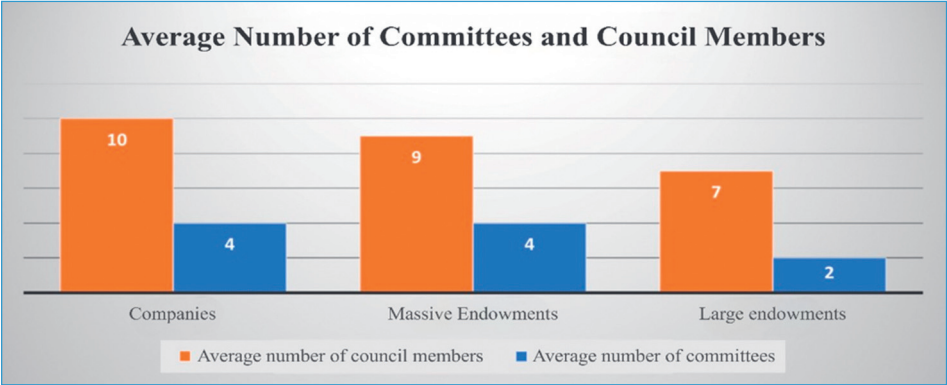
The findings of the exploratory study reveal a significant disparity in compensation practices between large and massive endowments, as well as between these endowments and the commercial sector. While the current compensation in endowments is relatively reasonable based on the size of their assets, there is an urgent need to reassess reward policies, particularly in large endowments, to ensure the attraction of necessary talents and support financial sustainability.

The lack of comprehensive field studies on the compensation of Trustees members, committees, and leaders of endowments creates a knowledge gap in this field, particularly in the Kingdom of Saudi Arabia. This gap limits the ability to establish clear standards based on accurate data and hinders the development of fair and effective compensation policies.

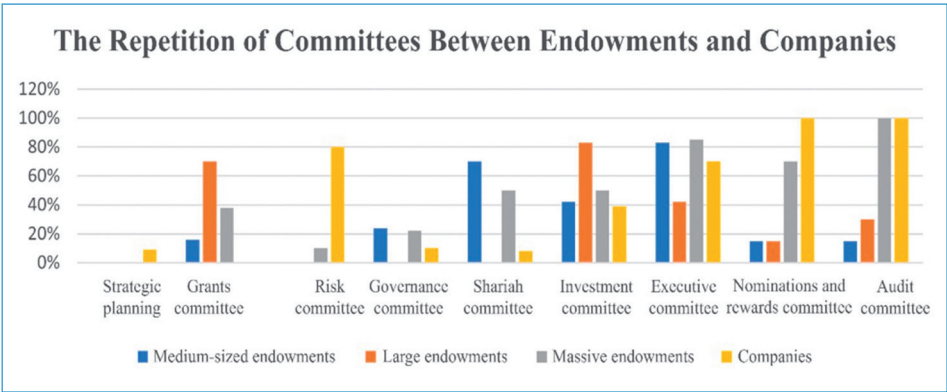
Therefore, the article emphasizes the necessity of conducting extensive and comparative scientific studies that include as many endowments as possible, along with enhancing transparency in the endowment sector by publishing and making data accessible to researchers. These studies will contribute to strengthening governance and achieving the best management practices in endowments, ensuring the fulfillment of their developmental and endowment objectives in the long term.

use this system, noting that the prevailing practice in endowments historically has been to grant the trustee a fee or a portion of the income, regardless of profit or loss.

- The average number of members in the boards of trustees of endowments depends on the size of their assets, generally ranging from (7 to 9) members.
- The average compensation for members of the boards of trustees in large endowments increases based on the size of the endowment's assets and its income. We find that the average compensation for members in large endowments is (177,000), and it increases in massive endowments to (334,000), which are acceptable figures when compared to the average compensation for board members in large companies, which amounts to (303,764) riyals.
- The governance of massive endowments is more advanced than that of large endowments. We find that the audit committee is a fundamental committee in all massive endowments, unlike large endowments, where an audit committee exists in only (29%) of them. It is also worth noting that companies pay significant attention to the audit committee, offering its members high compensation compared to other committees.
- The average compensation offered by massive endowments to a committee member is the closest to the commercial market, amounting to (122,750) riyals, unlike large endowments, which offer modest compensation, with an average of only (13,000) riyals. This amount is significantly lower than the average compensation for committee members in companies, which stands at (113,963) riyals.



The following figure illustrates the repetition rate of committees in both companies and endowments:

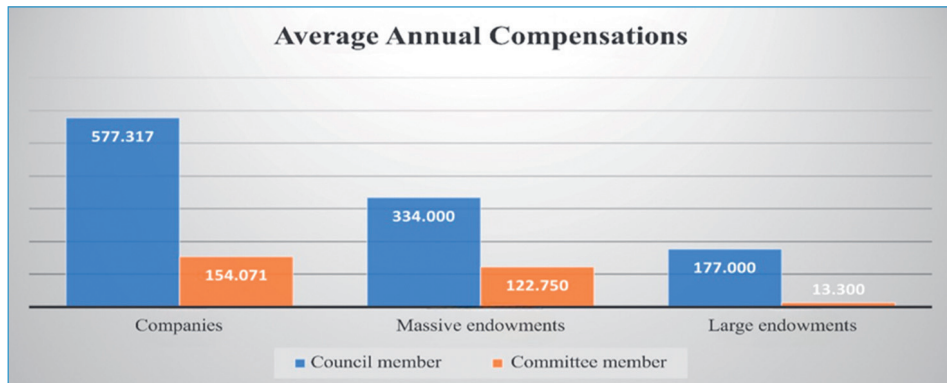


Results:

- Massive endowments differ from large endowments in the way board member bonuses are calculated. Massive endowments rely on a reward system, while most large endowments use a percentage of the yield. This difference is attributed to the high asset value in massive endowments, which makes using the yield percentage as a basis for compensation not in the best interest of the endowment. This is supported by our observation of the decrease in the number of board members and committees in massive endowments that

Summary of the Comparison Between Companies and Endowments:

It is expected that the compensation for companies under study will be higher than that of endowments due to the significant variation in asset sizes, number of employees, field nature, and the needs of the entities under study. Attracting talent and determining compensation often depend on supply and demand, as well as the specifications of the talent to be attracted. The compensation offered to leadership in the endowments under study may be fair and appropriate, if it attracts the necessary talent for the endowments. However, it is important to reconsider the average compensation for committee members in large endowments. The following compares the average annual compensation for board members and committee members:



It is observed that the average number of board members and the average number of committees in endowments are proportional to the size of their assets compared to companies, as shown in the following figure:

- The average compensation for an audit committee member is (212,250) riyals, knowing that companies rely on both the fixed reward system and session-based rewards to calculate committee member compensation.
- The average compensation for a member of the Remuneration and Nominations Committee is (136,000) SAR, noting that Al Rajhi Bank was excluded from the average calculation due to the significant drop in its compensation value, which amounted to only (20,000) SAR. The lowest compensation after that was at SABIC, amounting to (73,333) SAR, and the highest compensation was (238,750) SAR. All companies adopt a fixed compensation system and compensation based on the number of sessions attended to calculate the members' compensation.
- The average compensation for a committee member in other committees is (113,963) Riyals, with compensation ranging between (25,000) Riyals and (245,000) Riyals.
- The average compensation for executive leadership in massive companies is (50,433,620) Riyals, ranging between (14,603,668) Riyals and (83,419,000) Riyals. Meanwhile, the average compensation for leadership in large companies is (36,086,212) Riyals, ranging between (7,102,000) Riyals and (68,104,535) Riyals. It is important to note that the report tracks only the top (5) leadership positions in terms of compensation, including the CEO.

- The compensation system relies on fixed remuneration, which constitutes most of the total compensation value. Additionally, bonuses are granted to members based on the number of meetings they attend, with an average of (4,400) per session for each member.
- The average compensation for a board member is (577,317) riyals, with individual member compensation ranging between (209,444) and (1,485,000) riyals. Excluding the compensation offered by Riyadh Group from the large companies, the average compensation provided by large companies is (303,764) riyals. It is worth noting that half of the companies allocate additional bonuses for the board chairperson.

Committees:

- The Audit Committee and the Remuneration and Nominations Committee are two essential committees in every company. The average number of additional committees is two, making the average total number of committees in companies (4) committees. The most frequent committee is the Risk Committee (80%), followed by the Executive Committee (70%), and then the Investment Committee (40%).
- The average number of Audit Committee members is (4), half of them is from outside the board of directors, and the average number of members in the Remuneration and Nominations Committee is (4), most of them are from the board of directors.
- The average number of audit committee meetings is (8) meetings, with the number of audit committee meetings in companies ranging from (5) to (16) meetings per year.

Commercial Sector Practices:

To examine the differences with the practices in the commercial sector, the researcher analyzed data from (10) Saudi companies selected from the (MSCI30) index⁽¹⁾. These included massive companies (with equity exceeding 100 billion riyals) such as «Al Rajhi Bank,» «National Commercial Bank,» and «SABIC,» as well as other large companies (with equity exceeding one billion and less than 100 billion riyals) such as «Riyad Bank Group,» «Etihad Etisalat Company,» and «Saudi Telecom Company.»

The following is a presentation of the key results related to the board and committees:

The Board:

- The average number of board members is (10) members, with the number of members in companies ranging between (7) and (11) members.
- The average number of meetings per year is (7), ranging between (4) and (11) meetings for the board. Notably, the average number of meetings for boards of large companies is (8) meetings annually, which is higher than the average for boards of medium-sized companies, where the average is (6) meetings.

(1) (MSCI30 Index) is a joint index developed in collaboration between Saudi Tadawul and Morgan Stanley Capital International, designed to be used as a base for financial products and studies. It represents the performance of the 30 largest and most liquid listed securities on the Saudi Stock Exchange, with a maximum weight of any stock being 15% of the total index weight to limit the dominance of large-cap stocks. The index is reviewed quarterly.

highest reaches (700,000) Riyals. It can be said that the average compensation in this category begins where the highest value in large endowments ends.

- The average number of members in supervisory boards is (9) members. The highest number of board members under the reward system is (11), while the lowest number is (8). It is observed that the endowment relying on the percentage-of-yield system has the fewest members on the board, with only (4) members.
- The average annual compensation for the CEO is (722,000) Riyals, ranging between (480,000) and one million Riyals.
- The average number of committees is (4), with the highest being (8) committees. On the other hand, endowments that rely on a percentage of returns for board compensation have the minimum number, consisting of (2) committees: the Audit Committee and the Nominations and Compensation Committee. The Audit Committee is considered a primary committee in all endowments of this category, followed by the Executive Committee (88.9%), then the Nominations and Compensation Committee (66.7%), and finally the Sharia Committee (44.4%).
- The average annual compensation for a committee member is (122,750) riyals, and there is significant variation among endowments in estimating these compensations. The highest compensation value for a committee member reached (200,000) riyals, while in some endowments, compensation dropped to (20,000) riyals. It was found that some endowments base the compensation solely on the session, paying the member an average of (7,166) riyals per session.

- The average number of members in the boards of Trustees is (7) members, with the lowest number being (5) members, and the highest number being (10) members.
- The average annual compensation for the CEO is 820,000 Riyals, with the highest compensation received by the CEO being 1.2 million Riyals, and the lowest compensation being 480,000 Riyals.
- The average number of committees in large endowments is two, which is the most common. The most frequent committee is the investment committee (86%), followed by the grants committee (71%), while the audit committee exists in only (29%) of them. This indicates that the boards of trustees of these endowments focus more on supporting their executive arms (investment and grants) than on internal auditing and governance.
- The average annual compensation for a committee member is (13,300) Riyals, with the average compensation per session being (2,500) Riyals. Compensation policies vary between endowments, with some relying on session-based compensation, others offering fixed bonuses, and some using both methods.

Practices of Enormous Endowments:

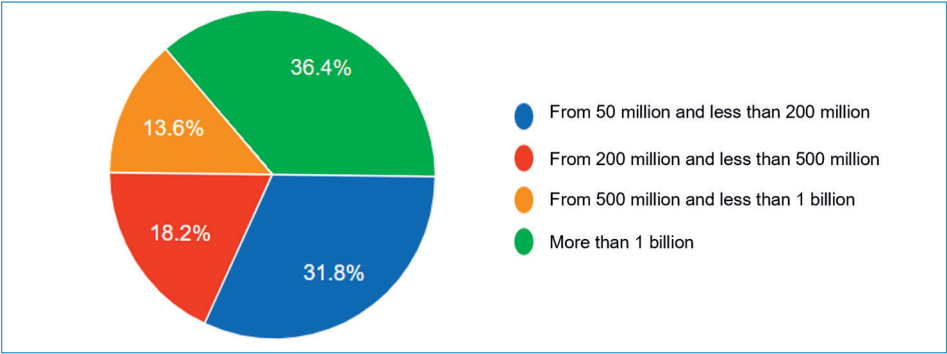
- The study included (8) enormous endowments with assets exceeding one billion Riyals.
- (87.5%) of this category relies on a rewards system for members of the Trustees board instead of a percentage of the yield.
- The average annual compensation for a board member is (334,000) Riyals, with the lowest at (140,000) Riyals, while the

■ **Given the small sample size of the study and the nature of the data provided, I will address the results of this study by focusing on two categories of large endowments:**

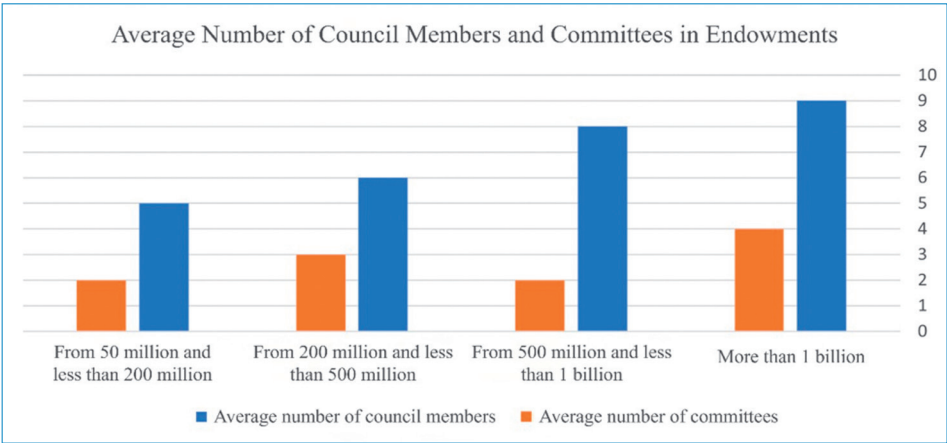
1. Massive Endowments (These are very large endowments whose assets exceed one billion Riyals).
2. Large Endowments (These are large endowments whose assets exceed two hundred million Riyals but are less than one billion Riyals).

Practices of Large Endowments:

- The study covered 7 endowments whose assets exceed two hundred million Riyals but are less than one billion Riyals.
- The compensation system in these endowments is often based on calculating the rewards for the board of Trustees according to a **(percentage of the yield)**. The percentage ranges from (1%) in endowments whose assets are close to one billion Riyals and reaches (5%) in endowments with fewer assets, with the consideration that some endowments set a maximum limit for the amount a person can receive in a year.
- The average annual compensation for a member of the board of Trustees is (177,000) Riyals. The lowest value calculated based on the expected net yield ranges between (50,000) Riyals and (100,000) Riyals, while the highest value ranges between (179,000) Riyals and (429,000) Riyals. It is worth noting that one of these endowments does not provide any rewards to the Trustees for their supervision. However, the average compensation for a member of the affiliated endowment company's board is (250,000) Riyals.



The average number of members in the boards of Trustees in the participating endowments was (7) members, and the average number of members in each committee was (4) members, with an average of (3) committees. The study revealed that the size of the endowment affects the number of members in the boards of Trustees and committees. The number of members in the board increases in very large endowments, reaching (9) members, then gradually decreases until it reaches (5) members in medium-sized endowments. The following chart illustrates the average number of board members and the number of committees in large and medium-sized endowments:



Endowment Leadership Rewards

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Researchers and specialists have discussed the key criteria for determining the wages of endowment superintendents⁽¹⁾. However, there are still inquiries regarding the practical practices in determining the wages and compensations of the Board of Trustees' members, committees, and endowment leaders. Answering these questions requires detailed data on field practices, which is often unavailable due to the reluctance of those working in the endowment sector to publish or share this data with researchers. Additionally, there is a scarcity of previous studies addressing this field in Saudi Arabia.

Exploratory Study:

To understand the prevailing practices, the author conducted a study covering (22) endowments, both large and medium-sized, in Saudi Arabia. The distribution was as follows:

(1) The article «Determinants of the Trustees' Wage» can be viewed at <https://estithmar.org.sa/muhadidat-ujrat-alnaazir/>.