



البنك
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Banque
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Fransi



| Audit Committee (AC) Charter



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Table of Abbreviations

S. No.	Abbreviation	Expansion
1	AC	Audit Committee
2	BoD	Board of Directors
3	CAE	Chief Audit Executive
4	CMA	Capital Market Authority
5	CCO	Chief Compliance Office
6	CSFO	Chief Strategy & Financial Officer
7	CGD	Corporate Governance Division
8	CRO	Chief Risk Officer
9	DoA	Delegation of Authority Manual
10	IIA	The Institute of Internal Auditors
11	CEO	Chief Executive Officer
12	SAMA	Saudi Central Bank

1. Introduction

1.1. Document Authorization Control Sheet

Document Type	Charter
Document Title	Audit Committee Charter
Version	4.2 (English)
Document Reference	-
Date	22-05-2024
Charter Custodian	Committee Secretary
Charter Owner	Corporate Governance Division

1.2. Document Approval Record

Version	Approval Date	Description of Changes
1.0	April 16, 2014	New Charter
1.01	January 2015 (GA)	Regular update
2.0	April, 2018 (GA)	Regular update
3.0	May 1, 2019 (GA)	Comprehensive review to incorporate all regulatory & legal requirements and meet best practices
3.1	May 5, 2021 (GA)	Review and update
4.0	June 12, 2022 (GA)	Based on SAMA new Corporate Governance Principles and SAMA Principles of Internal Auditing for Local banks Operating in the Kingdom of Saudi Arabia
4.1	May 24, 2023 (GA)	Annual Review and update based on the new Companies Law and its implementing regulations.
4.2	May 22, 2024 (GA)	Based on SAMA Targeted Inspection of the Compliance Function

1.3. Review, Update & Maintenance

- 1.3.1 The authority to approve any amendment to this Charter rests with the General Assembly upon Board of Directors recommendation.
- 1.3.2 Any amendment to this document shall be as per procedure set out in the DoA.
- 1.3.3 The minimum frequency for reviewing this Charter is once in two (2) years or earlier when required. CGD is responsible for ensuring that this document is reviewed and approved as per the DoA.
- 1.3.4 This Charter shall be a permanent part of the induction program provided to all new Board and Board Committee members upon their appointment. It is the duty of the new member to understand and be familiarized with it.

2. Authority & Purpose of the Committee

2.1. Authority of the Committee

The Audit Committee (hereinafter referred to as the "Committee" or "AC") is authorized to:

- 2.1.1. Approve and/or recommend all matters falling within the scope of its purpose and duties as set out in this Charter, the DoA and all other subjects that may be delegated by the Board of Directors to the Committee from time to time;
- 2.1.2. Request any information, clarification or statement from Board members, Executive Management, External Auditors or third-party consultants;
- 2.1.3. Request the Chairman of the Board to call for a general meeting, should the activities of the Committee be impaired or the Bank incurs grave losses or damages;
- 2.1.4. Recommend to the Board the appointment, dismissal and remuneration of external auditors in line with all applicable regulation's guidelines, and oversee the work of the external audit;
- 2.1.5. If a conflict occurs between the Committee's recommendations and the Board of Directors' decisions and/or the Board has declined the Committee's recommendation in the appointment/dismissal/remuneration of external auditors and Chief Audit Executive (CAE), the Board must include in the Board report, details of the Committee's recommendations and the Board's justification for not adopting them;
- 2.1.6. Invite to the Committee's meetings any of the Bank's employees to discuss any reported issues. This includes the CEO, the internal and/or external auditors.
- 2.1.7. Request and review any Bank's records and documents;
- 2.1.8. Hold private meetings with external auditors/internal auditors and Executive Management;
- 2.1.9. Retain an independent counsel, accountants or others to advise the Committee or assist in the conduct of investigations;
- 2.1.10. Investigate or authorize investigation on any matter that falls under its responsibilities or any issue assigned to it by the Board of Directors;
- 2.1.11. Receive reports/updates on regulatory inspections and external auditors' annual Management Letter, and ensure that Internal Audit has a tracking mechanism to implement the agreed corrective action plans;
- 2.1.12. Resolve any disagreements between management and the external auditors on financial reporting;
- 2.1.13. Pre-approve all audit and non-audit services by External Auditors; and
- 2.1.14. Exchange significant financial and other information with the regulators, as and when required.

2.2. Purpose of the Committee

The AC serves as a sub-committee to the BoD, formed to represent and assists the BoD in fulfilling its oversight responsibilities relating to:

- 2.2.1 Shareholders, potential shareholders, the investment community and others relating to the financial reporting process;
- 2.2.2 The system of Internal Controls;
- 2.2.3 The Audit process;
- 2.2.4 Bank's financial statements;
- 2.2.5 Related Parties Transactions and conflict of interests' cases; and
- 2.2.6 Bank's process for monitoring compliance with applicable laws and regulations and the Code of Conduct.

3. Roles & Responsibilities of the Committee

The following represent the duties and responsibilities of the Committee:

3.1. External Auditors

- 3.1.1. Review and provide opinion on Bank's external auditors' plan and activities, and ensure that external auditors do not provide any technical, administrative or consultative work that are beyond their scope of work;
- 3.1.2. Review and confirm the independence, objectivity, fairness, and effectiveness of audit activities of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Bank management, including non- audit services (external auditors cannot provide non-audit services, which may impair their independence and perform an audit of the Bank's accounts at the same time), and discussing the relationships with the auditors, If any, taking into account the relevant rules and standards;
- 3.1.3. Recommend to the Board of Directors annually the nomination or dismissal of the external auditors, determine their fees and evaluate their performance, after verifying their independence and reviewing the scope of their work and the terms of their contracts in line with all applicable regulations and guidelines, considering maximum allowed term for re-appointment and rotation of the licensed partner of external audit firm (SAMA requires that the engagement partners of the external audit firms are rotated every three years while CMA requires that the auditor's term shall not exceed seven consecutive or separate fiscal years and the Supervising Partner term shall not exceed seven consecutive or separate fiscal years¹); External Auditors may provide non-assurance services permitted by Saudi Organization of Chartered and Professional Accountants (SOCPA) in line with the Circular No. (000573) dated 17/08/1443H (corresponding to 20 March 2020G). Such non-assurance services include Group reporting engagements, assurance engagement for Zakat, Tax, Customs Regulations and VAT compliance services, agreed upon procedures on the financial information extracted from records and financial statements, engagement to prepare reports required in relation with Sukuk, IPOs, pre-emptive rights as per CMA laws and regulations.
- 3.1.4. Asses and review the competencies of the external auditors and ensure that they have the necessary expertise and qualifications to prepare an objective and independent report to the Board and the shareholders;
- 3.1.5. On the appointment of the external auditors, the following should be discussed by the AC with the external auditors:
 - a) Significant accounting or auditing issues discussed with management prior to being retained as auditors.
 - b) The type of, and total fees, from management consultancy services.
 - c) The responsibility the auditors assume for other information presented with the audited financial statements.
 - d) The level of responsibility the auditors assume in an audit.

¹ The decision of the Capital Market Authority Board No. (8-5-2023) dated 25/6/1444 corresponding to 18/1/2023, stipulates that that listed joint stock companies must adjust their positions in accordance with Article 3 of the "implementing regulations of the Companies Law for listed joint-stock companies" within a period not exceeding two fiscal years from the date of entry into force of the Regulations on 6/26/1444 corresponding to 1/19/2023.

- 3.1.6. On a regular basis and at least quarterly, meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately;
- 3.1.7. Review the external auditor's reports and comments on the financial statements, and follow-up on the procedures taken in connection therewith;
- 3.1.8. Review the management letter submitted by the external auditors and BSF's management responses, before submitting it to the Board for review along with the Committee's recommendations, if any;
- 3.1.9. Respond to queries of the Bank's external auditor; and
- 3.1.10. Ensure the number of external auditors' nominees shall not be less than three where possible.

3.2. Financial Statements

- 3.2.1. Examine the quarterly and annual financial statements before presenting them to the Board and provide opinion and recommendations thereon to ensure their integrity, fairness, and transparency;
- 3.2.2. Provide a technical opinion, at the request of the Board, on whether the Board's report and the Bank's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Bank's financial position, performance, business model, and strategy;
- 3.2.3. Examine any important or unfamiliar issues contained in the financial reports;
- 3.2.4. Accurately investigate any issue raised by the Bank's Chief Strategy & Financial Officer (CSFO) or any person assuming his/her duties, Chief Compliance Officer (CCO), Chief Audit Executive (CAE), Chief Risk Officer "CRO" or external auditor;
- 3.2.5. Examine the accounting estimates with respect to significant matters in the financial reports;
- 3.2.6. Examine the Bank's accounting policies and provide an opinion and recommendations to the Board thereon;
- 3.2.7. Review significant accounting and reporting issues, including complex or unusual transactions, highly judgmental issues, and recent professional and regulatory announcements, and understand their impact on the financial statements;
- 3.2.8. Review with management and the external auditors the results of the External Auditors' work, including any difficulties encountered;
- 3.2.9. Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing standards;
- 3.2.10. Review Related Parties Transactions on post facto basis to ascertain the adequacy of disclosures in the financial statements.

3.3. Internal Control

- 3.3.1. Examine and review the effectiveness of the Bank's Internal and financial control systems and Risk Management system.
- 3.3.2. Evaluate the effectiveness, efficiency and compliance with the internal controls, policies and procedures, the reporting mechanism, and make recommendation for improvements.

3.4. Internal Audit

- 3.4.1. Review and recommend the Internal Audit Charter for approval by the Board;
- 3.4.2. Recommend to the Board the appointment, reappointment, removal and acceptance of resignation of the CAE, recommend & approve his/her performance and suggest his/her remuneration;
- 3.4.3. Ensure that the CAE has integrity, the ability to perform his duties honestly, carefully and responsibly, and that he complies with applicable regulations and that he has not been involved in any illegal activity.
- 3.4.4. Review the organizational structure of the Internal Audit Group periodically and recommend the same for the approval of the Board.
- 3.4.5. Review that the Internal Audit Group has sufficient human resources in terms of number, qualifications and skills, particularly in specialized subjects.
- 3.4.6. Review and approve the 4 years' strategic plan, annual audit plan including scope and allocated budget, prepared based on the risk assessment and aligned to the Bank's overall strategy and objectives and all major changes to the plan.
- 3.4.7. Review the quarterly internal audit activities' performance relative to the approved plan;
- 3.4.8. Review and approve objectives/key performance indicators of the CAE and evaluate his performance;
- 3.4.9. Review the effectiveness of the Internal Audit Group, including conformance with the Institute of Internal Auditors' (IIA) Definition of Internal Auditing, Code of Ethics and International Standards for Professional Practice of Internal Auditing and conformance to SAMA Principles of Internal Auditing for Local Banks Operating in the Kingdom of Saudi Arabia;
- 3.4.10. On a regular basis, meet separately with the CAE to discuss any matters that the Committee or Internal Audit believe should be discussed privately;
- 3.4.11. Review and discuss the Internal Audit reports and ensure that executive management takes the necessary corrective action as recommended by the Internal Audit Group and follow up on the implementation of the agreed corrective measures in respect of the remarks made in such reports;
- 3.4.12. Review Internal Audit Group's performance to ensure that it is able to perform its responsibilities independently and objectively.
- 3.4.13. Review Management's response to regulatory inspection reports and management representation declared during audit activities.
- 3.4.14. Ensure that external independent assessment of Internal Audit activity is carried out at least once every five years.
- 3.4.15. CAE should confirm to the AC on an annual basis-at least- the organizational independence of Internal Audit Group either in the annual report or in an independent letter.

3.5. Compliance

- 3.5.1. Approve the annual Compliance Plan;
- 3.5.2. Recommend to the Board of Directors the annual SAMA Compliance Report;
- 3.5.3. Review and approve the organizational structure of the Compliance Group periodically.

- 3.5.4. Review details of supervisory inspection reports and quarterly progress implementation status.
- 3.5.5. Through the quarterly Compliance activities report, ensure the Bank's compliance status with the relevant laws, regulations, policies and instructions including any issues and corrective actions and obtain regular updates from the Chief Compliance Officer on material non-compliance issues and take necessary measures to enhance BSF's regulatory compliance level;
- 3.5.6. Review cases of compliance failure, shortcoming or negligence involving material risks, judicial procedures, supervisory penalties, financial or non-financial loss or harm for review, that are presented by the CCO.
- 3.5.7. Report to the Board of Directors any non-compliance related issues that are deemed necessary and provide recommendations for appropriate measures where needed;
- 3.5.8. Ensure that adequate policies and procedures are in place in relation to the identification and reporting of suspicious transactions from money laundering perspective;
- 3.5.9. Ensure that adequate whistleblowing mechanism is in place to enable Bank's employees to report improper conduct or activities including protection of confidentiality, independent investigation and follow-up as per the requirements of CMA CGR article #81;
- 3.5.10. Review and discuss quarterly reports submitted by the Compliance Group on Whistleblowing, Anti Bribery and Corruption incidents and related cases including status and actions taken. The Audit Committee Chairman to update the Board of Directors on material whistleblowing cases;
- 3.5.11. Recommending Compliance policies for Board of Directors' approval;
- 3.5.12. Review the Bank's Policy for Related Party transactions, obtain a listing of all such transactions and review their approvals and reasons thereto;
- 3.5.13. Ensure that the Chairman and AC members are aware of relevant regulations as stated in SAMA Audit Committee Guidelines by Compliance or Internal Audit;
- 3.5.14. Review and recommend to the Board of Directors the Bank's policy on combating financial fraud, developed in line with SAMA Guidelines on Anti-Fraud, and to evaluate its effective implementation on regular basis;
- 3.5.15. Review and approve key recommendations and corrective actions proposed by the Anti-Fraud Function;
- 3.5.16. Ensure that a mechanism is established by Anti-Fraud Function to follow up on the recommendations and corrective measures proposed by the Anti-Fraud Function;
- 3.5.17. Review and discuss significant fraud cases, types of fraud, analysis and statistics on fraud cases and relevant preventive/control measures to be implemented; and
- 3.5.18. The Committee shall authorize Anti-Fraud Function within the Bank to conduct investigations in matters related to its roles with any of the Bank's employees, at any level, in coordination with the Compliance Committee, and to access all relevant information and documents necessary to achieve the objectives of the investigation, while ensuring confidentiality of such information.

3.6. Risk Management

- 3.6.1. Review periodic Board Risk Committee meetings' minutes;
- 3.6.2. Review, on quarterly basis reports received from Risk Management Group, prepared based on the results of independent, ongoing credit reviews in line with SAMA Circular on Loan classification, provisioning and credit reviews; and
- 3.6.3. Review and challenge management on IFRS 9 judgements, processes and controls.
- 3.6.4. The AC Chairman shall meet on annual basis with the Chairman of the Board Risk Committee to exchange notes on the management of risk.

3.7. Reporting Responsibilities

- 3.7.1. The Chairman of the Audit Committee shall apprise the Board of Directors on quarterly basis of the activities of the Committee.
- 3.7.2. The Audit Committee shall annually submit a report to the board & shareholders, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by policy or law, including approval of non-audit services and the Committee's opinion and recommendations on the adequacy of the internal and financial control systems and risk management systems. Sufficient copies of such report shall be available at BSF's head office, and published on BSF's and the Exchange's websites when publishing the invitation to convene the General Assembly. Summary of the report shall be read at the General Assembly.

3.8. Other Responsibilities

- 3.8.1. Develop at the end of each year an annual schedule of the Committee's activities for the coming year. This includes the Committee's periodic meetings, meetings with management, and other activities in light of the Committee's roles and responsibilities defined within the Charter;
- 3.8.2. Review & approve previous Committee minutes of meeting and follow up on decisions taken and documented in the action sheet of prior Committee meetings in order to ensure that reported issues have been resolved (Appendix A);
- 3.8.3. To ensure the adequacy and effectiveness of system of controls for Safeguarding of the Bank's assets;
- 3.8.4. Conduct an annual self-assessment relative to the Committee's purpose, duties, and responsibilities outlined herein as well as those of its individual members. The purpose is to evaluate and ensure that all responsibilities outlined in this Charter have been carried out; and
- 3.8.5. Review, on quarterly basis all material litigation the status of all significant legal matters

Please refer to the **DoA manual** for more details regarding the Committee's delegated authorities.

4. Composition of the Committee

4.1. Membership

- 4.1.1. Members of the Committee are appointed by the General Assembly after obtaining SAMA's written "No-objection".
- 4.1.2. The Committee shall be formed by a resolution of the BSF's Ordinary General Assembly, and the members of the Committee can be from the shareholders or others, provided that all members are independent.
- 4.1.3. The Committee shall be comprised of at least three (3) members and shall not exceed five (5) members. At least one (1) member shall be specialized in finance and accounting.
- 4.1.4. The Committee members from outside the Board shall be more than those from inside the Board.
- 4.1.5. It is preferable that a member is not a member in more than two committees;
- 4.1.6. Members of the Committee should be independent in line with the definition of the independent member as defined in SAMA Key Principles of Governance in Financial Institutions & CMA Corporate Governance Regulations.
- 4.1.7. Any person who works or has worked in the BSF's Finance Division, the Executive Management or for the BSF's external auditor during the preceding two years may not be a member of the Audit Committee.
- 4.1.8. The Chairman of the Board shall not be a member of the Audit Committee.
- 4.1.9. A member of BSF's audit committee should not be serving as an Audit Committee member in more than five (5) listed joint-stock companies at the same time.
- 4.1.10. The CMA and SAMA shall be notified with the names of the members and the types of their memberships within five (5) working days from their appointment, and shall be notified of any changes in the Committee's membership within five (5) working days of the date of such changes.
- 4.1.11. The committee member must work with a sense of intent with the necessary care and attention to benefit the stakeholders in addition to performing his/her duties away from any external influence, whether from within or from outside BSF, and he/she must not provide personal reconciliation or the interests of those he represents to the interests of BSF, shareholders and other stakeholders.

4.2. Term of Committee Members

- 4.2.1. The term of the Committee members is equivalent with that of the Board, where the Committee members are elected for a period of three (3) years renewable for a maximum of two additional terms.

4.3. Appointment of the Chairman

- 4.3.1. With the majority voting, Board members shall appoint an independent member as the Chairman for the Committee;
- 4.3.2. Chairman of the Committee must always be a member of the Board of Directors and should be independent from the Executive Management and major shareholders of BSF;

- 4.3.3. Chairman of the Committee should not be related to other members of the Board or have any financial or business relationship with any members of the Board;
- 4.3.4. The Chairman of the Committee should not have a relationship with executive directors or key executives of the Bank that could affect his/her independence;
- 4.3.5. The Chairman of the Committee can designate any Committee member as a Vice Chairman for the purpose to Chair the Committee meetings in his/her absence; and
- 4.3.6. The appointment of the Committee's Chairman must be communicated to the relevant regulatory bodies (SAMA/CMA) to obtain their no objection.

4.4. Roles & Authority of the Chairman

- 4.4.1. Oversee the planning and preparations for the Committee meetings, including approving the agenda of the meetings;
- 4.4.2. Ensure that appropriate information from management are presented to the Committee during the meeting to enable the Committee to exercise their accountabilities based on sufficient information;
- 4.4.3. Ensure that all items requiring the Committee's approval and recommendations to the Board are appropriately tabled;
- 4.4.4. Ensure proper flow of information to the Committee and review the adequacy and timing of documentary materials in support of management's proposals;
- 4.4.5. Oversee reporting and verbal presentations to the Board from the Committee;
- 4.4.6. Oversee the annual assessment of the Committee's performance; and
- 4.4.7. Attend the General Assembly Meetings and answer any questions raised by the shareholders.

4.5. Secretary of the Committee

The Committee should appoint a Committee Secretary whose term of service is the same as that of the Committee (with the right of reappointment), and it is preferable that the Committee secretary is not the secretary of other Committees, and is responsible for the following:

- 4.5.1. Acting as a primary point of contact and source of information and advice for Committee members on BSF relevant activities, in order to support the decision-making process;
- 4.5.2. Staying fully aware of the Committee's activities, and ensuring the Committee members take decisions after being provided with the necessary briefings and information/documents;
- 4.5.3. Maintaining the Committee's Charter, and guiding the Committee to carry out its activities in compliance with the Charter;
- 4.5.4. Preparing communication letters, in coordination with the Committee's Chairman as the need arise, and addressing the same to Committee members, Board of Directors and relevant parties. This includes handling the required communications to schedule/call for Committee meetings;
- 4.5.5. Preparing the Committee's reporting packs that should be circulated to all Committee members with the meeting agenda at least five (5) calendar days prior to the meeting date;

- 4.5.6. Attending Committee meetings for the objective of preparing the minutes of meeting and circulating the said minutes within a period not exceeding ten (10) working days to all Committee members for approval;
- 4.5.7. Documenting and following up on issues requiring action as reported in subsequent Committee meetings and recorded in the related meeting action sheet (Appendix A);
- 4.5.8. Arranging with the parties that the Committee invites to the Committee meetings. This includes Senior Management, External Auditors, consultants, legal advisors, or any other party;
- 4.5.9. Arranging and following up on the completion of the Committee's annual self- assessment;
- 4.5.10. Circulating Committee decisions to the concerned parties;
- 4.5.11. The Secretary shall ensure that meetings are properly documented and the minutes are retained for a minimum of ten (10) years with relevant materials; and
- 4.5.12. Keeping the Committee members abreast of the latest developments/changes in relevant regulations/laws from the different regulators (SAMA, CMA), and informing them about any relevant communication from the regulators.

4.6. Qualifications of the Committee Members

- 4.6.1. Committee members collectively shall be knowledgeable of the matters presented to the Committee, have relevant work experience and appropriate qualifications and have a thorough understanding of the roles and responsibilities of the Directors and Executive Management. The Committee shall be able to devote adequate time to their duties as members of this Committee;
- 4.6.2. Each member should have academic qualifications, professional experience in auditing, finance, or risk management and relevant knowledge of accounting standards and auditing standards, and the capacity to read financial reports and understand related rules and regulations issued by regulators; and
- 4.6.3. The committee shall have the competence to monitor the financial institution's work, verify the integrity and impartiality of its reports and financial statements, and ensure the availability of internal control systems therein.

4.7. Compensation of the Committee Members

- 4.7.1. Committee members are entitled to receive compensation as per Remuneration Policy approved by the General Assembly;
- 4.7.2. Committee members who are residents in a city outside the meeting location are entitled to all out of pocket expenses incurred to attend the meeting. Such expenses include, first class tickets as well as any accommodation and transportation expenses incurred by them; and
- 4.7.3. The Board of Director's Report that is presented to the General Assembly shall disclose the remunerations and other payments made to the Committee members.

4.8. Resignation & Replacement of Committee Members

4.8.1. The Office of a member of the Committee shall be vacated:

- a) If the person holding it resigns his/her office or dies;
- b) If the person at any time has been bankrupt or insolvent, or compounds with his/her creditors or suspends payment;
- c) If the person is facing mental challenges, or become rationally unfit;
- d) If the person has been absented from three (3) consecutive meetings or five (5) non-consecutive meetings of the Committee, as the case may be, or from all such meetings for a continuous period of six (6) months, whichever is longer, without leave of absence from the Committee concerned, or without good cause; and
- e) If the person is subject to any of the disqualifications mentioned in Article (19) of the Bank's bylaws.

4.8.2. Any Committee member may resign upon giving written notice to the Chairman of the Committee and the Chairman of the Board and the resignation shall be effective at the time such notice is given (unless the notice specifies a later time for the effectiveness of the resignation); and

4.8.3. If any seat of the Committee becomes vacant for any reason, the Board shall have the authority to appoint a new member in the vacant seat subject to SAMA "no-Objection" and provided that such appointment is approved in the General Assembly in their next meeting.

4.9. Conflict of Interest

4.9.1. All members of the Committee must follow the policies, standards and procedures on conflict of interests as stipulated in the "Conflict of Interest Policy", and the Bank's Code of Conduct for Board and Board Committees' Members; and

4.9.2. No Committee member shall simultaneously serve on any Committee of a competitor of BSF or have any role in any of the organization's competitors. Furthermore, no member shall have any significant contractual or business relationship with BSF that could be seen as materially impairing his/her capacity to act in an independent manner.

4.10. Confidentiality of Information

4.10.1. In discharging their responsibilities, Committee members shall maintain the confidentiality of their activities, and shall exercise their business judgment to act in a manner that they believe is in the best interest of BSF; and

4.10.2. Committee members shall maintain the confidentiality of the Bank trade secrets gained through performing their duties and shall not publicize confidential information to shareholders as per the Control of Insider Information Policy. Not conforming to this, the member shall be dismissed from the Committee and can be held responsible for the financial damages caused by such announcements.

5. Meetings of the Committee

5.1. Frequency of Meetings

- 5.1.1. The Committee shall meet at least four (4) times a year preferably on quarterly basis. Additional meetings may be scheduled as the Committee or its Chairman deem advisable; provided that a notice of five (5) business days, or shorter time period as per the consent of the Committee members, is given.
- 5.1.2. The Committee shall convene periodically with BSF's external auditor and CAE.
- 5.1.3. The CAE, the external auditor, CCO, BoD Chairman or any member of the Committee may call for a meeting with the Audit Committee at any time as may be necessary.

5.2. Quorum of Meetings

- 5.2.1. A quorum at any Committee meeting shall consist of a majority of the Committee members.

5.3. Attendance Guidelines

- 5.3.1. Committee members are expected to attend all Committee meetings and in case a member was absent, his/her absence should be documented in the minutes of the meeting;
- 5.3.2. Committee members may request a leave of absence from the Chairman of the Committee or may provide justifiable reasons/causes for not attending a Committee meeting; and
- 5.3.3. Other than the Committee members and Secretary, no other Board member or the Executive Director may attend the meetings of the Committee unless the Committee requests his/her opinion or advice.

5.4. Invitees

- 5.4.1. Besides the attendance of the members comprising the Committee, the attendance of non-Committee members, such as members of management and external/internal auditors, is conditional upon the request and approval of the Committee's Chairman. Non-Committee members will be involved in the discussions but will not have any voting rights; and
- 5.4.2. The request for attendance of non-Committee members is to be suggested and indicated in the meetings' agendas circulated prior to meetings' dates.

5.5. Agenda of the Meeting

- 5.5.1. The Secretary of the Committee shall be responsible for drafting the meetings' agendas. These agendas should be approved by the Committee's Chairman. The Committee's Chairman can consult with the Committee members on the meeting's agenda whenever he/she deems necessary; and
- 5.5.2. An agenda, together with relevant materials relating to each meeting, shall be sent to members of the Committee five (5) working days prior to each meeting.

5.6. Meeting Methods

5.6.1. The Committee may meet personally or via telephone or video conference.

5.7. Voting Guidelines

5.7.1. The voting of the Committee is determined by the majority of the members, and the invitees to the meeting have no voting rights on the resolutions.

5.7.2. In the event of equal voting, the Chairman of the Committee has a casting vote.

5.7.3. No voting by proxy shall be permitted.

5.8. Minutes of Meetings

5.8.1. The deliberations and resolutions of the Committee should be recorded in the minutes of meetings which must be circulated to all Committee members within a maximum period of ten (10) working days. The Committee members shall approve or provide any comments they may have. If no response is received from any Committee member within ten (10) business days from the date of circulation, the minutes will be deemed as approved;

5.8.2. A copy of the minutes of meetings should be signed by chairman and all members present at the meeting as well as the committee secretary and the names of absent members should be recorded;

5.8.3. It is permissible to use modern technology to sign, record deliberations and decisions, and record the Minutes;

5.8.4. All objections and abstentions from voting should be recorded in the minutes along with decisions that has been determined by the use of the Chairman's casting vote; and

5.8.5. The approved minutes shall be retained for a period of no less than ten (10) years.

5.8.6. The minutes shall be submitted to members of the Board who have the right to request a clarification for any issue from the Committee.

5.8.7. If the Committee has obtained assistance from any experts or specialists, whether internal or external, such assistance is included in the minutes; stating name of the expert and his relation with the Bank or its Executive Management, if any.

5.9. Decisions by Circulation

5.9.1. The Committee may take decisions by circulation unless a member request in writing to discuss the circulated matter in a meeting;

5.9.2. A decision shall be issued if approved in writing (physically or by email) by the majority of the Committee members; and

5.9.3. All approved resolutions taken by circulation shall be recorded in the next meeting minutes.

6. Reporting to the Board

- 6.1. The Chairman of the Committee shall report to the Board, no later than the next regular Board meeting on any specific matters assigned to the Committee;
- 6.2. The Committee shall submit its approved minutes regularly to the Board; and
- 6.3. The Committee must provide the following reports to the Board on a timely basis:
 - a) A Summary of the quarterly Internal Audit Activity report along with the highlights of the Committee meetings to the Board of Directors;
 - b) In addition, an annual report on internal audit activities including status of internal audit plan will be submitted to the Board of Directors in first quarter after the year-end;
 - c) Annual report to the General Assembly on the Committee's opinion as to the adequacy of the Bank's Internal Control environment and in respect of any other activity within the Committee's jurisdictions. The Board shall retain sufficient copies of these reports at the Bank's Head Office for shareholders, at least twenty-one (21) days from the date of each General Meeting and the reports shall be read during the meeting; and
 - d) Review any other reports the Bank issues that relate to Committee responsibilities.

7. Relationship with Others

- 7.1. Communication between the Committee and other committees should be clear to ensure a common understanding of the respective responsibilities of each committee; and
- 7.2. The Committee may coordinate with other Board and Management Committees, if appropriate, on any area as required to support the effectiveness and efficiency of the functioning of these Committees.

8. Appendix

8.1. Appendix A – Action Sheet

#	Action Item	Meeting Date	Responsible	Due Date	Status	Comments