

البنك
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Banque
Saudi
Fransi



| Board Risk Committee (BRC) Charter

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Table of Abbreviations

S. No.	Abbreviation	Expansion
1	BCP	Business Continuity Plan
2	BoD	Board of Directors
3	BRC	Board Risk Committee
4	BSF	Banque Saudi Fransi
5	CGD	Corporate Governance Division
6	CRO	Chief Risk Officer
7	DoA	Delegation of Authority Manual
8	ICAAP	Internal Capital Adequacy Assessment Process
9	ILAAP	Internal Liquidity Adequacy Assessment Process
10	CEO	Chief Executive Officer
11	Executive Management / Senior Executives	Persons responsible for managing the daily operations of BSF, and proposing and executing strategic decisions, such as the Chief Executive Officer (CEO) and his/her direct reportees
12	SAMA	Saudi Central Bank
13	CMA	Capital Market Authority

1. Introduction

1.1. Document Authorization Control Sheet

Document Type	Charter
Document Title	Board Risk Committee Charter
Version	2.1 (English)
Document Reference	
Date	18 October 2023
Charter Custodian	Committee Secretary
Charter Owner	Corporate Governance Division

1.2. Document Approval Record

Version	BoD Approval Date	Description of Changes
1.0	April 16, 2014	New Charter
1.1	January 07, 2015	SAMA's 1st update on Corporate Governance Principles.
1.2	March 27, 2019	Comprehensive review to incorporate all regulatory & legal requirements and meet best practices.
1.3	December 31, 2020	Periodic General Review.
2.0	July 26, 2022	Based on SAMA new Corporate Governance Principles, IT Governance Framework, Risk Management Framework for Shariah compliant Banks
2.1	October 18, 2023	Based on the new Companies Law and it's implementing regulations.

1.3. Review, Update & Maintenance

- 1.3.1 The authority to amend this Charter rests with the Board of Directors (BoD or the Board) upon Committee 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 two (2) years. However, the Charter must be reviewed / updated earlier if required. CGD is responsible for ensuring that this document is reviewed & approved as required.

1.3.4 This Charter shall be a permanent part of the induction program provided to the new Board and Board Committee members upon their appointment. It is the duty of the new member to understand and familiarize himself with it.

2. General Provisions

The provisions of this charter came to express the law and the applicable rules and regulations, and in the event of any amendments thereof, or any conflict or inconsistency between the provisions of this charter and the applicable laws, rules and regulations, the latter shall prevail, and the new amended provisions shall be applicable to this charter and complied with from its effectiveness date.

3. Authority & Purpose of the Committee

3.1. Authority of the Committee

The Board Risk Committee (hereinafter referred to as the "Committee" or "BRC") appointed by Banque Saudi Fransi's (hereinafter referred to as "BSF" or "the Bank") Board of Directors is authorized to:

- 3.1.1. Deal with, and recommend on, all matters falling within the scope of its purpose and duties as set out in this Charter, Delegation of Authority Manual (DoA) and all other matters that may be delegated by the Board to the Committee from time to time;
- 3.1.2. Meet with Banque Saudi Fransi's officers, or outside counsel, as necessary;
- 3.1.3. The Committee may obtain information from and consult with the Chief Executive Officer (CEO) or other executives of BSF, as and when it considers appropriate. The Committee shall, after notifying the Chairman of the Board and CEO, have the ability to:
 - a) Recommend any special projects;
 - b) Seek the advice of BSF's internal auditor and/or a consultant; and
 - c) Recommend engagement of consultants and independent risk experts for consultation where necessary to carry out its duties.
- 3.1.4. The Committee shall have access to the Bank's records, and receive regular reports from BSF's management. It shall have the power to recommend investigations into any matter within the Committee's scope of responsibilities;
- 3.1.5. In carrying out its responsibilities, the Committee may seek assistance from any experts or specialists, whether internal or external, provided that such assistance is included in the minutes of the Committee meeting; stating name of the expert and his relation with the Bank or its Executive Management, if any; and
- 3.1.6. The committee has the authority to oversee outsourcing arrangements & sub-delegate it to an acceptable level of higher management.

3.2. Purpose of the Committee

The BRC represents and assists the BoD in fulfilling its oversight responsibilities relating to:

- 3.2.1. Recommending a suitable risk appetite to the BoD or any other matters related to risk management;
- 3.2.2. Executive management managing risks in accordance with duly approved risk management framework, policies, procedures and regulatory obligations. This is accomplished by providing governance oversight and strategic direction;
- 3.2.3. Risk Management having sufficient resources (including the ability to retain outside consultants / experts) & systems necessary to carry out its duties unimpeded, and without compromise;
- 3.2.4. Independence of the Risk Management employees from activities that may expose the Bank to risk and from business lines;
- 3.2.5. Risk Management employees understanding of the risks threatening the Bank and seek to raise awareness of the culture of risk bank-wide;
- 3.2.6. The CRO is linked to the Board through the Board Risk Committee, BRC raises its recommendations on RMG reports to the Board; and
- 3.2.7. Providing recommendations to the Board on matters related to risk management.

4. Roles & Responsibilities of the Committee

The following represents the duties and responsibilities of the Committee:

4.1. Overall Risks

- 4.1.1. Require and review development of a strategy, objectives and comprehensive policies for risk management that are consistent with the nature and volume of the Bank's activities, risk profile, risk appetite and risk tolerance for the bank taking into account cyber and technology risks and ensuring the operationalization of these policies, and regular review & update based on the Bank's internal and external changing factors;
- 4.1.2. Require assessment and periodic review of risk appetite (acceptable level of risk that may be faced by the Bank) and monitoring to ensure that the Bank does not go beyond such level;
- 4.1.3. Review the adequacy of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP);
- 4.1.4. Review the adequacy of BSF's risk intelligence levels, in terms of gathering information about risks, conducting analysis and evaluation of risks. The results should be utilized for BSF's competitive advantage;
- 4.1.5. Require establishment of bank-wide risk measurement methodologies for quantifying risks;
- 4.1.6. Consider and provide feedback on any updates from the CEO or CRO, when appropriate, on the risk impact of any strategic decisions that BSF may be contemplating. Furthermore, reporting to the Board when strategies considered by the CEO have a probability of putting the Bank outside acceptable risk limits;
- 4.1.7. Receive and review the following reports from Risk Management:
 - a) Annual report on the results of the update of the risk profile, risk assessment and the risk treatment plan;
 - b) Timely reports on risks related to new products, services and strategic initiatives;
 - c) Quarterly Enterprise risk management dash-board reports; and
 - d) Quarterly report comparing the risk profile against the approved risk appetite.
- 4.1.8. Review the feasibility of the Bank continuation, the successful continuity of its activities and determining the risks that threaten its existence during the following twelve (12) months;
- 4.1.9. Require and review management assessment of risks covering credit, market, operational (including technology), cyber /information security, business continuity, fraud, reputational, strategic, AML risk and other material risks;
- 4.1.10. Review periodically the adequacy of the Bank's Risk Management system and management's assessment of the effectiveness of the systems and mechanisms for determining and monitoring the risks that threaten the Bank in order to determine areas of inadequacy therein, maintenance of the risk register and recommend appropriate changes;
- 4.1.11. Reviewing the organizational structure for risk management and providing recommendations regarding

the same before approval by the Board;

- 4.1.12. Reviewing any issues raised by the Audit Committee that may affect the Bank's risk management;
- 4.1.13. Regularly reassessing the Bank's ability to take risks and be exposed to such risks (through stress tests as an example);
- 4.1.14. Ascertain whether management has instituted risk management controls for exceptional situations;
- 4.1.15. Recommending to the board the appointment/termination of the Chief Risk Officer;
- 4.1.16. Oversee IT Risks as stipulated in SAMA IT Governance framework; and
- 4.1.17. Endorse IT Risk assessment results.

4.2. Risk Categories

- 4.2.1. The risk categories which report to the BRC and other Board Sub Committees have been agreed separately. For risk categories which are under the remit of BRC, the committee responsibilities include:
 - 4.2.1.1. Assessment and review of Risk Management process;
 - 4.2.1.2. Provide recommendation on the formulation of Policies of the Bank, for example Credit Risk policy;
 - 4.2.1.3. Provide recommendation to other Board Committees on matters relating to risk management, when required; and
 - 4.2.1.4. Approve Policies and Documentation as per provisions in the Bank's DoA.

4.3. Other Responsibilities

- 4.3.1. Perform any other activities consistent with this Charter, DoA, BSF's Articles of Association and governing laws, as the Board deems necessary and appropriate;
- 4.3.2. Develop at the end of each year an annual plan and 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;
- 4.3.3. 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 matters raised have been resolved (**Appendix A**);
- 4.3.4. Request external advisors such as legal, risk or other professional advisors to enable the Committee to perform such tasks as deemed necessary;
- 4.3.5. Ensure that external advisors retained or to be retained by the Committee are appropriately qualified and independent; and
- 4.3.6. 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.

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

5. Composition of the Committee

5.1. Membership

- 5.1.1. The members of the Committee shall be appointed by a majority vote of the Board based on the recommendation of the Nomination & Remuneration Committee. Such appointments are subject to SAMA's written "Non-objection";
- 5.1.2. The Committee shall be comprised of at least three (3) members of Board of Directors and may include other members from outside the board. The number of Committee members shall not exceed five (5) members, in which the majority of the members (minimum 3) should be non-Executive Board members;
- 5.1.3. Committee may not be chaired by the CEO;
- 5.1.4. 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. The Vice Chairman should also hold position of Non-Executive Director in the Board;
- 5.1.5. It is preferable that a member of the Board Risk Committee is not a member in more than two board committees of the Bank;
- 5.1.6. The CMA & SAMA shall be notified with the names of the members and the types of their memberships in such within five (5) days from their appointment, and shall be notified also about any changes in the Committee's membership within five (5) days of the date of such changes; and
- 5.1.7. 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 duties away from any external influence, whether from within or from outside BSF, and he must not provide personal reconciliation or the interests of those he represents to the interests of BSF, shareholders and other stakeholders.

5.2. Term of Committee Members

- 5.2.1. 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.

5.3. Appointment of the Chairman

- 5.3.1. The Chairman of the Committee shall be non-executive director appointed by the Board based on majority of the votes, upon recommendation of the Nomination & Remuneration Committee; and
- 5.3.2. Chairman of the Board cannot be Chairman of the Committee, and it is recommended that the Chairman of the Committee be an independent member. In case that is not possible, the Chairman should be a non-executive member of the Board.

5.4. Roles & Authority of the Chairman

- 5.4.1. Oversee the planning and preparations for the Committee meetings, including approving the agenda of the meetings;
- 5.4.2. 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;
- 5.4.3. Ensure that all items requiring the Committee's approval and recommendations to the Board are appropriately tabled;
- 5.4.4. Ensure proper flow of information to the Committee and review adequacy and timing of documentary materials in support of management's proposals;
- 5.4.5. Oversee reporting and verbal presentations to the Board from the Committee;
- 5.4.6. Oversee the annual assessment of the Committee's performance;
- 5.4.7. Ensure that the Committee has direct access to members of Executive Management as necessary; and
- 5.4.8. Attend the General Assembly Meetings and answer any questions raised by the shareholders.

5.5. 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). It is preferable that the committee secretary is not a secretary of other BoD committees.

The committee secretary is responsible for the following:

- 5.5.1. Acting as a primary point of contact and source of information and advice for Committee members regarding BSF's relevant activities, in order to support the decision making process;
- 5.5.2. 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;
- 5.5.3. Maintaining the Committee's Charter, and guiding the Committee to carry out its activities in compliance with the Charter;
- 5.5.4. Preparing communication letters, in coordination with the Committee's Chairman as the need arise, and addressing the same to the Committee members, Board of Directors and relevant parties. This includes handling the required communications to schedule/call for Committee meetings;
- 5.5.5. Preparing the Committee's reporting packs that should be circulated to the Committee members with the meeting's agenda at least five (5) working days prior to the meeting date;
- 5.5.6. Attending Committee meetings for the objective of preparing the minutes of meeting and circulating the said minutes within a period not exceeding ten (10) days to all Committee members for approval;
- 5.5.7. Documenting and following up on the issues requiring Committee's action as raised in subsequent Committee meetings and recorded on the related meeting action sheet (**Appendix A**);
- 5.5.8. Arranging with the parties that the Committee invites to the Committee meetings. This includes consultants, legal advisors, or any other party;
- 5.5.9. Arranging and following up on the completion of the Committee's annual self- assessment;

5.5.10. Circulating Committee decisions to the concerned parties; and

5.5.11. The Secretary shall ensure that meetings are properly documented and the minutes are retained for a minimum of ten (10) years with relevant materials.

5.6. Qualifications of the Committee Members

5.6.1. Committee members are required to have an appropriate level of knowledge in risk management.

5.6.2. From among the members there should be member/s with experience in cyber and technology risks.

5.6.3. Committee members collectively shall be knowledgeable of the matters presented, risk management and finance, 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.

5.7. Compensation of the Committee Members

5.7.1. The Committee members are entitled to receive compensation as per Remuneration Policy approved by the General Assembly;

5.7.2. Committee members who are resident in a city outside the meeting location are entitled to all out of pocket expenses incurred by them to attend the meeting. Such expenses include first class tickets as well as any accommodation and transportation expenses incurred by them otherwise. BSF will arrange for the above; and

5.7.3. Board of Director's Report that is presented to the General Assembly will disclose the remunerations and other payments made to the Committee members.

5.8. Resignation & Replacement of Committee Members

5.8.1. The entire Committee or any individual Committee member may be discharged by the affirmative vote of the majority of Board members;

5.8.2. 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 incurs any of the disqualifications mentioned in Article (19) of the Bank's bylaws.

5.8.3. 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 the resigned member may propose a successor; and

5.8.4. If any of the Committee seats becomes vacant for any reason, the BoD shall appoint a new member in the vacant seat to continue the term of the previous member, based on NRC's recommendation.

5.9. Conflict of Interest

5.9.1. 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 Code of Conduct for the Board; and

5.9.2. 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.

5.10. Confidentiality of Information

5.10.1. 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

5.10.2. The members shall maintain the confidentiality of the Bank's trade secrets gained through performing their duties and shall not publicize confidential information to shareholders as per Control of Inside Information Policy. In such cases, the member shall be dismissed from the Committee and can be held responsible for the financial damages caused by such announcements.

6. Meetings of the Committee

6.1. Frequency of Meetings

6.1.1. In order to discharge its responsibilities, the Committee shall each year establish a schedule of meetings and shall meet at least four (4) times a year preferably on a 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.

6.2. Quorum of Meetings

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

6.3. Attendance Guidelines

6.3.1. The 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;

6.3.2. 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

6.3.3. No member of the Board or the Executive Management except the Secretary or a member of the Committee may attend the meetings of the Committee unless the Committee requests his/her opinion or advice.

6.4. Invitees

6.4.1. The Chief Risk Officer (CRO) will not be a member of the Committee but may be invited to attend the Committee's meetings without having any voting rights on the Committee's decisions;

6.4.2. At the discretion of the Committee and the approval of the Committee Chairman, other members of the Board, employees of BSF or consultants may be invited to attend and participate in the meetings of the Committee. Non-Committee members will be involved in the discussions but will not have any voting rights; and

6.4.3. The request for attendance of non-Committee members is to be suggested and indicated in the meetings' agendas circulated prior to meetings' dates.

6.5. Delegation Guidelines

6.5.1. Voting by proxy is not allowed.

6.6. Agenda of the Meeting

6.6.1. 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's members on the meeting's agenda whenever he/she deems necessary; and

6.6.2. An agenda, together with relevant materials relating to the subject matter of each meeting, shall be sent to members of the Committee five (5) working days prior to each meeting.

6.7. Meeting Methods

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

6.8. Voting Guidelines

6.8.1. 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; and

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

6.9. Minutes of Meetings

6.9.1. 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) 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 by such member;

- 6.9.2. 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;
- 6.9.3. 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;
- 6.9.4. The minutes shall be entered into a special register and be kept for a period of no less than ten (10) years; and
- 6.9.5. 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, in any.

6.10. Decisions by Circulation

- 6.10.1. The Committee may take decisions by circulation unless a member request in writing to discuss the circulated matter in a meeting;
- 6.10.2. A decision shall be issued if approved in writing (physically or by email) by the majority of the Committee members; and
- 6.10.3. All approved resolutions taken by circulation shall be recorded in the next meeting minutes.

7. Reporting to the Board

- 7.1. 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;
- 7.2. The Committee shall submit its approved minutes regularly to the Board;
- 7.3. The Committee must provide the following reports (based on article 68 (6) of CMA CG Regulations) to the Board half-yearly or as soon as the risk status changes to an unacceptable level on:
 - a) The nature and magnitude of all significant risks;
 - b) Policies and controls in place to manage and treat such significant risks; and
 - c) The overall effectiveness of the risk management process, including highlighting risk management problems and the actions that have been or will be taken to address them.
- 7.4. Report to the Board risks that exceeded the risk appetite even if they were restored to the acceptable level;
- 7.5. Provide a report showing that there are no significant doubts concerning the Bank's ability to continue as a going concern; if any of the statements above cannot be made, the report must contain a statement clarifying the reasons thereof;
- 7.6. Provide a report identifying the principal risks of BSF's business;
- 7.7. Provide a report showing the Bank's capacity to identify and respond to changes in its economic and operating environments;
- 7.8. Provide a report on the adequacy and effectiveness of the Credit risk framework;

- 7.9. Provide a report on the credit risk exposure and its levels;
- 7.10. Provide recommendations to the BoD on the adequacy of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP);and
- 7.11. Provide detailed reports to the board on risk exposures and the recommended measures to manage such risks.

8. Relationship with Others

- 8.1. Communication between the Committee and other Committees should be clear to ensure a common understanding of the respective responsibilities of each Committee. The Committee coordinates with the Audit Committee to ensure that BSF's overall risk management process is of the proper scope and is functioning effectively and also to seek Internal Audit intervention where required;
- 8.2. The Committee shall receive communications on periodic intervals, at least annually, from the Internal Audit Group on the results of their review and evaluation of the effectiveness of BSF's procedures for assessing significant risks and the effectiveness of internal controls set out by management to minimize such risks to BSF. For this purpose the following reports should be made available to the Committee;
 - a) Actual findings and recommendations;
 - b) Level of effectiveness or weaknesses in BSF's internal controls; and
 - c) Overall control environment.
- 8.3. 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.

9. Appendix

9.1. Appendix A – Action Sheet

Committee Meeting #	Topic	Discussion	Resolution / Required Action	Person Responsible	Targeted Deadline