

البنك  
السعودي  
الفرنسي  
Banque  
Saudi  
Fransi



## | Board of Directors Charter



## | Board of Directors (BoD) Charter

## Table of Contents

<b>Table of Contents</b> .....	<b>3</b>
<b>Table of Abbreviations</b> .....	<b>5</b>
<b>1. Introduction</b> .....	<b>6</b>
1.1. Document Authorization Control Sheet .....	6
1.2. Document Approval Record.....	6
1.3. Review, Update & Maintenance .....	6
<b>2. General Provisions</b> .....	<b>7</b>
<b>3. Authority &amp; Purpose of the Board</b> .....	<b>7</b>
3.1. Authority of the Board .....	7
3.2. Purpose of the Board .....	7
<b>4. Roles &amp; Responsibilities of the Board</b> .....	<b>8</b>
4.1. Relation with Stakeholders .....	8
4.2. Overseeing BSF Operations .....	9
4.3. Risk Management & Internal Controls .....	12
4.4. BSF’s Credit Risk Management.....	13
4.5. Compliance .....	14
4.6. Human Resources, Remuneration, Evaluation, Compensation and Succession Planning .....	14
4.7. Matters Reserved for the Board.....	15
4.8. Tasks of Board Members.....	16
4.9. Duties of Independent Board Members: .....	17
4.10. Other Responsibilities .....	17
<b>5. Composition of the Board</b> .....	<b>18</b>
5.1 Membership .....	18
5.2 Election of the Board Members .....	18
5.3 Term of Board Members .....	19
5.4 Board Committees .....	19
5.5 Appointment of the Chairman .....	20
5.6 Roles & Authority of the Chairman .....	20
5.7 Appointment of MD/CEO .....	21
5.8 Role and Authority of MD/CEO .....	21
5.9 Secretary of the Board .....	22
5.10 Qualifications of the Board Directors .....	23
5.11 Qualifications of the Board Secretary .....	23
5.12 Compensation of the Board Directors .....	23
5.13 Resignation & Replacement of Board Members .....	23
5.14 Independence .....	25
5.15 Conflict of Interest .....	26
5.16 Confidentiality of Information .....	27
<b>6. Meetings of the Board</b> .....	<b>28</b>
6.1 Frequency of Meetings .....	28
6.2 Quorum of Meetings .....	28
6.3 Invitees.....	28
6.4 Attendance Guidelines.....	28

6.5	Delegation Guidelines.....	29
6.6	Agenda of the Meeting.....	29
6.7	Meeting Methods.....	29
6.8	Voting Guidelines.....	29
6.9	Minutes of Meetings.....	30
6.10	Decisions of the Board of Directors.....	30
<b>7</b>	<b>Subsidiaries.....</b>	<b>31</b>
<b>8</b>	<b>Access to Independent Advisors.....</b>	<b>31</b>
<b>9</b>	<b>Information to be Received by the Board.....</b>	<b>31</b>
<b>10</b>	<b>Disclosure &amp; Reporting to the Shareholders and Regulators.....</b>	<b>33</b>
<b>11</b>	<b>Induction &amp; Training.....</b>	<b>33</b>
<b>12</b>	<b>Relationship with Committees.....</b>	<b>34</b>
<b>13</b>	<b>Board Assessment.....</b>	<b>34</b>
<b>14</b>	<b>Appendix.....</b>	<b>35</b>
14.1	Appendix A – Action Sheet.....	35

## Table of Abbreviations

S. No.	Abbreviation	Expansion
1	AC	Audit Committee
2	BCP	Business Continuity Plan
3	CSRC	Corporate Social Responsibility Committee
4	NRC	Nomination and Remuneration Committee
5	BoD	Board of Directors
6	BRC	Board Risk Committee
7	CCO	Chief Compliance Officer
8	CGD	Corporate Governance Division
9	CRO	Chief Risk Officer
10	Executive Director	A member of the Board who is a full-time member of the Executive Management team of BSF and participates in its daily activities.
11	Non-Executive Director	Member of the Board who is not a full-time member of the management team of BSF and does not participate in its daily activities.
12	Independent Director	A non-executive member of the Board who enjoys complete independence in his/her position and decisions and none of the independence affecting issues stipulated in SAMA and CMA CG regulations apply to him/her.
13	DoA	Delegation of Authority Manual
14	EC	Executive Committee
15	GA	General Assembly
16	MC	Ministry of Commerce
17	MD	Managing Director
18	AML&TF	Anti-Money Laundry & Terrorist Financing
19	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.
20	SAMA	Saudi Central Bank
21	CMA	Capital Market Authority
22	CEO	Chief Executive Officer

# 1. Introduction

## 1.1. Document Authorization Control Sheet

Document Type	Charter
Document Title	Board of Directors Charter
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Charter Custodian	Board Secretary
Charter Owner	Corporate Governance Division

## 1.2. Document Approval Record

Version	Approval Date	Description of Changes
1.0	April 16, 2014	New Charter
1.1	January 07, 2015 (approved by the GA)	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	Review to incorporate SAMA update on Corporate Governance Principles, IA Principles, IT Governance Framework & Risk Management Framework for Shariah compliant Banks.
3.0	October 18, 2023	Review to incorporate the new changes in the Companies Law, its implementing regulations, and Banks Remuneration Rules issued by SAMA.

## 1.3. Review, Update & Maintenance

1.3.1 The authority to amend this Charter rests with the Board of Directors;

1.3.2 Any amendment to this document shall be as 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 and approved as required; and

- 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 this Charter.

## 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 Board

### 3.1. Authority of the Board

- 3.1.1 Without prejudice to the competencies of the General Assembly as per the Companies Law and Its Implementing Regulations and the Bank's bylaws, the Board shall have the broadest powers in managing the Bank and guiding its activities to achieve its objectives; and
- 3.1.2 The Board is responsible for the Bank's business, protecting the Bank's interest and developing its value even if it delegates some of its powers to Committees, individuals or other third parties. In any case, the Board may not issue a general or an open-ended delegation.

### 3.2. Purpose of the Board

- 3.2.1 The Board is responsible for approving the overall strategic direction and policy framework for BSF. This responsibility is discharged through Board's oversight of BSF's management, which is responsible for the day-to-day conduct of the business;
- 3.2.2 The Board sets standards of conduct, including the Bank's general moral and ethical tone, compliance with applicable laws and regulations, standards for financial practices and reporting, qualitative standards for operations and services, and other standards that reflect the views of the Board as to the conduct of the business in the best interests of the Bank. The Board also establishes guidelines for its own performance, and self-assessment therein; and
- 3.2.3 The Charter also identifies certain matters (section 4.7), which must be considered by the Board as a whole and may not be delegated.

## 4. Roles & Responsibilities of the Board

The Board shall oversee the business of the Bank, including approving and overseeing the implementation of the Bank's strategic objectives, and approving risk strategy, corporate governance rules and principles of professional conduct. The Board is also responsible for supervision of Senior Management. Members of the Board shall carry out the tasks and responsibilities entrusted to them by ensuring that adequate policies and procedures for supervision and control of the Bank's performance are in place.

The Board represents all shareholders; it shall perform its duties of care and loyalty in managing the Bank's affairs and undertake all actions in the general interest of the Bank and develop it and maximise its value.

Among the main functions and competencies of the Board are the following:

### 4.1. Relation with Stakeholders

4.1.1. Establishing clear and written policies and procedures regulating the relationship with Stakeholders with the aim of protecting them and safeguarding their rights, which shall include the following in particular:

- a. Methods to compensate Stakeholders when their rights established by laws or protected by contracts are infringed;
- b. Methods for resolving complaints or disputes that may arise between the Bank and the Stakeholders;
- c. Methods for building good relationships with customers and suppliers and maintaining the confidentiality of their information;
- d. Rules of professional conduct for Bank managers and employees that are prepared in compliance with the proper professional and ethical standards and regulate their relationship with Stakeholders, provided that the Board shall establish mechanisms for supervising the implementation of, and compliance with such rules and ensure its effectiveness;
- e. The Bank's social contributions;
- f. Ensuring that the Bank's transactions with Board members and related parties are entered into on terms identical to the terms of transactions with Stakeholders without any discrimination or bias;
- g. Stakeholders obtaining of information relevant to their activities to enable them to perform their duties. Such information shall be correct and sufficient and shall be provided in timely manner and on a regular basis; and
- h. Treating the Bank employees pursuant to the principles of justice and equality and without discrimination.

4.1.2. Set forth in writing the policies, procedures and supervisory rules to ensure the Bank's compliance with the relevant laws and regulations and its obligation to disclose material information to shareholders and Stakeholders and ensuring the compliance of the Executive Management with these policies and procedures;



- 4.1.3. Ensuring that the governance policies of the Bank protect the rights of shareholders, facilitate the exercise of their rights, and contribute to providing effective communication channels and various means of communication with all shareholders of the Bank. ensuring that they are treated fairly, including minority shareholders, as well as constantly urging them to participate in the meetings of the General Assembly and provide proposals related to the performance of the Bank and the development of its operations;
- 4.1.4. Ensuring the accuracy and integrity of the data and information which must be disclosed pursuant to the applicable policies and systems in respect of disclosure and transparency;
- 4.1.5. Developing effective communication channels allowing shareholders to continuously and periodically review the various aspects of the Bank's businesses as well as any material developments;
- 4.1.6. Under the direction and supervision of the Board, the Senior Management shall ensure that the Bank's activities are consistent with the business strategy, risk levels and policies approved by the Board;
- 4.1.7. Protecting depositors' and shareholders' funds;
- 4.1.8. Providing recommendations to the Extraordinary GA as to what it deems appropriate regarding the following:
  - a) Increasing or decreasing the share capital of the Bank; and
  - b) Dissolving the Bank before the end of its term as specified in its bylaws or deciding the continuity of the Bank.
- 4.1.9. Providing recommendation to the Ordinary GA as to what it deems appropriate regarding:
  - a) Using the Bank's reserves, if they are not allocated for a specific purpose in the Bank's by laws;
  - b) Forming additional financial allocations or reserves for the Bank; and
  - c) The method of distributing the net profits of the Bank.
- 4.1.10. Preparing and ensuring the accuracy and integrity of the Bank's interim and annual financial statements and approving them before publishing them;
- 4.1.11. Preparing the Board Report and approving it before publishing it;
- 4.1.12. Maintaining effective relationships with supervisory and regulatory authorities; and
- 4.1.13. Notifying the Ordinary General Assembly when convened of the businesses and contracts in which any Board member has a direct or indirect interest; the notification shall be in accordance to relevant rules & regulations.

## 4.2. Overseeing BSF Operations

- 4.2.1 Ensuring the soundness and solvency of the Bank;
- 4.2.2 Ensure the existence and effectiveness of policies and procedures related to the governance of Information Technology and cyber security;
- 4.2.3 Ultimately responsible for setting the Information Technology (IT) Governance and ensuring that IT risks are effectively managed within BSF. The board can delegate its IT Governance responsibilities to senior management or IT steering committee (ITSC);
- 4.2.4 The board is responsible for:

- a. ensuring that robust IT risk management framework is established and maintained to manage IT risks;
  - b. ensuring that sufficient budget for IT is allocated;
  - c. approving the IT steering committee (ITSC) charter; and
  - d. endorsing (after being approved by the ITSC):
    1. the governance and management practices roles and responsibilities;
    2. the IT strategy; and
    3. the IT policy.
- 4.2.5 Supervising the management of the Bank's finances, its cash flows as well as its financial and credit relationships with third parties;
- 4.2.6 Selecting and changing (if needed) executives in key positions including the MD and orCEO, and ensure that BSF has an appropriate succession policy for the replacement by an appropriate alternative with necessary skills eligible for the office;
- 4.2.7 Lay down clear limits of responsibility and accountability, and adherence to these roles and responsibilities at all levels of the bank, in addition, ensure a complete separation of responsibilities at the level of the executive management;
- 4.2.8 Approving and developing internal policies in respect of the Bank's business, including specifying the duties, competencies and responsibilities assigned to the various organizational levels;
- 4.2.9 Approving a written and detailed policy that identifies the powers delegated to the Executive Management, a matrix stating these powers, means of implementation and the period of delegation\ The Board may request the Executive Management to submit periodic reports in respect of its exercise of such delegated powers;
- 4.2.10 Identifying the matters on which the Board reserves the power to decide;
- 4.2.11 Laying down the plans, policies, strategies and main objectives of the Bank supervising their implementation and reviewing them periodically and ensuring that the human and financial resources required to fulfill them are available, including;
- a) Setting a comprehensive strategy for the Bank, key business plans and policies and mechanisms of the risk management and review and guide them;
  - b) Determining the most appropriate capital structure for the Bank, its strategies and financial objectives, and approving all kinds of estimated budgets;
  - c) Overseeing the main capital expenditures of the Bank and the acquisition or disposal of assets;
  - d) Setting performance indicators, and monitoring the implementation thereof and the overall performance of the Bank;
  - e) Reviewing and approving the organizational and human resources structures of the Bank on a periodic basis; and
  - f) Ensuring that the financial and human resources required for achieving the objectives, main and strategic goals main plans of the Bank are available and adequate. Ensure the implementation of the obligations of the Bank to all relevant parties;

4.2.12 Obtaining and approving Bank loans;

4.2.13 Strategic Planning & Budgets:

- a) Set and approve the Bank's strategic business plan proposed by the Strategy Committee or the Management and adopt such a plan with such changes, upon annual reviews and assessments, as the Board deems appropriate;
- b) Review and approve the Bank's operational plans, financial and investment plans and budgets proposed by the management and adopt the same with such changes as the Board deems appropriate;
- c) In connection with such reviews, the Board shall seek to provide a balance of long-term versus short-term orientation of the Bank's strategic and operational plans; and
- d) Review corporate performance against strategic plan, operations plans, financial and investment plans, budget plans and peers performance.

4.2.14 Establishing governance rules for BSF in accordance with the provisions of the relevant corporate governance regulations, and shall monitor their implementation, verify their effectiveness, and amend them as necessary;

4.2.15 Developing the necessary policies and procedures that defines mechanisms for reporting violations in the Bank and the protection of whistleblowers, based upon a proposal from the AC, to be followed by Stakeholders when submitting complaints or reporting any violations;

4.2.16 Ensuring that the Senior Management is following policies which may prevent or limit activities and relationships that might affect the application of the principles of governance;

4.2.17 When BSF outsources any of BSF's functions, this shall not exempt the BoD from responsibility. The Board should be aware of the risks arising from outsourcing. It shall ensure that outsourcing arrangements are being conducted according to SAMA's related instructions;

4.2.18 Forming the Executive Management of the Bank, regulating its operating procedures, monitor and oversee it and ensure that it performs the duties assigned to it, and to achieve this, the Board shall:

- a) Develop the necessary administrative and financial policies;
- b) Ensure that the Executive Management operates in accordance with the policies approved by the Board;
- c) Select and appoint the MD and or CEO of the Bank, and oversee his/her work;
- d) Appoint the manager of the internal audit unit or department, or the internal auditor and dismiss him and determine his/her remuneration, if any;
- e) Convene periodic meetings with the Executive Management to explore the work progress and any obstacles and problems in connection therewith, and review and discuss the important information in respect of the Bank's business;
- f) Develop standards for the performance of the Executive Management consistent with the objectives and strategy of the Bank; and
- g) Review and evaluate the performance of the CEO in which it shall be based on the long-term, and not limited to the performance of only one year; and
- h) Ensure the existence of an effective system for an objective and systematic performance assessment

of BSF's employees at all levels.

- 4.2.19 Approving the outsourcing policy and all outsourcing arrangements, including compliance with all relevant legal and regulatory requirements;
- 4.2.20 Setting the Bank's Shariah Governance Framework and ensuring the alignment of its Islamic banking activities with Shariah laws and principles. In particular, the board shall:
- Approve the Shariah Governance Manual, Shariah Related Policies, Shairah Committee Charter, and supervise their implementation; and
  - Based on NRC's recommendation, appoint the members of an independent Shariah Committee, determine their compensation, and a formal procedure to evaluate their performance.
- 4.2.21 Ensure that the services of the Bank meet the needs and requirements of society at fair costs, and that the Bank takes the initiative to provide facilities to support and encourage small and medium enterprises; and
- 4.2.22 The responsibility for establishing participation criteria as a funding bank or a receiving bank for IPOs rests with the Board of Directors or whom it delegates.

### 4.3. Risk Management & Internal Controls

- 4.3.1 Ensuring the existence of a general framework of oversight control systems through which risks can be assessed and managed;
- 4.3.2 Approving the overall risk policy and strategy and objectives that are consistent with the risk profile, risk appetite and risk tolerance for the Bank, oversee its application and review on an annual basis. The risk appetite that BSF is willing to accept over a specified time horizon should be clearly connected to its overall business strategy and capital plan;
- 4.3.3 Ensuring the existence and development of effective departments for compliance, internal audit and risk management, and ensuring the independency of the before-mentioned departments from other business lines, and ensure that the level of resources and authorities are appropriate, and ensure that the employees are trained and to develop their capabilities in the field;
- 4.3.4 Ensuring the independence of internal and external auditors and ensure accuracy, integrity of the information and data to be disclosed and compliance with the requirements of disclosure and transparency with regard to reports and financial information and shall ensure their timely disclosure without delay;
- 4.3.5 In the cases of External Auditors resignation, call for the general assembly to be held, to review the reasons of resignation and appoint another external auditor;
- 4.3.6 Approving a written Policy for Conflicts of Interests, and ensuring that policies to identify potential conflicts of interests are existent and implemented;
- 4.3.7 Ensure the existence and effectiveness of policies and procedures for maintaining confidentiality of information;
- 4.3.8 Developing a policy to regulate and identify Related Party Transactions for identifying, monitoring and enumerating approved and unapproved transactions. The Board shall ensure that related party transactions are carried out fairly and without preference had an "arm's length basis" and are disclosed as per relevant regulations;

- 4.3.9 As there are specific risks associated with Shari'ah compliant Banking, the risk management activities requires active oversight by the Board of Directors and Senior Management;
- 4.3.10 Ensure that the size of the Internal Audit Group and the efficiency and qualifications of its Head and employees are commensurate with the size of the bank, the nature of its business, the systems in use, and the complexity of its organizational structure;
- 4.3.11 Ensure that the audit committee conducts an independent external assessment of the quality of the IAG performance at least once every five years;
- 4.3.12 Approve the Internal Audit Charter based on AC recommendation;
- 4.3.13 Setting rules and procedures for internal control and generally overseeing them, including:
- Developing a written policy to remedy actual and potential conflicts of interest scenarios for each of the Board members, the Executive Management, the shareholders, or other employees of the Bank when dealing with the Bank or other stakeholders. This includes misuse of the Bank's assets and facilities and the mismanagement resulting from transactions with Related Parties;
  - Ensuring the integrity of the financial and accounting rules, including rules relating to the preparation of financial reports;
  - Ensuring the implementation of appropriate control procedures for risk assessment and management by generally forecasting the risks that the Bank may encounter and creating an environment which is aware of the culture of risk management at the Bank level and disclosing such risks transparently to the Stakeholders and parties related to the Bank; and
  - Reviewing the effectiveness of the Bank's internal control procedures on an annual basis;
- 4.3.14 Setting forth specific and explicit policies, standards and procedures for membership in the Board, without prejudice to the mandatory provisions of these Regulations, and implementing them following approval by the GA.

## 4.4. BSF's Credit Risk Management

The Board is responsible for approving the credit risk strategy of the Bank in-line with its overall business strategy. The overall credit risk strategy and related policy matters shall be clearly outlined in a policy document "Credit Policy". The Board's responsibilities with regard to credit-granting function of the bank would include the following:

- 4.4.1 Developing a credit strategy for the Bank to spell out its overall risk appetite in relation to credit risk;
- 4.4.2 Ensuring that the Bank has a well-defined Credit Policy duly approved by the Board and the Board Risk Committee;
- 4.4.3 Ensuring that the Bank has an effective credit risk management framework for the identification, measurement, monitoring and control of credit risk; and
- 4.4.4 Ensuring that the Bank has adequate policies and procedures in place to identify and manage credit risk inherent in all products and activities including the risks of new products and activities before being introduced or undertaken. Such policies and procedures should also provide guidance on evaluation and approval of any new products and activities before being introduced or undertaken by the Bank.

## 4.5. Compliance

- 4.5.1 Ensuring existence of appropriate policies and controls in place for compliance with applicable laws and regulations (CMA, SAMA, Basel, etc.), and ensure compliance with the requirements of disclosure and transparency with regard to reports, financial and material information, and shall ensure their timely disclosure without delay;
- 4.5.2 Ensuring the soundness and solvency of the Bank and maintain effective relationships with supervisory and regulatory authorities. The Board members should study and understand relevant regulations and legislation related to the banking sector at the top of which is the Banking Control Law. The Board should also know SAMA's Requirements for Appointments to Senior Positions in Financial Institutions Supervised by SAMA, and the explanatory memorandum of the powers and responsibilities of Board members, in addition to rules and instructions issued by other related entities and other relevant laws and regulations;
- 4.5.3 Approving the annual SAMA Compliance Report;
- 4.5.4 Informing SAMA about all punishment or penalty imposed on the Bank by any other supervisory, regulatory or judicial authority within (10) business days from the date of the penalty; and
- 4.5.5 Approve & continuously review a program for AML/TF which includes policies, procedures & internal controls to limit the risks of money laundry & terrorism financing.

## 4.6. Human Resources, Remuneration, Evaluation, Compensation and Succession Planning

- 4.6.1 The Following represents the Board of Directors responsibilities towards Remunerations:
  - 4.6.1.1 The Board of Directors shall be responsible for the overall design and oversight of the remuneration system that promote prudent risk-taking behaviors and business practice and accordingly shall not delegate this responsibility to senior management;
  - 4.6.1.2 The Board shall be ultimately responsible for promoting effective governance, sound remuneration practices, ethical behavior and compliance with laws, regulations, and internal conduct standards, and for ensuring accountability for misconduct; in addition to the following:
    - a. Overseeing and holding senior management accountable for implementing and participating in the design of the remuneration system that effectively delineates how remuneration tools address misconduct risk or other imprudent risk taking behavior.
    - b. Engaging actively with senior management, including challenging senior management's remuneration assessments and recommendations if warranted when serious or recurring misconduct occurs and ensure that root cause analysis is performed, lessons learned are promulgated bank-wide and new policies are adopted, as necessary. to prevent it from happening again.
  - 4.6.1.3 The Board shall ensure that senior management puts in place policies and procedures that ensure effective control and adherence to SAMA's Banks Remuneration Rules, and any relevant Laws, Regulations, Principles and Standards;
  - 4.6.1.4 The Board shall review and, if satisfied, approve the remunerations of the senior management based on the recommendations of the Nomination and Remuneration Committee and as per the DoA;

- 4.6.1.5 Approving the compensation and remuneration policy for the Bank employees and recommend to the General Assembly a Remuneration policy for Senior Management, based on a recommendation from the NRC, and monitor its implementation and revising it from time to time to ensure that it continues to be appropriate and in line with leading practices;
- 4.6.1.6 Ensure that an annual review of the remuneration (internally through Internal Audit or externally commissioned by a recognized firm) is carried out independently without the intervention of senior management. The review must assess the compliance with SAMA's Banks Remuneration Rules and any relevant Laws, Regulations, Principles and Standards, as well as the bank 's internal policies that are prepared according to SAMA's Banks Remuneration Rules. The Board shall take into account the results of such a review when making decisions related to remuneration;
- 4.6.1.7 Specifying the types of remunerations granted to the Bank's employees, such as fixed remunerations, remunerations linked to performance and remunerations in the form of shares without prejudice to the Implementing regulations of the Companies Law for listed Joint Stock Companies;
- 4.6.2 Setting the values and standards that govern the work at BSF;
- 4.6.3 Identifying the matters on which the Board reserves the power to decide;
- 4.6.4 Defining the competencies and specify the responsibilities of the Chairman, the Vice Chairman, and the Managing Director (if any) /CEO explicitly and in writing if the Bank's bylaws has no reference thereto;
- 4.6.5 Recommending for GA approval an appropriate succession policy for replacement of its members to ensure continuity and graduation in the process of replacement;
- 4.6.6 Approve the Board Succession Plan, at every new Board term, based on the recommendations of NRC;
- 4.6.7 Ensuring that the Bank has an appropriate succession policy for key executives that enables that bank to have an appropriate alternative with necessary skills eligible for the office;
- 4.6.8 Approving the HR Strategy document and HR Policies; and
- 4.6.9 Approving the Annual Workforce Plan Overall Budget and Manpower Plans.

## 4.7. Matters Reserved for the Board

There are matters that must be considered by the Board as a whole and may not be delegated, even to a Committee of the Board. The Board reserves the right to review and amend these matters from time to time as considered necessary.

These matters include the following:

- 4.7.1 Temporary nomination of Director/Directors (to fill the vacant position/positions) subject for approval by the GA;
- 4.7.2 Without prejudice to the provisions of the Bank's bylaws, The Board appoints a Chairman, a Vice Chairman and may appoint a Managing Director of Its members or CEO and Top Management;
- 4.7.3 Approving the annual budget;
- 4.7.4 Approving the Bank strategy;
- 4.7.5 Changes in DoA Manual;
- 4.7.6 Annual review and update (if necessary) of the Board of Director's Charter; and

4.7.7 Matters referred to the Board-by-Board Committees.

## 4.8. Tasks of Board Members

Each member of the Board shall, being a Board member, perform the following tasks and duties:

- 4.8.1 Providing proposals to develop the strategy of the Bank;
- 4.8.2 Monitoring the performance of the Executive Management and the extent to which it has achieved the objectives and purposes of the Bank;
- 4.8.3 Reviewing reports related to the performance of the Bank;
- 4.8.4 Ensuring the integrity and impartiality of the financial statements and information of the Bank;
- 4.8.5 Ensuring that the financial control and risk management systems are sound;
- 4.8.6 Determining the appropriate level of remunerations of the members of the Executive Management;
- 4.8.7 Expressing opinions as to the appointment and dismissal of members of the Executive Management;
- 4.8.8 Participating in developing the succession and replacement plans of executive positions within the Bank;
- 4.8.9 Complying fully with the provisions of the Companies Law, Capital Market Law, their Implementing Regulations, the relevant regulations and the bylaws when performing his/her duties as a member of the Board and abstaining from taking or participating in any action that constitute mismanagement of the Bank's affairs;
- 4.8.10 Attending the Board and the GA meetings, and not being absent except for legitimate excuse of which the Chairman of the Board shall be notified by prior notice, or for emergency reasons;
- 4.8.11 Allocating sufficient time to fulfill his/her responsibilities and preparing for the Board and Its Committees meetings and effectively participating therein, including raising relevant questions and carrying discussions with the Senior Executives;
- 4.8.12 Studying and analyzing all information related to the matters looked into by the Board before expressing an opinion on the same;
- 4.8.13 Enabling other Board members to express their opinions freely, and encouraging the Board to deliberate on the subjects and obtain the views of the competent members of the Bank's Executive Management and others, when necessary;
- 4.8.14 Notifying the Board fully and immediately of any interest, either direct or indirect, in the businesses and contracts that are executed for the Bank's account, the notification shall include the nature and extent of such interest, the names of concerned persons, and the expected benefit to be obtained directly or indirectly from interest whether financial or non-financial. the concerned member shall abstain from voting on any decisions issued in connection therewith in compliance with the provisions of the Companies Law, the Capital Market Law and their Implementing Regulations;
- 4.8.15 Notifying the Board fully and immediately of his/her participation, directly or indirectly, in any businesses that may compete with the Bank or lead to competing with the Bank, directly or indirectly, in respect of any of its activities, in compliance with the provisions of the Companies Law, the Capital Market Law and their Implementing Regulations;
- 4.8.16 Refraining from disclosing or announcing any secrets he/she came across through his/her membership in the Board to any shareholder of the Bank, unless such disclosure is made during the meetings of the



GA, or to a third party, in pursuance with the provisions of the Companies Law, the Capital Market Law and their Implementing Regulations;

- 4.8.17 Working on the basis of complete information, in good faith and with the necessary care and diligence for the interest of the Bank and all shareholders;
- 4.8.18 Recognizing his/her duties, roles and responsibilities arising from the membership;
- 4.8.19 Developing his/her knowledge in the field of the Bank's business and activities and in the related financial, commercial and industrial fields; and
- 4.8.20 Resigning from the membership of the Board if he/she is unable to fully fulfill his/her duties in the Board.

## 4.9. Duties of Independent Board Members:

- 4.9.1 Expressing his/her independent opinion in respect of strategic issues and the Bank's policies and performance and appointing members of the Executive Management;
- 4.9.2 Ensuring that the interest of the Bank and Its shareholders are taken into account and given priority in case of any conflicts of interest;
- 4.9.3 Overseeing the development of the Bank's corporate governance rules, and monitoring the implementation of the rules by the Executive Management; and
- 4.9.4 Make every effort to attend all meetings in which important and material decisions affecting the position of the Bank are made.

## 4.10. Other Responsibilities

- 4.10.1 The Board should, at the beginning of each year, set a specific timetable for receiving reports from the Committees concerned and internal and external auditors, and shall ensure that the mechanism for the collection, preparation and submission of reports and data is in place and in-line with the internal adopted policy. It shall also ensure the preparation of important information and Its presentation to the Board on a timely basis;
- 4.10.2 Forming specialized Committees of the Board pursuant to resolutions that shall specify the term, powers and responsibilities of such Committees, as well as the manner used by the Board to monitor such Committees. Such resolutions shall also specify the names of the members and their duties, rights and obligations and shall evaluate the performance and activities of these Committees and their members in line with applicable laws and regulations;
- 4.10.3 The Board should promote integrity and professional conduct within the Bank and expects the highest level of personal and professional integrity from the MD / CEO and other Executive Officers of BSF;
- 4.10.4 Perform any other activities consistent with this Charter, BSF's bylaws, DoA Manual and governing laws, as the GA deems necessary and appropriate;
- 4.10.5 Review prior Board minutes of meeting and follow up on decisions taken and documented in the action sheet of prior Board meetings, in order to ensure that matters raised have been resolved (Appendix A);
- 4.10.6 Conduct the Board annual performance self-assessment relative to the Board 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 identify weak points and make any necessary changes whenever the need arises thereof; and

- 4.10.7 Ensure that the Bank is following social policies conducive to environmental protection, health and education;
- 4.10.8 Members must be familiar with the rules, regulations, and instructions related to the bank's business and be keen to follow up on developments in this regard; and
- 4.10.9 Ensure that the Bank adopts programs for social responsibility - in line with the relevant policy - and that the objectives of these programs are directed towards supporting various social projects, working to increase financial awareness, and meeting the credit needs of the local economy by granting loans and facilities for productive work, and innovation in products that encourage economic development without harming the solvency of the Bank and stakeholders.

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

## 5. Composition of the Board

### 5.1 Membership

- 5.1.1 The Board will be consisting of ten (10) members, in all cases, board members must be natural persons;
- 5.1.2 All Directors shall be elected by the GA;
- 5.1.3 The number of Executive Members on the Board shall not exceed two (2) and at least four (4) independent Board members as stipulated in the Bank's bylaws, and in accordance with the regulations issued by CMA, taking into consideration that SAMA has another criteria of independence and requires minimum of two (2) BoD members or one-third of its members, whichever is greater to be independent based on it;
- 5.1.4 The CMA shall be notified with the names of the members and the types of their memberships within five (5) business days from the commencement date of the Board term or from the date of their appointment, whichever is shorter, as well as any changes that may affect their membership within five (5) business days from the occurrence of such changes; and
- 5.1.5 The Bank should consult with and inform SAMA and obtain its written no-objection before the nomination, appointment of any Board member. The Bank must also notify SAMA in writing of the accepted resignation/ceasing to continue working/ or termination of any Board member or the change of a member's independency status within (5) business days.

### 5.2 Election of the Board Members

- 5.2.1 Each shareholder shall have the right to nominate himself/herself or other persons for the membership of the Board, in-line with applicable laws and regulations;

- 5.2.2 Based on a recommendation of the NRC and the Board, the GA shall vote on the candidates in the GA meeting;
- 5.2.3 The Chairman and Vice Chairman of the Board shall be elected by the Board of Directors at its first meeting. The majority of the Board is required for selection of the Chairman and Vice Chairman. The term of the Chairman and Vice Chairman shall be same as the term of Board;
- 5.2.4 All appointments of the BoD and its Committees shall be made in accordance with SAMA's Requirements for Appointments to Senior Positions in Financial Institutions, and BSF must get SAMA's "no-objection" before the appointment of any Board or Board Committees members, at least (30) days prior to the date of the GA during which the election of the board members will take place; and
- 5.2.5 Upon election of new Board members, the Bank shall provide members of the Board with a memorandum outlining their roles and responsibilities, and induction program and comprehensive information on the Bank's mission, Its strategies, operations and best professional practices and strategic objectives.

### 5.3 Term of Board Members

- 5.3.1 The term of Board members shall not exceed three (3) years. This provision shall not prevent reappointment of a board member upon expiry of a term of appointment through a re-nomination in the GA, and shall not affect the terms of the engagement of an executive Board member as an employee;
- 5.3.2 It is preferable that the Board member service do not exceed twelve (12) consecutive or sporadic years; and
- 5.3.3 Prior to the expiry of the current BoD term, a new Board shall be formed according to the same procedures.

### 5.4 Board Committees

- 5.4.1 BSF's Board discharges its responsibilities with the assistance of Board Committees. The Committees shall assess the matters that fall within its authority or those referred to it by the Board and shall communicate its recommendations to the Board to issue decisions in connection therewith. The Committees shall take decisions in regards to these matters if delegated by the Board;
- 5.4.2 The formation of the Committees shall be made in accordance with general procedures developed by the Board, which shall determine the duties, duration and powers of each committee, and the manner in which the Board monitors the activities of each committee. The Committee shall inform the Board of Its findings or decisions with complete transparency. The Board shall regularly follow up the activities of such committees to ensure the performance of the duties delegated to them;
- 5.4.3 Each Board Committee shall have a written charter, setting out its duration, scope of its operations, authority, key roles and responsibilities, and the mechanism for monitoring its activities. The Board approves the charters of the various Board Committees except for the AC and NRC in which the Board will recommend it for approval by the GA as required by relevant regulatory authorities;
- 5.4.4 Every Board Committee shall provide the Board with its minutes of meetings (MoM) and any other reports required by the BoD;
- 5.4.5 The following Board Committees have been established to operate at BSF:
  - a) Executive Committee (EC);

- b) Audit Committee (AC);
- c) Board Risk Committee (BRC);
- d) Nomination & Remuneration Committee (NRC);
- e) Environment, Social and Governance Board Committee (ESG Board Committee); and
- f) Board Strategy Committee (BSC).

- 5.4.6 Other Committees may be established from time to time by an affirmative vote of the majority of the Board unless a new Committee was required by the regulatory bodies. The Board will appoint Committee members after consultation with the individual Directors and as recommended by the NRC;
- 5.4.7 The Chairman of the Board shall provide SAMA with a list of Board committees, and the charters and members of each of them, the type of membership. Also, SAMA's prior written non-objection shall be obtained for the appointment of the Chairmen of Board Committees; and
- 5.4.8 The Bank shall provide CMA with the names of the Board Committees members and types of their memberships within (5) days of their appointment, and shall notify CMA of any changes within (5) days of the date of such changes.

## 5.5 Appointment of the Chairman

- 5.5.1 The Board must choose a Non-Executive Director as Chairman of the Board - preferably an independent Director in accordance with the best practices- and select a Non-Executive member as Vice-Chairman. The Chairman and Vice-Chairman shall not exercise any of the responsibilities of the MD/CEO or the executive management, and there should be a segregation of duties thereof;
- 5.5.2 The Chairman shall always be a Saudi national and selected from amongst the Saudi Directors. In case of his/her absence a Vice Chairman, non-executive member, shall be selected from amongst the Saudi Board members; SAMA's prior written non-objection shall be obtained for those appointments;
- 5.5.3 The board of directors may remove the chairman and vice chairmen or any of them from their positions, however, this shall not result in the termination of their board membership; and
- 5.5.4 It is prohibited to appoint the MD/CEO, during the first year following the end of his/her service, as the Chairman of the Board.

## 5.6 Roles & Authority of the Chairman

- 5.6.1 In addition to the authorities given by the Bank's bylaws, the Chairman shall have the powers to convene the Board, preside the Board Meetings as well as the GA meetings, to represent the Bank before all authorities and delegate some of his/her authorities to other Board Members or third parties to undertake specific act or acts;
- 5.6.2 The Chairman shall ensure a fair representation of independent and non-independent Board members, and carry out all other duties entrusted to him by the Board, the Bank's bylaws and the DoA Manual; and
- 5.6.3 Without prejudice to the competencies of the Board, the Chairman of the Board shall be responsible for leading the Board and supervising its operations and the effective performance of its duties. The competencies and duties of the Chairman of the Board shall in particular include the following:

- a) Ensuring that the Board members obtain complete, clear, accurate and non-misleading information in due course;
- b) Ensuring that the Board effectively discusses all fundamental issues in due course;
- c) Representing BSF before third parties in accordance with the Companies Law and its Implementing Regulations and the Bank's bylaws;
- d) Encouraging the Board members to effectively perform their duties in order to achieve the interests of the Bank;
- e) Ensuring that there are actual communication channels with shareholders and conveying their opinions to the Board;
- f) Encouraging constructive relationships and effective participation between the Board and the Executive Management on the one hand, and the Executive, Non-Executive and Independent Directors on the other hand, and creating a culture that encourages constructive criticism;
- g) Preparing agendas of the Board meetings, taking into consideration any matters raised by Board members or the external auditor and consult with the Board members and the MD/CEO upon preparing the Board's agenda;
- h) Convening periodic meetings with the Non-Executive Directors without the presence of any executive officers of the Bank; and
- i) Lead and supervise over the board to ensure the effectiveness of its work and performance of its functions.

## 5.7 Appointment of MD/CEO

- 5.7.1 The Board may appoint from the Board members a Managing Director/CEO, or may appoint a CEO from among its members or others. The MD or CEO shall possess the necessary professional experience, on such terms and with such powers as the Board may determine;
- 5.7.2 The Board shall define the competencies and specify the responsibilities of the MD or CEO explicitly and in writing, and his/her remuneration if the Bank's bylaws has no reference thereto; and
- 5.7.3 As per the CMA Corporate Governance Regulations, it is prohibited to conjoin the positions of the Chairman of the Board with any other executive position in the Bank, such as the MD/CEO or the General Manager.
- 5.7.4 The board of directors may remove the MD and CEO from his/her position, however, this shall not result in termination of his/her board membership-if any.

## 5.8 Role and Authority of MD/CEO

- 5.8.1 The Managing Director and/or CEO shall be responsible for the implementation of the policies formulated by the Board and the decision of both the Board and Board Committees; and
- 5.8.2 The Managing Director and/or CEO shall be vested with the necessary powers to run the Bank business and shall be responsible for the general administration of the Bank.

## 5.9 Secretary of the Board

The Board shall appoint a secretary among its members or a third party, whose competencies and remuneration shall be specified by a Board resolution, provided that such powers shall include:

- 5.9.1 Documenting the Board meetings and preparing minutes therefor, which shall include the discussions and deliberations carried during such meetings, as well as the place, date, times on which such meetings commenced and concluded; and recording the decisions of the Board and voting results (including objections or abstention from voting) and retaining them in a special and organized register, and including the names of the attendees & invitees from outside the BoD, the absent member and reason of their absence, and any reservations they expressed (if any). Such minutes shall include any documents referred to during the meetings which shall be attached to the minutes, and shall be signed by the chairman of the meeting, all of the attending members and the secretary;
- 5.9.2 Retaining the reports submitted to the Board and the reports prepared by it;
- 5.9.3 Providing the Board members with the agenda of the Board meeting and related worksheets, documents and information and any additional information, related to the topics included in the agenda items, requested by any Board member;
- 5.9.4 Ensuring that the Board members comply with the procedures approved by the Board;
- 5.9.5 Notifying the Board members of the dates of the Board's meetings within sufficient time prior to the date specified for the meeting;
- 5.9.6 Presenting the draft minutes to the Board members to provide their opinions on them before signing the same;
- 5.9.7 Ensuring that the Board members receive, fully and promptly, a copy the minutes of the Board's meetings as well as the information and documents related to the Bank;
- 5.9.8 Coordinating among the Board members;
- 5.9.9 Regulating the disclosure register of the Board and Executive Management as per the relevant regulations. Such register shall be available for review by the Bank's shareholders free of charge;
- 5.9.10 Ensuring the smooth running of the Board's and Board Committees' activities;
- 5.9.11 Acting as a primary point of contact and source of information and advice for Board members regarding BSF's activities, in order to support the decision-making process;
- 5.9.12 Ensuring the availability of appropriate means of communication for the exchange and recording of information between the Board and its Committees and between members of Executive Management and Non-Executive Board members;
- 5.9.13 Keeping under close review and in collaboration with the Head of Legal & Governance, legislative and regulatory changes or developments that might affect the Bank's operations or Board activities, and ensuring the Board is fully briefed on these and has regard to them when taking decisions;
- 5.9.14 Guiding Board activities to be carried out in compliance with the Charter. This might include arranging and following up on the completion of the Board Annual Declaration Form;
- 5.9.15 Following up on the issues requiring Board action as raised in subsequent Board meetings and recorded on the related meeting action sheet;
- 5.9.16 Following up on the Board recommendations in accordance with the mechanism approved by the Board;

- 5.9.17 Arranging with the parties that the Board requests inviting to the Board meetings. This includes consultants, legal advisors, auditors, or any other party;
- 5.9.18 Circulating the Board resolutions to the internal concerned parties within a period not exceeding ten (10) days;
- 5.9.19 Coordinating with the concerned departments, especially the Legal & Governance Group, regarding the Board decisions that necessitate legal compliance and regulatory procedures;
- 5.9.20 Assisting in drafting the Board Annual Report and coordinating the same with the concerned parties, mainly BSF's Chairman and Board members, MD &/or CEO, Legal & Governance Group and Finance Group; and
- 5.9.21 The Secretary of the Board may not be dismissed except pursuant to a decision of the Board.

## 5.10 Qualifications of the Board Directors

For further information regarding Board of Directors Qualifications, please refer to the **Board Nomination, Membership, Assessment and Succession Policy**.

## 5.11 Qualifications of the Board Secretary

The Board must specify the conditions that the Secretary must meet, provided that they include at least one of the following:

- 5.11.1 He/she holds a bachelor degree in law, finance, accounting or administration or equivalent, and has relevant practical experience of not less than three (3) years; or
- 5.11.2 He/she has relevant practical experience of not less than five (5) years.

## 5.12 Compensation of the Board Directors

- 5.12.1 The Board members are entitled to receive compensation as per Remuneration & Compensation Policy approved by the GA; and
- 5.12.2 Members who are resident in a city outside the Board 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 or the Bank will arrange for the above.
- 5.12.3 If the General Assembly decides to terminate the membership of any board member who fails to attend three (3) consecutive or (5) non-consecutive board meetings during his/her membership without a legitimate excuse accepted by the Board, then such board member shall not be entitled to any remuneration for the period starting from the last board meeting he/she attended, and he/she shall pay back any remuneration he/she received for that period.

## 5.13 Resignation & Replacement of Board Members

- 5.13.1 The seat of a Board member is considered vacant If:
  - a) The Board member resigns his/her office or dies;

- b) The Board member at any time becomes bankrupt or insolvent, or compounds with his/her creditors or suspends payment;
  - c) The Board Member is facing mental challenges, or become rationally unfit;
  - d) The Board Member is absent from three (3) consecutive meetings or (5) non-consecutive meetings of the Board or of the Board Committees, 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 Board or the Committee concerned, or without a legitimate excuse accepted by the Board;
  - e) The regulatory conditions for board membership in BSF are no longer met by the member;
  - f) The term of the Board or the member expired;
  - g) If the GA, for any reason, removes such Board member; and
  - h) A Board member shall be considered as having resigned his/her post:
    - i. If the person has been convicted of an offense involving moral turpitude, fraud or dishonesty;
    - ii. If the person was at any time in the service of the Bank and was dismissed or his/her services had been terminated by the Bank;
    - iii. If the person is a Director of any commercial bank in Saudi Arabia other than a bank sponsored or established by BSF, provided that with the consent of the Board, a Director of a bank outside Saudi Arabia may become a Director of this Bank; and
    - iv. If the person is in the employment of any Saudi banking company whether on salary or on commission, or is engaged in the performance of any paid continuous services.
- 5.13.2 In case the position of a board member becomes vacant, due to his/her death or resignations, and if the minimum number of the members required for the validity of board meeting as stipulated in the Companies Law or the Bank's by laws is not effected by such vacancy, the Board may appoint a qualified person with relevant expertise to fill the vacancy, based on recommendation from the NRC. The appointment shall be reported to the Commercial Register, within (15) days from the date of such appointment, & notify SAMA & CMA about such assignment with (5) business days, and that appointment is presented at the first meeting of the GA for approval, and the new member has to complete the period of his/her predecessor;
- 5.13.3 If the number of Board members falls below six (6) members, the Board shall call for an ordinary GA meeting to convene within sixty days (60) in order to elect the required number of members;
- 5.13.4 A board member may resign pursuant to a written notice submitted to the chairman of the board of directors. If the chairman of the board resigns, the notice shall be submitted to the board members and the board's secretary, in both cases, the resignation shall take effect from the date specified in the notice.
- 5.13.5 If a member of the Board resigns and has comments on the performance of the Bank, he/she shall submit a written statement explaining such comments to the Chairman of the Board and such statement shall be presented to the Board members, a copy shall be provided to SAMA;
- 5.13.6 The Board members may not participate in the voting on decisions related to their discharge from liability for their management or those related to a direct or indirect interest;
- 5.13.7 At all times, the Ordinary GA may dismiss all or any of the Board members, even if the Bank's bylaws provides for otherwise, with consideration to any rules set out by CMA and the other relevant competent regulators; and in such case, the Ordinary GA shall elect a new Board or a replacement for the removed



member as the case may be, in accordance with the provisions of the Companies Law and its implementing regulations. The GA may also, upon the recommendation of the Board, terminate the membership of the Board member who missed three (3) consecutive or (5) non-consecutive meetings of the Board or of the Board Committees without a legitimate excuse accepted by the Board;

- 5.13.8 Upon receiving a request from one or more shareholders representing (10%) of the Bank's voting shares for removal of some or all Board members in accordance with Article (90) of the Companies Law; and
- 5.13.9 On termination of membership of a Board member in any of the ways of termination, BSF shall immediately notify CMA and Tadawul and shall specify the reasons for such termination, and shall notify SAMA within five (5) business days.
- 5.13.10 In the event of failure to elect a Board for a new term and the term of the current Board has lapsed, the members of such Board shall continue to perform their duties until a new Board is elected, provided that the period of such continuation of the lapsed Board does not exceed (90) days from the end date of the Board's term. And the Board shall undertake all necessary procedures to elect a new replacement Board before the expiry of the period specified in this point.
- 5.13.11 In the event that the chairman and members of the Board resign, they shall call for the Ordinary GA meeting to convene in order to elect a new Board, and such resignation shall not be effective until a new Board is elected, provided that the period of such continuation of the resigned Board does not exceed (120) days from the date of such resignation. And the Board shall undertake all necessary procedures to elect a new replacement Board before the expiry of the period specified in this point.
- 5.13.12 If the board of directors is not elected for a new term or if the required number of board members is not satisfied, in accordance with paragraphs (1), (2), and (5) of Article 69 of the Companies Law, any person with interest may petition the competent judicial authority to appoint qualified persons with expertise, in any number it deems appropriate, to supervise the management of the bank and call on the general assembly to convene within 90 days to elect a new board of directors or appoint board members to satisfy the required number, as the case may be.

## 5.14 Independence

- 5.14.1 The Board should enjoy complete independence while conducting its affairs; an Independent Director shall be able to perform his/her duties, express his/her opinions and vote on decisions objectively with no bias in order to help the Board make correct decisions that contribute to achieving the interests of the Company;
- 5.14.2 The Board should annually evaluate and determine whether a member is independent and assess his/her ability to judge matters, and determine whether there are any relationships or circumstances which might affect, or could appear to affect, the member's independence. A member's independency shall be assessed based on the definitions of independency issued by both SAMA & CMA; and
- 5.14.3 The independent Board member shall notify the Board in the event of the occurrence of any matter that might affect the independency.
- 5.14.4 The following transactions of the Board of Directors will be exempted from the independency assessment criteria if the below conditions are fulfilled:
- 5.14.5 For non-banking RPTs, the total amount should be below 5 million SAR, provided on arm length basis, and the interest of the Board Member is not direct.

5.14.6 For Banking RPTs, it should be provided on arm length basis and the interest of the Board Member is not direct.

## 5.15 Conflict of Interest

5.15.1 A member of the Board shall avoid Conflicts of Interest through the following:

- a) Perform his/her duties with honesty and integrity, and prioritize the interests of the Bank over his/her own interest, and not use his/her position to achieve personal interests;
- b) Avoid situations of conflicts of interest and notify the Board immediately of situations of conflict which may affect his/her neutrality when looking into matters presented before the Board and this disclosure shall be in the minutes of meeting. The Board shall not allow such member to be involved in deliberations and shall not count his/her vote when voting on such matters in the Board and the Shareholders Assemblies Meetings;
- c) Protect the confidentiality of the information related to the Bank and its activities, and not disclose any of such information to any person; and
- d) Each Board member is prohibited from:
  - i. Voting on a decision taken by the Board or the GA with respect to transactions and contracts that are executed for the Bank's account, if he/she has a direct or indirect interest therein; and
  - ii. Misusing or benefitting, directly or indirectly, from any of the Bank's assets, information or investment opportunities presented to the Bank or to him in his/her capacity as a member of the Board. This includes investment opportunities which are within the activities of the Bank, or which the Bank wishes to make use of. Such prohibition shall extend to Board member who resigns to, directly or indirectly, use investment opportunities that the Bank wishes to use, which came to his/her knowledge during his/her membership in the Board.

5.15.2 The member shall perform the following if he/she is competing with the Bank:

- a) Notifying the Board of the competing businesses he/she desires to engage in and recording such notification in the minutes of the Board meeting;
- b) The conflicted member shall abstain from voting on the related decision in the Board meeting, the meetings of its committees where applicable and General Assemblies;
- c) The Board of Directors shall inform the Ordinary GA, once convened, of the competing businesses that the member of the Board is engaged in, after the Board assesses the Board member's competition with the Bank's business or if he/she is in competition with one of the branch activities that it conducts in accordance with the standards issued by the Ordinary General Assembly upon a proposal of the Board, provided that such businesses are assessed on annual basis; and
- d) Obtaining an authorization of the Ordinary GA of the Bank, or the Board through a delegation from the Ordinary General Assembly, for the board member to engage in the competing business.

5.15.3 The following shall be deemed a participation in competing activities:

- a) Establishing a company or a sole proprietorship or the ownership of a controlling percentage of shares or stakes in a company or any other entity engages in business activities that are similar to the activities of the Bank or any company of its group;

- b) Accepting membership in the Board of a company, an entity that competing with the Bank or any company of its group, or managing the affairs of a competing sole proprietorship or any competing company of any form, except the Bank's affiliates; and
- c) Acting as an overt or covert commercial agent for another company or entity competing with the Bank or any company of its group.

#### 5.15.4 Reject to grant the Authorisation;

- a) If the Board rejects granting the authorization pursuant to the Implementing Regulation of the Companies Law for Listed Joint Stock Companies, the member of the Board shall resign within a period specified by the Board; otherwise, his/her membership in the Board shall be deemed terminated, unless he/she decides to withdraw from such contract, transaction or competing businesses or amend his/her situation in accordance with the Companies Law and its implementing regulations prior to the end of the period set by the Board
- b) If the GA rejects granting the authorization pursuant to the Implementing Regulation of the Companies Law for Listed Joint Stock Companies , the member of the Board shall resign within a period specified by the GA; otherwise, his/her membership in the Board shall be deemed terminated, unless he/she decides to withdraw from such contract, transaction or competing business or amend his/her situation in accordance with the Companies Law and its Implementing Regulations prior to the end of the period set by the GA; and
- c) All members of the Board must follow the policies, standards, procedures on conflict of interests as stipulated in the "Conflict of Interest Policy", and the Bank's Code of Conduct for the Board and Board Committees which includes the Bank's Conflict of Interest Policy.

#### 5.15.5 Accepting Gifts:

- a) No member of the Board may accept gifts from any person who has entered into commercial transactions with BSF if such acceptance of gifts may lead to conflicts of interest.

## 5.16 Confidentiality of Information

5.16.1 All papers and presentations submitted to the Board, shall be kept confidential and will not be disclosed or released to any person other than Board members, except as required by law, or as agreed by the Board;

5.16.2 The Board and Executive Management shall set rules for maintaining confidentiality of information and for transfer of information between different departments and units in the Bank;

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

5.16.4 Each of the Directors is responsible to:

- a) Maintain confidential matters of the Bank and Its subsidiaries and affiliates; and
- b) Prevent the following:
  - i. Divulging to any outside party any of the confidential information acquired by any Director while serving in his/her capacity as a Director on the Board and/or on any of the Board's Committees;

and

- ii. Exploiting insider information about the Bank and/or the transactions BSF is involved with for a Director's own direct benefit, and/or for the purpose of manipulating the pricing of the Bank and/or any other companies' securities.

## 6. Meetings of the Board

### 6.1 Frequency of Meetings

- 6.1.1 At the beginning of each fiscal year of BSF, the Board shall put a schedule for its meetings during the year. The next Board meeting shall be confirmed at the end of each Board's meeting;
- 6.1.2 The Board shall meet at least four (4) times a year-with one meeting every three months, and at such other times as may be determined by the Chairman or the Vice Chairman provided that the Chairman shall call a meeting of the Board whenever such meeting is required by one or more of the members of the Board to discuss one or more matters;
- 6.1.3 The non-executives & Independent Board members may preferably convene closed meetings without the attendance of executive Board members at least one (1) time a year; and
- 6.1.4 The invitation to the meeting shall be sent at least five (5) days prior to the meeting, unless circumstance require convening an emergency meeting, the invitation accompanied with the agenda and necessary documents and information may be sent within a period less than the five (5) days

### 6.2 Quorum of Meetings

- 6.2.1 Board meetings shall not be valid unless attended by at least five (5) members (minimum of three (3) in person) preferably provided that they include the Bank's Chairman, his/her Deputy or members authorized in writing by the Chairman of the Board to temporarily take the presidency of the Board; and
- 6.2.2 The Board Secretary shall confirm the quorum at the beginning of each meeting and shall provide the Chairman with the present and absent members' names and reasons for their absence, if provided.

### 6.3 Invitees

- 6.3.1 Beside attendance of the members comprising the Board, the attendance of the advisory / consultants members is conditional upon the request and approval of the Board Chairman. Non-Board members can be involved in the discussions, but will not have any voting rights; and
- 6.3.2 The request for attendance of advisory members (from management or others) is to be suggested subject for the Chairman approval prior to meeting dates.

### 6.4 Attendance Guidelines

- 6.4.1 The Board members are expected to attend all Board meetings and in case a member was absent,

his/her absence should be documented in the minutes of the meeting; and

- 6.4.2 Board members may request a leave of absence from the Chairman of the Board and provide justifiable reasons/causes in advance for not attending a BoD meeting.

## 6.5 Delegation Guidelines

- 6.5.1 A Board Director may delegate their functions to another member, such as, attending the Board meetings and voting on his/her behalf, but the delegating Director remains responsible for that member acting in their place; and
- 6.5.2 A member delegated by a Board member, may not be delegated by another Board member.

## 6.6 Agenda of the Meeting

- 6.6.1 The Secretary of the Board shall be responsible for drafting the meetings' agendas after the consultation of EC Chairman with the Chairman of the Board, the items that shall be included in the Agenda of the Board meetings. When preparing a specific meeting agenda to be presented to the Board, the Chairman shall consult the other members of the Board and the MD and/or CEO. The agenda and other documentation should be sent to the members by the Board's Secretary in a sufficient time prior to the meeting, (five (5) days in advance of the meeting date,) so that they may be able to consider such matters and prepare themselves for the meeting. On those occasions where the subject matter is too sensitive to put on paper, the presentation shall be discussed at the meeting;
- 6.6.2 The Board shall approve the agenda once the Board meeting is convened, should any member of the Board raise any objection in respect of such agenda, such objection shall be recorded in the minutes of the meeting and taken into consideration by the Board;
- 6.6.3 The agenda may be changed in a situation where it becomes necessary for the Board to undertake certain activities in order to protect the Bank from damage, or in the event of a resolution, the subject of a possible existence of conflict of interests between Board members and the Bank; and
- 6.6.4 Each member of the Board is entitled to propose additional items to the agenda.

## 6.7 Meeting Methods

- 6.7.1 The Board may meet personally or via telephone or video conference.

## 6.8 Voting Guidelines

- 6.8.1 Decisions shall normally require unanimous consent of members present or represented at the meeting. However, if unanimous consent cannot be achieved, then decisions shall be taken by majority; and
- 6.8.2 In the case of equal voting, the Chairman shall have a casting vote.

## 6.9 Minutes of Meetings

- 6.9.1 The deliberations and resolutions of the Board Should be recorded in the minutes of meetings which must be circulated to all Board Directors within a maximum period of ten (10) days and shall be signed by the Chairman of the meeting, attending board members and the Secretary. The Board members may approve or provide any comments they may have. If no response is received from any member within ten (10) business days from the date of circulation, the minutes will be deemed as approved by such member;
- 6.9.2 The names of absent Directors should be recorded in the minutes of meetings along with the reason of such absence;
- 6.9.3 All objections and abstention from voting should be recorded in the minutes, along with decisions that has been determined. Also, if a member of the Board expresses an opinion differs from the Board resolution, such opinion must be recorded in details in the minutes;
- 6.9.4 The minutes shall be entered into a special register that shall be signed by Chairman of the board and the secretary and be kept for a period of no less than ten (10) years along with all relevant documents, reports, and materials;
- 6.9.5 The person or entity responsible for implementing the resolutions taken shall be determined in the minutes; and
- 6.9.6 If any member of the Board has any remarks in respect of the performance of the Bank or any of the matters presented and which was not resolved in the Board meeting, such remarks shall be recorded and the procedures taken or to be taken by the Board in connection therewith must be set forth in the minutes of the Board meeting.

## 6.10 Decisions of the Board of Directors

- 6.10.1 A board decision shall become effective on the date of its issuance, unless the decision provides for a specific date or condition for its effectiveness.
- 6.10.2 The board member shall be deemed to have fulfilled his/her duty in a decision he/she made or voted on in good faith if he/she:
  - a) has no personal interest in the subject matter of the decision;
  - b) understands and is familiar with the subject matter of the decision to an extent he deems reasonable according to the circumstances of the decision; and
  - c) believes firmly and rationally that the decision serves the bank's interests.
- 6.10.3 The Board may take decisions by circulation unless a member request in writing to discuss the circulated matter in a meeting;
- 6.10.4 A decision shall be issued by circulation if approved in writing (physically or by email) by the majority;
- 6.10.5 All approved resolutions taken by circulation shall be recorded at the next meeting minutes; and
- 6.10.6 In case of objection by any member during the circulation process, such objection shall be recorded in the minutes.

## 7 Subsidiaries

- 7.1 The Subsidiaries shall be consistent part of the Board meeting agenda and group level practices shall be discussed on a regular basis based on BSF's Subsidiaries & Investments Governance policy.
- 7.2 The Board should be aware of the material risks that might affect both the Group as a whole and Its subsidiaries. It should, therefore, exercise adequate oversight over subsidiaries, bearing in mind legal independence and governance requirements enforced by the supervisory authority on subsidiaries.
- 7.3 The Senior Management should understand and guide the financial and non-financial structures of the Group and Its subsidiaries and should have a suitable mechanism to obtain updated information on the structure of the Group.

## 8 Access to Independent Advisors

- 8.1 The Board and its Committees have the right, in conjunction with their duties and responsibilities, to seek independent professional advice at the Bank's expense, provided that such advice is recorded in the minutes with mentioning the name of the advisor and his relationship with the Bank and its Executive Management.

## 9 Information to be Received by the Board

The Information required to be submitted to the Board should be provided by the Executive Management or Board Committees in due course to enable them to perform their duties and obligations. This information include but not be limited to:

- 9.1 The Executive Management of the Bank shall submit to the Board an annual report regarding the scope of internal control system and its implementation in order to permit the Board to review and ensure the effectiveness of the system;
- 9.2 Executive management shall keep the board fully informed of the material matters and provide the board with the needed information in order for the board to carry out its responsibilities, supervise the executive management and assess its quality;
- 9.3 Senior management shall provide the Board of Directors with adequate, timely and relevant information on matters relating to AML / TF control;
- 9.4 Minutes of Meetings of the last Board Committees;
- 9.5 Information related to recruitment, resignation, service termination, and remuneration of the Executive Management;
- 9.6 Notices related to punishments and penalties imposed by regulatory authorities, indicating their causes;
- 9.7 Financial and non-financial reports in respect of the progress achieved in the business of the Bank in light of the strategic plans and objectives of the Bank;

- 9.8 Risk-management related matters, including financial, operational and compliance;
- 9.9 Breach of the Bank financial liabilities towards third parties, or failure to recover its entitlements;
- 9.10 Quarterly / annual audited financial results and performance reports;
- 9.11 Major business projects & initiatives;
- 9.12 IT risk profile should be formulated and presented to the board of directors on periodic basis;
- 9.13 Material matters related to eventual judicial actions, or court cases related to the Bank's business activities;
- 9.14 BRC shall provide the Board with detailed reports on exposure to risks and suggested steps to manage these risks;
- 9.15 The AC shall provide the Board with summaries of the Committee's reports including details of the Committee's performance of its competencies and duties along with its annual audit plan and projects;
- 9.16 The internal audit shall prepare and submit a written report on its activities at least quarterly to the Board and the AC. Such report shall include an assessment of the Bank's internal control system and the final opinion and recommendations of the unit or department. Such report shall also specify the procedures taken by each department for addressing the findings and recommendations from the previous audit, and any remarks thereon, particularly failures to promptly address such findings and recommendations and the reasons for such failure;
- 9.17 The internal audit shall prepare annual report to be submitted to the AC and the Board on the audit activities it carried during the fiscal year compared to the approved plan. Such report shall include an assessment of the Bank's internal control system and explain the reasons for any deviation from the plan, if any, during the quarter following the end of the relevant financial year; and
- 9.18 The Board shall specify the scope of the internal audit report, based on recommendations from AC and the Internal Audit Group. The report shall include the following in particular:
  - a) Procedures for monitoring and overseeing the financial affairs, investments and risk management;
  - b) Assessing the development of risk factors threatening BSF and the existing systems, in order to confront radical or unexpected changes in the Exchange;
  - c) An assessment of the performance of the Board and the Executive Management with respect to the implementation of internal control systems, including specifying the number of times the Board has been informed of control issues (including risk management) and a description of the method followed to address such issues;
  - d) Failures or weaknesses in the implementation of internal control, or emergency situations that have affected or may affect the Bank's financial performance, and the measures taken by the Bank to address such failures (particularly the issues disclosed in the Bank's annual reports and its financial statements);
  - e) The extent to which the Bank has complied with the internal controls when determining and managing risks; and
  - f) Information describing the Bank's risk management operations.

The Chairman of the Board should ensure that all the directors are supplied with all necessary information in a timely manner.



## 10 Disclosure & Reporting to the Shareholders and Regulators

- 10.1 The Board shall regulate the disclosures of each of its members and the members of the Executive Management;
- 10.2 A register shall be maintained by the Board Secretary for the disclosures of the Board members and the Executive Management and update it regularly based on disclosures required as per the Companies Law, the Capital Market Law and their Implementing Regulations. Such register available for review by the Bank's shareholders free of charge;
- 10.3 The members of the Board shall refrain from disclosing or announcing any secrets he/she came across through his/her membership in the Board to any shareholder of the Bank, unless such disclosure is made during the meetings of the General Assembly, or to a third party, in pursuance with the provisions of the Companies Law, the Capital Market Law and their Implementing Regulations;
- 10.4 The Board has to present an annual report (BoD Annual Report) to the shareholders including all information required by relevant regulations; and
- 10.5 All Board members shall adhere with all disclosure requirements in-line with all applicable laws and regulations.

Please refer to the **Transparency and Disclosure Policy** for more details regarding the BoD annual report and the disclosure requirements.

## 11 Induction & Training

- 11.1 The Bank shall pay adequate attention to the training and preparation of the Board members and committee members, and each Board member shall be provided with a memorandum explaining the duties and responsibilities of his/her membership, and shall develop the necessary programs required for the same, taking the following into account:
  - a) Preparing programs for the recently-appointed Board members and committee members to familiarize them with the progress of the Bank's business and activities, particularly the following:
    - i. The strategy and objectives of the Bank;
    - ii. The financial and operational aspects of the Bank's activities;
    - iii. The obligations of the Board members and their duties, responsibilities and rights; and
    - iv. The duties and competencies of the committees of the Board.
  - b) Developing the necessary mechanisms for Board members and committee members to continuously enroll in training programs and courses in order to develop their skills and knowledge in the fields related to the activities of the Bank.
- 11.2 The Bank should provide the Board with adequate awareness on their responsibilities, personal duties and penalties that may be incurred if they fail to comply with the relevant requirements as stipulated in the Anti-Money Laundering and Combating Terrorism Financing Regulation & its implementing

regulations issued by SAMA and the relevant authorities;

- 11.3 The Bank shall provide the Board with adequate training regarding Islamic Banking to ensure that all members of the Board are sufficiently informed of any developments-when needed;
- 11.4 The Bank shall provide the Board with training on ESG matters-when needed;
- 11.5 The Executive Management of the Bank shall provide the Board members, the Non-Executives in particular, and the Board Committees members with an orientation program covering all of the necessary information, details, documents and records, provided that they shall be complete, clear, correct and non-misleading, in due course to enable them to perform their duties and obligations. Such orientation program for new members shall be within three (3) months of their joining date or before the member's first Board or related Board Committee meeting. Particularly each new Board member shall receive presentations by Executive Management on the Bank's strategic plans, its significant financial, accounting and risk management issues, its legal affairs, its compliance programs, its operations, its conflict of interests and code of conduct and Ethics, its management structure, Board & Board Committee charters, its key policies, practices, executive officers and its internal and external auditors. Such programs may include fields' visits to the Bank's sites, when needed. In addition, each incoming Board member shall be provided with copies of the bylaws, the executive summary of the corporate plan, operating results, audited financial statements and other appropriate information;
- 11.6 In order to help Board members & non-board Committee members acquire, maintain and deepen their knowledge and skills and to fulfill their responsibilities, the board should ensure that all of them have access to programs of tailored initial (e.g. induction) and ongoing education on relevant issues. The Board should dedicate sufficient time, budget and other resources for this purpose; and

## 12 Relationship with Committees

- 12.1 Communication between the Board and other Committees should be clear; and
- 12.2 The Board may coordinate and instruct 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.

## 13 Board Assessment

The Board based on the proposal of NRC shall have the necessary mechanisms to annually assess the performance of the Board, Its members and Board Committees. The assessment should be based on using key performance indicators linked to the extent to which the strategic objectives of the Bank have been achieved, the quality of the risk management and the efficiency of the internal control systems, among others, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the Bank;

For further information regarding Board of Directors Assessment, please refer to the **Board Nomination, Membership, Assessment and Succession Policy**.

# 14 Appendix

## 14.1 Appendix A – Action Sheet

Topic	Discussion	Action Required	Targeted Deadline	Committee Meeting #	Person Responsible