

البنك
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Banque
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Fransi



| Corporate Governance (CG) Framework



Corporate Governance (CG) Framework

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Table of Abbreviations

S. No.	Abbreviation	Expansion
1	AML	Anti-Money Laundry
2	AC	Audit Committee
3	BRC	Board Risk Committee
4	BSC	Board Strategy Committee
5	CG	Corporate Governance
6	CGD	Corporate Governance Division
7	CMA	Capital Market Authority
8	CTF	Combating Terrorist Financing
9	DoA	Delegation of Authority Manual
10	EC	Executive Committee
11	ESGC	Environment, Social and Governance Committee
12	LGG	Legal and Governance Group
13	CEO	Chief Executive Officer
14	MC	Ministry of Commerce
15	RP	Related Parties
16	SAMA	Saudi Central Bank
17	NRC	Nomination and Remuneration Committee
18	PPU	Policies & Procedures Unit
19	PPC	Policies & Procedures Committee

1. Introduction

1.1. Document Authorization Control Sheet

Document Type	Framework
Document Title	Corporate Governance Framework
Version	6.0 (English)
Document Reference	
Date	1 April 2024
Framework Custodian	Corporate Governance Division
Framework Owner	Corporate Governance Division

1.2. Document Approval Record

Version	Approval Date	Description of Changes
1.0	December 2009	New Manual
2.0	October 2011	Review: Change of Control of Inside Information
3.0	September 29, 2016 (BoD)	Update – Formulation of Policies Project
4.0	March 27, 2019	Comprehensive review to incorporate all regulatory & legal requirements and meet best practices.
4.1	1-11-2020	General Periodic Review.
5.0	30-11-2021	Based on SAMA new CG Principles
6.0	1-4-2024	Periodic review: <ul style="list-style-type: none"> - General enhancements. - Incorporating policies/charters management.

1.3. Review, Update & Maintenance

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

1.3.2 Any amendment to this document shall be as per procedure set out in the DoA; and

1.3.3 The minimum frequency for reviewing this framework is two (2) years. However, the framework must be reviewed / updated earlier if required. CGD is responsible for ensuring that this document is reviewed & approved as required.

2. Purpose of the Framework

The purpose of this Corporate Governance Framework (“CG Framework”) is to set out Banque Saudi Fransi’s (“BSF” or the “Bank”) Governance framework of policies, procedures, systems and controls by which:

- a) The relationship between the Board, Executive Directors, shareholders and stakeholders are clearly regulated and their interests are protected;
- b) The decision-making process is facilitated and carried out in transparent and credible manner with the objective to protect the rights of shareholders and stakeholders and achieving fairness, competitiveness and transparency;
- c) BSF’s compliance with applicable governance regulations is ensured and the governance framework is revised and updated pursuant to statutory requirements and best practices;
- d) BSF is able to manage its business and operations prudently and in accordance with applicable laws and regulations; and
- e) Responsibility and accountability for the achievement of (a), (b), (c) and (d) above is properly assigned and delineated between BSF’s Board of Directors (“Board” or “BoD”) and its Executive Management.

As such, BSF’s corporate governance framework is designed to ensure:

- a) Independence and separation of the position of the Chairman of the Board of Directors from any other executive position including the positions of the managing director and /or Chief Executive Officer, by the availability of good organizational and administrative structures and clarity of authority and responsibilities between the main parties in the Bank, including board members and executives, in addition to establishing a general framework for control through risk management and internal audit, compliance, internal control systems and external auditors.
- b) Appropriate management and oversight of BSF with regards to its business and operations and the risks attendant thereto;
- c) That BSF implements policies and procedures appropriate for its business;
- d) Clear segregation of roles and responsibilities within BSF to achieve balance between powers and authorities and to ensure appropriate protection from conflicts of interest which may impact the effectiveness of the relevant functions;
- e) That major responsibilities and duties within BSF are apportioned clearly between and within the Board and Executive Management in such way that reflects the diverse competencies among such individuals and BSF’s business and operations;
- f) The existence and development of effective Control Functions for compliance, internal audit and risk management, ensuring an appropriate level of independence from Executive Management & BSF’s business units, as well as the availability of appropriate powers and resources therein, and training employees and developing their capabilities in the field;
- g) That Executive Management implement effective systems and controls to identify, assess, control and monitor the risks BSF’s business faces in its operations;
- h) That there is a remuneration strategy and structure that rewards Executive Management and employees in such a way that encourages optimal performance within the context of the appropriate management of risk;

- i) That BSF is in compliance with its DoA Manual;
- j) Reviewing and developing codes of professional conduct representing BSF's values and other internal policies and procedures in order to fulfill the Bank's requirements and in accordance with best practices;
- k) Regularly informing the Board members of the developments in corporate governance and best practices, or authorizing the Audit Committee or any other committee or department to undertake this task;
- l) The enhancement of the role of BSF's shareholders and facilitating the exercise of their rights;
- m) Stating the competencies and responsibilities of the Board and the Executive Management;
- n) Enhancing the role of the Board and its Committees and developing their capabilities to enhance BSF's decision making mechanisms;
- o) Achieving transparency, impartiality and equity in the Exchange, its transactions, and the business environment and enhancing disclosure;
- p) Providing effective and balanced tools to deal with conflicts of interest;
- q) Enhancing accountability and control mechanisms for the Bank's employees;
- r) Establishing the general framework for dealing with Stakeholders and protecting their rights;
- s) Supporting the effectiveness of the system for overseeing BSF & its subsidiaries and the tools thereof; and
- t) Raising the awareness of the Bank's Board members, Senior Executives, and employees in respect of the concept of professional conduct and encouraging them to adopt and develop such concept in accordance with the nature of their work.

3. Principles

A number of fundamental principles underlay BSF's Corporate Governance framework. These are:

3.1. Leadership from the Top

BSF believes that the commitment to good governance requires the creation of a culture in which governance, control and compliance are valued commodities and are seen as strategic imperatives for the ongoing viability of the Bank. The creation of this culture starts with the Board, who sets the tone from the top for the organization and is ultimately responsible for the Bank achieving its strategic objective. This means the Board is required to act and to be seen acting with the highest regard for governance, control and compliance matters.

3.2. Ethical Business Practice

BSF is committed to comply with all applicable laws and regulations and to ethical practices in all of its business and other affairs. This is a responsibility of all, from the Board, through Executive Management to each and every employee. BSF's governance framework and the role of its Board and its Committees are fundamental to ensuring that this commitment to compliance and ethics is communicated, understood and enforced throughout the organization.

3.3. Principle of Accountability & Responsibility

BSF's governance framework is designed to ensure that responsibilities of the Board, Executive Management and employees are clearly defined, distinguished and aligned. Within this is a desire to ensure that decisions and actions are taken by the right people and in the interests of BSF and its stakeholders.

Accountability reflects the importance BSF takes in holding those who make decisions or take actions for and on behalf of the Bank, fairly accountable for such decisions or actions.

3.4. Shareholders & Stakeholders Rights

BSF is committed to ensure the implementation and protection of necessary shareholder rights as well as the rights of other stakeholders.

3.4.1 Shareholders:

BSF has in place policies -including but not limited- on the following:

- a) Fair treatment of shareholders;
- b) Shareholders rights related to shares;
- c) Shareholder access to information;
- d) Communicating with shareholders;
- e) Electing the Board Members; and
- f) Distribution of dividends.

With regard to shareholder rights, BSF's policy is more fully described in its **Shareholder Rights Policy**.

3.4.2 Stakeholders:

The Board has in place a policy that regulates and governs the relationship between BSF and its stakeholders. Such a policy sets ground rules that ensure the clarity of principles, rights and duties for BSF stakeholders including, employees, shareholders, customers, suppliers which in turn contribute to serving and protecting the best interests of BSF and Stakeholders, which 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 BSF 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 BSF 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;
- e) BSF's social contributions;
- f) Ensuring that BSF'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 BSF employees pursuant to the principles of justice and equality and without discrimination.

BSF's policy on Stakeholders is set out in more detail in its **Stakeholders Policy**

3.5. Conflicts of Interest

BSF has a policy on conflict of interest to deal with actual and potential conflicts of interest situations which may affect the performance of Board members or the members of its committees, the Executive Management or other employees of BSF when dealing with the Bank or other Stakeholders.

This principle describes the approach BSF takes in order to ensure appropriate segregation of duties so as to provide necessary checks and balances and to minimise the risk of potential conflicts of interest adversely impacting the Bank or its operations.

These controls are wide and permeate throughout BSF's business and operations. However, fundamental to this are the composition of the Board and the various Committees of the Board, the policies and procedures designed to ensure potential conflicts of interest are managed within the Board and these Committees and, more generally, how such Committees interact with and oversee the independent control functions within BSF.

BSF's policy on conflicts of interest is set out in more detail in its **Conflict of Interest Policy, Code of Conduct Policy for Board & Board Committees' Members, Board Nomination, Membership, Assessment and Succession Policy** and the **Related Party Transactions Policy**.

3.6. Transparency & Disclosure

BSF has a policy of disclosure & transparency with its shareholders and other stakeholders. This means BSF will provide them with appropriate information, as required by applicable laws and regulations, on financial and non-financial information relevant to its business and operations. This principle includes ensuring not only that the information provided is accurate and complete, but also delivered in a timely manner.

BSF's policy with regards to transparency is more fully described in its **Transparency and Disclosure Policy**.

3.7. Environmental, Social & Governance ("ESG") Responsibility

BSF's governance framework recognises the importance of BSF to wider society and its position at the heart of the economic system and as a significant contributor to the society and the environment. As such, BSF is committed to put in place policies & programs that allow it to take into account social, economical, and environmental issues and be a valuable contributor to society generally. Additionally, it supports BSF's commitment to act in a manner that supports ESG goals and adapt to changes, developments and challenges faced by the business as a participant in ESG related matters.

BSF's policies on ESG & Social Responsibility are set out in more detail in its **ESG Policy Framework** and **Corporate Social Responsibility Policy**.

3.8. Remuneration & Compensation of Board , Board Committee Members and Senior Executives

BSF has a policy for providing remuneration & compensation to Board, Board Committees members & Senior Executives. Such Policy includes the standards and methods for such remunerations and compensations, and aims to ensure that the remuneration & compensation is linked to performance, distributed fairly, and in-line with applicable regulations.

BSF's policy with regards to remuneration & compensation is set out in more detail in its **Remuneration and Compensation Policy for Board, Board Committees and the Remuneration and Compensation Policy for Senior Executives**.

3.9. Code of Conduct Policy

BSF has policies for professional conduct which represents the Bank's values and ethical principles that govern the activities of the bank, and to which the Board/ Board Committees, employees, and others are expected to adhere to.

BSF's Policy on professional conduct is set out in more detail in its **Code of Conduct** and in the **Code of Conduct Policy for Board and Board Committees' Members**.

4. Legal and Regulatory Framework

BSF is subject to numerous laws and regulations that impact its corporate governance framework and mandate certain structures and approaches. This CG Framework and the various governance related charters, frameworks, policies and procedures referred to are designed to account for these legal and regulatory requirements as well as BSF's own approach to good governance.

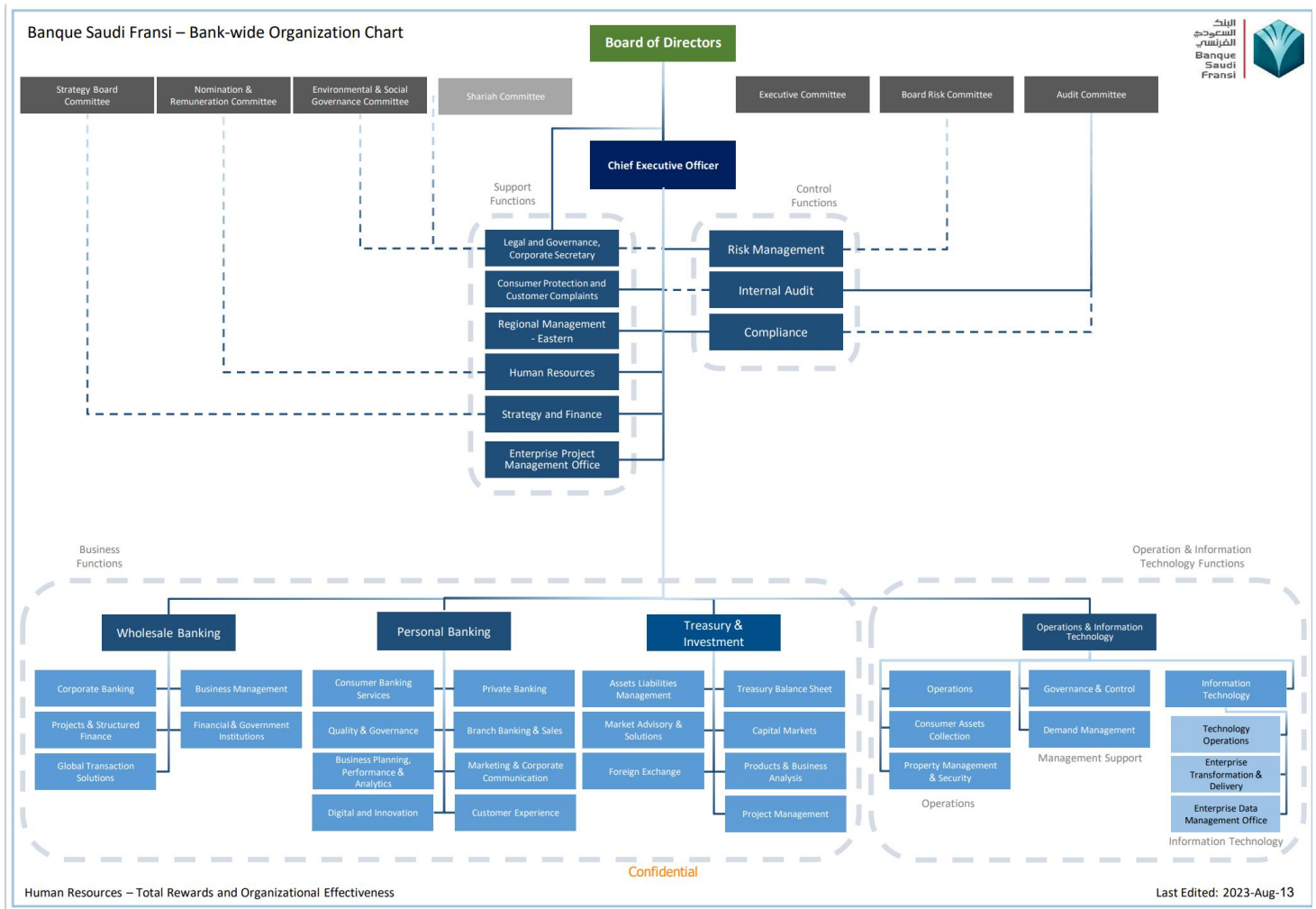
The main authorities are MC, SAMA and CMA. The key applicable laws and regulations are the following:

Law/Regulation	Authority
Companies Law	Royal Decree/Ministry of Commerce
Rules on the Offer of Securities and Continuing Obligations	CMA
Corporate Governance Regulations	CMA
Key Principles of Governance in Financial Institutions under the Control and Supervision of the Saudi Central Bank	SAMA
Requirements for Appointments to Senior Positions in Financial Institutions Supervised by SAMA	SAMA
Guidelines for Banks for Organizing Audit Committees	SAMA
SAMA Rules on Compensation Practices	SAMA
Implementing Regulation of the Companies Law for Listed Joint Stock Companies	CMA
Listing Rules	Tadawul
BSF Bylaws	BSF GA
Related Party Rules for Banks	SAMA
Shariah Governance Framework	SAMA
Principles of Work Conduct and Ethics in Financial Institutions	SAMA
Compliance Principles for Banks	SAMA

5. Corporate Governance Structure

5.1. Organizational Structure

BSF's organizational structure is as follows:



5.2. General Approval Hierarchy

Within its governance framework, BSF has various levels of authority ranging from the General Assembly through the Board to management.

Detailed authorities are outlined in the **DoA**.

6. The General Assembly

The General Assembly represents the effective ultimate decision authority with regards to BSF. It shall convene in accordance with the situations and circumstances stated in the Companies Law and Its Implementing Regulations, BSF Bylaws and any other applicable laws and regulations.

It is a fundamental right for all shareholders of BSF to attend the General or Special Shareholders Assemblies, take part in their deliberations, exercise their powers in respect of BSF and vote on their decisions.

The annual Ordinary General Assembly convenes at least once a year within six (6) months following the end of BSF's financial year and at such times as requested by the Board. Also, The Board shall invite the General Assembly to convene upon the request of the external auditor, the Audit Committee or a number of shareholders holding shares equal to at least (10%) of the share capital of BSF. The external auditor may invite the assembly to convene if the Board does not invite the assembly within thirty (30) days from the date of the external auditor's request.

BSF has established various, Board approved, policies designed to ensure, among other things, proper transparency and process with shareholders, including a Transparency and Disclosure Policy, Dividend Policy & Shareholders Rights Policy.

The processes of the General Assembly are set out in BSF's Bylaws and are subject to the requirements of the Companies Law, the rules of the CMA and applicable authorities' rules and regulations.

With regard to General Assembly's rights and responsibilities, BSF's policy is more fully described in its **Shareholders Rights Policy**

7. The Board and its Committees

7.1. Board

BSF has an effective board whose role is to direct the work of the Bank to what will serve its interests and develop its value. It bears responsibility for its work, even if it delegates committees, bodies or individuals to exercise some of its powers. In all cases, the board may not issue a general delegation or indefinite delegation.

BSF's Board is collectively responsible for setting BSF's business objectives, strategy for achieving those objectives and for approving the Bank's annual budget and business plan.

In addition, the Board is responsible for overall oversight of the Bank's performance, ensuring management implement adequate systems & controls and for shareholder communication (including, without limitation, through the financial statements and Board Report).

The Board of BSF has established a Board Charter and a Policy, Standards & Procedures for Membership of the Board of Directors & Board Committees which together set out Board requirements in detail including, in particular:

- a) The composition of the Board and the appointment of a Chairman of the Board;
- b) The policy and method for the appointment, removal and replacement of Board members;
- c) The term of each Board member;
- d) The roles, responsibilities, powers and authority of the Board and its members;
- e) The approach to monitor Board performance;
- f) The rules and requirements for Board meetings, including frequency, information required, agenda, quorum requirements and voting; and
- g) Ongoing education and training requirements.
- h) Board Secretary appointment and his/her roles and responsibilities.

This CG Framework should be read in conjunction with the **Board Charter, BoD Committees' charters** and the **Board Nomination, Membership, Assessment & Succession Policy**.

7.2. Board Committees

The use of Committees of the Board supports ensuring the effectiveness of decision-making to achieve the objectives of the Bank in accordance with best practices and specialized technical standards, assisting the BoD in performing its duties and responsibilities, contributing to the effectiveness of performance, reviewing and monitoring the work of the Bank on a regular basis. Committee members can be appointed from within or outside the BoD, bearing in mind that the use of these Committees does not absolve the Board from its responsibilities.

To assist it in discharging its responsibilities and to ensure appropriate oversight, control and independence as well as to comply with legal and regulatory requirements, the Board has established a number of Board Committees. These Board Committees are as follows:

- 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 (ESGC); and
- f) Board Strategy Committee (BSC)

These committees are designed to consider specific matters and make recommendations to the Board. However, it is not intended that these committees restrict the ability of the Board to make an independent assessment of the recommendations in regards to the Board knowledge of the Bank and the underlying structures and operations.

The Board has established charters for its committees which include the following:

- a) The Authority and Purpose of the Committee;
- b) Roles and Responsibilities of the Committee;
- c) Composition of the Committee;
- d) Meetings of the Committee;
- e) Reporting to the Board;
- f) Relationship with Others; and
- g) Committee Secretary appointment and his/her roles and responsibilities

The Board will approve the charters for the above-mentioned Committees and, subject to applicable laws and regulations, may establish or dissolve committees by majority vote of the members of the Board, except for AC and NRC, since the approval for their charters is from the GA.

Committee members are appointed by the Board having considered the recommendations of the Nomination & Remuneration Committee and following receipt of necessary written confirmation of “no-objection” from SAMA except for the AC since their appointment is from the GA.

7.2.1 Executive Committee

The EC has been established with the following authorities:

Deal with, and recommend on, all matters falling within the scope of its purpose and duties as set out in its Charter, CG Framework, DoA and all other matters that may be delegated by the Board to the Committee from time to time;

7.2.1. The EC may request, through coordination with the Chief Executive Officer that any employee, officer, outside advisor or any person of Banque Saudi Fransi (BSF or the Bank) meet with any members or consultants of the EC. The EC may also request the assistance of these parties in discharging its duties;

7.2.2. The EC may not delegate its duties to a sub-Committee of the EC.

In addition to the Authorities, the purpose of the EC is to represent and assist the Bank’s Board of Directors in exercising the authority of the Board in monitoring and managing the business and affairs of BSF, as delegated by the Board.

This CG Framework should be read in conjunction with the **EC Charter**, **BSF ByLaw** and **BSF’s DoA**.

7.2.2 Audit Committee

The AC has been established with the following authorities including but not limited to:

- a) Approve and/or, recommend all matters falling within the scope of its purpose and duties as set out in its charter, CG Framework, DoA and all other matters that may be delegated by the Board to the Committee from time to time;
- b) Request any information, clarification or statement from Board members, Executive management, External Auditor or third-party consultant;
- c) Request the chairman of the Board to call for a general meeting, if the Bank's activities have been impeded or if the Bank has suffered significant losses and damages;
- d) Recommend to the Board the appointment, dismissal, and the remuneration of an external auditor in line with the applicable laws and the implementing regulations;
- e) Request and review any of the Bank's records and documents;
- f) Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.

In addition to the authorities, the purpose of the AC is to represent and assist the Bank's Board of Directors in fulfilling their oversight responsibility relating to:

- a) The system of Internal Controls;
- b) The Audit process;
- c) Bank's financial statements;
- d) Related Parties Transactions and conflict of interest cases; and
- e) Bank's process for monitoring compliance with applicable laws and regulations and the Code of Conduct.

The AC has been established as required by the rules and regulations of both SAMA and the CMA as well as the Companies Law. The rules for appointing members of the AC, term of office and the procedure to be followed by the AC are defined by the Board and approved by BSF's General Assembly. These rules are outlined in the AC Charter, which sets out AC requirements in detail.

This CG Framework should be read in conjunction with the **AC Charter**, **BSF ByLaw** and **BSF's DoA**.

7.2.3 Board Risk Committee

The BRC has been established with the following authorities, including but not limited to:

- a) Meet with BSF officers, or outside counsel, as necessary;
- b) The Committee may obtain information from and consult with the Chief Executive Officer 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:
 - I. Recommend any special projects;

- II. Seek the advice of BSF's internal auditor and/or a consultant; and
 - III. Recommend engagement of consultants and independent risk experts for consultation where necessary to carry out its duties.
- c) 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; and
 - d) The Committee is authorized to deal with, and recommend on, all matters falling within the scope of its purpose and duties as set out in its charter, CG Framework, DoA and all other matters that may be delegated by the Board to the Committee from time to time.

In addition to the authorities, the following constitute the Purpose of the BRC, including but not limited to:

- a) Recommending the suitable risk appetite to the BoD or any other matters related to risk management;
- b) Ensuring that BSF executive management manages risk in accordance with its duly approved risk management framework policies, procedures and regulatory obligations. This is accomplished by providing governance oversight and strategic direction.
- c) Ensuring Risk Management has sufficient resources & systems necessary to carry out its duties unimpeded, and without compromise. The Committee shall also assess whether the risk management has adequate resources, including the authority to retain outside consultants or other experts as deemed appropriate by the Committee, to discharge its duties without compromise;
- d) Verifying independence of the Risk Management employees from activities that may expose the Bank to risk and from business lines;
- e) Ensuring that the risk management employees understand the risks threatening the Bank and seek to raise awareness of the culture of risk bank wide; and
- f) Provide recommendations to the Board on matters related to risk management.

This CG Framework should be read in conjunction with the **BRC Charter**, **BSF ByLaw** and BSF's **DoA**.

7.2.4 Nomination and Remuneration Committee

The Committee is authorized to deal with, and recommend on, all matters falling within the scope of its purpose and duties as set out in its Charter, CG Framework, DoA and all other matters that may be delegated by the Board to the Committee from time to time.

In addition to that, the following constitutes the purpose of the NRC:

- a) Identifying and recommending of nominees for selection as executive, non-executive and independent Directors of the Board and external committee members; and
- b) Determine an incentives system for the Bank and approving of compensation according to SAMA's applicable laws, rules and regulations; and
- c) Review the Human Resources Group's functions and activities in line with NRC charter.

This CG Framework should be read in conjunction with the **NRC Charter**, **BSF ByLaw** and BSF's **DoA**.

7.2.5 Environment, Social & Governance Committee

The ESGC has been established with the following authorities, including but not limited to

- a) Deal with, approve and/or recommend all matters falling within the scope of its purpose and duties as set out in its Charter, CG Framework, DoA and all other matters that may be delegated by the Board to the Committee from time to time.
- b) Request any information, clarification or statement from executive management, related to management committee, external auditors or third-party consultant; and
- c) Retain advisers when it deems appropriate, including approval of fees and terms of retention, without the prior permission of the Board or management, and shall be provided the necessary resources or such purposes.

In addition to that, the following constitute the purpose of the ESGC Committee, including but not limited to:

- a) Supports the Board in achieving its targets in terms of ESG Pillars;
- b) Support BSF's ongoing commitment to sustainable finance, environmental stewardship, health and safety, diversity and inclusion, corporate social responsibility, corporate governance, and sustainability as relevant to BSF and other sustainability and responsibility matters which are an integral part of enhancing the Bank's long-term shareholder value; and
- c) Ensure that the Bank is in a position to deliver an annual sustainability review in line with best practice.

This CG Framework should be read in conjunction with the **ESG Board Committee Charter**, and BSF's **DoA**.

7.2.6 Board Strategy Committee

The Committee is authorized to deal with, and recommend on, all matters falling within the scope of its purpose and duties as set out in its Charter, CG Framework, DoA and all other matters that may be delegated by the Board to the Committee from time to time.

In addition to that, the following constitute the purpose of the BSC Committee:

- a) Its primary objective is to govern the development of all BSF's Strategy and review as well as support its implementation;
- b) The Strategy Steering Committee ("SSC") will report material recommendations into the BSC for decision. The BSC shall evaluate said material recommendations ahead of formal presentation of the final strategy to BSF's Board of Directors.

This CG Framework should be read in conjunction with the **BSC Charter**, and BSF's **DoA**.

7.3. Delegation of Authority Manual

The Board has, through the Delegation of Authority Manual delegated authorities to different levels within the Bank. The process for Delegation is outlined in BSF's DoA which has been approved by the Board. The actual delegations are included in the DoA as amended from time to time.

The DoA is designed to ensure a robust approval and reporting process while at the same time allowing for efficient and effective decision making within the organization. As such it aims to provide the correct balance between control and independence to encourage achievement of goals and targets without compromising the system of internal controls or exposing the Bank to unacceptable risks.

The DoA is maintained by CGD. The detailed requirements for delegations are outlined in the **DoA**.

8. Management and Management Committees

8.1. The CEO

The role of management is to oversee the day to day operations of the Bank and implement BSF's strategy as approved and communicated by the Board. To prevent issues of agency, management operate separately but are overseen by the Board and its Committees with clear lines of authority and responsibility.

Management is led by CEO who is appointed by and reports to the Board on all aspects of the Bank's business and operations. The CEO is the primary, but not sole, contact between the Board and management/employees.

The CEO derives significant authority from the Board under the DoA. Where permitted he/she may delegate such authority to other executive management or employees, but remains ultimately responsible to the Board for actions taken under such authority.

Details about CEO roles and responsibilities are fully described in the **Board of Directors Charter, DoA & BSF ByLaw.**

8.2. Management Committees

BSF has formed a number of management Committees as per the procedures set out in the DoA. The role of these Committees is to assist the Executive Management in discharging its responsibilities regarding the day-to-day management of the Bank. These Committees provide forums for expertise, challenge and decision making within the authority granted by BSF's authority matrix. Committees also act as a day-to-day check and balance to ensure power and authority within the Bank is adequately dispersed and to ensure a robust decision-making process.

The detailed composition, roles, responsibilities and authorities of each management committee are as outlined in their respective charters.

BSF Management Committees are classified as below:

- Level 1 Management Committees: which are the committees' reporting to Board/Board related committees.
- Level 2 Management Committees: which are the committees' reporting to a Level 1 Management Committee.

The Board, and BSF management may establish other committees and or groups designed to assist in oversight and decision-making from time to time. Where these committees have official authority in respect of the business and operations of BSF, such authority will be granted pursuant to the DoA. In the absence of such authority, such committees represent forums for information sharing and discussion and efficient process.

For further details on management committees please refer to the DoA.

9. Shariah Governance

In its efforts to apply best governance practice, ensure independency of the Sharia function, and separation of responsibilities between Islamic Banking & Shariah control, BSF has developed a detailed Shariah Governance Manual to govern the Islamic Banking framework in line with the Sharia Governance Framework issued by SAMA. The Sharia Governance Manual illustrates all parties in relation to Islamic Banking, include BSF's Board, BSF Sharia Committee, Executive Management, Internal Control functions & other relevant departments.

9.1 Shariah Committee:

The purpose of the committee includes but not limited to the following:

- a) Supervise the compliance with Shariah laws & regulations and their application at BSF;
- b) The committee is responsible towards all its decisions related to Shariah matters; and
- c) BSF Board depends on the committee to issue Shariah related decisions regarding the practice of Islamic Banking.

The Committee is authorized to deal with, and recommend on, all matters falling within the scope of its purpose and duties as set out in its Charter, CG Framework, DoA and all other matters that may be delegated by the Board to the Committee from time to time.

This CG Framework should be read in conjunction with the **Shariah Committee Charter**, **Shariah Governance Manual** and BSF's **DoA**.

10. Related Parties Transactions Policy

BSF has established a Related Parties Transactions Policy with the aim of establishing the guiding principles to identify and manage actual and potential conflicts of interests that are inherent in BSF engaging in banking and non-banking transactions with Related Parties.

BSF and its Board of Directors are firmly committed to BSF's compliance with all applicable laws and regulations and governance standards aimed at ensuring Related Party Transactions are properly identified and only entered into on appropriate terms and in the best interests of the Bank, its shareholders and customers.

This Policy applies from Board and Board Committee members, through executive management and every employee.

With regard to Related Parties Transactions, BSF's policy is more fully described in its Related Parties Transactions Policy

11. Systems & Controls

BSF's systems and controls are designed to enable appropriate monitoring and control by Executive Management and to enable BSF to comply with applicable laws and regulations. These systems and controls also form the backbone for assurance provided to the Board and its Committees on the current performance of BSF versus its objectives.

11.1. Control Functions

BSF has established a number of control functions whose roles are to oversee, monitor and report on the state of controls within BSF. The key control functions have been invested with a sufficient degree of independence from BSF's business to ensure they are able to function effectively. These functions shall have direct access to the Board and/or its Committees if necessary.

The key control functions include:

11.1.1 Internal Audit Group

The Internal Audit Group reports primarily to the Audit Committee. The role of the Internal Audit Group is to provide independent assurance through the examination and evaluation of systems and controls, governance, risk management and internal process.

The Internal Audit Group represents a key aspect of BSF's governance structure from a control and assurance perspective.

The details of BSF's internal audit arrangements are outlined in the Internal Audit Group Charter and the related policies and procedures.

11.1.2 Risk Management Group

BSF's risk management arrangements are designed to identify, manage, monitor and control any significant risks that would prevent BSF from meeting its business objectives and encompasses the full spectrum of risks both internal and external. Risks covered include credit risk, liquidity risk, market risk and operational risk.

The details of BSF's risk management arrangements are outlined in the various risk management Board approved policies and their supporting procedures.

11.1.3 Compliance Group

Responsibility for BSF's compliance with applicable laws and regulations ultimately vests with the Board. Therefore, the Board has established the Compliance Group responsible for overseeing BSF's compliance systems and controls and reporting to the Board or its Committees in relation thereto.

The details of BSF's compliance arrangements are outlined in the various compliance Board approved policies and their supporting procedures.

11.1.4 Anti-Financial Crimes, Anti-Money Laundry (AML) and Combating Terrorist Financing (CTF)

The financial crimes function has been established by the Board as a dedicated function within Compliance Group for the purposes of detecting and combating potential money laundering and terrorist financing activities and complying with related applicable laws and regulations.

The details of BSF's anti-money laundering and combating-terrorist financing arrangements are outlined in the various AML and CTF Board approved policies and their supporting procedures.

11.1.5 Legal & Governance Group

The Legal & Governance Group has overall responsibility for the management of BSF's legal affairs including the provision and oversight of legal services, the protection of BSF's legal rights and clear definition of its legal obligations and the establishment of protocols, practices and procedures to protect the interests of BSF and manage its legal risks.

Also, the Legal & Governance Group supports the Board and executive management in the promulgation of sound governance practices within BSF, including oversight of governance processes and stakeholder communications. Also, the Group is responsible for reviewing and recommending amendment on Board charters, governance related policies and the DoA.

The details of BSF's governance arrangements are outlined in this framework, the various Board and Committee charters, supporting policies and procedures and the DoA.

The details of BSF's legal arrangements are outlined in **BSF Legal & Governance Policy** and **Legal & Governance Group Procedure**.

11.1.6 Finance Group

Finance Group headed by BSF's CFO retains accountability for oversight and control of all financial records, book-keeping, financial statements, financial disclosures and budget process. It provides regular reports to the Board, Audit Committee and Executive Management.

The details of BSF financial control arrangements are outlined in the various Finance Group policies and procedures.

11.2. Other Systems and Controls

The nature of BSF's business means that systems and controls are built into processes existing throughout the organization, these range from business planning processes, operational controls, hiring and employee processes, record keeping, outsourcing arrangements and management information to name a few.

The Board, through its Committees and the control functions outlined above, have overall responsibility to ensure they satisfy the collective systems and controls to remain adequate for BSF based on its business and operations and strategic aspirations.

The Bank shall keep records of the audit reports and business documents, which shall clarify its accomplishments, findings and recommendations, and all actions taken in their regard.

11.3. Segregation of Duties

BSF operates a general policy of segregation of duties where a particular operation is such that potential conflicts of interest may give rise to a significant risk to the Bank or its customers or other stakeholders.

Segregation of duties acts as a check and balance for key decisions or actions, to ensure these are taken based on the right information and in the best interests of BSF.

At the highest level, this segregation of duties can be seen in the duties of the Board versus the duties of executive management. However, they exist throughout the organization as a key tool to mitigate risk.

The segregation of duties throughout the Bank is outlined in the DoA

11.4. Policies/charters Management

11.4.1 Documents Lifecycle:

- a) Development: The document owner shall develop the relevant document which shall be derived from their respective mandate.
- b) Improvement: The document owner shall conduct an assessment whether the existing document requires any revision in line with the document review cycle. The document Owner shall also be responsible for updating the relevant document between scheduled review periods to respond to any changes in applicable law or business practice within BSF. Fast track changes and revisions that do not change the substance of a document (such as changing hyperlinks, cross references, or contact information in a document) can be implemented by the Document Owner in consultation with CGD, without going through a formal review and approval process.
- c) Approval: CGD is responsible to obtain final approvals on all documents as per the DoA.
- d) Implementation: Once a document has been approved, it shall be published on the applicable portals/internal websites so that it could be digitally accessible for all employees/concerned stakeholders. Such a document shall be adhered by all employees of BSF.
- e) Review: Review cycle shall be initiated by CGD as per the review frequency and as per the DoA. However, off-cycle reviews may be prompted, if a document is identified as requiring review if it meets any of the following criteria:
 - It does not fit with the strategic priorities of BSF
 - It does not fit for purpose at the present time
 - It must be altered due to regulatory requirements
 - It conflicts with other existing documents
 - Any changes in the organizational structure
 - External & Internal Audit findings
- f) CGD shall have the authority to refuse a request from a document owner to develop a new document based on the following criteria:
 - It does not fit with the strategic priorities and objectives of BSF.

- It duplicates or overlaps with existing documents.
 - It violates any applicable laws, regulations, or industry standards.
 - It is unnecessary or redundant, considering existing documents adequately address the matter required.
- g) Documents Review Working Group: BSF documents is reviewed by a working Group who is responsible for conducting comprehensive reviews of the relevant documents to ensure alignment with regulatory requirements, mitigate risks, and support BSF objectives. The working group comprises of representatives from Internal Audit, Compliance, Operational Risk, and Corporate Governance. The working group collaborates to provide thorough analysis and feedback on documents, enhancing transparency, accountability, and efficiency in the document review process which shall be in line with the guidelines stipulated in the relevant procedures.

The following is the roles and responsibilities of the working group:

Working Group Representative	Roles & Responsibilities
Corporate Governance	<ul style="list-style-type: none"> - Oversees the development, management, and review of all BSF policies and management committee charters. - Responsible to obtain approvals on all documents as per the DoA. - Custodian of BSF policies and management committee charters. - Initiate the review cycle of the relevant documents.
Internal Audit	Ensure documents align with internal control standards.
Operational Risk	<ul style="list-style-type: none"> - Review the documents from a risk perspective. - Identify risks and recommend solutions to mitigate them by reflecting the same within the documents.
Compliance	Review the documents to ensure all applicable local regulatory requirements, SAMA circulars have been reflected completely and correctly from risk and control perspective.

11.4.2 Management:

- a) Custody: CGD is the custodian and central repository for all documents. All approved document shall be kept at the bank's repository for safe keeping.
- b) Review Frequency: The review frequency shall be conducted on a triennial basis (every 3 years) to ensure that all the Bank's documents are updated on a regular basis to cater the business needs. Documents may be reviewed earlier if deemed necessary or in cases of regulatory requirements.
- c) Decommissioned documents: In case of a new document being implemented, any previous versions of the document shall be decommissioned by CGD. Any previous versions of the document which have been decommissioned, shall be archived at the Bank's repository. Document owners should officially inform CGD of all documents that are no longer in use or merged with another document to be recorded as discontinued in the database. Such a request should be raised to (Compliance, Risk & Internal Audit) to provide their feedback/no objection.
- d) Ownership change: policy owners should provide CGD with a formal request for policy ownership change along with the new owner approval.

- e) Document format: BSF has a format for all documents. Consistent format aids understanding and therefore policy compliance. As such it should be followed in all cases, unless practical considerations require a different format to be followed.

This policy should be read in conjunction with BSF's **DoA**.

12. BSF Subsidiaries & Investments

BSF has a number of subsidiaries & investments that operates within or outside the Kingdom of Saudi Arabia.

In order to regulate and govern the relationship between BSF and its subsidiaries and investments, a policy has been established to set ground rules that ensure the clarity of duties and rights between BSF and its subsidiaries and investments, which in turn contribute, to serving and protecting the best interests of BSF, its shareholders and, where appropriate its customers in which it includes the following -but not limited to- details:

- BSF Board of Directors Oversight
- Voting in the General Assemblies of Subsidiaries and Investments
- Appointment of Board of Directors and Board Committees:
- Conflict of Interest
- Subsidiaries Auditing
- Establishing Companies

In regards to BSF's subsidiaries the Board of BSF, as the board of the parent company, has oversight over performance of such subsidiaries as part of the BSF group.

12.1. The Board of the BSF 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 a subsidiary's Board;

12.2. 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.

The detailed governance interaction between BSF and its subsidiaries and investments is subject to the laws and regulations applicable to each subsidiary and is set in more details in **BSF BoD Charter and BSF Subsidiaries and Investments Governance Policy**.

13. Corporate Governance assessment

As part of the annual BoD & BoD committees assessment, the BoD should evaluate the effectiveness of Corporate Governance policies & practices determining whether there is a need for any improvements or changes, and must use the results as part of its continuous improvement efforts, and if necessary, share the results with SAMA.