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| ESG Board Committee Charter



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Table of Abbreviations

S. No.	Abbreviation	Expansion
1	BoD	Board of Directors
2	CEO	Chief Executive Officer
3	CGD	Corporate Governance Division
4	CSR	Corporate Social Responsibility
5	ESG	Environment, Social and Governance
6	Executive Management / Senior Executives	Persons responsible for managing the daily operations of the Bank, and proposing and executing strategic decisions, such as the Chief Executive Officer (CEO) and his/her direct reportees.
7	GA	General Assembly
8	Invitees	Any person invited to attend the ESG Board Committee meeting.
9	SAMA	Saudi Central Bank
10	CMA	Capital Market Authority
11	DoA	Delegation of Authority Manual
12	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.
13	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
14	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 the rules & regulations apply to him/her.

1. Introduction

1.1. Document Authorization Control Sheet

Document Type	Charter
Document Title	ESG Board Committee Charter
Version	2.1(English)
Document Reference	
Date	25 December 2023
Charter Custodian	Committee Secretary
Charter Owner	Corporate Governance Division

1.2. Document Approval Record

Version	Approval Date	Description of Changes
1.0	April 16, 2014	New Charter
1.1	April 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	June 28, 2022	Transformation to an ESG Board committee & SAMA Corporate Governance Principles update
2.1	December 25, 2023	Based on Ministry of Commerce new Companies Law and Capital Market Authorities amended implementing regulations.

1.3. Review, Update & Maintenance

- 1.3.1 The authority to amend this charter rests with the Board of Directors (BoD or the Board) upon the Committee's recommendation.
- 1.3.2 Any amendment to this document shall be as per procedure set out in the DoA.
- 1.3.3 The minimum frequency for reviewing this Charter is two (2) years. However, the Charter must be reviewed / updated earlier if required. CGD is responsible for ensuring that this document is reviewed & approved as required.
- 1.3.4 This Charter shall be a permanent part of the induction program provided to the new Board and Board Committee members upon their appointment. It is the duty of the new member to understand and be familiarized with it.

2. General Provisions

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

3. Authority & Purpose of the Committee

3.1. Authority of the Committee

3.1.1 The Environment, Social and Governance Board Committee (hereinafter referred to as the "Committee") is authorized to deal with, approve and/or recommend all matters falling within the scope of its purpose and duties as set out in this Charter, the (DoA) and all other matters that may be delegated by BoD to the Committee from time to time. In carrying out its responsibilities, the Committee may seek assistance from any experts or specialists, whether internal or external, provided that such assistance is included in the minutes of the Committee meeting; stating name of the expert and his relation with the Bank or its Executive Management, if any.

3.1.2 Request any information, clarification or statement from Executive Management, related Management Committee, External Auditors or third-party consultants.

3.1.3 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 for such purposes.

3.2. Purpose of the Committee

3.2.1 The ESG Board Committee supports the BoD in achieving its targets in terms of ESG pillars:

1- Environmental pillar key themes: Climate Change, Natural Resources, Pollutions and Waste and Environmental Opportunities.

2- Social pillar key themes: Human Capital, Product Liability, Stakeholder Opposition and Social Opportunities.

3- Governance pillar key themes: Corporate Governance and Corporate Behavior.

3.2.2 The ESG Board Committee purpose is to 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 Banks's long-term shareholder value.

3.2.2 Ensure that the Bank is in a position to deliver an annual sustainability review in line with best practice.

4. Roles & Responsibilities of the Committee

The following represent the duties and responsibilities of the Committee:

- Review & approve ESG KPIs/Targets recommended by the relevant Management Committee;
- Review prior to BoD & GA approval the ESG policy;
- Approve the short- & long-term plans to achieve ESG KPIs/Targets as recommended by the relevant Management Committee;
- Approve BSF's ESG programs & initiatives as recommended by the relevant Management Committee & ensure they are aligned with BSF strategy;
- Ensure the development and maintaining of ESG trackers that feed into the Global Sustainability Index, and report BSF's progress in the Annual Report or the ESG/Sustainability report;
- Oversee the implementation & status of ESG KPIs/targets, programs & initiatives by receiving periodic reports from the relevant Management Committee;
- Review the annual report related to ESG prior to BoD approval and approve any other disclosures made in regards to ESG;
- Provide guidance on ESG matters to management and the relevant Management Committee;
- Review recommendations of the relevant Management Committee to enhance BSF's ESG implementation;
- Review of annual budgets with respect to ESG and recommend to the Executive Committee the adoption of annual budgetary appropriations for ESG;
- Review the findings and recommendations from any investigation or audit by regulatory agencies or external auditors or consultants concerning BSF's ESG matters;
- To consider and bring to the attention of the Board, current and emerging ESG Matters that may affect the business, operations, performance or public image of BSF or are otherwise pertinent to BSF and its stakeholders, and to make recommendations on how BSF's policies, practices and disclosures can be adjusted;
- Monitor payments made in regards to ESG matters by receiving reports from the relevant Management Committee or management;
- Review and report to the Board periodically BSF's ESG achievements and future commitments;
- Oversee/monitor ESG-related risks and opportunities;
- Keep updated and aware of ESG developments and attend trainings when needed;
- Review the status of BSF's social contribution programs as reported by the relevant Management Committee, including community relations, current and emerging issues and trends in the field of social contribution, including a discussion on the potential impact thereon on the Bank;
- Receive periodic reports from the relevant Management Committee for the purpose of overseeing the reputational impacts of BSF's business strategies and practices & recommending appropriate action plans; and

- Review and report to the Board on an annual basis as received from the relevant Management Committee the material issues that sets the boundary for implementing BSF's ESG KPIs/Targets and recommend action plans.

4.1. Other Responsibilities

- 4.1.1. Perform any other activities consistent with this Charter, DoA Manual, BSF's by laws and governing laws, as the Board deems necessary and appropriate;
- 4.1.2. Develop at the end of each year an annual plan and schedule of the Committee's activities for the coming year. This includes the Committee's periodic meetings, meetings with management, and other activities in light of the Committee's roles and responsibilities defined within the Charter;
- 4.1.3. Review & approve previous Committee minutes of meeting and follow up on decisions taken and documented in the action sheet of prior Committee meetings in order to ensure that matters raised have been resolved (**Appendix A**); and
- 4.1.4. Conduct an annual self-assessment relative to the Committee's purpose, duties, and responsibilities outlined herein as well as those of its individual members. The purpose is to evaluate and ensure that all responsibilities outlined in this Charter have been carried out.

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

5. Composition of the Committee

5.1. Membership

- 5.1.1. The members of the Committee shall be appointed by a majority vote of the Board based on the recommendation of the Nomination & Remuneration Committee. Such appointments are subject to SAMA's written "Non-objection";
- 5.1.2. The Committee shall consist of at least three (3) members from within or outside the Board. The number of members shall not exceed five (5), majority of members should be non-executives with one independent member. External committee members should have specialized experience in ESG matters;
- 5.1.3. Members should be chosen based on considerations that include expertise on ESG issues of relevance to the business of BSF;
- 5.1.4. The Chairman of the Committee can designate any Committee member as a Vice Chairman for the purpose to chair the Committee meetings in his/her absence;
- 5.1.5. It is preferable that a member is not be a member in more than two committees;
- 5.1.6. The CMA & SAMA shall be notified with the names of the members and the types of their memberships in such within five (5) days from their appointment, and shall be notified also about any changes in the Committee's membership within five (5) days of the date of such changes; and
- 5.1.7. The committee member must work with a sense of intent with the necessary care and attention to benefit the stakeholders in addition to performing his duties away from any external influence, whether from within

or from outside BSF, and he must not provide personal reconciliation or the interests of those he represents to the interests of BSF, shareholders and other stakeholders.

5.2. Term of Committee Members

5.2.1. The term of the Committee members is equivalent with that of the Board, where the Committee members are elected for a period of three (3) years.

5.3. Appointment of the Chairman

5.3.1. The Chairman of the Committee shall be appointed by the Board based on majority of the votes, upon recommendation of the Nomination & Remuneration Committee.

5.4. Roles & Authority of the Chairman

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

5.5. Secretary of the Committee

The Committee should appoint a Committee Secretary whose term of service is the same as that of the Committee (with the right of reappointment), and is responsible for the following:

- 5.5.1. Acting as a primary point of contact and source of information and advice for Committee members regarding BSF's relevant activities, in order to support the decision-making process;
- 5.5.2. Staying fully aware of the Committee's activities, and ensuring the Committee members take decisions after being provided with the necessary briefings and information/documents;
- 5.5.3. Maintaining the Committee's Charter, and guiding the Committee to carry out its activities in compliance with the Charter;
- 5.5.4. Preparing communication letters, in coordination with the Committee's Chairman as the need arise, and

addressing the same to the Committee members, Board of Directors and relevant parties. This includes handling the required communications to schedule/call for Committee meetings;

- 5.5.5. Preparing the Committee's reporting packs that should be circulated to the Committee members with the meeting's agenda at least five (5) working days prior to the meeting date;
- 5.5.6. Attending Committee meetings for the objective of preparing the minutes of meeting and circulating the said minutes within a period not exceeding ten (10) days to all Committee members for approval;
- 5.5.7. Documenting and following up on the issues requiring Committee's action as raised in subsequent Committee meetings and recorded on the related meeting action sheet (Appendix A);
- 5.5.8. Arranging with the parties that the Committee invites to the Committee meetings. This includes consultants, legal advisors, or any other party;
- 5.5.9. Arranging and following up on the completion of the Committee's annual self- assessment;
- 5.5.10. Circulating Committee decisions to the concerned parties;
- 5.5.11. Maintaining BSF list of all ESG, sustainable finance, charities and social responsibilities programs; and
- 5.5.12. The Secretary shall ensure that meetings are properly documented and the minutes are retained for a minimum of ten (10) years with relevant materials.

5.6. Qualifications of the Committee Members

- 5.6.1. Committee members collectively shall be knowledgeable of the matters presented to the Committee, have relevant work experience and appropriate qualifications and have a thorough understanding of the Committee's roles and responsibilities. The Committee shall be able to devote adequate time to their duties as members of this Committee;
- 5.6.2. Committee members must have substantial and relevant experience and maintain a comprehensive understanding of the Bank's major activities. Ideally, the Committee Member should contain an understanding of the Bank's material ESG /sustainability-related issues, risks and opportunities too

5.7. Compensation of the Committee Members

- 5.7.1. The Committee members are entitled to receive compensation as per Remuneration Policy approved by the General Assembly; and
- 5.7.2. Committee members who are resident in a city outside the meeting location are entitled to all out of pocket expenses incurred by them to attend the meeting. Such expenses include a first-class tickets as well as any accommodation and transportation expenses incurred by them otherwise. BSF will arrange for the above.
- 5.7.3. Board of Director's Report that is presented to the General Assembly will disclose the remunerations and other payments made to the Committee members.

5.8. Resignation & Replacement of Committee Members

- 5.8.1. The entire Committee or any individual Committee member may be discharged by the affirmative vote of the majority of Board members;
- 5.8.2. The Office of a member of the Committee shall be vacated:
- If the person holding it resigns his/her office or dies;
 - If the person at any time has been bankrupt or insolvent, or compounds with his/her creditors or suspends payment;
 - If the person is facing mental challenges, or become rationally unfit;
 - If the person has absented from three (3) consecutive meetings or five (5) non-consecutive meetings of the Committee, as the case may be, or from all such meetings for a continuous period of six (6) months, whichever is longer, without leave of absence from the Committee concerned, or without good cause; and
 - If the person incurs any of the disqualifications mentioned in Article (19) of the Bank's bylaws.
- 5.8.3. Any Committee member may resign upon giving written notice to the Chairman of the Committee and the Chairman of the Board and the resignation shall be effective at the time such notice is given (unless the notice specifies a later time for the effectiveness of the resignation); the resigned member may propose a successor; and
- 5.8.4. If any of the Committee seats becomes vacant for any reason, the BoD shall appoint a new member in the vacant seat to continue the term of the previous member, based on NRC's recommendation.

5.9. Conflict of Interest

- 5.9.1. All members of the Committee must follow the policies, standards and procedures on conflict of interests as stipulated in the "Conflict of Interest Policy", and the Code of Conduct for the Board and Board Committees' members; and
- 5.9.2. No Committee member shall simultaneously serve on any Committee of a competitor of BSF or have any role in any of the organization's competitors. Furthermore, no member shall have any significant contractual or business relationship with BSF that could be seen as materially impairing his/her capacity to act in an independent manner.

5.10. Confidentiality of Information

- 5.10.1. In discharging their responsibilities, Committee members shall maintain the confidentiality of their activities, and shall exercise their business judgment to act in a manner that they believe is in the best interest of BSF; and
- 5.10.2. The members shall maintain the confidentiality of the Bank 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 Committee and can be held responsible for the financial damages caused by such announcements.

6. Meetings of the Committee

6.1. Frequency of Meetings

6.1.1. The Committee shall meet at least semi-annually. Additional meetings may be scheduled as the Committee or its Chairman deem advisable; provided that a notice of five (5) business days, or shorter time period as per the consent of the Committee members, is given.

6.2. Quorum of Meetings

6.2.1. A quorum at any Committee meeting shall consist of a majority of the Committee members either in person or by way of proxy, provided that the majority of the members are present personally; and

6.2.2. If the Chairman of the Committee is unable to attend, the Vice-Chairman has the right to chair the meeting. The meeting will be permissible only in the presence of the Chairman or the Vice-Chairman. In case of their absence, the meeting shall have not met quorum.

6.3. Attendance Guidelines

6.3.1. The Committee members are expected to attend all Committee meetings and in case a member was absent, his/her absence should be documented in the minutes of the meeting;

6.3.2. Committee members may request a leave of absence from the Chairman of the Committee or may provide justifiable reasons/causes for not attending a Committee meeting; and

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

6.4. Invitees

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

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

6.5. Delegation Guidelines

6.5.1. Voting by proxy is not allowed.

6.6. Agenda of the Meeting

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

6.7. Meeting Methods

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

6.8. Voting Guidelines

The voting of the Committee is determined by the majority of the members, and the invitees to the meeting have no voting rights on the resolutions; In the event of equal voting, the Chairman of the Committee has a casting vote.

6.9. Minutes of Meetings

- 6.9.1. The deliberations and resolutions of the Committee should be recorded in the minutes of meetings which must be circulated to all Committee members within a maximum period of ten (10) days. The Committee members shall approve or provide any comments they may have. If no response is received from any Committee member within ten (10) business days from the date of circulation, the minutes will be deemed as approved by such member;
- 6.9.2. A copy of the minutes of meetings should be signed by chairman and all members present at the meeting as well as the committee secretary and the names of absent members should be recorded;
- 6.9.3. All objections and abstentions from voting should be recorded in the minutes of meetings along with decisions that has been determined by the use of the Chairman's casting vote;
- 6.9.4. The minutes of meetings shall be entered into a special register and be kept for a period of no less than ten (10) years; and
- 6.9.5. If the Committee has obtained assistance from any experts or specialists, whether internal or external, such assistance is included in the minutes; stating name of the expert and his relation with the Bank or its Executive Management, in any.

6.10. Decisions by Circulation

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

7. Reporting to the Board

- 7.1. The Chairman of the Committee shall report to the Board, no later than the next regular Board meeting on any specific matters assigned to the committee;
- 7.2. The Committee shall submit its approved minutes regularly to the Board; and
- 7.3. The Committee must provide the following reports to the Board on a timely basis:
 - a) The status of BSF's ESG KPIs/Targets.
 - b) The status of material ESG issues, risks and opportunities.
 - c) Any recommendations and endorsements made by the Committee which shall be approved by the BoD.
 - d) The results of, an annual performance evaluation of the Committee, which shall compare the performance of the Committee with the requirements of this charter.
 - e) A report outlining the performance of current ESG Initiatives and Contributions made by BSF
 - f) A report outlining the objectives and expected outcomes of future ESG initiatives and donations; and
 - g) Evaluation report on BSF's long-term commitments to the community.

8. Relationship with Others

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

9. Appendix

9.1. Appendix A – Action Sheet

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