

Compliance and Governance Committee Charter

Compliance and Governance Committee Charter approved by the Board of Directors on 14
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Compliance and Governance Committee Charter

1.6.1 Committee Structure

Compliance and Governance Committee shall consist of no less than three and no more than five independent/ non-executive members among them at least one board member and one or two external non-board members, one of them is specialized in governance and the other is specialized in compliance or is specialized in both of them. It is preferred that the general manager/ executive director of governance shall be the secretary of the Committee and the person in charge of his/her duties may be his/her substitution, unless the Committee deems otherwise. It is preferred to invite the executive director of compliance and the senior manager of compliance in all discussions related to their specialties or the topics deemed by the Committee.

1.6.2 Tasks and Responsibilities

The main purpose of the Compliance and Governance Committee is to support and maintain the application of the highest governance and compliance standards and combating financial crimes in the Bank as the Committee shall, on behalf of the Board of Directors, ensure the adoption of sound governance practices in all activities carried out by the Bank. The Committee shall also verify that the Bank complies with Saudi and international laws and regulations related to the activities of the Bank and that fall within the scope of specializations and responsibilities of the Committee, including, combating financial crimes such as money laundering, terrorism financing and combating financial fraud and corruption through reports submitted to it and relevant policies and documents.

The Committee shall undertake specifically the following responsibilities:

1.6.2.1 Responsibilities related to governance:

1.6.2.1.1 Reviewing the general governance framework and related mechanisms - at least once every two years - to ensure their compatibility with best practices, compliance with regulatory requirements and the effectiveness of their work in order to achieve the governance objectives of the Bank.

1.6.2.1.2 Reviewing the regulations of the committees of the Board of Directors and the Executive Management and any requests to amend them and making recommendations regarding them to the Board of Directors.

1.6.2.1.3 Presenting the results and recommendations that have been completed after the annual review of the governance documents of the Bank, including the proposed amendments to the governance manual and its annex and all governance documents to the Board of Directors for discussion and approval, or submitting what is necessary from them to be submitted with a recommendation to the General Assembly for approval and adoption.

1.6.2.1.4 Reviewing and recommending the approval of the Bank's policy of conflict of interests management and related parties transactions and ensuring there is a record of such cases that is constantly updated and submitted periodically to the Committee according to what is specified by the policy.

1.6.2.1.5 Ensuring that the Bank has sufficient handling mechanisms to identify cases of conflict of interest at all levels of the Bank and its fields of work.

1.6.2.1.6 Approving the appointment and/or dismissal of the executive director of governance.

1.6.2.1.7 Making recommendation to the Executive Committee about (approving to carry out an investigation with the general manager/ executive director of governance and determining the entity/ committee that will carry out the investigation and issuing the resolution of its formation, determining its powers, and approving its recommendations according to what is specified in the financial and administrative powers matrix.

1.6.2.1.8 Raising the awareness about the importance of governance and its activities inside the Bank among the employees of the Bank, the shareholders, and other relevant stakeholders.

1.6.2.1.9 Making recommendations to the Board of Directors about any changes to the memorandum of association of the Bank.

1.6.2.1.10 Ensuring the existence and updating of a policy for reporting and early warning of suspected fraud and corruption, and protecting whistleblowers.

1.6.2.1.11 Always informing the board members about the developments in the field of corporate governance and best practices.

1.6.2.1.12 Preparing annual report that includes the requirements and procedures for completing the governance rules and the extent to which they are adhered to and including it or a summary of it in the annual report prepared by the Board of Directors.

1.6.2.1.13 Reviewing and recommending the approval of the Bank's policies related to disclosure and reporting violating practices and activities, protecting the rights of stakeholders and addressing their complaints, including, ensuring the existence of a mechanism that allows employees and relevant stakeholders in the Bank to submit their complaints and comments about any breach including the financial reports and ensuring confidentiality and protection for them.

1.6.2.1.14 Approving any amendment to the formation of the executive management committees and their members (original/ substitutes) proposed by the executive management/ CEO.

1.6.2.2 Responsibilities related to compliance:

1.6.2.2.1 Making recommendation to the Board of Directors to approve the formation/ re-formation of the Compliance and Anti-Financial Crimes Committee of the Executive Management and the formation of its members and regulation.

1.6.2.2.2 Determining the adequacy and effectiveness of the Compliance and Anti-Financial Crimes Sector with regard to the implementation of compliance policies, manuals and rules, reviewing and working on updating policies and manuals of compliance and anti-money laundering and anti-financial crimes and related documents if necessary, and recommending their approval.

1.6.2.2.3 Approving the annual plan/program of the Compliance and Anti-Financial Crimes Sector.

1.6.2.2.4 Monitoring the extent of compliance with the annual plan/program of the Compliance and Anti-Financial Crimes Sector and evaluating the Sector on the basis of it, according to the evaluation mechanism approved for that, and including the evaluation result in the annual report of the Compliance directed to the Saudi Central Bank.

1.6.2.2.5 Making recommendation to the Board of Directors to approve the annual compliance report that is provided by the Bank to the Saudi Central Bank.

1.6.2.2.6 Reviewing periodic and annual compliance reports and the periodic and annual money laundering and terrorism financing combating reports and ensuring the effective correction of any identified gaps.

1.6.2.2.7 Reviewing the minutes of the meetings of the Compliance and Anti-Financial Crimes Committee of the Department and following up the implementation of its decisions and recommendations, as well as the reports issued by the regulatory authorities.

1.6.2.2.8 Reviewing the periodic and annual reports issued by the Compliance and Anti-Financial Crimes Committee of the Department about the compliance status at the Bank, including any defects and the measures taken to correct them.

1.6.2.2.9 Evaluating the Compliance and Anti-Financial Crimes Committee of the Department according to the mechanism/ form approved for this.

1.6.2.2.10 Reviewing / approving amendments to the organizational structure of the Compliance Anti-Financial Crimes Sector in accordance with the provisions regulating this and in accordance with the policy and matrix for exercising and delegating powers.

1.6.2.2.11 Making recommendation to the Executive Committee about (approving to conduct an investigation with the Executive Director of Compliance and Anti-Financial Crimes, determining the entity/ committee that will carry out the investigation and issuing the resolution of its formation, determining its powers, and approving its recommendations according to what is specified in the financial and administrative powers matrix.)

1.6.2.3 Responsibilities related to combating fraud and corruption:

1.6.2.3.1 Ensuring the independence of the Anti-Fraud Department, within the Bank's organizational structure in accordance with the relevant instructions, controls and regulatory provisions.

1.6.2.3.2 Ensuring the availability of sufficient resources to enable the Bank to achieve its objectives of the Anti-Fraud Department.

1.6.2.3.3 Ensuring the existence of effective controls to combat fraud.

1.6.2.3.4 Ensuring the existence of mechanism for following up on the approved recommendations and corrective measures.

1.6.2.3.5 Ensuring that the Anti-Fraud Department has the authority to conduct the necessary investigations with any employees of the Bank in accordance with the mechanisms and controls specified in the policy, regulations and relevant Bank documents, as well as access to the information and documents necessary to combat fraud, with ensuring the commitment to confidentiality.

1.6.2.3.6 Making recommendation to the Board of Directors to adopt the anti-fraud and anti-corruption strategy and policy and any updates to them within the relevant manual.

1.6.2.3.7 Evaluating the anti-fraud and anti-corruption policy periodically (every two years at least and whenever necessary) to verify its effective implementation.

1.6.2.3.8 Reviewing the periodic and annual reports issued by the Compliance and Anti-Financial Crimes Committee of the Department regarding combating fraud within the compliance reports, including any defects and the measures taken to correct them.

1.6.2.3.9 Reviewing the periodic and annual reports of the Anti-Fraud Department within the compliance reports that include the most prominent fraud cases and methods, statistics

related to them and the results of their analysis, and the precautionary and control measures to be implemented, and to ensure the effective correction of any identified gaps.

1.6.2.3.10 Effectively encouraging and supporting the awareness of combating fraud to raise awareness about the importance of combating fraud and corruption in the Bank.

1.6.3 Meetings of the Committee

The Compliance and Governance Committee shall hold four meetings at least every year, provided that the number of meetings shall not be less than one every quarter. The Committee may hold a meeting, whenever the chairman of the Committee deemed it necessary. The Committee shall conduct its deliberations and issue its resolutions according to the mechanism stipulated in the General Provisions of the Board of Directors Committees.

1.6.4 Reports Submission Provisions

The Committee shall submit its minutes and reports to the Board of Directors according to the mechanism stipulated in the General Provisions of the Board of Directors Committees.

1.6.5 Provisions of Amendment to the Regulation

This Regulation shall be updated/ amended/ developed based on a recommendation from the Compliance and Governance Committee and the approval of the Board of Directors.