

Shariah Committee Charter

Shariah Committee Charter approved by the Board of Directors on 06 August 2020 AD

1.6 Shariah Committee Charter

1.6.1 Committee Structure and the Considerations of its Formation:

Subject to what is stipulated in Shariah governance framework for local banks operating in the Kingdom- February 2020 AD issued by the Saudi Central Bank, especially the controls and conditions of the membership of the Committee, as all items in the Governance Manual and its Annex shall be applied to the Shariah Committee as it is one of the Board of Directors Committees and the most important of these items are: (Responsibilities, jobs, specialties, and tasks of the Board of Directors, general roles and responsibilities of the Board of Directors, training, evaluation, remuneration, appointment and replacement, membership expiry, Board of Directors Committees, control factors, and general provisions of the committees), in a way that does not conflict with the regulations and other relevant supervisory requirements issued by the Central Bank and the Capital Market Authority, etc. and in accordance with the general governance rules stipulated in the Companies Law, its executive regulations, corporate governance regulation, etc. and in a manner that does not violate the Companies Law, its executive regulations, corporate governance regulation and the relevant documents of the Bank. The Shariah Committee shall be formed from members who possess the qualifications, competencies, skills, Shariah, financial and leadership experiences, and other qualities that enable them to carry out duties entrusted to them. They are appointed with the approval of the Bank's General Assembly based on a resolution of the Board of Directors based on the recommendation of the Nomination and Remuneration Committee of the Board, after obtaining the Central Bank's no-objection in writing. The Committee is directly linked to the Board and is formed in accordance with

the general controls and conditions for forming the approved committees in the Bank, taking into account the following controls:

1.7.1.1 The number should not be less than 3 and not more than 5.

1.7.1.2 The number of independent members shall not be less than two-thirds of the members of the Committee according to the concept of approved independence (*).

1.7.1.3 The Chairman of the committee must be an independent member, and in case he/she loses his/her independence for any reason, he/she loses the chairmanship of the Committee (*).

1.7.1.4 The chairman and each independent member of the Committee shall be obligated to abstain from everything that affects his/her independence, he/she must abstain from accepting any position, work, dealing, contracting, action, or other things that may prejudice, affect, or constitute an independence obstacle, except after informing the Board of Directors, and issuing a resolution from the Board authorizing him/her to do so, in accordance with the controls and provisions it sets, without prejudice to the availability of the minimum number of independent members of the Committee prescribed by the relevant laws, regulations and controls. In the event that a member of the Committee loses his/her independence for any reason, he/she shall lose the Committee's membership, unless the Board of Directors decides to continue the member's membership for a specific period until a suitable alternate is appointed in accordance with the approved replacement policy and mechanism and the relevant controls and conditions, provided that the relevant supervisory authorities are notified on the dates specified for that (*).

1.7.1.5 The Committee member must not be a member of the Shariah committee of another Bank operating in the Kingdom (*).

1.7.1.6 The member should have the appropriate Shariah knowledge in addition to the ability to read and understand financial statements and reports.

1.7.1.7 The member should be known for integrity and good reputation, and characterized by moderation in his/her scientific approach.

1.7.1.8 The Committee member should have administrative and leadership skills.

1.7.1.9 The Committee member should be characterized by independence, i.e. objectivity and impartiality in decision-making without any influence on him/her.

1.7.1.10 The Director of the Shariah Sector shall assume the duties of the Secretary of the Committee, and in the event of his/her absence - for any reason – he/she will be substituted by whoever is entrusted with his/her duties, unless the Committee decides to assign someone else.

(*) Its implementation starts on 01/01/2023 AD

1.6.2 Membership Term and its Expiry:

1.7.2.1 The chairman and members of the Committee shall be appointed for a period of three years in accordance with the nomination and appointment mechanism specified in the policy of rules and controls for nomination and appointment of the Board of Directors and its committees, and the relevant laws, regulations, policies and procedures.

1.7.2.2 The process of termination or expiry of membership shall be subjected to the relevant controls and policies approved by the Bank. In all cases, the membership of a Committee member shall not be terminated before the expiry of its term except with an acceptable justification. In case the chairman/ member of the Committee position becomes vacant, the Board of Directors shall appoint, based on the Nomination and Remuneration

Committee recommendation, an alternate member in the vacant position who meets the requirements and terms of appointment stipulated in this Regulation and the policies and mechanisms for appointment and replacement of members of the Board of Directors and its affiliated committees and relevant laws and regulations. The new member shall complete the term of his/her predecessor, and the appointment is presented to the first meeting of the General Assembly for approval.

1.7.2.3 In the event the member's membership terminates by resignation, the resigning member must submit his/her resignation and its justifications to the Board of Directors and send a copy of it to the Saudi Central Bank.

1.6.3 Powers of the Committee:

The Committee shall in performing its tasks:

1.7.3.1 The right to view all relevant records and documents of the Bank and obtain complete and accurate information from the management. The Committee shall have the right to obtain additional information from the management in case of inadequacy of the provided information.

1.7.3.2 Notify the Board to take the necessary action in case of not providing the Committee with the required information or amending or ignoring the Shariah resolutions issued by the Committee without its approval.

1.7.3.3 Use experts or internal or external consultants to assist it in performing its tasks.

1.7.3.4 Have the possibility of inviting or communicating with any of the Bank's officials and employees, in coordination with the CEO, to discuss reports, notes and any other topics related to their scope of work.

1.7.3.5 Making recommendation to the Board of Directors to establish a work team(s) with specific powers.

1.6.4 Tasks and Responsibilities of the Committee:

The main purpose of the Shariah Committee is to assist the Board of Directors in performing its tasks and responsibilities in enhancing the confidence in the environment of compliance with Shariah provisions and principles at the Bank, by expressing Shariah opinion and Shariah control over the Bank's business in a manner that ensures the protection of the interests of shareholders and all stakeholders. The Committee shall exercise its tasks independently to ensure that it is not exposed to any influence that may hinder it from issuing objective Shariah resolutions when deliberating the issues presented to it and issuing Shariah resolutions regarding the practice of Islamic banking activity in order to achieve the Bank's vision, mission and values that preserve its identity, in accordance with the foundations, principles, and provisions of Shariah. The Committee shall bear responsibility towards all its resolutions related to Shariah issues, according to the following detail:

1.7.4.1 General Responsibilities of the Committee

1.7.4.1.1 Supervising the extent to which the Bank's banking transactions comply with the provisions and principles of Shariah.

1.7.4.1.2 Issuing resolutions regarding the Shariah issues of the Bank's activities to ensure the compliance with the provisions and principles of Shariah and showing the Shariah

ruling in all the Bank's activities, such as products, contracts, agreements, forms, documents, marketing, advertisements, the Bank's subsidiaries, and the like, and entering into partnerships with others, whether inside or outside the Kingdom of Saudi Arabia, and issuing what is necessary in this regard.

1.7.4.1.3 Working on ensuring that the banking products comply with the provisions and principles of Shariah and this is possible, for example, through the following:

1.7.4.1.3.1 Approving or amending the provisions and terms of the forms, contracts, agreements, and other legal documents used in carrying out the operations.

1.7.4.1.3.2 Approving or amending the product manual, marketing advertisements, illustrative booklets, and brochures used in identifying the product.

1.7.4.1.3.3 Ensuring that the policies, regulations, and procedures of the Bank comply with the provisions and principles of Shariah.

1.7.4.1.3.4 Developing Shariah criteria and controls related to the activities and products of the Bank.

1.7.4.1.4 Reviewing and recommending the approval of the Shariah policies.

1.7.4.1.5 Determining the powers and tasks of the secretary.

1.7.4.1.6 Evaluating the Shariah Sector and Shariah compliance, Shariah control and others according to the approved mechanism/form, to ensure compliance with Shariah aspects, and including this evaluation as part of the Committee's tasks within the reports submitted by it related to the evaluation of compliance with the provisions and principles of Shariah.

1.7.4.1.7 Providing assistance and advice upon request from the concerned entities, such as legal affairs, external auditors, advisory bodies, and others regarding Shariah issues related to the operations of the Bank.

1.7.4.1.8 Cooperating with the Compliance and Governance Committee to present the results and recommendations of the periodic review of Shariah governance documents related to the general rules of Shariah governance and the Shariah Committee Regulation, to the Board of Directors for discussion and approval.

1.7.4.1.9 Raising awareness among the Bank's employees, shareholders and other concerned stakeholders about the importance of Shariah governance and Shariah transactions.

1.7.4.1.10 Reviewing the organizational structure of the Shariah Sector in accordance with the provisions regulating this and in accordance with the policy and matrix for exercising and delegating powers and recommending the adoption of the proposed amendments to it.

1.7.4.1.11 Coordinating regarding the appointment of the Chairman of the Shariah Sector by the CEO.

1.7.4.1.12 Informing and making recommendation to the Board about appropriate measures to remedy the situation, if it is proven to the Committee that the Bank has practiced banking activities that do not comply with the provisions and principles of Shariah, and the Committee may then inform the Saudi Central Bank in the event that the Bank does not remedy the banking activities that do not comply with the provisions and principles of Shariah effectively or adequately or has not taken any corrective measures in this regard.

1.7.4.1.13 Preparing and submitting to the Board an annual report about the compliance of the Bank's activity with the provisions and principles of Shariah.

1.7.4.1.14 Developing Shariah controls for determining and calculating the necessary purification amounts and disbursements from the purification account.

1.7.4.1.15 Contributing to the development of banking products that comply with the provisions and principles of Shariah in accordance with the relevant regulatory controls and provisions, starting from the stage of product structuring until the stage of providing it to customers.

1.7.4.1.16 Giving directions to hold scientific meetings on topics related to the Shariah aspect of the Bank's business.

1.7.4.1.17 Shariah auditing of the financial statements of the Bank.

1.7.4.2 Responsibilities related to Shariah Compliance and Control:

1.7.4.2.1 Coordinating with the Audit Committee in determining the objectives of Shariah audit.

1.7.4.2.2 Approving and following up annual Shariah control plan.

1.7.4.2.3 Ensuring that the Shariah compliance reports and the notes of Shariah control/internal audit assist the Committee in identifying issues that require its attention and suggest corrective measures, when needed.

1.7.4.2.4 Approving annual Shariah compliance plan/ program.

1.7.4.2.5 Participating in determining the objectives of the internal Shariah audit plan objectives and branches visits plans in coordination with the Audit Committee.

1.7.4.2.6 Following up on the periodic and annual Shariah compliance reports, ensuring effective correction of any identified gaps, and evaluating the Sector on the basis of them, according to the evaluation mechanism approved for this.

1.7.4.2.7 Reviewing the results and notes of the internal Shariah audit and related reports, giving directions about them, and ensuring effective correction of any identified gaps.

1.7.4.2.8 Reviewing the periodic and annual reports issued by the Shariah Sector and its departments regarding the tasks entrusted to it, and the status of the Shariah compliance of the Bank, including any defects and the measures taken to correct them.

1.7.4.3 Tasks, Responsibilities, and Competences of the Chairman of the Committee:

Without prejudice to the specialties of the Committee, the Chairman of the Committee shall lead the Committee and supervise its work progress and perform its tasks effectively, especially the following:

1.7.4.3.1 Ensuring that the Committee members obtain complete, clear, correct, and non-misleading information on time.

1.7.4.3.2 Verifying that the Committee has discussed all Shariah matters referred to it effectively and on time.

1.7.4.3.3 Encouraging the Committee members to practice their duties effectively.

1.7.4.3.4 Delivering the annual statement that includes the annual report on the Bank's Shariah performance at the General Assembly or its representative, and answering the questions or notes that may be raised by the shareholders regarding the statement in accordance with the Committee's opinion on the subject matter of the question or note.

1.7.4.4 Tasks, Responsibilities, and Duties of the Committee Member:

1.7.4.4.1 Attending the meetings of the Committee and not to be absent without justified excuse after notifying the Chairman of the Committee in advance.

1.7.4.4.2 Being fully aware of his/her duties and responsibilities arising from the membership of the Committee.

1.7.4.4.3 Dedicating sufficient time to carry out his/her responsibilities and to prepare for and participate in the Committee's meetings effectively.

1.7.4.4.4 Enabling the other members of the Committee to express their opinions freely, urging the deliberation of topics and taking the views of specialists from the management and others, when needed.

1.7.4.4.5 Notifying the Board completely and immediately about any interest, whether direct or indirect, in the business and contracts conducted for the Bank, or his/her participation, directly or indirectly, in any business that would compete with the Bank.

1.7.4.4.6 Maintaining the confidentiality of information and not disclosing any secrets that were made available to him/her through his/her membership in the Committee.

1.6.5 Tasks, Responsibilities, and Powers of the Secretary of the Shariah Committee:

1.7.5.1 Calling for the meetings of the Shariah Committee, and preparing meeting schedules.

1.7.5.2 Attending the meetings of the Shariah Committee, recording resolutions and recommendations, preparing drafts of the resolutions of the Committee, documenting the meetings of the Committee, preparing the minutes and keeping them.

1.7.5.3 Notifying the concerned authorities about the resolutions and directives of the Shariah Committee.

1.7.5.4 Working with the Shariah Sector and in coordination with the concerned administrative units in accordance with the directives of the Committee and in a manner that does not conflict with the Bank's policies and procedures, the administrative and financial powers matrix and other relevant Bank documents, especially with regard to the following:

1.7.5.4.1 Issuing directives on a topic for which a previous resolution or direction was issued, unless it is a new product.

1.7.5.4.2 Issuing directives on the amendment that does not affect the legal aspect of the topic.

1.7.5.4.3 Administrative contracts.

1.7.5.4.4 The relevant policies, procedures, documents, laws, and scopes of work that are used within the Bank.

1.7.5.4.5 Contracting with consultants and researchers.

1.7.5.4.6 Issuing directives on all that is entrusted to him/her /assigned to him/her the Shariah Committee.

1.6.6 Meetings of the Committee

The Committee shall hold its meetings on a regular basis as well as whenever needed to enable it to exercise its tasks effectively, and to ensure that the Bank's operations are not affected by the difficulty of obtaining the Committee's resolutions on Shariah issues referred to it. 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, taking into account the following:

1.7.6.1 The number of Committee meetings shall not be less than four and at least one meeting shall be held every three months.

1.7.6.2 In order for the meetings of the Committee to be valid, the presence of the majority of its members is required, and its resolutions shall be issued by the majority of the votes of those present. In case of equal votes, the Chairman of the Committee shall have a casting vote.

1.7.6.3 If the Committee issues a resolution on a topic, it is considered effective from the date of its notification and it is not re-considered unless the elements of the topic that a resolution has been previously issued upon have changed or aspects of it have changed, or if the Committee, by a majority of its members, has an interest in reconsidering it.

1.7.6.4 The average attendance of the members at the meetings of the Committee must not be less than 75% of the number of meetings held during the financial year.

1.6.7 Reports Submission Provisions

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

1.6.8 Remuneration and Compensation of the Chairman and Members of the Committee

1.7.8.1 The remuneration and compensation of the chairman and members of the Committee are subject to the provisions related to the Companies Law and the regulatory controls and procedures issued in implementation of the Companies Law for listed joint

stock companies, and the corporate governance regulation issued by the Capital Market Authority and the memorandum of association of the Bank.

1.7.8.2 The remuneration of the chairman and members of the Committee shall be determined in accordance with the policy and mechanism of remuneration for members of the Board of Directors and its committees, approved by the Board of Directors and the General Assembly and the relevant resolutions. In the event of being absent from attending the meetings of the Committee, an amount will be deducted from the absent member's remuneration set for him/her as chairman or member of the Committee in proportion to the percentage of his/her absence.

1.6.9 Provisions of Amendment to the Regulation

This Regulation shall be updated/ amended/ developed based on a recommendation from the Shariah Committee and the Compliance and Governance Committee to the Board of Directors for approval according to the relevant procedures of the Bank.

1.6.10 General and Final Provisions:

1.7.10.1 The general rules and provisions of the committees of the Board of Directors approved in the governance manual annex, and in a manner that does not conflict with the relevant laws, regulations, rules, instructions, and legal and regulatory controls, apply to the works, meetings, and mechanisms of the Committee in a manner that does not conflict with its provisions and rules.

1.7.10.2 The works of the preparatory committee for the Shariah Board will continue until the next Shariah Committee is re-formed.

1.7.10.3 The provisions of this Regulation came to express the laws, regulations, rules and controls issued by the regulatory authorities, which are binding and in force as soon as they are issued, and in the event of any amendments to them or issuance of new ones, the new developments are complied with on the dates specified for compliance with them.

1.7.10.4 Some of the terms and conditions contained in these Regulation - especially those related to the formation of the Committee and the conditions for its membership - will not enter into force until the date indicated in the margin as the effective date of 01-01-2023 AD, unless the Board of Directors decides an earlier date for that.