

# **The Nomination and Remuneration Committee Charter (Before Amendments)**



# Nomination and Remuneration Committee Charter

**BW PL-003**


**Version 6.0**

**August 24, 2020**

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## 1. Purpose:

This Charter has been prepared to organize the work of the Nomination and Compensation Committee and to enable it to carry out its duties and responsibilities and achieve its objectives in accordance with the authorities delegated to it by the Board of Directors.

## 2. Scope

This Charter covers the work of the Nomination and Compensation Committee, one of the committees of the Board of Directors of Alinma Bank.

## 3. Description

The Charter includes the Committee's role, membership, meetings and minutes, authorities, duties and responsibilities.


## 4. Role

Developing policies related to the nomination of the members of the Board of Directors and the Sharia'h Committee, appraising the performance of the Board and the Sharia'h Committee, checking the list of candidates to the membership of the Board of Directors and the Sharia'h Committee, developing policies of compensation of the Board's members, the Sharia'h Committee and senior executives.

## 5. Membership

5.1 The Committee consists of four (4) Board members, two (2) of them at least should be independent members appointed by the Board as instructed by relevant authorities.

5.2 The Chairman of the Committee shall be appointed by the Board and he is not allowed to head both the Board and the Committee. The Committee's Chairman should be an independent member.

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5.3 The membership term of the Committee shall be three (3) years.

5.4 If, for any reason, the position of any member becomes vacant, the Board shall appoint a replacement to complete the remaining period.

5.5 The Committee shall appoint its Secretary and select him from amongst the Bank's staff.

5.6 Members and Secretary of the Committee shall abide by all obligations of the Board's members with respect to the confidentiality of information and documents to which they have access; and shall not disclose the same in any way to any person or authority unless pursuant to a resolution from the Board or the Committee and within the limits stipulated therein.

## 6. Meetings and Minutes:

6.1 The Committee shall meet upon a request made by its Chairman. In all cases, the Committee's meetings shall not be less than two (2) per year.


6.2 Quorum for the Committee's meeting shall be at least three (3) members, including the Chairman.

6.3 The Committee's resolutions shall be made under majority voting of members attending the meeting. In case of equal votes, the Chairman shall have a casting vote.

6.4 The Committee's proceedings and resolutions shall be written in minutes signed by the Chairman and the Secretary. These minutes shall be written in a special record to be signed by the Chairman and the Secretary. All Board members shall have access to the Committee's minutes and resolutions.

## 7. Authorities:

7.1 As per the authorities approved by the Board.

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## 8. Duties and Responsibilities:

The Committee shall perform the following duties and responsibilities:

8.1 Recommending to the Board of Directors nomination to the membership of the Board, Sharia'h Committee and senior executive positions in accordance with approved policies and standards. No person who had been convicted for an offense or crime involving moral turpitude or honesty shall be nominated to the Board membership.

8.2 Periodic review of appropriate skills required for the membership of the Board of Directors, the Sharia'h Committee whenever required as well as preparing a description for the capabilities and qualifications required for the membership of the Board of Directors, Sharia'h Committee and senior executive positions, including identifying the time to be dedicated for the works of the Board.


8.3 Revising the Board's structure and recommending changes that may be effected.

8.4 Identifying weaknesses and strengths in the Board and recommending ways of remedy in line with the interests of the Bank.

8.5 Verifying, on an annual basis, the independence of the independent members of the Board of Directors and the Sharia'h Committee and the absence of any conflict of interests in case a member occupies membership of another Board of Directors or another Sharia'h Committee, the implementation of the provisions of Conflict of Interest Charter and Related Parties Policy.

8.6 Supervising the designing and activation of the compensation and reward policies for the Bank.

8.7 Developing clear policies on compensation and reward of the members of the Board of Directors, the Sharia'h Committee and senior executives as well as compensation and rewards policies of the Bank using performance-based criteria. Periodically review such policies and evaluate their effectiveness in achieving the desired objectives. Obtaining required approvals from the Board for the foregoing.

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8.8 Revising succession policy and developing special policy with respect to the vacancy of any membership position.

8.9 Recommending to the Board the compensation of the members of the Board, committees, senior executives, and the Bank's staff in accordance with approved policy, assessment of practices pursuant to which compensation will be granted, and actual and potential financial results.

8.10 Revising compliance of the compensation policy with relevant rules, principles and standards (i.e. SAMA rules, FSB Standards & principles).

8.11 Carrying out any other duties related to any regulatory requirements from supervisory and control authorities.

## 9. Implementation:

This Charter shall come into full force and effect as of the date of its approval by the General Assembly. Any amendment should be approved by the authorized person.


## 10. Review and Update:

The Board is the body responsible for reviewing this Charter every 3 years as well as proposing any amendment or update thereto whenever required. Any amendments to this Charter should be approved by the General Assembly of the Bank.

## 11. Definitions and Abbreviations:

The following table explains the terms used herein:


Abbreviation	Description
The Bank	Alinma Bank

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Charter	The Charter of the Nomination and Compensation Committee
Board	Board of Directors of Alinma Bank
Committee	Nomination and Compensation Committee

## 12. Approval Matrix :

Function	Group	Date	Signature
<b>Owner</b>	Nomination and Compensation Committee	01/10/2020	
<b>Reviewers</b>	Internal Audit	25/08/2020	
	Compliance	25/08/2020	
	Risk	25/08/2020	
	Sharia'h	25/08/2020	
	Business Excellence	26/08/2020	
<b>Approvers</b>	Nomination and Compensation Committee	Reviewed, amended and recommended by the Nomination and Compensation Committee under memo No. LK/15/26/2020, dated 26/01/2020.	
	Board of Directors	Approved by the Board of Directors under resolution No. 05/26/2020, dated 27/01/2020	


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	General Assembly	Approved by the General Assembly of the Bank under resolution No. 10/2021, dated 07/04/2021
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### 13. Document Amendments Record:

Change No.	Date	Brief Explanation
Version 1.0	June 23, 2009	Approved by the Board of Directors under resolution No. 03/06/2009, dated June 14, 2009.
Version 2.0	December 02, 2015	Reviewed, amended and recommended by the Nomination and Compensation Committee under memo No. LK/001/016/2020, dated 06/01/2016.  Approved by the Board of Directors under resolution No. 04/42/2016, dated 28/03/2016.
Version 3.0	December 18, 2017	Reviewed, amended and recommended by the Nomination and Compensation Committee under memo No. LK/001/019/2020, dated 18/12/2017.  Approved by the Board of Directors under resolution No. 04/50/2017, dated 26/12/2017.  Approved by the General Assembly of the Bank under resolution No. 08/2018, dated 15/04/2018.



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Version 4.0	January 15, 2019	<p>Reviewed, amended and recommended by the Nomination and Compensation Committee under memo No. LK/07/22, dated 15/01/2019.</p> <p>Approved by the Board of Directors under resolution No. 09/56/2019, dated 28/01/2019.</p>
Version 5.0	January 15, 2020	<p>Reviewed, amended and recommended by the Nomination and Compensation Committee under memo No. LK/10/26/2020, dated 26/01/2020.</p> <p>Approved by the Board of Directors under resolution No. 05/62/2020, dated 27/01/2020.</p> <p>Approved by the General Assembly of the Bank under resolution No. 12/2020, dated 08/04/2020.</p>
Version 6.0	August 24, 2020	<p>Reviewed, amended and recommended by the Nomination and Compensation Committee under memo No. 03/30/2020, dated 17/09/2020.</p> <p>Approved by the Board of Directors under resolution No. 10/68/2020, dated 29/11/2020.</p> <p>Approved by the General Assembly of the Bank under resolution No. 10/2021, dated 07/04/2021.</p>

# **The Nomination and Remuneration Committee Charter (After Amendments)**



# Nomination and Remuneration Committee Charter

**BW CH-003**

**Version 6.0**


*(Date of Approval by the General Assembly)*

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## Article (1) Preamble:

This Charter has been prepared to organize the work of the Nomination and Compensation Committee of Alinma Bank in order to enable it to carry out its duties and responsibilities and achieve its objectives in accordance with the authorities delegated to it by the Board, the provisions of the Articles of Association of the Bank, internal regulations and policies and rules and regulations issued by supervisory authorities.


## Article (2) Purpose:

The purpose of this Charter is to develop the framework related to the formation and functions of the Nomination and Compensation Committee to assist in performing its tasks effectively and efficiently.

## Article (3) Role:

The Committee is formed by the Board of Directors and shall exercise the following authorities delegated to it by the Board in line with applicable rules and regulations:

- 3.1 Developing policies for the nomination and remuneration of the members of the Board of Directors, its committees and senior executives in accordance with relevant instructions of the Saudi Central Bank and the Capital Market Authority.
- 3.2 Overseeing and following up the implementation of rewards and incentives of the Bank's staff in such a manner that guarantees protection of the interests of shareholders, investors and other stakeholders. Additionally, such rewards and incentives should be in line with instructions of regulatory and supervisory authorities.
- 3.3 Supervising the succession plans of the senior leadership management of the Bank.
- 3.4 Managing the appraisal of members of the Board of Directors, its committees and senior executives.

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3.5 Recommending to the Board of Directors the nomination or appointment of the Bank's representatives and independent members in the Boards of Directors of subsidiaries and sister companies in which the Bank has investments in excess of SAR 25 million.

3.6 Approving the nomination or appointment of the Bank's representatives and independent members in the Boards of Directors of subsidiaries and sister companies in which the Bank has investments less than SAR 25 million. The Committee may authorize, within the limits of its powers, the CEO to nominate or appoint the Bank's representatives and independent members in the Boards of Directors of subsidiaries and sister companies.

## Article (4) Membership:


4.1 The Chairman and members of the Committee shall be appointed by the Board of Directors.

4.2 The Committee consists of three to five members and two of them, at least, should be independent members.

4.3 An independent member shall chair the Committee which shall not be chaired by the Chairman of the Board of Directors. The Chairman of the Committee may authorize any member to replace him in the event of his absence.

4.4 The written non-objection of the Saudi Central Bank (SAMA) shall be obtained prior to the nomination of any member of the Committee. SAMA shall also be notified in writing within five (5) business days upon the expiry of the membership of any member.

4.5 The Capital Market Authority (CMA) shall be informed of the names and membership capacities of the Committee's members within five (5) business days from the date of appointment. Likewise, CMA shall be informed of any changes in the Committee's membership within five (5) business days from the date of occurrence of the same.

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4.6 The membership term shall be either three (3) years or up to the end of the Board's term. Membership term of a member in the Committee shall correspond with the member's membership term in the Board.

4.7 Upon the expiry of its term, the Committee shall continue to exercise its tasks until the issuance of a restructuring resolution.

4.8 Members of the Committee may resign by sending a written notice to the Chairman of the Committee and the Chairman of the Board of Directors and such resignation shall be presented to the Board of Directors.


4.9 If a seat of a member of the Committee becomes vacant for any reason, the Board of Directors shall appoint a replacement to complete the remaining period, taking into account the requirements to be met for membership in the Committee. The new member shall complete the term of his predecessor after obtaining official approvals from relevant supervisory authorities.

4.10 Membership of the Committee's member shall expire if he fails to attend more than three (3) consecutive meetings without prior permission from the Chairman or acceptable excuse approved by the majority of attending members.

4.11 The Chairman and members of the Committee shall comply with the principles of truthfulness, honesty, loyalty, and uphold the interests of the Bank and its shareholders, which interests prevail over and above the personal interests of the Chairman and the Committee members.

## **Article (5) Scope of Competencies:**

The competencies of the Committee shall be defined in accordance with the Authority Matrix approved by the Board of Directors and applicable rules and regulations.

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## Article (6) Duties and Responsibilities:

The Committee shall perform, among other things, the following duties and responsibilities in accordance with its competences specified in the Authority Matrix approved by the Board of Directors and applicable rules and regulations:

6.1 Proposing clear policies and standards for membership of the Board, its committees and the appointment of senior executives reporting to the CEO.

6.2 Providing recommendations to the Board for the nomination or re-nomination of its members, committees and the CEO and the appointment of senior executives reporting to the CEO in accordance with approved policies and standards, taking into account that nomination shall not include any person convicted of a crime involving moral turpitude or dishonesty;

6.3 Preparing a description of the capabilities and qualifications required for membership of the Board, its committees and senior executives who are reporting to the CEO as well as developing procedures to be followed if the position of a member of the Board or a Senior Executive becomes vacant.


6.4 Reviewing, on an annual basis or upon need, appropriate skills required for membership of the Board of Directors, its committees and the posts of senior executives.

6.5 Reviewing the structure of the Board and the Executive Management and providing recommendations regarding changes that may be made thereto.

6.6 Defining the strengths and weaknesses in the Board of Directors, its committees and senior executives and recommending remedy actions that serve the interests of the Bank.

6.7 Annually ensuring the independence of Independent Directors and the absence of any conflict of interest if a Director holds a similar position in another company.

6.8 Coordinating with the HC Sector to develop the Succession Policy in the Bank and ensuring compliance with the same by the Executive Management.

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6.9 Recommending external specialized companies to the Board every three (3) years to assess the Board and the contribution of its committees and its effectiveness in meeting its functions. The assessment results shall be submitted to the Board.

6.10 Developing a clear policy on compensations and allowances of the Chairman and members of the Board of Directors, its committees, secretariat and executive management and recommend to the Board the submission of the same to the General Assembly for approval, provided that such policy follows performance-based criteria. These criteria shall be reviewed and disclosed and its implementation shall be ensured.

6.11 Clarifying the relationship between remuneration granted and the existing Remuneration Policy and indicating any substantial deviation from the policy.

6.12 Ensuring that remuneration is consistent with locally prevailing customs and regulatory rules. It shall also be ensured that remuneration is associated with achieving the interests of depositors and shareholders as well as the Bank's long-term strategic objectives. The incentive system shall be periodically reviewed to ensure that it does not encourage participation in high-risk operations to generate short-term profits and that it complies with the Bank's risk policy approved by the Board.


6.13 Providing the Board at the beginning of each year with a timetable setting out the Committee's reports to be presented to the Board during the year.

6.14 If a member of the Committee has any conflict of interest in a topic listed in the meeting's agenda, he shall disclose such conflict of interest before the topic is taken up and discussed, provided that this is recorded in the minutes of the meeting. In this case, the concerned member shall not participate in the discussion of the relevant topic or vote on it, abiding by the policies, standards and procedures related to conflict of interest.

## **Article (7) Competencies and Functions of the Chairman:**

Without prejudice to the competencies of the Nomination and Compensation Committee, the Chairman shall lead the Committee, effectively supervising its workflow and the exercise of its



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competencies in such a manner that guarantees work progress in accordance with the best applicable practices. The competencies and tasks of the Chairman include:

7.1 Ensuring that the Committee's members have timely access to complete, clear and valid information.

7.2 Verifying discussion by the Committee of all key issues in an effective and timely manner.

7.3 Enabling the Committee's members to express their opinions freely and urging the Committee to discuss issues and seek, upon need, the feedback of specialists in the Executive Management of the Bank and other parties.

7.4 Supervising the Committee's meeting plans and preparation, including the approval of agenda and minutes of meetings.

## Article (8) Secretary's Tasks:


The Committee shall appoint a Secretary from among its members or non-members. The Secretary shall not be dismissed unless pursuant to a resolution issued by the Committee. The Secretary's duties include:

8.1 Documenting the Committee meetings and preparing relevant minutes, which include meeting discussions and deliberations, place, date, start and end times of such meetings, recording the Committee's discussions and voting results and archiving them in a special and organized register, recording the names of attendees and any reservations raised (if any), signing such minutes by all attending members;

8.2 Archiving reports submitted to the Committee and the ones prepared by it;

8.3 Following up the process of reporting the Committee's resolutions and instructions to related parties within the Bank and their implementation;

8.4 Providing the Committee's members with the meeting agenda and related worksheets, documents and information and any additional information related to the topics included in the agenda items and requested by any Committee member;

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8.5 Notifying the Committee's members of the dates of meetings five (5) business days before the scheduled date of the meeting,

8.6 Not participating in or voting on any of the Committee's resolutions;

8.7 Presenting draft minutes to the Committee's members for their feedback before finalizing and signing the same;

8.8 Ensuring that the Committee's members receive, fully and promptly, a copy of the minutes of the Committee's meetings as well as information and documents related to the meeting items;

8.9 Making a coordination between the Committee and the Executive Management of the Bank;


8.10 Coordinating the dates of the Committee's meetings at the beginning of the year with the Board's Secretariat prior to their approval by the Committee, and ensuring that such dates correspond with the dates of presentation of topics that require the Board's approval;

8.11 Notifying the Board's Secretariat of the agenda of the Committee's meetings prior to its convening and providing the Secretariat-General of the Board with the records after approval;

8.12 Ensuring the integrity of the Committee's resolutions and their compliance with the approved Authority Matrix and other relevant rules and regulations and coordinating in advance with the Board's Secretariat with respect to the Committee's resolutions to be approved by the Board of Directors;

8.13 Providing assistance and advice to the Committee's members upon request or need; and

8.14 Ensuring the sound documentation of the Committee's mee

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## Article (9) Meetings:

9.1 The Committee shall hold regular meetings in order to exercise its tasks effectively. The Committee shall meet at least twice a year or as requested by the Chairman.

9.2 At the beginning of the year, the Committee shall approve its meeting agenda for the year.

9.3 No Committee member shall authorize another member to vote or attend the meeting of the Committee on behalf of him.

9.4 The meeting invitation shall be sent to each member within no less than five (5) days prior to the date of the meeting accompanied by agenda and necessary documents and information. In the event of convening an emergency meeting, the invitation, agenda and necessary documents and information may be sent within a period of less than five (5) days.


9.5 The Committee shall approve its agenda upon the convening of the relevant meeting. If any member raises an objection thereto, such objection shall be recorded in the minutes of meeting. Every member may suggest the inclusion of any item in the agenda.

9.6 The meeting of the Committee shall not be valid unless attended by at least half of its members in person or by means or tools available via modern technology, i.e., virtual meeting platforms, et cetera, provided that the Chairman of the Committee or his delegate is among attendees.

9.7 As determined by the Chairman, specialists from within the Bank or outside the Bank may be invited to attend the Committee's meeting without the right to vote on its resolutions or in any part thereof.

9.8 The Committee shall have the right to access all necessary information, resources, documents and records to enable it to conduct its tasks, competencies and responsibilities in the best way.

9.9 While conducting their duties and responsibilities, the Committee's members and the Secretary, even after the expiry of their membership, shall maintain the confidentiality of their activities and the documents they have access to. They shall exercise their duties

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in a manner that guarantees the interest of the Bank. They shall also maintain the confidentiality of commercial information they have had access to while performing their duties and shall not disclose them to shareholders or to any natural or legal person. In the event of any breach of such confidentiality or disclosure of any of the foregoing information, the erring member shall be dismissed outright and be held liable for any subsequent financial damages resulting from such breach or disclosure.


## Article (10) Resolutions and Minutes of Meetings:

10.1 The Committee's resolutions shall be issued and take effect upon approval by the majority votes of attendees. In the event of a tie, the Chairman shall have a casting vote to break such tie.

10.2 If there is a situation that calls for urgent issuance of a resolution by the Committee, the Committee shall take such resolution by circulation, sending the resolution in writing, along with relevant documents, to the members of the Committee for approval. The approval of any of the Committee's circulated resolution by the majority of its members shall be done within five (5) business days. Such resolution shall be presented in the next meeting and included in the minutes of meeting for approval. Circulated resolutions shall be deemed effective if approved by the majority of the Committee's members. Any member may request, upon need, a meeting to discuss the subject in question.

10.3 Any Committee member may raise an objection to any resolution taken by the Committee, provided that such objection and reasons are documented in the minutes of the meeting.

10.4 The minutes and resolutions of the Committee's meetings shall be carefully prepared by the Secretary in coordination with the Chairman, making sure that the data and information contained therein are correct and complete. The Committee resolutions shall be included in the minutes of meeting. The draft minutes shall be sent to members for review. The minutes shall become final and the resolutions shall come into full force and effect if no amendments or notes are received from the members within five (5) business

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days from their receipt thereof. The final minutes shall be circulated in the next meeting for sign-off.

## Article (11) Remuneration:

The Chairman, members and Secretary of the Audit Committee shall be paid remuneration and allowances as stipulated in the Remuneration and Allowance Policy for the members of the Board and its committees, Secretariat and the Executive Management as approved by the General Assembly of the Bank and in line with the regulations and instructions of supervisory authorities. Details of such payment shall be indicated in the Directors' Report.

## Article (12) The Board Oversight Mechanism over the Committee:

12.1 The Committee shall periodically provide the Board with a summary of the items presented at its meeting and resolutions adopted and shall make the minutes of meetings available to all members.


12.2 The Chairman of the Committee shall notify the Board of any material issue at or before the next meeting of the Board, or upon request.

12.3 Following coordination between the Secretary and the Corporate Governance Management, the Chairman shall submit the following reports to the Board annually:

12.3.1 A report detailing the remuneration and compensation paid to members of the Board and its committees with details required under the regulations of SAMA and CMA.

12.3.2 A report on the results of the annual evaluation of the Board and its committees, along with necessary recommendations, if any.

12.3.3 A report on information covering recruitment, resignation, termination and remuneration of the executive management.

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## Article (13) Implementation:

This Charter shall be deemed effective as of the date of its approval by the General Assembly.

## Article (14) Review and Update:

This Charter shall be amended and updated by the Corporate Governance Management and reviewed by the Audit Committee. The Board of Directors may recommend the approval of this Charter by the General Assembly every three (3) years, or whenever required.


## Article (15) Definitions and Abbreviations:

The following table explains the terms used herein:

Abbreviation	Description
The Bank	Alinma Bank
Charter	The Charter of the Nomination and Compensation Committee
Board	Board of Directors of Alinma Bank
Committee	Nomination and Compensation Committee

## Article (16) Approval Matrix:


Function	Group	Date	Signature
Owner	Nomination and Compensation Committee	Reviewed and recommended by the Nomination and Compensation Committee under	

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		Memorandum No. LK/07/40/2021, dated 09/12/2021.
<b>Approvers</b>	Board of Directors	Recommended by the Board of Directors under resolution No. 06/75/2021, dated 23/12/2021.
	General Assembly	Approved by the General Assembly under resolution No. ...., dated ....

## Document Amendments Record

Change No.	Date	Brief Explanation
Version 1.0	June 23, 2009	Approved by the Board of Directors under resolution No. 03/06/2009, dated June 14, 2009.
Version 2.0	December 02, 2015	Reviewed, amended and recommended by the Nomination and Compensation Committee under memorandum No. LK/001-016, dated 06/01/2016.  Approved by the Board of Directors under resolution No. 04/42/2016, dated 28/03/2016.
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Document No.	BW PL-003	Document Name				Nomination and Remuneration Committee Charter

		Approved by the General Assembly under resolution No. 08/2018, dated 15/04/2018.
Version 4.0	January 15, 2019	<p>Reviewed, amended and recommended by the Nomination and Compensation Committee under memorandum No. LK/07/22, dated 15/01/2019.</p> <p>Approved by the Board of Directors under resolution No. 09/56/2019, dated 28/01/2019.</p>
Version 5.0	January 15, 2020	<p>Reviewed, amended and recommended by the Nomination and Compensation Committee under memorandum No. LK/10/26/2020, dated 17/09/2020.</p> <p>Approved by the Board of Directors under resolution No. 10/68/2020, dated 29/11/2020.</p> <p>Approved by the General Assembly under resolution No. 10/2021, dated 07/04/2021.</p>
Version 6.0	December 23, 2021	<p>Amended by the Corporate Governance Management, reviewed and recommended by the Nomination and Compensation Committee under memorandum No. LK/07/40/2021, dated 09/12/2021.</p> <p>Recommended by the Board of Directors under resolution No. 06/75/2021, dated 23/12/2021.</p> <p>Approved by the General Assembly under resolution No. ..., dated ....</p>