

Board of Directors and Committees Membership Criteria Policy



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Board of Directors and Committees Membership Criteria Policy



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Introduction

The principles of good governance require every company to strive for its board members to be qualified to carry out the work and responsibilities assigned to them, and for board members, individually and collectively, to have the necessary ability and skills to enable them to exercise sound judgment when issuing decisions.

The texts of the Saudi Companies Law, the Executive Regulations, and the Corporate Governance Regulations issued by the Capital Market Authority include a number of general requirements that must be met when the company nominates, selects, and appoints members of its boards of directors.

It also included the main principles of governance and the rules for applying the provisions of the Banking Control Law, as well as the requirements for appointment in leadership positions in financial institutions issued by the Central Bank of Saudi Arabia (SAMA) and the instructions issued by it, and the justifications that obligated banks operating in the Kingdom of Saudi Arabia to ensure that candidates for membership in banks' boards of directors possess the appropriate technical, practical and administrative skills and financial experience that enable them to fulfill the tasks and responsibilities entrusted to them.

The supervisory requirements issued by the supervisory authorities stipulate that a general policy must be enacted that specifies the criteria and justifications for membership, selection, and appointment of members of the company/bank's board of directors.

In line with these supervisory requirements, the preparation of this policy and procedural standards was prepared and approved by the Board of Directors of Bank AlJazira on Safar 3, 1444 AH, corresponding to August 30, 2022 AD, and was also approved by the General Assembly, which was held on Ramadan 21, 1444 AH, corresponding to April 12, 2023 AD, and it will be implemented after its approval. To be a general guide to the Nominations and Remuneration Committee and the Bank's Board of Directors in determining the criteria for selecting members nominated for membership of the Board of Directors, including executive and non-executive members of the committees emanating from it, and the Sharia Committee.

The goal of the policy

The aim of preparing this policy is to provide rules and guidelines within the bank to ensure the implementation of the requirements for appointment in the bank's board of directors or in its Board committees.

Review and amendment to the policy

This document is reviewed and updated periodically or whenever necessary, up to a maximum of every three years. The process of updating and amending this document is entrusted to the Governance Department, provided that it is approved by the Bank's Policies and Programs Review Committee. Accordingly, it will be circulated to the concerned departments and this document will be effective from the date of its approval.

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Section One: Definitions

The words and phrases mentioned in this policy have the meanings given to them unless the context requires otherwise:

Company: Bank AlJazira.

Board of Directors: The Board of Directors of Bank AlJazira, with all its members representing the major and independent shareholders.

Board of Directors Committees: These are the sub-committees emanating from the Bank's Board of Directors, which are formed and the rules and method of their work and the selection of their members are determined by decisions of the Board or the General Assembly. Members from inside and outside the Board participate in their membership, to cooperate in performing its tasks and work, and the scopes of the work of these committees are determined in accordance with the rules and regulations. The Bank's Board of Directors has formed the following subcommittees:

- Executive Committee
- Board Risk Committee
- Audit Committee
- Nominations and Remuneration Committee
- Sustainability and Social Responsibility Committee

Sharia Committee: A specialized committee carrying out the tasks of supervising compliance with the provisions and principles of Sharia and their applications in the bank.

Member of the Board of Directors: The natural person who has been elected and chosen by the general assembly of the bank, or has been appointed, to participate with other members of the board in managing the bank's business, whether his membership classification is (executive board member, non-executive board member, or independent board member).

Major Shareholders: Natural or legal persons who control, directly or indirectly, alone or jointly with others, five percent or more of the bank's shares.

Executive Board Member: A member of the bank's board of directors who is a member of the executive management, participates in the daily management of the bank's various businesses, and receives a monthly salary in return.

Non-Executive Board Member: A member of the bank's board of directors who provides opinion and technical advice and does not participate in any way in managing the bank and following up on its daily work, and does not receive a monthly or annual salary from the bank in return.

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Independent board member: A member of the bank's board of directors who enjoys complete independence from management and the bank, and is able to carry out his duties, express his opinions, and vote objectively and impartially. Independence means having the ability to judge matters after taking into account all relevant information without any influence from the bank's management or any other external party, and who shall not be subject to the following factors affecting independence:

- A. if he holds 5% or more of the shares of the financial institution or any other company within its group, or is a relative of a person who owns such percentage;
- B. if he is a representative of a legal person that holds 5% or more of the shares of the financial institution or any company within its group;
- C. if he is a relative of any member or senior executive of the financial institution, or any other company within its group;
- D. if he is a member of any company within the group of the financial institution for which he is nominated to be a member;
- E. if he works or used to work, within the preceding two years, for the financial institution, for any party dealing therewith, or for any company within its group, such as external auditors and main suppliers; or if he, within the preceding two years, held controlling interests in any such parties;
- F. if he has a direct or indirect interest in the businesses and contracts executed for the benefit of the financial institution;
- G. if he receives financial consideration from the financial institution in addition to the remuneration for his membership of the Board or of any of its committees that exceeds an amount of SAR 200,000 or 50% of his remuneration of the last year for his membership of the Board or any of its committees, whichever is less;
- H. if he engages in a business where he competes with the main business activity of the financial institution, or if he conducts business in any of the activities practiced by the financial institution;
- I. if he served for more than nine years, consecutive or inconsecutive, as a member of the financial institution.
- J. If he has a credit relationship, in his name or in the name of any of his relatives, with the financial institution that exceeds SAR 1,000,000.
- K. Regarding the independent audit committee members, none of them must have a credit relationship with the bank in his name or the name of any of his relatives, or in any capacity with the bank or the members of its board of directors or its executive employees.

Committee member from outside the Board: He is the natural person who is chosen in any of the Board's committees or independent committees to benefit from his scientific and practical expertise for the benefit of the Bank, and he enjoys complete independence.

Relatives:

- Fathers, mothers, grandfathers and grandmothers and their ancestors.
- children and grandchildren and their descendants.
- Siblings, maternal and paternal half-siblings.
- Husbands and wives

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Senior Management (Bank Management): Includes the Managing Director or the CEO, the General Manager and their deputies, the Financial Director, the directors of the main departments, those responsible for the functions of risk management, internal audit and compliance, and the like, and the occupants of any other positions determined by the Central Bank of Saudi Arabia (SAMA).

Powers and responsibilities of board members: The powers stipulated in the Corporate Governance Principles issued by the Central Bank of Saudi Arabia (SAMA) and the Capital Market Authority, which specify the general responsibilities that a member of the bank's board of directors must fulfill.

Corporate Governance: Rules to lead and guide the Bank that includes mechanisms to regulate the various relationships between the Board, Executive Directors, shareholders and Stakeholders, by establishing rules and procedures to facilitate the decision-making process and add transparency and credibility to it with the objective of protecting the rights of shareholders and Stakeholders and achieving fairness, competitiveness and transparency on the Exchange and the business environment.

Corporate Governance Regulations: It is a document of principles and regulations issued by the Saudi Central Bank (SAMA) and the Capital Market Authority, and it addresses the frameworks of governance principles for companies and banks listed on the Saudi financial market. It includes defining aspects of shareholders' rights, disclosure requirements, composition of boards of directors and their responsibilities, board committees, and aspects of handling conflict of interest.

Requirements for appointment of leadership positions in financial institutions issued by the Central Bank of Saudi Arabia (SAMA): The requirements included in the circulars issued by the Central Bank of Saudi Arabia (SAMA), which include the requirements and justifications necessary when selecting and appointing members of the Board of Directors, committee members, and senior executives in banks operating in the Kingdom after completing their Fit & proper assessment.

Sharia Governance Framework for Banks Operating in the Kingdom: Which was issued by the Central Bank of Saudi Arabia (SAMA) for the purpose of implementing the requirements of effective Sharia governance for banks to ensure that Islamic banking transactions in the Kingdom are compatible with the provisions and principles of Sharia.

Companies Law: The Companies Law issued by Royal Decree No. (M/132) dated 1/12/1443 AH.

Capital Market Law: The Capital Market Law issued by Royal Decree No. (M/30) dated 2/6/1424 AH.

Bank AlJazira Governance Manual: This is the document that includes the bank's policy in keeping with the requirements of good governance, which was initially approved by the bank's Board of Directors in June 2019 and is amended and updated from time to time to comply with supervisory directives.

Succession policy: succession means the process of planning to fill a potentially vacant position, and it is a way of ensuring continued effectiveness of performance through continuity of leadership.

The process of replacing a member of the Board of Directors or board committees relates to planning to fill a potential position by replacing the member after identifying the potential person who is ready to take on this role and who has personal attributes, leadership skills, and readiness.

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Disclosure: It is the process related to displaying all necessary information about the company that is of interest to stakeholders and the investment community, and making it accessible to those parties in a timely and fair manner, so that they can make appropriate decisions based on correct and accurate information.

Disclosure Policy: It is the written policy approved by the bank's Board of Directors in line with supervisory requirements to regulate the process and mechanisms for disclosing financial and non-financial information to the investment community.

The investment community: They are the shareholders who are current investors in the bank, whether they are institutions or individuals, in addition to potential investors.

Shareholders' Assembly: An assembly consisting of the shareholders in the Company formed in accordance with the provisions of the Companies Law and the Company's bylaws.

Stakeholders: Any person who has an interest in the Company, including employees, creditors, customers, suppliers and the community.

Remunerations: amounts, allowances, dividends and the like, periodic or annual bonuses linked to performance, long or short-term incentive plans and any other in-kind benefits except the actual reasonable expenses and fees incurred by the Company to enable the Board member to perform his duties.

Cumulative voting: It is a method and method of voting for choosing members of the Board of Directors, whereby each shareholder is granted voting power by the number of shares he owns, enabling him to vote them for one candidate or divide them among the candidates he chooses without any repetition of these votes.

Related parties:

- Major shareholders of the bank.
- Members of the bank's board of directors or any of its subsidiaries and their relatives.
- Senior executives at the bank or any of its subsidiaries and their relatives.
- Members of the bank's Sharia committee or their relatives.
- Members of the Board of Directors and senior executives of the bank's major shareholders.
- Establishments - other than companies - owned by a member of the Board of Directors, members of the Sharia Committee, a senior executive, or their relatives.
- Companies in which any of the members of the Board of Directors, members of the Sharia Committee, senior executives, or their relatives are partners.
- Companies in which any of the members of the Board of Directors, members of the Sharia Committee, senior executives, or their relatives are members of its board of directors or senior executives.

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- Joint stock companies in which any member of the Board of Directors, members of the Sharia Committee, senior executives or their relatives own 5% or more.
- Companies in which any member of the Board of Directors, members of the Sharia Committee, senior executives, or their relatives has influence in their decisions, even by providing advice or guidance.
- Any person whose advice and guidance influences the decisions of the company, its board members and senior executives.
- Bank holding or subsidiary companies.

Purpose of the policy

The purpose of preparing this policy is to serve as procedural rules and a guide that specifies the general and specific criteria for selecting and appointing executive and non-executive candidates for membership in the Board of Directors of Bank AlJazira, as well as members of the Board Committees or from outside it or the Sharia Committee who should have appropriate knowledge, skills and experience. In a way that contributes to the effectiveness of the Board's work, and provides appropriate leadership that contributes to the success of the bank and its business

As a general principle, it must be taken into account that the members of the bank's Board of Directors or its sub-committees and the Sharia Committee are qualified to carry out the work assigned to them, they have a clear understanding of the role required of them, and that they have the ability to exercise sound judgment and objectivity in all of the bank's affairs, business and activities.

In order to achieve the elements of integration in building and forming the bank's Board of Directors, its sub-committees, and the Sharia Committee, and their effectiveness in performing their tasks, the members of the Board and its sub-committees, and the Sharia Committee, collectively and individually, should have professional, administrative, and practical skills, appropriate financial experience, and distinguished personal qualities.

As a main requirement, it must be considered that every member of the bank's Board of Directors, members of its sub-committees, and the Sharia Committee are persons with a distinguished reputation, honesty, integrity, high competence and the ability to bear responsibility, and that the members possess the qualities of influential leadership and role models, and that the members are capable of doing so to supervise, follow up and direct the bank's affairs to achieve its strategic objectives, and they must be familiar with and adhere to all applicable rules and regulations and instructions issued by the Central Bank of Saudi Arabia (SAMA).

Specialization of the Nominations and Remuneration Committee.

In accordance with what is stipulated in the supervisory rules and regulations and the charters approved by the Bank's Board of Directors and the General Assembly, the Nominations and Remuneration Committee emanating from the Bank's Board of Directors is responsible for the task of evaluating suitability and recommending to the Board of Directors the names of candidates to fill membership in the Board of Directors and Board committees in accordance with this policy and the regulatory rules issued by the supervisory authorities in this regard.

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In accordance with what is stipulated in the NRC Charter, the Nominations and Remuneration Committee was entrusted with conducting an annual review of the needs and skills required for membership of the Board of Directors and Board members of the Board sub-committees and the Sharia Committee, and preparing a description of the capabilities and qualifications, including determining the time that a member of the Board of Directors allocates to the work of the Board and the committees. The NRC was also tasked of reviewing the structure of the Board of Directors, its sub-committees, and the Sharia Committee and submitting recommendations to the Board, in addition to identifying the weaknesses and strengths of the Board of Directors and submitting the necessary proposals to address them, to achieve the bank's public and private interests.

Section Two: Procedural standards for selecting and appointing members of the Board of Directors

The bank's Board of Directors

According to what is stipulated in the Bank's bylaws, the Board of Directors of Bank AlJazira consists of (9) members who assume the duties of managing the bank for a period not exceeding (3) years. They are selected, elected and appointed by the general assembly of the bank according to the cumulative voting method.

The Board shall choose a non-executive member Chairman of the Board. It is preferable that the Chairman of the Board be an independent member, and another member as his deputy from among its members. The Board may appoint a managing director in accordance with what is stipulated in the bank's bylaws.

The committees emanating from the Board of Directors are formed in accordance with what is included in the Bank's bylaws and the bank's governance manual, which include the Executive Committee, the Audit Committee, the Nominations and Remuneration Committee, the Board Risk Committee, and the Sustainability and Social Responsibility Committee. According to the Bank's Board Charter, the Board may form other independent committees that are organizationally affiliated with it.

These committees are composed of members from the Board of Directors and members from outside the Board, and their formation and scope of work take into account the supervisory requirements contained in this policy, as well as the rules and regulations issued by the supervisory authorities and the charters of these committees.

Nomination for membership

The Nominations and Remuneration Committee is responsible for evaluating and recommending to the Board of Directors the names of candidates for membership in the Board of Directors and the Board committees emanating from it.

Any person who wishes to be nominated for membership in the Bank's Board of Directors or its sub-committees must provide the Nominations and Remuneration Committee through the Board Secretariat with the nomination forms approved by each of the following authorities:

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Central Bank of Saudi Arabia (SAMA): The necessary data is filled out and the designated Fit & Proper form is signed.

Capital Market Authority: A form designated for the CV of a candidate for membership in the Board of Directors of a joint stock company listed on the Saudi Stock Market is filled out and signed.

The Bank's Board Secretariat, under the supervision of the Nominations and Remuneration Committee, must ensure that the above forms are provided to anyone who wishes to nominate during the nomination period through the available channels and ensure that nomination applications are complete and include the statutory justifications, taking into account the following requirements:

- Nomination forms must be completed and signed by the candidate for membership personally, and the Board Secretariat must provide these forms and make them available to candidates through several channels, such as, the bank's website and the Tadawul website.
- The candidate must attach to the nomination application a clear copy of his personal and family ID (national ID card, family card, residence card, passport).
- The candidate must attach a statement of his CV, qualifications and experience in the banking field (if any), which must be delivered to the bank sufficiently before the general assembly meeting in accordance with what the bank specifies in its announcements.
- If the candidate has previously served as a member of the board of directors of a joint stock company, he must attach a statement that includes details of the names of the joint stock companies on whose boards he was a member of, and the dates of his membership.
- If the candidate has previously been a member of the Board of Directors of Bank AlJazira, he must submit a statement from the bank's management for his last term, which must include the following information:
 - Number of Board of Directors meetings held during his years of membership.
 - The number of meetings that the member attended in person, and his attendance percentage for all meetings.
 - The committees in which the member was a member of, the number of meetings held by each committee, and his attendance rate at those meetings.
 - A summary of the financial results achieved by the company during each year of his membership.

It must be considered that the number of candidates for the Board of Directors whose names are presented to the General Assembly exceeds the number of available seats, so that the General Assembly has the opportunity to choose from among the candidates.

When there are not a sufficient number of candidates, the Board of Directors may seek the services of an independent, specialized external party to identify additional candidates for Board of Directors membership.

The bank publishes the candidates' information for membership in the Board of Directors or its sub-committees on Tadawul or on the Bank's website when publishing an invitation to hold a general assembly meeting, and this must include a description of the candidates' experiences, qualifications and expertise.

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Qualifications of the Board of Directors and members of the Board Committees

As a main and general principle, every candidate for membership in the Bank's Board of Directors and its sub-committees should have a sufficient level of education, skill, experience, knowledge, and a continuous desire to learn.

The Nominations and Remuneration Committee must consider the candidate's qualifications and evaluate aspects of his ability to lead and exercise independent judgment, in addition to his knowledge of accounting and financial aspects, to determine his readiness to fulfill his duties if he is selected. In addition, the bank must consult and inform the Central Bank of Saudi Arabia (SAMA) and obtain its non-objection before nominating, appointing, and terminating the membership of any member of the Board of Directors or any senior executive.

The candidate must have the following criteria:

- **Leadership:** It must be considered that the candidate has a leadership personality capable of granting powers, motivating employees and encouraging them to apply the best practices for effective management.
- **Independence:** The ability of the candidate for membership to make decisions objectively and impartially without any influence from any party.
- **Competency:** The level of education and training and the availability of skills and experience in the financial, accounting and administrative aspects, which must not be less than (5) years in various fields, including the financial institutions and banks.
- **Ability to guide:** This relates to the candidate's ability for strategic direction, long-term planning, and a clear future vision.
- **Financial knowledge:** This includes the ability to read and understand financial data and reports, and estimate ratios related to measuring performance levels.
- **Age:** The candidate must be healthy and able to carry out his duties and responsibilities.

As for the members of the Sharia Committee, they must have appropriate Sharia and financial knowledge in addition to the ability to read and understand financial statements and reports.

Evaluation and selection

The Nominations and Remuneration Committee should receive and evaluate the CVs of the candidates for membership in the Board and its sub-committees, and disclose these CVs to the public upon election, in a way that enables shareholders to judge the efficiency and sufficiency of the candidates for Board membership.

Among the committee's responsibilities when studying submitted candidacy applications, the committee may interview the candidates and evaluate their qualifications and skills, and for this, the committee may create a record containing information about the candidates based on their qualifications and skills.

The committee submits its recommendations to the Board of Directors regarding the candidates nominated for membership, after completing the Fit & Proper evaluation process and after obtaining the necessary approvals.

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General Requirements

When examining nomination documents and interviewing candidates, the Nominations and Remuneration Committee must consider compliance with the general requirements that relate to each candidate, which are as follows:

- Not to accept the nomination of any person who has previously been convicted by a judicial ruling or a crime against honor or trust, or who has declared bankruptcy or the bankruptcy of any facility he owns or participates in inside or outside the Kingdom.
- Not to accept the nomination of any person who held a leadership position or membership in the board of directors of any financial, insurance or banking institution that has been liquidated, declared bankruptcy, or suffered any damage to its reputation as a result of legal or regulatory violations.
- Not to accept any nomination from any person who has been removed or dismissed from the membership of any financial, insurance or banking institution or whose services have been terminated for regulatory reasons.
- Not to accept the nomination of any person who simultaneously holds a membership in the board of directors of a bank licensed in the Kingdom.
- Not to accept the nomination of any candidate who is a member at the same time on the boards of directors of five companies listed on the Saudi Stock Exchange. A member may not hold membership in the board of directors of more than five listed joint stock companies at the same time. In the event of a conflict of interest, the conflict of interest policy applied on the candidate.
- The candidate must have comprehensive knowledge and understanding of the local and international economic and political aspects.
- The candidate must have an acceptable reputation and must not have previously ruled on any cases related to honor and honesty.
- The candidate must have the desire to accept his responsibilities as a member of the Board of Directors and be committed to his duties towards the Board of Directors.
- The candidate must have an academic degree not less than a bachelor's degree.

In line with the Corporate Governance manual, anyone who wishes to nominate himself for membership in the Board of Directors must disclose to the Board and the General Assembly any cases of conflict of interest - in accordance with the procedures established by the authorities, which include:

- Having a direct or indirect interest in the business and contracts carried out on behalf of the bank that wishes to run for its board of directors.
- Participating in work that would compete with the bank, or any of its activities.

Requirements related to the formation of the Council and its committees

When the Nominations and Remuneration Committee evaluates the structure and composition of the Board and its committees, it should consider the necessary supervisory requirements stipulated in the Corporate Governance Regulations issued by the Capital Market Authority and Principles of Governance for banks issued by the Central Bank of Saudi Arabia (SAMA), which include:

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- **Requirements related to the bank's board of directors:**

When considering candidates, the Nominations and Remuneration Committee should consider balancing the following requirements:

- The majority of the Board members shall be non-executive and independent members.
- The number of independent members should not be less than two or one-third, whichever is greater, and given that the Board of Directors of Bank AlJazira consists of nine members, the number of independent members should not be less than (3) members at any time, taking into account the limits and scope of the independence parameters as stipulated Included in the supervisory rules.
- The number of executive members on the Board of Directors should not exceed two.
- The Chairman of the Bank's Board of Directors and his deputy must be non-executive members (the approval of the Central Bank of Saudi Arabia (SAMA) must be obtained for their appointment).
- Independence and separation of the positions of Chairman and Deputy Chairman of the Board of Directors from the CEO (Managing Director) of the bank.
- The Board should generally have diversity in terms of qualifications, knowledge, experience and skills in the various areas of the bank's business.
- Each member must have an appropriate level of qualifications, knowledge, experience, skill and integrity to carry out his role and responsibilities effectively.
- The member of the bank's board of directors must not be a member of the board of directors of another bank licensed in the Kingdom or one of the committees emanating from it, or hold a leadership position in any of them.

- **Requirements related to the audit committee:**

In line with the regulatory requirements issued by the Central Bank of Saudi Arabia (SAMA), as well as the Corporate Governance Regulations regarding the formation of the audit committee, or any other supervisory directives, the following requirements should be taken into account:

- The committee must be composed of at least (3) members and no more than five, all of whom are independent members.
- The audit committee shall be chaired by an independent member of the Board.
- The Chairman of the Bank's Board of Directors should not be Chairman of the Committee.
- The majority of the committee members must be from outside the Board.
- None of the members have a credit relationship with the bank in his name or in the name of any of his relatives, or in any capacity with the bank or the members of its board of directors or its executive management.
- At least two members of the committee, including the committee chairman, must have recent and relevant experience in one or more areas of financial and accounting matters, risk management, and accounting standards.

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- The membership of the committee members shall not continue for a period exceeding (3) years, and its members may be extended for a maximum of two more terms.
- Consider not appointing any of the bank's executive employees, clients, or current advisors as members of the committee.
- The committee member must not also be a member of the board of directors or audit committee of any other bank licensed to operate in the Kingdom of Saudi Arabia.
- The member of the Board of Directors nominated for committee membership must be independent.
- The member must not serve simultaneously on audit committees for more than four public companies.
- The committee member must not be a member of the board of directors, managers, employees, consultants, employees, or representatives of any party related to the bank, including, but not limited to, the following:
 - Major shareholders.
 - External auditors.
 - Suppliers.
 - Bank customers.
 - Legal persons who have a financial and commercial relationship or first-degree kinship with the bank's board of directors or the bank's executive employees.

- **Requirements related to the Nominations and Remuneration Committee:**

The supervisory requirements included in the Banks remuneration rules and the principles of governance issued by the Central Bank of Saudi Arabia (SAMA), as well as what is stipulated in the Corporate Governance Regulations in the Kingdom of Saudi Arabia issued by the Capital Market Authority regarding the formation of the Nominations and Remuneration Committee, or any other supervisory directives, are considered, according to the following:

- The committee shall be formed of at least (3) members, provided that among the appointed members there are two independent members.
- Committee members must be non-executives.
- The chairman of the committee must be an independent member, taking into account the limits of independence included in the compensation regulations issued by the Central Bank of Saudi Arabia (SAMA).
- The Chairman of the Bank's Board of Directors should not be Chairman of the Committee.

- **Requirements related to the Executive Committee:**

The requirements stipulated in the bank's bylaws, as well as the principles of governance issued by the Central Bank of Saudi Arabia (SAMA), must be considered including:

- The composition of the committee shall not exceed (5) members.

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- The committee members must have experiences and skills in financial aspects and the Bank's scope of work.
- Committee members must be members of the Board.
- **Requirements related to the risk committee:**

General requirements should be considered, including:

- The committee shall be formed of at least (3) members, headed by a non-executive member.
- The members of the committee shall be from among the non-executive members of the Board, and members may be chosen from outside the Board.
- **Standards related to the Sharia Committee:**

The requirements stipulated in the directives of the Central Bank of Saudi Arabia (SAMA) regarding the "Sharia Governance Framework" should be considered, including:

- The committee shall be formed from a number of members in proportion to the size and nature of the bank's activity, provided that it shall be between (3) to (5) members.
- The appointment of committee members shall be considered by a decision of the Board based on the recommendation of the Nominations and Remuneration Committee.
- The committee shall be headed by an independent member, and the number of independents shall not be less than two-thirds, considering the limits of independence included in the supervisory authorities.
- The committee member must have appropriate sharia knowledge and have appropriate knowledge of financial transactions.
- It is permissible for one of the members of the Sharia Committee to be a non-jurist, provided that he is a specialist in the field of Islamic financial institutions and has knowledge of the jurisprudence of Islamic transactions.
- In order to ensure focus and avoid any conflict of interest, the committee member must not be one of the bank's directors, an influential shareholder, or have an influential interest in the bank, and the committee member must not also work in a Sharia committee of another bank operating in the Kingdom.
- **Special requirements for membership in the Board**

When evaluating the applications of candidates for Board membership, the Nominations and Remuneration Committee must take into account the following conditions:

- The candidate must have the necessary skills, knowledge and experience to contribute to achieving the bank's strategic objectives.
- The candidate must have the appropriate skills, knowledge and experience in the banking field, served as a Board member or as a sub-committee member, professional financial and accounting skills, and the ability to understand and implement strategies.

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- The candidate must have the appropriate personal traits such as leadership ability, independence, self-initiative, competence, and ability to guide.
- The candidate must have continuous desire for learning and self-development.
- The candidate must be medically fit, with no health impediments that hinder the candidate for membership from exercising his responsibilities as a member of the bank's board of directors.
- The candidate must be among the owners of the bank's shares in his personal or representative capacity as a legal entity.

Approval of the Central Bank of Saudi Arabia (SAMA) and notification of supervisory authorities

A written non-objection from the Central Bank must be obtained before nominating any member of the Board and its sub-committees, or appointing any of the senior executives, in accordance with the relevant instructions of the Central Bank. The Central Bank must also be notified in writing when accepting the resignation/terminating any employee holding a leadership positions, or the expiration of the membership of any member of the Board and its sub-committees, or the absence of independence of the independent member, within five working days.

The candidate for membership in the bank's Board of Directors or subcommittees and the Sharia Committee must obtain a non-objection from the Central Bank of Saudi Arabia (SAMA) for his selection before presenting his candidacy to the bank's general assembly or appointing him.

The Board Secretariat, under the guidance of the Nominations and Remuneration Committee and the Board, shall provide sufficient time before holding the general assembly meeting of the bank designated for selecting and electing members of the Board of Directors for a new period, or during the Board period in the event that any membership position becomes vacant, to provide each of the following:

- **Central Bank of Saudi Arabia (SAMA):** The Fit & Proper form, which includes a questionnaire and confirmations of each candidate's application, in addition to the results of the Fit and Proper assessment for each candidate.
- **Capital Market Authority:** CV form for the candidate for membership in the Board of Directors of a joint stock company listed on the Saudi Stock Exchange.

These supervisory authorities shall be provided with the necessary documents after completing and signing them within the specified period and in accordance with the supervisory instructions.

According to the supervisory rules and regulations, the Board of Directors must, after its election, choose a Chairman and a Vice Chairman from among the non-executive members, and the bank must obtain a non-objection from the Central Bank of Saudi Arabia (SAMA) after choosing them.

The bank must also obtain a non-objection from the Central Bank of Saudi Arabia (SAMA) when forming Board Committees and the Sharia Committee and choosing their chairmen.

Board of Directors and Committees Membership Criteria Policy



Appointment of Board Members

In accordance with the Bank's Article of Association and Corporate Governance Manual, members of the Board of Directors are elected by the Bank's General Assembly using the cumulative voting method, and the appointment of Board Members are subject to the approval of the supervisory authorities for the term of three Gregorian years.

Any or all Board Members may be re-elected for additional terms. However, it is preferred that the total service of any Member on the Board or its Committees does not exceed twelve (12) consecutive or non-consecutive years.

If a Board Member's position becomes vacant during the Board's term due to any of the reasons for termination of Membership outlined below, the Board of Directors, upon the recommendation of the Nominations and Remuneration Committee, may fill the vacancy after meeting the supervisory requirements. This appointment shall be submitted to the next General Assembly for approval.

The General Assembly may, at any time, remove all or some Members of the Board of Directors. The Membership of a Member of the Board of Directors or any Committee shall terminate in the following cases:

1. The expiration of their regular term.
2. The resignation of the Member.
3. If the Member becomes ineligible for Membership in accordance with any applicable regulations in the Kingdom of Saudi Arabia.
4. Removal of the Member by a decision of the General Assembly issued by a two-thirds majority, except if the removal is at the request of the Board of Directors, in which case a simple majority is required.
5. If the Member's mental faculties or health become Infirm.
6. If the Member is convicted of a crime of breach of trust or dishonor, or one that involves fraud or deceit.
7. If the Member is declared bankrupt or enters into arrangements or settlements with their creditors.
8. If the Member is absent from three (3) meetings within one year without a legitimate and acceptable excuse.
9. If a Member of the Board breaches their duties in a manner that harms the interests of the Bank, provided that this is accompanied by the approval of the Ordinary General Assembly.

In the event of a vacancy in the position of a Member of a Committee or the Sharia Committee during the Committee's term for any reason, the Board shall appoint another Member to replace him/her, taking into account the appointment rules set out in the Committees' Charters.

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Introducing the Members of the Board of Directors and Committees to the Bank's affairs

According to the Bank's Corporate Governance Manual, the new Members of the Board of Directors and its Committees must acquire the appropriate skills and knowledge after their appointment, through a comprehensive program prepared by the Bank's Secretariat that includes the following:

- Meeting with Bank's officials and executive management.
- Providing new Members upon their appointment, or with each new term of the Board, with all the rules and regulations governing banking, the Bank's work and activities, its general strategies and any updates thereto.
- New Board Members should be provided with a document specifying their tasks, responsibilities and contractual duties that govern their relationship with the Bank.
- Providing Members with comprehensive information about the Bank, including (its various activities, business sectors, products, administrative organization, main operations and procedures, financial conditions, main risks, key performance indicators, and legal and regulatory restrictions, systems, and regulations).
- Providing Members with information about stakeholders and the policies that govern their relationship.
- Participate in introductory and educational programs for the purpose of staying up to date on the latest developments and developing their skills to enable them to participate effectively in the work of the Board.

Board and Committee Member Training

The Bank recognizes the importance of training and development for its Board and Committee Members, as well as its Executive Management. The Bank will develop and implement training programs that address the following needs:

1. Provide an overview of the Bank's operations and activities for Newly Appointed Board, Committee, and Executive Management Members, including:
 - The Bank's strategy and objectives.
 - The financial and operational aspects of the Bank's business.
 - The duties, responsibilities, and rights of Board Members.
 - The roles and mandates of the Bank's Committees.
2. Establish mechanisms to ensure that all Board and Executive Management Members have access to ongoing training and development programs that enhance their skills and knowledge in areas relevant to the Bank's operations.

Remuneration for Board and Committee Members

Remuneration and compensation for Non-Executive Members of the Board of Directors, Members of Committees established by the Board or the Sharia Committee, and their attendance allowances for Board

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and Committee meetings shall be determined in accordance with Bank's Remuneration Policy, as approved by the Board of Directors, in line with supervisory guidelines.

Board and Committee Performance Evaluation

The bank's Board of Directors shall conduct a regular self-assessment of its performance, the performance of its members, its sub-committees, and the Sharia Committee. This evaluation should be based on indicators of efficiency, knowledge, contribution, and effectiveness.

The evaluation process may be assigned to the Nominations and Remuneration Committee or may involve independent board members. The bank may also engage external specialized consultants to assist in the evaluation process. The results of the evaluation may be presented and discussed, with a focus on addressing areas of strength and weakness in the best interests of the bank.

In coordination with the Board of Directors, the bank shall conduct an annual assessment of the independence of each independent member to ensure that there are no relationships or circumstances that affect or could affect their membership status. The member shall notify the Board immediately upon the occurrence of any factors that may compromise his/her independence.

The bank may adopt evaluation criteria in accordance with local or international best practices, ensuring that these criteria encompass the following elements:

A. Evaluation Criteria for the Board and Board Sub-Committees

The evaluation process should consider the following aspects:

- Effectiveness of the board in fulfilling its responsibilities
- Effectiveness of the relationship with management and stakeholders, including shareholders, and other relevant parties
- Effectiveness of the board or committees in conducting business, including the quality of meetings
- Effectiveness of the leadership of the chairman or committee

B. Evaluation Criteria for Board Members

The evaluation process should consider the following aspects:

- Overall contribution to the work of the board and committees at the bank
- Commitment to time management, particularly in attending board and committee meetings, and ability to actively participate in proceedings
- Positive interactions with fellow board members and management
- Willingness to develop personal skills and knowledge
- Ability to communicate effectively and coordinate with the board, external stakeholders, and supervisory authorities, particularly shareholders

Board of Directors and Committees Membership Criteria Policy



Section three: Primary Duties of Board Members

As per the bank's Articles of Association, the members of the bank's Board of Directors hold the necessary powers, responsibilities, and authorities to manage the bank. Their performance of their duties and responsibilities is governed by the principles of integrity, trust, and loyalty, putting the interests of the bank and its shareholders first, and ensuring full compliance all regulations governing banking operations.

The Board of Directors supervises the bank's operations, including approving and overseeing the implementation of strategic objectives, adopting and implementing the strategy, approving the risk acceptance policy, and approving governance aspects and professional conduct principles. The Board of Directors is also responsible for overseeing the work of the bank's senior management and overseeing risk aspects.

Each Board member represents all shareholders of the bank and is therefore obliged to exercise the duties of care and loyalty in managing the bank and in all matters that may affect its interests and development and maximize its value. The member is also committed to acting in the best interests of the bank as a whole, and not in the best interests of his or her own personal interests or the interests of the group he or she represents, or the group that voted for his or her appointment to the Board of Directors.

In general, the Board of Directors of the bank is generally responsible for its actions, even if it has delegated certain of its powers to committees, bodies or individuals. In any case, the Board of Directors may not issue a general or open-ended delegation to any individual or entity.

First: Scope of Responsibilities of the Bank's Board of Directors

The Board of Directors of the Bank shall exercise the following functions:

1. Strategic Planning and Oversight:
 - Formulate the Bank's overall strategy, major action plans, risk management policies and procedures, and ensure their implementation and periodic review.
 - Determine the optimal capital structure for the Bank, its financial strategies and objectives, and approve all types of budgetary estimates.
 - Oversee major capital expenditures of the Bank, acquisition and disposal of assets.
 - Establish performance targets, monitor implementation, and assess overall Bank performance.
 - Conduct periodic reviews of the Bank's organizational and functional structures and approve any necessary changes.
 - Ensure the availability of adequate human and financial resources to achieve the Bank's objectives and plans.
2. Establish internal control systems and oversee them:

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- Develop a written policy to address actual and potential conflicts of interest for all members of the Board of Directors, executive management, and shareholders. This includes the misuse of the bank's assets and facilities, and misconduct arising from dealings with related parties.
 - Ensure the soundness of financial and accounting systems, including those related to the preparation of financial reports.
 - Ensure the implementation of appropriate control systems to measure and manage risks by developing an overall risk assessment for the bank, establishing a risk management culture throughout the bank, and transparently communicating risks to stakeholders and parties related to the bank.
 - Organize the disclosure process for members of the Board of Directors and executive management by establishing a dedicated disclosure register and updating it regularly. This should be done in accordance with the disclosures required by the Companies Law, the Capital Market Law, and their implementing regulations. The Board should ensure that shareholders have access to the register free of charge.
 - Conduct an annual review of the effectiveness of the bank's internal control procedures.
3. Prepare clear and specific policies, standards, and procedures for membership on the Board of Directors, and implement them after approval by the General Assembly.
 4. Establish a written policy governing relation with stakeholders.
 5. Develop policies and procedures to ensure the bank's compliance with laws and regulations, its commitment to disclose material information to shareholders and stakeholders, and to verify that executive management complies with these policies and procedures.
 6. Oversee the bank's financial management, cash flows, and financial and credit relationships with others.
 7. Proposals for the Extraordinary General Assembly:
 - Increase or decrease the bank's capital.
 - Dissolve the bank before the date specified in the bank's bylaws or decide to continue its operation.
 8. Proposals for the Ordinary General Assembly:
 - Utilize the bank's statutory reserve, if any, as determined by the Extraordinary General Assembly, and not allocate it for a specific purpose.
 - Establish additional financial reserves or provisions for the bank.
 - Determine the method of distributing the bank's net profits.
 9. Prepare the bank's preliminary and annual financial statements and approve them before publication.
 10. Prepare the Board of Directors' report and approve it before publication.
 11. Ensure the accuracy and integrity of the data and information required to be disclosed in accordance with the disclosure and transparency policies and procedures in force.
 12. Establish effective communication channels to enable shareholders to be kept informed on an ongoing and regular basis of the bank's various activities and any material developments.
 13. Form specialized subcommittees of the Board by decisions specifying the duration, powers, and responsibilities of the committee, and how the Board supervises it. The formation decision shall include the appointment of members, the definition of their tasks, rights, and duties, and the evaluation of the performance and work of these committees and their members.

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14. Determine the types of bonuses granted to bank employees, such as fixed bonuses, performance-based bonuses, and bonuses in the form of shares, in a manner that does not conflict with regulatory controls and procedures.
15. Ensure the existence of an effective system for objectively and methodically evaluating the performance of bank employees at all levels. In particular, the performance evaluation of senior management should be based on the long term and not limited to the performance of one year only.
16. Establish the values and standards that govern work in the bank.
17. Adopt the bank's Sharia governance framework and continuously monitor its effective performance, as well as ensure that the framework is commensurate with the size, complexity, and nature of the bank's business.
18. Approve all Sharia policies of the bank and oversee the effective implementation of these policies.
19. Provide the necessary mechanisms and methodologies for risk management to protect the interests of investment account holders and depositors through profit and loss sharing accounts.
20. Oversee the bank's compliance with and implementation of the Sharia decisions issued by the Sharia Committee.
21. Ensure the existence of an effective communication policy between the bank's main departments to facilitate and enable the escalation of important matters related to the compliance of the bank's banking activities with the provisions and principles of Sharia.
22. Carry out the tasks and responsibilities assigned to them through clear and appropriate procedures. The Board shall continuously review the effectiveness of these procedures, identify areas of weakness, and make the necessary changes when necessary.
23. Form the executive management and organize its work, supervise and oversee it, and evaluate its performance of the tasks assigned to it.
24. Select senior executives and ensure that there is a succession policy in place.

Second: Distribution of Responsibilities and Tasks

The Bank's organizational structure should clearly define the responsibilities and distribute the tasks between the Board of Directors and the Executive Management in accordance with best corporate governance practices. This will enhance the Bank's decision-making efficiency and achieve balance of powers and authorities. To achieve this, the Board of Directors shall:

- Develop and approve internal policies related to the Bank's operations, including the identifications of tasks, responsibilities, and authorities assigned to different organizational levels.
- Adopt a written and detailed policy specifying the powers delegated to the Executive Management, including a table outlining those powers, the method of execution, and the duration of the delegation. The Board of Directors may request periodic reports from the Executive Management on its performing of delegated powers.
- Define the matters that the Board retains the authority to decide upon.
- Clearly and in writing define the responsibilities and authorities of the Chairman of the Board, the Vice Chairman, the Chief Executive Officer.

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Third: Supervise the Executive Management

The Board of Directors shall be responsible for forming the Bank's Executive Management, organizing its operations, supervising and monitoring its performance, and ensuring its fulfillment of assigned tasks. In fulfilling this responsibility, the Board shall:

- Establish the necessary administrative and financial policies.
- Ensure that the Executive Management operates in accordance with the policies approved by the Board.
- Select and appoint the Chief Executive Officer and oversee his/her performance.
- Appoint, dismiss, and determine the compensations of the manager of the Internal Audit Unit or Department or the Internal Auditor.
- Held regular meetings with the Executive Management to discuss the progress of work, identify any obstacles or issues, and review and discuss important information regarding the Bank's activities.
- Establish performance standards for the Executive Management aligned with the Bank's objectives and strategies.
- Review and evaluate the performance of the Executive Management.
- Develop Succession Planning policy for the Bank's Management.

Board members shall carry out assigned tasks and responsibilities by ensuring that effective policies are in place to achieve supervision and oversight of the Bank's performance. In addition, the responsibilities of Board members that require consideration are the following:

Fourth: Commitment to Dedicate Time

The work of the Bank's Board of Directors and its committees requires each Board member to dedicate sufficient time to fulfill their assigned duties and responsibilities. This includes attending and not missing Board and committee meetings and activities, as well as attending the Bank's General Assembly.

It is important that each Board member, particularly non-executive members, coordinate with the Chairman of the Board before accepting any additional commitments that may affect the time they have dedicated and could limit their effectiveness.

Fifth: Conflict of Interest

As a general rule, and in accordance with the "Conflict of Interest Policy" approved by the Board of Directors of Bank AlJazira, each member of the Board of Directors and committees is expected to perform their role with utmost integrity and honesty, always prioritizing the interests of the Bank over their personal interests, avoiding the exploitation of the Bank's assets, and avoiding any potential conflict of interests for personal gain.

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Each member must take all necessary precautions to avoid any potential conflict of interest within the Board or among its members. External work activities of members must be disclosed and approved by the Board if they are deemed significant, according to the rules and regulations, or adopted by the Board.

A Board member must inform the Board (without delay) of any interest they have - directly or indirectly - in business and contracts carried for the Bank, and must refrain from voting on any decisions that may affect the interests of the Bank, depositors, and shareholders.

The Board of Directors is responsible for managing and addressing any potential conflicts of interest among its members and any other parties. The General Assembly shall be informed at its meetings of any business or contracts in which any member of the Board of Directors has a personal interest, and this shall be reflected in the annual Board of Directors' report.

In accordance with Bank AlJazira's policy for dealing with potential conflicts of interest for members of the Bank's Board of Directors, each member of the Bank's Board of Directors must confirm in writing annually to the Board and the Nominations and Remuneration Committee that they will perform their role with utmost integrity and honesty, always prioritizing the interests of the Bank over their personal interests, and avoiding any potential conflict of interests for personal gain. A confirmation form will be provided for this purpose.

Sixth: Confidentiality, Information Secrecy, and Dealing System

All members of the Board of Directors and its committees are aware that all information acquired or learned during the performance of their duties and responsibilities is confidential and proprietary only to the Bank. Members must refrain from disclosing any information about the Bank, its customers, or its activities to any party or for personal gain without prior approval from the Chairman of the Board.

As stated in Bank AlJazira's Governance Manual, each member of the Bank's Board of Directors and committees must confirm in writing annually to the Board and the Nominations and Remuneration Committee that the Board member is committed to adhering to the specifications and scope of the requirements of the Dealing System.

Seventh: Affirming Aspects of Independence

An independent Board member is a person classified as an independent member in accordance with the independence specifications included in the Governance Regulations and Principles, and that the member has no financial relationship with the Bank (either directly or as a shareholder, partner, or employee of an institution that has significant relationships with the Bank).

As stated in Bank AlJazira's Governance Manual, members classified as independent members of Bank AlJazira's Board of Directors must confirm in writing annually to the Board and the Nominations and Remuneration Committee their independence.

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Eighth: Attendance at Board and Committee Meetings

As stipulated in the bank's Articles of Association and the Bank's Corporate Governance Manual, the Board holds at least four meetings each year, one every three months. Each Member is expected to attend these meetings and participate actively in their activities. It is preferable for Non-Executive and Independent Board Members to hold closed meetings without the presence of Executive Board Members at least once a year.

In general, a Board Member should:

- Act with utmost integrity in the best interests of the Bank and its depositors.
- Raise relevant questions and engage in discussions with the Bank's Executive Management.
- Ensure that important and key topics are included on the Board's agenda.
- Attend Board, Committee, and General Assembly meetings and avoid absences without justification.
- Ensure that the Bank adheres to all regulations and instructions.
- Exercise continuous supervision and oversight over the Bank's Management.
- Provide the Board with any information or data upon request.

Each Member of the Board of Directors and its Committees and the Sharia Committee must attend at least 75% of the Bank's Board of Directors' meetings and/or Committee meetings each year. If a Member fails to attend three meetings in a year without a valid and acceptable excuse, a replacement will be appointed.

Section Four: Succession Policy

First: Succession Policy

The Nominations and Remuneration Committee, emanating from the Board of Directors, is responsible for reviewing the components of the Succession Policy, which aims to ensure a smooth transition between Members of the Board and Committees and to ensure that Membership is filled in a harmonious rotation in a manner that considers the requirements of the necessary skills to fill the positions in the Board and its Committees.

The Succession Policy adopted by the Bank for Membership of the Board of Directors, as well as Membership of the Committees established by the Board (Nominations and Remuneration Committee, Audit Committee, Executive Committee, Risk Committee, Sustainability and Social Responsibility Committee) and the Sharia Committee.

Given that the Nominations Committee is responsible for evaluating the structure of the Board and its Committees, reviewing its strengths and weaknesses, and submitting any proposals related thereto to the Board, it is important to consider the following requirements, which are at the core of the Bank's Succession Policy:

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- Board formation and establishment of minimum and maximum limits for the number of Board Members and Committee Members.
- Required Board Committees and the effectiveness of their Members in participating in their work and meetings.
- Formation requirements based on the number of Executive, Non-Executive, and Independent Members.
- Requirements for specific skills.

Given that the Nominations and Remunerations Committee is tasked with evaluating the Board's status and identifying the need for specific individuals and skills, it is crucial for the success of the Succession Policy to develop a plan that encompasses Board Members, their tenure, the end of their current terms, and the same applies to the Board's Committees, based on the skills required to fill these positions.

Additionally, a fundamental aspect of a successful succession process that must be considered is open discussions with Board Members about their personal plans and intentions, which may be considered for annual reaffirmation of their commitment.

Second: Implementing the Succession Policy

The Bank's Succession Policy implementation process encompasses the following elements:

- Identification of Members to be Replaced through the following:
 - Assess the current Member's responsibilities, roles, and participation in Board Committee activities.
 - Identify the required expertise and duties to be filled based on need and availability.
 - Determine the personal traits, skills, and judgmental abilities required by the Board.
 - Identify the required and available leadership skills.
- Identification of High-Potential Candidates for Succession:
 - Assess the gap between the capabilities of high-potential individuals and their current roles.
 - Develop a development plan for each high-potential individual to prepare them for the potential position.
- Collaborate with high-potential Board Members to foster their professional development.
- Conduct interviews and evaluations to identify and assess suitable candidates for the position.
- Evaluate succession efforts and implement necessary changes to streamline the recruitment and onboarding process.