

البنك  
السعودي  
الفرنسي  
Banque  
Saudi  
Fransi



## | Board Nomination, Membership, Assessment and Succession Policy

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## Table of Abbreviations and Definitions

S. No.	Abbreviation	Expansion
1	AC	Audit Committee
2	CSRC	Corporate Social Responsibility Committee
3	NRC	Nomination and Remuneration Committee
4	BoD	Board of Directors / the Board
5	BRC	Board Risk Committee
6	CGD	Corporate Governance Division
7	CMA	Capital Market Authority
8	EC	Executive Committee
9	LGG	Legal and Governance Group
10	MC	Ministry of Commerce
11	SAMA	Saudi Central Bank
12	SEG	Secretary General
13	DoA	Delegation of Authority Manual
14	Executive Director	A member of the Board who is a full time member of the executive management team of the Bank and participates in its daily activities and earns a monthly salary in return thereof.
15	Non-Executive Director	Member of the Board who is not a full-time member of the management team of the Bank and does not participate in its daily activities and doesn't receive a monthly or annual salary.
16	Independent Director	A non-executive member of the Board who enjoys complete independence in his/her position and decisions and none of the independence affecting issues stipulated in SAMA and CMA regulations apply to him/her.
17	Executive Management/ Senior Executives	Persons responsible for managing the daily operations of the Bank, and proposing and executing strategic decisions, such as the Chief Executive Officer (CEO) and his/her his direct reportees.

# 1. Introduction

## 1.1. Document Authorization Control Sheet

<b>Document Type</b>	Policy
<b>Document Title</b>	Board Nomination, Membership, Assessment and Succession Policy
<b>Version</b>	3.1 (English)
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<b>Policy Custodian</b>	Corporate Governance Division "CGD"
<b>Policy Owner</b>	Corporate Governance Division "CGD"

## 1.2. Document Approval Record

Version	Approval Date	Description of Changes
1.0		New Policy
2.0		
3.0	May 1, 2019 (GA)	Comprehensive review to incorporate all regulatory & legal requirements and meet best practices
3.1	May 5, 2021 (GA)	General Periodic Review.

## 1.3. Review, Update & Maintenance

- 1.3.1 The authority to amend this policy rests with the General Assembly upon Board of Directors recommendation;
- 1.3.2 Any amendment to this document shall be as per procedure set out in the DoA Manual; and
- 1.3.3 The minimum frequency for reviewing this policy is two (2) years. However, the policy must be reviewed / updated earlier if required. CGD is responsible for ensuring that this document is reviewed & approved as required.

## 1.4. Policy Implementation & Disclosure

- 1.4.1 **Banque Saudi Fransi's** (also referred to as "**BSF**" or the "**Bank**") shall commit to this policy which shall be implemented from the date of its approval by the General Assembly, and shall be duly disclosed to the concerned parties in accordance with the disclosure requirements issued by the relevant regulators.

## 2. Purpose of the Policy

The purpose of this document is to set out the bank guidelines to the basic policies, standards, and procedures on the selection, appointment, assessment and succession of Board members, members of the Board Committees “The Committees”.

## 3. Applicability

### 3.1. Applicability

This policy applies to the candidates and members of the BoD and members of the Board Committees.

## 4. Standards and Procedures

### 4.1 Composition of the Board and its Committees

#### 4.1.1 Composition of the BoD

The BoD of BSF is composed of ten (10) members, the majority of whom are non-executive members, and (at least) four (4) are independent members, as stipulated in the Bank's bylaws, and in accordance with the regulations issued by CMA, taking into consideration that SAMA has another criteria of independence and requires minimum of two (2) BoD members to be independent based on it. The number of executive members on the Board shall not exceed two (2) members.

The Board Chairman and the Vice-Chairman shall be appointed, and both of them shall be from the non-executive members.

#### 4.1.2 Committees Composition

The Board Committees are as follows:

- a) Executive Committee (EC);
- b) Audit Committee (AC);
- c) Board Risk Committee (BRC);
- d) Nomination and Remuneration Committee (NRC);
- e) Corporate Social Responsibility Committee (CSRC); and
- f) Strategy Board Committee (SBC)

BSF has adopted Charters for each Committee including the appropriate composition, roles, and responsibilities of each Committee.

## 4.2 Procedures for the Nomination, Appointment, Re-appointment, Exemption/Resignation of the Board and Board Committee Members

The following procedures shall apply to all the Board members and its Committees' members. The Board Secretary shall be responsible for preparing, organizing, and updating the supporting files and documents related to the appointment, reappointment, exemption or resignation procedures of the Board member or one of its Committees, as well as the responsibility of monitoring the procedures and keeping the documents for assessing the Board and its Committees.

### 4.2.1 Publishing the Nomination Announcement

The Bank shall publish the nomination announcement on the websites of the Bank and the Tadawul website and through any other medium specified by CMA; to invite persons wishing to be nominated to the membership of the Board, provided that the nomination period shall remain open for at least a month from the date of the announcement.

### 4.2.2 Nomination and Election Procedures

Each shareholder of the Bank shall have the right to nominate himself/herself or **others** to the membership of the Board in accordance with the provisions of the Companies Law and Its Implementing Regulations. The NRC shall be responsible for assessing the qualifications, skills, and expertise to ensure the diversity and balance of the Board's competencies and effectiveness. Moreover, the candidates' qualifications shall comply with the requirements of the regulations issued by the regulators and with the special requirements of the Board or Committees as specified in the Board's Charter or the Committees' Charters.

The following procedures shall be followed in implementing the nomination process:

- a) Nomination applications shall be received by the Board Secretary to ensure that they are complete and contain the required documents and information such as:
  - I. A letter from the candidate expressing his/her desire for nomination. In the letter, he/she shall commit, if elected to the Board membership, to submit the required disclosures in accordance with the policy of conflicting interests of the Board members and the members of the Committees emanating from the Board;
  - II. A copy of the national identity and the family register;
  - III. Curriculum vitae, academic qualifications, practical experience and contact information;
  - IV. A candidate who has previously been a member of a joint stock company shall attach a statement of the number and dates of the companies' boards of directors to which he/she assumed membership;
  - V. A statement of the companies or institutions in whose management the nominee participates, of which he/she holds shares, which he/she represents, and which carry out business activities similar to those of the Bank, or have joint contracts or interests with the Bank;

- VI. Filling out and attaching the relevant CMA form;
- VII. Filling out and attaching the SAMA Fit & Proper Form;
- VIII. Filling out independency forms as per CMA & SAMA criteria which will be provided by CGD; and other forms that BSF may requires; and
- IX. In case of being a previous Board member of the Bank, the nominee shall attach a certified statement from the Board's Secretariat on the last term during which he was a member of the Board, including:
  - 1) Number of Board meetings held annually during the term of his membership, number of meetings he/she attended in person, and percentage of meetings he/she attended compared to the total number of meetings;
  - 2) Names of the permanent committees in which he/she participated and number of meetings held by each committee annually during the term of his/her membership and the percentage of the meetings he/she attended compared to the total number of meetings; and
  - 3) Summary of the financial results achieved by the Bank for each year of his/her membership term.
- b) Board Secretary shall ensure candidates applications meet SAMA requirement and shall send it to the NRC. The NRC in turn will examine and evaluate the applications, identify the qualified candidates for membership, identify independent candidates, submit to the BoD for review and then send it officially to SAMA by the Chairman of NRC to obtain SAMA's "no-objection" on the candidates after ensuring that all candidates fitness and propriety is assessed in accordance with relevant laws and regulations, at least thirty (30) days before the date of the General Assembly meeting which will vote to elect new Board members;
- c) In the event that any information regarding the suitability of any of the candidates for the membership of the Board, Committees, or leadership positions is found, and this information affects the validity or suitability of the candidate, SAMA shall be notified in writing within three (3) working days from the date of finding out the information, even if this finding occurs after obtaining SAMA's non-objection to nominate the candidate concerned;
- d) The Bank shall announce on the Market website the information about the Board candidates when publishing the call for or convoking the General Assembly's meeting. Such information shall include a description of the candidates' experience, qualifications, skills, job titles, and previous and current memberships. The Bank shall provide a copy of this information at its headquarters and on its website;
- e) The vote in the General Assembly shall be limited to the candidates for the Board membership whose company has announced their information;
- f) The General Assembly shall elect the required number of members for the term stated in BSF's bylaws, provided that such term shall not exceed three years. Board members may be re-elected, unless otherwise provided for in the BSF's bylaws;
- g) BSF shall notify SAMA, CMA & MC of the names of the Board members and description of their memberships within five business days from the commencement date of the Board term or from the date of their appointment ,whichever is shorter,, as well as any changes that may affect their membership within five business days from the occurrence of such changes;



- h) The new members shall be notified of their appointment and shall be provided with a profile and comprehensive information about the Bank, including a memorandum specifying their roles, responsibilities, and contractual terms and conditions; and
- i) The Executive Management of the Bank shall provide the Board members, the Non-Executive Directors in particular, and the committees of the Bank with all of the necessary information, details, documents and records, provided that they shall be complete, clear, correct and non-misleading, in due course to enable them to perform their duties and obligations.

#### **4.2.3 Candidate Disclosure of the Conflict of Interests**

A person who desires to nominate himself/herself for the membership of the Board shall disclose to the Board or the General Assembly any cases of conflicts of interest, including:

- 1) Having direct or indirect interest in the contracts and businesses entered into for the benefit of the Bank in which he/she desires to be nominated to the Board.
- 2) Engaging in business that may compete with the Bank or any of its activities; and
- 3) If the member has a relationship of first-degree with any senior executive of the Bank or with any senior executive of the affiliated companies of the Bank.

#### **4.2.4 Termination / Resignation of the Board Members or Committees Members**

Upon the resignation or termination of the services of a board, the Board Secretary shall notify SAMA, CMA and MC in writing thereof within five (5) working days of the expiry date of membership, explaining the reasons; and announcement thereof shall be made immediately on Tadawul website.

#### **4.2.5 Renewal of Membership to the Board or Committees**

The Board is aware that renewal of membership of some of its members or Board Committees members may have a positive impact on the performance and duration of the work of the Board and Committees, taking into account that the reappointment of members is not automatic but subject to General Assembly and SAMA's no-objection.

- a) Renewal of Board membership and Board Committees membership shall be subject to the General Assembly's decision based on a recommendation of the Board; and
- b) The Board's Secretary shall be responsible for including the membership renewal applications in the agenda of the Board or the General Assembly, according to the competence of each.

### **4.3 Qualifications of Board Members and Committees Members**

#### **4.3.1 Qualifications of Board Members and Committees Members**

The BoD and the NRC shall be responsible for determining the qualifications of candidates for appointment to the BoD and the Board Committees. The NRC shall assess all the candidates and recommend the appointments to the BoD. The qualifications of and prerequisites for the

Board members and Committees members shall be determined as prescribed in the relevant regulations. These shall include the minimum necessary requirements prescribed by the laws and regulations in force. The qualifications' prescribed requirements shall include the following:

- a) The Principles of Corporate Governance for Banks Operating in Saudi Arabia, issued by SAMA;
- b) Appointment Requirements issued by SAMA for leadership positions in the financial institutions supervised by SAMA;
- c) Corporate Governance Regulations issued by CMA;
- d) The Bank's bylaws;
- e) Any amendments or updates to the above or any additional requirements hereby impose; and
- f) The requirements for the Board members should include a minimum of a ten (10) years' experience, a high level of knowledge, experience, skill, and competence, in addition to continuous desire to learn and develop and in possession of the following character traits:
  - i. Leadership: A Member should have leadership skills and the ability to delegate powers, to provide effective oversight over the affairs of the Bank and to adhere to corporate values and professional ethics;
  - ii. Independence: The ability of the member to be neutral and objective in decision making and without undue influence from management or from other external entities;
  - iii. Competence: It is reflected by the level of education, training, skills and desire to continue learning, as well as diversified experience of no less than ten (10) years in different areas institutions position jurisdictions, such as banking, insurance, business, economics, and accounting;
  - iv. Guidance: The ability to provide strategic guidance, long-term planning and a clear future vision;
  - v. Financial Knowledge: the ability to read and understand financial statements and reports as well as ratios used to measure performance; and
  - vi. Physical Fitness: He/she shall not suffer from any health issue that may hinder him/her from performing his/her duties and responsibilities.

In addition:

- a) No member of the Board or Committees shall serve on any Board or Committee in any other bank in the Kingdom of Saudi Arabia. However, a member of the BoD of a bank outside the Kingdom may assume the post of a Board Member of BSF subject to approval by the Bank's BoD; and
- b) A Board member may participate in the membership of the Board of other companies other than banks, with a maximum of five listed companies provided that there should be no conflict of interests in his membership in any of these companies.

#### 4.3.2 Additional Qualifications for Board Committees Members

- a) Committee members collectively shall be knowledgeable of the matters presented to the Committee, have relevant work experience and appropriate qualifications and have a thorough understanding of the roles and responsibilities of the Directors and Executive Management. The Committee member shall be able to devote adequate time to their duties as members of this Committee.
- b) Each members of the Audit Committee should have academic qualifications, professional experience in auditing, finance, or risk management and relevant knowledge of accounting standards, and the capacity to read financial reports and understand related rules and regulations issued by regulators.
- c) Based on the recommendation of the BoD, the General Assembly shall issue the AC Charter. Such Charter shall include the rules and procedures related to the Committee's function, duties and rules for electing its members, manner of their nomination, term of their membership, their remuneration, and mechanism for the temporary appointment of its members when there is a vacancy in the Committee.
- d) Members of the BRC shall possess an adequate knowledge in risk management and finance.

## 4.4 Appointment of Members for the Board and its Committees

### 4.4.1 Appointment of Board Members

- a) The shareholders of BSF shall elect the Board members in the General Assembly after being nominated by the Board based on recommendations from the NRC.
- b) The number of nominees to the Board whose names are presented to the General Assembly shall be more than the number of available seats to give a chance to the General Assembly to select the Board members among those nominees.
- c) The Board members shall be elected by way of a cumulative vote, so that no more than one (1) vote may be cast per share.
- d) The Board shall nominate a non-executive Board member as chairman and another non-executive Board member as vice chairman, and the bank shall obtain SAMA's prior written non-objection on those appointments.
- e) All appointments to the Board shall be subject to non-objection by the Saudi Central Bank (SAMA). Applications for the issuance of no objection letters should be submitted to SAMA at least thirty (30) days prior to the date of the General Assembly's meeting for electing the Board members.
- f) The Board should disclose the CV of all members of the Board of Directors so that shareholders and investors can judge their competence and their ability to carry out their functions effectively. Also, the Board should disclose the mechanism used to oversee the integrity and performance of members, taking care not to nominate any member already sentenced by a court judgment or convicted of a crime involving moral turpitude and honesty.
- g) After receiving SAMA's written non objection on the appointment to Senior Position, the Bank shall periodically, and at least annually, assess the fitness and propriety of its Board Members

on an on-going basis. In the event of such assessments leading to any adverse information or findings that may materially compromise the fitness and propriety of any of its Board Members or members of Senior Management, the Financial Institution shall immediately report such information and findings to SAMA.

#### **4.4.2 Appointment of Committee Members**

- a) Except to the Audit Committee which is appointed by the General Assembly, the BoD shall appoint the members of its various Committees based on the recommendations provided by the NRC.
- b) The Board shall submit to the General Assembly the proposed charters of the AC and the NRC for approval, which determines the rules and procedures for the activities and duties of the committee, the rules for selecting its members, the means of their nomination, the term of their membership, their remunerations, and the mechanism of appointing temporary members in case a seat in the committee becomes vacant.
- c) The Board shall appoint the Committees' Chairmen, in accordance with the charter of each Committee, and in accordance with the requirements of the regulatory and supervisory bodies.
- d) All appointments to the Committees shall be subject to SAMA's written no-objection.
- e) SAMA, Capital Market Authority (CMA) and Ministry of Commerce (MC) shall be notified by the Board Secretary of all the appointments or changes made to the BoD and its Committees within five (5) working days from the date of appointment. Moreover, SAMA shall be provided with a report on the Bank's Board members, Board Committees' members, as well as leadership positions in accordance with the instructions of SAMA. The report shall be submitted semi-annually (at the beginning and middle of the calendar year). In the event of any changes, SAMA shall be provided with the updated report within a period not exceeding one (1) week from the date of the change.

## **4.5 Membership Term**

#### **4.5.1 Term of Membership in the Board**

The term of the members of the Board shall be three years and the board may re-nominate themselves every three years through the Ordinary General Assembly (OGA) which follows their appointment as permitted by the Bank's bylaws & policies, and any applicable laws and regulations.

#### **4.5.2 Term of Membership in the Committees**

The term of the Committee members is equivalent with that of the Board, where the Committee members are elected for a period of three (3) years. The AC members may be re-elected for a maximum of two (2) consecutive terms.

## 4.6 Board Members and Independent Committees' Members

The BoD shall assess the independence of independent members annually, as per the independence criteria set by SAMA in the key principles of governance, and those prescribed by CMA in the Corporate Governance Regulations.

### 4.6.1 Additional Independence Criteria for the AC

To ensure that the AC is fully independent, the following criteria shall be considered:

- a) The Committee shall comprise at least three non - executive Directors;
- b) The committee members from outside the Board shall be more than those from inside the Board;
- c) The AC members should not have a business relationship with any other members of the Board or senior management;
- d) The AC members shall not be from the bank's staff, customers, agents, or advisors. Furthermore, a member of the audit committee should not have availed any financing facilities (credit card, credit facility, guarantees...etc) from the bank in his own name or in concert with his family members (first-degree) of more than 300,000 SAR;
- e) The AC chairman may not be the Chairman of the board;
- f) The Chairman of the Audit Committee should not be related to other members of the Board or have any financial or business relationship with any members of the Board; and
- g) The Chairman of the audit committee should not have a relationship with executive directors or key executives of the bank that could affect his independence.

### 4.6.2 Annual Independence Assessment

- a) The Bank shall assess independence (at least) annually. All the Board members and the Committees' members shall be required to complete detailed independence forms about their personal status annually and submit them through the Board Secretary, who in turn will submit these forms to the NRC.
- b) The NRC shall examine and discuss the assessment results with the Board Chairman. Accordingly, the Board Chairman shall submit the assessment results to the Board for their appropriate decision and approval thereof. No Board member or Committee member shall be considered independent unless the Board decides so.

## 4.7 The Vacant Position in the Board or Board Committees

### 4.7.1 Termination of Board and Board Committees Membership

The position of a Board member shall become vacant in the cases stipulated in the Bank's Bylaws and the applicable regulations and laws, as follows:

- a) If the person holding it resigns his/her office or dies;
- b) If the person at any time has been bankrupt or insolvent, or compounds with his creditors or suspends payment;
- c) If the person is facing mental challenges, or become rationally unfit;
- d) If the person has absented himself/herself from three (3) consecutive meetings of the Board or of the Board Committees, as the case may be, or from all such meetings for a continuous period of six (6) months, whichever is longer, without leave of absence from the Board or the Committee concerned, or without good cause;
- e) If he is not fit for the membership as per applicable local laws and regulations;
- f) The term of the Board or the member expired;
- g) If the GA, for any reason, removes such board member ;
- h) If he/she has been convicted of an offense involving moral turpitude, fraud or dishonesty;
- i) If he/she was at any time in the service of the Bank and was dismissed or his services had been terminated by the Bank;
- j) If the person is a Director of any Commercial Bank in Saudi Arabia other than a Bank sponsored or established by BSF, provided that with the consent of the Board, a Director of a Bank outside Saudi Arabia may become a Director of this Bank; and
- k) If the person is in the employment of any Saudi banking company whether on salary or on commission, or is engaged in the performance of any paid continuous services.

### 4.7.2 Filling the Board and Board Committee Vacant Position

In the case of a Board or AC member, external member position becomes vacant, and subject to the next General Assembly ratification; the Board may appoint a new member for the vacant position, after obtaining SAMA's no-objection, provided that the new member have the required experience and competency. Ministry of Commerce, CMA and SAMA shall be notified within five (5) working days from Board member appointment date. If the General Assembly ratify the appointment, the new Board member shall serve the remaining term of his predecessor. In case of failure to meet the necessary conditions for the Board to convene due to having less than six (6) Board members, the rest of the members shall convoke the General Assembly to convene within sixty (60) days to choose the required number of members.

## 4.8 Assessment of the Performance of the Board and its Committees

- a) A performance assessment should be carried out annually to assess the board & board committee's performance. Such assessment shall cover the effectiveness of the board, the working procedures, skills and experiences of the members, and identify the strength and weaknesses.
- b) The assessment shall be carried out using key performance indicators linked to the extent to which the strategic objectives of the Bank have been achieved, the quality of the risk management and the efficiency of the internal control systems, among others.
- c) Non-Executive Directors shall also carry out an annual assessment of the performance of the chairman of the Board after getting the opinions of the Executive Directors, without the presence of the chairman of the Board in the discussion on this matter, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the bank.
- d) The individual assessment of the Board members shall take into account the extent of effective participation of the member and his/her commitment to performing his/her duties and responsibilities and developing his/her knowledge and skills, including attending the Board and its Committees meetings and dedicating adequate time thereof.
- e) Assessment Procedures & Mechanism:

The performance assessment shall be carried out by an external third party at least once every three years. When the performance assessment is carried out internally, the relevant tools/documents shall be prepared by the Corporate Governance Division and shared with members of the board and board committees. Such tools/documents shall cover by minimum:

- Assessing the performance of the Board of Director's in general.
- Assessment of the performance of the Board Committees.
- Assessment of the performance of the Chairmen of the board and board Committees.
- A self-assessment carried out by each board member.

Once the assessment exercise above is concluded, the results shall provided to NRC.

- f) Based on the outcomes of the assessment and SAMA requirements, the NRC shall determine the points of strength and weakness, and may propose appropriate solutions for improvement in case needed. Such solution may include training for the Board to enhance members' knowledge in banking industry e.g. Compliance, Risk & IT Risk. Also, NRC may propose plans to resolve the weakness, if needed, by nominating competent professional staff able to improve the performance of the Board.



## 4.9 Succession of the Board and Committee Members

The NRC shall maintain a list of potential candidates who have the qualifications and meet the requirements mentioned above in section (4.3) to sit in the Board and Board Committee seats, taking into consideration the additional requirements of membership for each committee. NRC may recommend candidate or select directly from those who applied for the Board membership, but weren't elected by the General Assembly. NRC may also utilize a head-hunter to recommend good potential candidates, but it shall review their C.Vs to ensure all candidates meet the required qualifications, experience and other requirements. The NRC have the right to interview any potential candidates in person when it deems needed. In case of a Board and Board Committee vacancy, the NRC shall promptly nominate a good candidate to the Board among the list it is maintaining.

### 4.9.1 Board of Directors Succession

- a) NRC shall maintain a list of good candidates from outside the board who are ready to join as a Board member or a committee member upon call.
- b) In case of a Director or a Member of the Board Committees vacancy, the Board has the right to fill the vacancy, based on recommendation from the NRC, by a temporary assignment of a new member provided that such assignment must be presented at the first meeting of the General Assembly for approval and the new member has to complete the period of his/her predecessor;
- c) If, during any financial year, the vacancies in Board positions reduced the overall Board membership below six (6) members, due to the resignation and/or removal of Directors or for reasons mentioned in Article (19) of the bylaws, the Board shall call for a Board meeting to convene, for the purpose of electing Directors to such positions and the same shall be provided to the General Assembly.

### 4.9.2 Succession of Audit Committee Members

- a) In case of a AC member vacancy, the Board has the right to fill the vacancy, based on recommendation from the NRC, by a temporary assignment of a new member provided that such assignment must be presented at the first meeting of the General Assembly for approval and the new member has to complete the period of his/her predecessor; taking into consideration that majority of AC members shall be external.