



# **Governance, Nomination and Remuneration Committee Mandate**

**Approved on 26 September 2023**

## Governance, Nomination and Remuneration Committee Mandate

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## **Governance, Nomination and Remuneration Committee Mandate**

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### **1 Introduction**

This is the mandate ("Mandate") for the Governance, Nomination and Remuneration Committee ("Committee") of the Board of Directors ("Board") of Gulf International Bank B.S.C. ("Bank"). This is the formal charter which states the duties of the Committee and outlines the procedures and guidelines in relation to the remuneration of the directors; nomination and remuneration of the Chief Executive Officer ("CEO") and other Senior Executives who are responsible for significant business or operating units or have major managerial responsibilities (collectively "Senior Management" or "Senior Executives" and individually "Senior Executive") of the Bank. This Mandate is being issued pursuant to the Articles of Association of the Bank ("Articles"), and the Central Bank of Bahrain (the "CBB") Rulebook (the "Rulebook") as amended from time to time.

#### **1.1 Review of the Mandate**

- 1.1.1 The Board will, in consultation with the Committee, conduct an annual review of the Mandate to ensure that the Mandate continues to reflect the current processes and guidance utilised. The Board will need to approve any amendments to the Mandate that stem from the review.
- 1.1.2 The Committee's Secretary or Group Head of Governance may recommend as and when required any changes to be incorporated in this Mandate due to change in regulations, or as the Group Head of Governance may deem appropriate as a measure of good governance.

#### **1.2 Disclosure of the Mandate**

- 1.2.1 The membership of the Committee, description of its duties and activities and attendance during the year is disclosed in the Annual Report and to the Shareholders.

#### **1.3 Annual Performance Evaluation**

The Committee shall review with the Board an annual performance evaluation of the Committee, which shall compare the Committee's performance with the above requirements and shall recommend to the Board any improvements deemed necessary or desirable to the Committee's Mandate. The report must be in the form of a written report made at any regularly scheduled board meeting.

### **2 Delegation of Power**

The Committee has been established pursuant to the Articles and the Board has delegated certain powers to the Committee pursuant to Article 22 thereof. The terms of this Mandate shall, at all times, be subject to the provisions of the Bank's Articles and the CBB Rulebook.

### **3 Composition**

The Committee will comprise of at least three (3) members consisting of independent directors or alternatively, only non-executive directors of whom a majority must be independent directors. The Committee will appoint one of these members as the chair of the Committee, who must be an independent director. The GNRC members should not be members of the risk-taking committee of the Bank (the Executive Committee).

### **4 Removal or Resignation**

If a member of the committee retires, is removed or resigns from the Board, that member ceases to be a member of the Committee. The Board will appoint the successor.

### **5 Invitees**

- 5.1. The Committee may invite any Senior Executive or any other individual to attend a meeting of the Committee, as they consider appropriate.

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- 5.2. The CEO will be the principal liaison between Executive Management and the Committee on remuneration matters and will be invited to attend meetings when the Committee considers appropriate. However, he/she will not be entitled to attend or participate in any decision or vote related to his/her remuneration or bonus.
- 5.3. The invitees cannot be present at any discussion in relation to their appointment, remuneration and termination or any other matter relating to them unless the Committee has invited them to discuss these issues with them. None of the invitees shall be considered members of the Committee nor shall they participate in any decision or vote of the Committee.

### **6 Secretary**

The Group Chief Human Resources Officer ("GCHRO") will act as the secretary to the Committee. The GCHRO will only be present in an administrative capacity and will only participate in the discussions of the Committee if he/she is invited to participate in such discussions. The secretary will not participate in any decision or vote of the Committee.

### **7 Meetings**

#### **7.1 Frequency**

- 7.1.1 The Committee will meet as frequently as required but not less than twice a year. Any Committee member or the Committee secretary may call for a Committee meeting. The meetings of the Committee should be timed to enable the Committee to review the Bank's variable remuneration proposals and undertake its regulatory requirements and responsibilities.

#### **7.2 Calling Meetings and Notice**

- 7.2.1 A notice of each meeting confirming the date, time, venue and agenda must be forwarded to each member of the Committee (with a copy to all board members) at least five working days before the date of the meeting. The notice for members will include relevant supporting papers for the agenda items to be discussed.
- 7.2.2 Participation in Committee meetings via teleconference or any electronic or virtual means of communication that permits all Directors present to be heard by all others present, is regarded as attendance and may be recorded as such. The Chairman may consider, for purposes of determining a quorum, that any Director participating by telephonic or electronic means is present during the entire meeting.

#### **7.3 Quorum and Voting**

- 7.3.1 A quorum will comprise the majority of the Committee members. In the absence of the Committee chair or appointed delegate, the members will elect one of the members present as chair for that meeting.
- 7.3.2 Resolutions are passed by majority of attending members' votes. Each member will have one vote and the Chairman of the Committee will not have a second or casting vote. In case of a tie, the matter will be referred to the full Board for a decision.
- 7.3.3 Resolutions by Circulation - When necessary, the Committee may make resolutions by way of consultation through e-mails and such decisions taken in this manner, unless a member has requested in writing that the Committee be convened to deliberate on such resolutions, shall be recorded in the minutes of the subsequent meeting of the Committee. Notwithstanding that, a decision will deemed to be approved, if a decision of the majority of the members of

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the Committee (entitled to vote) has been received.

### **7.4 Minutes**

Minutes of proceedings and resolutions of Committee meetings will be kept by the secretary. Minutes will be distributed within 3 business days following the approval of the minutes by the chair of the Committee chair. Minutes, agenda and supporting papers will be made available to any director (other than the members of the Committee) upon request to the secretary, providing no conflict of interest exists.

## **8 Responsibilities and Duties**

The provisions of this Mandate as applicable to Senior Management will not apply to the appointment, remuneration and termination of the chief internal auditor (as this is within the purview of the Audit Committee).

### **8.1 Nomination Matters**

#### **8.1.1 General**

- 8.1.1.1 Assess the skills and competencies required by the Senior Management and the extent to which the required skills are represented by the Senior Management;
- 8.1.1.2 Establish processes for the review of the performance of the individual Senior Executive and Senior Management as a whole; subject senior management to annual performance assessment and document such assessments for the Board oversight. Obtain feedback on performance evaluation of the Chief Risk Officer, Chief Internal Auditor, Head of Compliance, Head of Internal Shari'a Audit, Shari'a Officer from the designated Board committee responsible for oversight of these functions;
- 8.1.1.3 Establish the processes for identification of suitable candidates for Senior Management and ratifying the recommended individuals qualified to become members of Senior Management;
- 8.1.1.4 Establish process for the succession planning of the Senior Management to ensure maintenance of appropriate balance of skills and experience within Bank. Recommend to the Board appropriate succession plans of approved persons within senior management;
- 8.1.1.5 Oversee human resource policies relating to recruitment, retention, performance measurement and separation of the CEO and Senior Management.
- 8.1.1.6 Review and supervise the implementation and enforcement of the Bank's code of conduct.

#### **8.1.2 Board**

- 8.1.2.1 The Committee will review and make recommendations to the Board from time to time as to the changes the Committee believe desirable to size of the Board or committees of the Board provided that such recommendations should at all times comply with the Articles and applicable laws and regulations.
- 8.1.2.2 The Committee shall recommend to the Board the appropriate skill criteria and any applicable regulatory requirements to be taken into account in the shareholders' assessment of new candidates for directorships. Such criteria may include judgment, specific skills, experience with other comparable businesses, the relation of a candidate's experience with that of the other Board members and other factors.

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8.1.2.3 The committee shall periodically assess and advise the Board on the Board's existing structure, size, composition as well as committees' structures and composition in order to maintain an appropriate balance of skills, diversity and experience and for the purpose of planned and progressive refreshing of the Board;

8.1.2.4 The Committee will inform the Board of the names of directors who are retiring in accordance with the provisions of the Articles of Association and shall advise the Board of the appropriate criteria such as judgment, specific skills, the relation of the retiring director's experience with that of other Board members and such other factors to be taken into consideration in the re-nomination of that retiring director.

8.1.2.5 A member of the Committee will not participate in the review of his or her own performance.

### **8.1.3 Appointment of Senior Management**

The Committee shall:

8.1.3.1 Oversee and ensure that the search for Senior Management candidates is conducted and appointments made, on merit, against objective criteria and with due regard to applicable regulatory requirements.

8.1.3.2 Receive and consider positions/titles recommended by the CEO, which are to be identified as Senior Management positions in line with the qualifications and experience defined in the recruitment procedure.

8.1.3.3 Review the procedures in place to ensure that all new Senior Executive appointees are adequately qualified and experienced, and that proper recruitment procedures are followed.

8.1.3.4 Approve the appointment and terms and conditions of the direct reports to the Chief Executive Officer and notify the Board of Directors of these appointments.

8.1.3.5 The Chief Executive Officer or Chief Human Resources Officer will provide the details including proposed total compensation of the preferred candidate with a hiring rationale (through circulation). Approval by two Committee members will be considered as full approval and should there be lack of consensus, final decision will rest with the Group GNRC Chairman.

8.1.3.6 The appointment and terms and conditions of employment of the Heads of Control Functions (Audit, Risk Management, Compliance etc.) will be undertaken in conjunction with the relevant Committee Chair.

### **8.1.4 Succession Planning of Senior Management**

8.1.4.1 The Committee, in conjunction with Senior Management, should oversee the succession planning process for the orderly succession for appointments to Senior Management, so as to maintain the appropriate balance of skills and experience within the Bank.

8.1.4.2 Annually or subsequent to any major change to the organisational structure of the Bank, receive from and review with the Chief Human Resources Officer, a succession plan encompassing all Senior Management positions.

8.1.4.3 The Committee will satisfy itself that such plans incorporate appropriate training and or 'job exposure' strategies; and will, at a minimum, maintain the level of skills, experience and expertise within Senior Management of the Bank in the event of non-renewal of contracts, resignations and terminations.

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8.1.4.4 Ensure through the Chief Human Resources Officer that Senior Management maintains and routinely reviews a full and detailed succession plan for all management levels throughout the Bank.

### **8.2 Remuneration Matters**

#### **8.2.1 General**

8.2.1.1 Review the remuneration policies for the approved persons and material risk-takers, which must be approved by the shareholders and be consistent with the corporate values and strategy of the bank;

8.2.1.2 Approve, monitor and review the remuneration system to ensure the system operates as intended and includes effective controls, including back testing and stress testing of the remuneration policy. The system should be regularly reviewed for compliance with regulations, internal policies and bank procedures. In addition, remuneration outcomes, risk measurements, and risk outcomes should be regularly reviewed for consistency with the Board's approved risk appetite;

8.2.1.3 Approve the remuneration policy and amounts for each approved person and material risk-taker, as well as total variable remuneration to be distributed, taking account of total remuneration including salaries, fees, expenses, bonuses and other employee benefits;

8.2.1.4 Ensure remuneration is adjusted for all types of risks and that the remuneration system takes into consideration employees that generate the same short-run profit but take different amount of risk on behalf of the bank;

8.2.1.5 Ensure that for material risk takers, the variable remuneration forms a considerable part of their total remuneration;

8.2.1.6 Review the stress testing and back testing results before approving the total variable remuneration to be distributed taking account of total remuneration including salaries, fees, expenses, bonuses and other employee benefits;

8.2.1.7 Carefully evaluate practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain by means of both quantitative and qualitative key indicators. The GNRC shall question payouts for income that cannot be realized or whose likelihood of realization remains uncertain at the time of payment;

8.2.1.8 Ensure that for approved persons in risk management, internal audit, operations, financial controls, human resources, information technology, legal, AML/CFT and compliance functions, the mix of fixed and variable remuneration is weighted in favour of fixed remuneration;

8.2.1.9 Recommend the Board member remuneration based on their attendance and performance and in compliance with Article 188 of the Company Law and in accordance with Articles of Association of the Bank which shall prevail; and

8.2.1.10 Ensure appropriate compliance mechanisms are in place to ensure that employees commit themselves not to use personal hedging strategies or remuneration-and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

8.2.1.11 The performance evaluation and remuneration of senior management and staff must be based, among other factors, on their adherence to all relevant laws, regulations and CBB rulebook requirements, including but not limited to AML/CFT requirements in the FC module.

#### **8.2.2 Remuneration Policy**

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To fulfil its responsibilities to the Board, the Committee will:

- 8.2.2.1 Ensure all persons are remunerated fairly, responsibly—and Senior Management are not primarily controlling the remuneration system; Ensure that the remuneration system is transparent, which includes relevant performance measures and effective controls.
- 8.2.2.2 Approve and maintain the variable remuneration policy of the Bank and ensure the Bank's remuneration policies and practices are designed to reduce employees' incentives to take excessive and undue risk;
- 8.2.2.3 Review and make recommendations to the Board regarding the Bank's policy for determining executive remuneration including, but not limited to, retirement benefits and compensation payments, and any amendments to that policy proposed from time to time by Senior Management. The recommendation may include:
- a) reviewing the Bank's remuneration policies in relation to individual Directors, Senior Executives and the employees of the Bank; and
  - b) Review the on-going appropriateness and relevance of the executive remuneration policy and other executive benefit programs;
- 8.2.2.4 Recommend to the Board remuneration policies and amounts to Senior Management, taking account of total remuneration including salaries, fees, expenses and employee benefits;
- 8.2.2.5 Oversee the salary review mechanism to be followed by Senior Management;
- 8.2.2.6 Approve any subsequent material exceptions or changes to the variable remuneration policy and carefully consider and monitor their effects;
- 8.2.2.7 Seek shareholder approval of the variable remuneration policy; and
- 8.2.2.8 Oversee the implementation of the remuneration policy within the Bank.
- 8.2.3 Standard for all Remuneration**
- When reviewing and determining the remuneration policy and remuneration of the directors and employees, the Committee should apply following criteria:
- 8.2.3.1 Level of remuneration should be sufficient to attract, retain and motivate persons of the quality needed to run the Bank successfully and commensurate with market rates. The Committee should ensure that the remuneration is consistent with the Bank's culture and long-term objectives;
- 8.2.3.2 The Committee should judge where to position the Bank relative to other banks. However, they should use such comparisons with caution in view of the risk of an upward ratchet of remuneration levels with no corresponding improvement in performance;
- 8.2.3.3 An employee's compensation should be effectively aligned with prudent risk taking and the Committee should ensure that all material risks are considered in determining remuneration levels.
- 8.2.3.4 The GNRC should ensure that the remuneration policy of the Bank will be reviewed on an annual basis at a minimum. Such central and independent reviews should assess whether the overall remuneration system:



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- a) operates as intended (in particular, that all agreed plans/programs are being covered; that the remuneration pay-outs are appropriate, and that the strategy, culture, risk profile, long-term objectives and goals of the Bank are adequately reflected);
- b) is in compliance with CBB requirements, applicable laws, regulations, principles and standards.
- ~~c) is creating the desired incentives for managing risk, capital and liquidity.~~

8.2.3.5 The relevant internal control functions (i.e. internal audit, risk management, compliance functions, etc.) as well as the audit and risk committees should be closely involved in providing the required input to strengthen the variable remuneration system of the Bank.

~~8.2.3.6 GNRC will work with the risk committee in evaluating the remuneration system. The risk committee must, without prejudice to the tasks of the remuneration committee, examine whether the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings.~~

### **8.2.4 Directors' Remuneration**

#### **General**

The remuneration package of each individual director shall be subject to shareholder approval in accordance with the powers vested in the shareholders under the Articles. Prior to any vote by the shareholders, the Chairman of the Board shall ensure that disclosure of all material facts has been made to the shareholders.

#### **Director's Remuneration**

- a) Director Remuneration is determined in accordance with the GIB BSC Board and Board Committee Remuneration and Allowance Policy.

### **8.2.5 Senior Executive Remuneration**

#### **General**

Remuneration of Senior Executives should be structured so that a significant portion of the total compensation is linked to Bank' and individual performance and aligns their interests with the interests of the shareholders. Such rewards may include grants of bonuses, and pension benefits which are not based on salary. The GNRC in coordination with the Management team is responsible for identification of Covered Staff as defined by the CBB.

#### **CEO and Senior Executives – Remuneration**

- a) The Committee will consider and make recommendations to the Board on the remuneration package of the CEO (including base pay, incentive payments, retirement rights, service contracts) having regard to the remuneration policy.
- b) The Committee will consider and ratify annually, the remuneration package of the other Senior Executives (including base pay, incentive payments, retirement rights, service contracts) having regard to the remuneration policy.
- c) The Committee will review and evaluate the CEO's and other Senior Executives' performance in light of corporate goals, agreed strategy and business plans and may consider the Bank's performance and shareholder return to comparable companies, the value of awards to CEO and Senior Executives at comparable banks, and awards received by the CEO and other Senior Executives in the past years.

### **8.2.6 Control Functions – Compensation**

The compensation of the control functions (compliance, risk, legal, audit, etc.) should be

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structured in a way that is based principally on the achievement of their objectives and does not compromise their independence (e.g. the compensation should not be substantially tied to business line revenue).

### **8.2.7 Executive Incentive Plans**

- a) Review and make recommendations to the Board regarding the design of all executive incentive plans.
- b) All performance-based incentives will be awarded under written objective performance standards which have been approved by the Board and are designed to enhance shareholder and Bank value.
- c) All policies for performance-based incentives will be approved by the shareholders, but the approval should be only of the plan itself and not of the grant to specific individuals of benefits under the plan.
- d) Review the Senior Management proposals on the Bank's variable remuneration including the annual bonus pool, ensure that the proposed level is within agreed parameters, and make the necessary recommendations in that regard for approval of the Board; and
- e) Senior Management will call on the services of an external remuneration consultant to provide impartial information on market compensation practice in relation to the determination of the director or officer remuneration, administering remuneration plans, or related matters. External remuneration consultants should be engaged every three years.

### **8.2.8 Disclosure of Remuneration**

- a) To ensure remuneration transparency, descriptive information on the compensation structure for the CEO, Senior Management and the Board (remuneration policies, executive compensation, stock options, etc.) must be reported in the Annual Report pursuant to PD-1.3.8 (Public Disclosure Module) of Volume 1 of the Central Bank of Bahrain Rulebook (as amended from time to time).
- b) Remuneration of individual board members, divided into sitting fees and other remuneration (split between performance and non-performance based), remuneration of committee members, the remuneration policy and remuneration paid to each person in Senior Management divided in each case into salaries, allowances, bonuses, gratuities, pensions and any other components, must be disclosed to the Bank's shareholders pursuant to Section PD-6.1 (Public Disclosure Module) of Volume 1 of the Central Bank of Bahrain Rulebook (as amended from time to time).

### **8.2.9 Approvals**

Before implementing any of the following proposals the Chairman of the Board will ask the Committee to review the proposal and make a recommendation to the Board in relation to:

- a) Changes to the remuneration or contract terms of the CEO;
- b) The design of any incentive plan or the amendment of any incentive plan for the CEO;
- c) The total level of award proposed for incentive plans for all employees; and
- d) Separation payment to the CEO.

*Separation payment to any other departing Senior Executive must be reported to the Committee at its next meeting.*

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### **8.3 Corporate Governance Matters**

#### **8.3.1 General**

- 8.3.1.1 Maintain an awareness of current global corporate governance standards and oversee the development of the corporate governance educational activities of the Board.
- 8.3.1.2 Review classification of each director at least annually in light of interest disclosed by them.
- 8.3.1.3 Once the directors are appointed by the shareholders, the Bank will provide the letter of appointment and relevant documents/declarations for their confirmation.
- 8.3.1.4 Carry out annual evaluation and assessments – alone or with the assistance of external experts – of the Board, its committees and individual Board members. This is governed by the GIB BSC-Board of Directors and Board Committee Evaluation Policy and Process.
- 8.3.1.5 Ensure that the Bank communicates with shareholders and relevant stakeholders (internal and external) openly and promptly.
- 8.3.1.6 The Committee will review and make recommendations to the Board from time to time as to the changes the Committee believe desirable to size of the Board or committees of the Board provided that such recommendations should at all times comply with the Articles and applicable laws and regulations.
- 8.3.1.7 The Committee shall recommend to the Board the appropriate skill criteria and any applicable regulatory requirements to be taken into account in the shareholders' assessment of new candidates for directorships. Such criteria may include judgment, specific skills, experience with other comparable businesses, the relation of a candidate's experience with that of the other Board members and other factors.
- 8.3.1.8 The Committee will inform the Board of the names of directors who are retiring in accordance with the provisions of the Articles of Association and shall advise the Board of the appropriate criteria such as judgment, specific skills, the relation of the retiring director's experience with that of other Board members and such other factors to be taken into consideration in the re-nomination of that retiring director.
- 8.3.1.9 Oversee and monitor the implementation of the governance policy framework by working with the management and the Audit Committee, and provide the Board of directors with reports and recommendations based on its findings in the exercise of its functions. The Committee shall receive and review periodic internal audit reports on corporate governance framework to be satisfied that ethical standards and corporate governance principles have been maintained in the functioning of the Board and its committees.
- 8.3.1.10 Evaluate whether management is setting the appropriate corporate governance culture by communicating the importance of on-going ethical behaviour being maintained at all employee levels.
- 8.3.1.11 Review and endorse the Board Charter as well as the mandates of the Board committees and recommend to the Board any improvements deemed necessary or desirable to the mandates and endorsing them for the Board's final annual approval.

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- 8.3.1.12 Review the annual declaration of Directors and members of senior management regarding their outside activities and interests, to determine whether any conflict of interest exist, and take appropriate steps in that regards.
- 8.3.1.13 Reviewing the curriculum vitae and evaluation of nominated members of the Board, and other functions as defined by the CBB applicable rules and regulations.
- 8.3.1.14 Identify and recommend of nominees to recommend as executive and non- executive Directors, determine incentives systems and approve compensation according to applicable rules and regulations.
- 8.3.1.15 Oversee the Directors' corporate governance educational activities.
- 8.3.1.16 Review and endorse policies relating to governance matters, and recommend them to the Board for approval if and when required.
- 8.3.1.17 Propose a training plan for the Board with topics that are (i) part of the mandatory regulatory training and (ii) areas which the directors request additional training which are relevant to the Bank's overall business.

### **8.4 Resources**

- 8.4.1 The Committee shall have the resources and authority necessary for its duties and responsibilities, including the authority to select, retain, terminate and approve the fees of outside legal, consulting or search firms used to identify candidates or evaluate the compensation of directors, the CEO or other Senior Executives, without seeking the approval of the Board or Senior Management. The Bank shall provide appropriate funding for the compensation of any such persons.
- 8.4.2 The Committee may meet with these external advisers without Senior Management being present.

### **8.5 Special Investigation and Access to Employees**

- 8.5.1 The Committee is entitled to direct any special investigation that the Committee considers appropriate and to consult any independent expert that the Committee considers appropriate to carry out its duties. The Bank will bear the costs of any such investigation or consultations.
- 8.5.2 The Committee is entitled to call on and use any employee of the Bank to the extent that the Committee considers appropriate to carry out the Committee's role and responsibilities.

### **8.6 Report to Board**

- 8.6.1 The Committee chair, or delegate, will report to the Board following each meeting. The Committee will report to the Board regularly on the matters set out in Section 8.1 and 8.2 of this Mandate.
- 8.6.2 The Committee will prepare for approval by the Board any report on the matters set out in Section 8.1, 8.2 and 8.3 that may be:
  - a) Required by any legislation, regulatory body or other regulatory requirement; or
  - b) proposed for inclusion in the annual report.
- 8.6.3 The Committee may delegate the role of preparing any such report to Senior Management provided that any such report would be considered, reviewed and approved by the Committee before being sent to the Board.