



Board of Directors Charter – GIB KSA

Board of Directors Charter – GIB KSA

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1 Introduction

1.1 Purpose

1.1.1 The Board Charter (the “Charter”) of Gulf International Bank Saudi Arabia (the “Bank” or “GIB KSA”) is being issued pursuant to the Bylaws of the Bank (“Bylaws”), and the Principles (“Principles”) of Corporate Governance of the Saudi Central Bank (“SAMA”).

1.2 Review and update

1.2.1 The Board Charter shall be reviewed by the Chairman of the Board in consultation with Board members, conduct an annual review of the Charter to ensure that the Charter continues to reflect the current processes and guidance utilised.

2 Composition

3.1 The Board of Directors (BoD) shall be comprise of of ten members,. All individual board members must satisfy SAMA specified suitability requirements and receive a letter therefrom containing its non-objection on their appointment.

3.2 The Board members shall be appointed for a term of three years, in accordance with SAMA regulations pertaining Board composition, with the exception of the first Board of Directors appointed upon the Bank’s inception which shall serve for a period of 5 years, as stipulated in Article 17 of the Bank’s Bylaws. The membership of the Board shall include maximum two members classified as executive director and minimum two members classified as independent director.

3.3 In accordance with Article 22 of the Bank’s Bylaws and as per SAMA requirement on Board of Directors Composition, the Board of directors shall appoint Non-Executive Director as a Chairman of the Board and a non-executive member as Vice-Chairman after receiving SAMA’s prior written non-objection and the consent of the competent authorities thereto. The Chairman and Vice-Chairman shall not exercise any of the responsibilities of the Chief Executive Officer (General Manager), and there should be a separation of responsibilities.

3.4 No person shall be a Director on the Board of more than one bank licensed and incorporated in the Kingdom of Saudi Arabia. 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. Any Board member or employee of a bank who has been adjudicated bankrupt or convicted of a moral offence shall be considered as having resigned his post.

3.5 It is preferable that a board member should not serve on the Board and its committees for more than twelve consecutive years from the date of issuance of the Principles.

3 Election of Board Members

4.1 Board members shall be appointed by the Ordinary General Assembly for a period not exceeding three (3) years, which may be renewed after receiving non-objection letter on their appointment form SAMA.

4.2 All appointments to senior positions including as members of the Board of Directors of the Bank shall be made in accordance with the SAMA’s Requirements for Appointments to Senior Positions in Financial Institutions issued in July 2013.

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4.3 In case of a vacancy arises on the Board of Directors, the Board may temporarily appoint a member to the vacant position, provided that the replacement candidate:

- b) satisfies SAMA's fit and proper criteria, SAMA Rules of Corporate Governance requirements and non-objection is received from SAMA;
- c) with respect to independent members satisfies the independency criteria set in the Principles;
- d) possesses the relevant experience and credentials for the role; and
- e) is ratified by the shareholders at the next annual general assembly meeting.

Further detail is set in the Board Succession Policy.

4 Removal or Resignation

If a member of the Board retires, is removed or resigns from the Board, that member ceases to be a member of the Committee upon the Board formally accepting his resignation. The Board shall then appoint a successor and notify SAMA in writing within 5 business days.

5 Invitees

- 6.1 The Board may invite any person, it deems necessary, to attend the Board meeting.
- 6.2 The invitees cannot be present at any discussion in relation to themselves unless the Board has invited them to discuss these issues with them. None of the invitees shall be considered members of the Board.

6 Secretary

- 7.1 The Board shall appoint a Secretary of the Board who shall have responsibility for reporting to the Board on Board procedures, subject to such appointment being approved by SAMA prior to the Secretary formally undertaking the responsibilities and duties associated with his role.
- 7.2 The secretary will not participate in any decision or vote of the Board.

7 Meetings

7.1 Frequency

- 7.1.1 The Board of Directors shall be convened at least four times a year upon a call by the Chairman. Such call shall be made in writing and delivered by hand or fax, express couriers or sent by registered mail not less than fifteen days prior to the date set for the meeting, unless otherwise agreed by the Board members. The Chairman of the Board shall call for a meeting, if so requested by any three Board members.

7.2 Calling Meetings and Notice

- 7.2.1 Meetings of the Board of Directors may be held by telephone, or other electronic means of communication, that permits all Directors present to be heard by all others present. Unless otherwise notified, the Chairman may assume, for purposes of determining a quorum, that any Director participating by telephonic or electronic means is present during the entire meeting.

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7.2.2 All members should attend and participate in Board meetings, and if a member fails to attend three meetings a year without an excuse, he/she should be substituted by another member. It is advisable that non-executive Directors meet periodically.

7.3 Quorum and Voting

7.3.1 The quorum of a meeting of the Board requires the attendance of the majority of the Directors or their representatives. In the event that a member of the Board of Directors gives a proxy to another member to attend the Board meetings on his behalf, such proxy shall be given accordance with the following:

- a) A member of the Board of Directors may not act on behalf of more than one other Board member as to attending the same meeting;
- b) A proxy shall be made in writing; and
- c) A Board member acting by proxy may not vote on resolutions on which his principal is prohibited from voting, under the laws and regulations.

7.3.2 The Board resolutions shall be adopted with the approval of the majority vote of the members present in person or represented by proxy, and in case of a tie, the Chairman shall have a casting vote. Members of the Board must declare to the Board or the committee any personal interest, whether direct or indirect, in any proposal that appears before the Board or before any Board committee. The interested Board member shall, without being excluded from the quorum necessary to validate the Board meeting, not participate in deliberations and vote taking place within the Board or committee on the relevant matter or proposal.

7.3.3 Participation in Board 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.

7.3.4 Resolutions by Circulation - The Board may, when necessary, make resolutions by way of circulation through email, and such decisions taken in this manner shall be ratified at the first meeting of the Board, and shall be recorded in the minutes of such meetings. For resolutions by circulation to take effect, they should be approved by the majority of directors entitled to vote on the resolution (not being less than the number required for a quorum at a meeting of the Board). "All directors", for these purposes, does not include a director who would not be entitled to vote on the resolution due to a conflict of interest. In case of an equality of votes, The Chairman shall have a casting vote. Notwithstanding the foregoing, Directors may request in writing that the Board be convened to deliberate on such resolutions.

7.4 Minutes

7.4.1 Board deliberations and resolutions shall be recorded in minutes to be signed by the Board Chairman, attending Board members, and the Secretary. Such minutes shall be recorded in a special register to be signed by the Board Chairman and the Secretary.

7.4.2 Minutes of the meetings shall be distributed to the parties concerned within a period not exceeding fifteen (15) days.

7.5 Reports

The Board should, at the beginning of each year, set a specific timetable for receiving reports from the committees concerned and internal and external auditors, and shall ensure that the mechanism for the collection, preparation and submission of reports and data is in place and in line with the internal adopted policy. It shall also ensure the preparation of important information and its presentation to the Board on a timely basis.

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8 Authority & Responsibilities

8.1 Responsibilities of the Board

- 9.1.1 The Board shall oversee the business of the bank, including approving and overseeing the implementation of the bank's strategic objectives, and approving risk strategy, corporate governance rules and principles of professional conduct. The Board is also responsible for supervision of senior management. Members of the Board shall carry out the tasks and responsibilities entrusted to them by ensuring that adequate policies and procedures for supervision and control of the bank's performance are in place.
- 9.1.2 The Board has the widest authority in managing the affairs of the Bank. The BoD can delegate some of its decision-making authority and responsibilities to the CEO, other executive members or to one or more of its Committees. However, this doesn't relieve the BoD of its full accountability.
- 9.1.3 The Board should ensure the soundness and solvency of the bank and maintain effective relationships with supervisory and regulatory authorities. The Board members should also study and understand relevant regulations and legislation related to the banking sector at the top of which is the Banking Control Law. They should also know SAMA's Requirements for Appointments to Senior Positions in Financial Institutions Supervised by SAMA, and the Explanatory Memorandum of the Powers and Responsibilities of Board members, in addition to other SAMA rules and regulations as well as rules and instructions issued by other related entities.
- 9.1.4 The Board shall ensure adequacy of human and financial resources to achieve the strategic goals and ensure the implementation of the obligations of the bank to all relevant parties. It should ensure compliance of all employees with established policies and procedures, in addition to their responsibilities to protect depositors' and shareholders' funds.
- 9.1.5 The Board shall select and change (if needed) executives in key positions and ensure that the bank has an appropriate replacement policy for the replacement by an appropriate alternative.
- 9.1.6 The Board of Directors should promote integrity and professional conduct within the bank. The Board should ensure that the senior management is following policies which may prevent or limit activities and relationships that might affect the application of the principles of governance.
- 9.1.7 The Board should develop a written policy for settlement of complaints and disputes that might arise between the bank and its stakeholders.
- 9.1.8 The responsibilities of the Board, as well as of those of the Directors, the Chairman, and the Board Committees, shall be fully set out in detailed Charter and Mandates approved by the Board, that reflect to the extent possible the corporate governance requirements of SAMA.
- 9.1.9 The Board of Directors is responsible for the adoption and review of the Bank's Strategy, Management Structure and Responsibilities and Systems & Controls Framework.
- 9.1.10 The Board may delegate certain functions to Committees or Management, it may not delegate its ultimate responsibility to ensure that an adequate, effective, comprehensive and transparent corporate governance framework is in place.
- 9.1.11 The Board shall ensure that the Bank obtains SAMA's prior written approval for all major proposed changes to the Bank's strategy and/or corporate plan prior to the implementation of such major changes.

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- 9.1.12 The Board shall have effective policies and processes in place for review and approving budgets, reviewing performance against those budgets and plans and key performance indicators and management of the Bank's compliance risk.
- 9.1.13 The Board of the subsidiary shall set related corporate governance rules and evaluate any group-level decisions or practices to ensure that they do not put the subsidiary in breach of applicable local regulations.

8.2 Responsibilities of the Directors

- 9.2.1 One of the key roles of a Director is to independently assess and question policies, processes and procedures, with the intent to initiate management action on issues requiring improvement.
- 9.2.2 Each Director has the obligation to act with honesty, integrity and in good faith with due diligence and care, with a view to the best interests of GIB, its shareholders and other stakeholders.
- 9.2.3 The Board Charter, as approved by the Board, requires each Director to exercise independence in his decision-making, and sets out in more detail the other responsibilities of Directors.
- 9.2.4 Directors are responsible for contributing to the oversight of the Bank's affairs with the professionalism and integrity with the aim of achieving the strategic and financial objectives adopted by the Board.
- 9.2.5 A key responsibility of the Board is to fill the gap between stakeholders (shareholders, employees, creditors, depositors, investment account holders, etc.) to whom the Board owes a duty of care, and Management, by monitoring Management closely on behalf of stakeholders.
- 9.2.6 A detailed description of Directors' responsibilities is outlines in the Board Charter and in the Mandates of Board Committees, as adopted by the Board.
- 9.2.7 The responsibilities set forth in this Charter are to be carried out in line with the standards of the Code of Conduct adopted by the Board, as well as the Bank's Corporate Governance Manual.
- 9.2.8 The Board of Directors may, within the limits of its powers, authorize and delegate one or more members of the Board, or a third party, to undertake a specific function or action.
- 9.2.9 Directors acknowledge and agree that nonattendance at Board meetings does not absolve them of their responsibilities as directors. Each Director shall allocate adequate time and effort to discharge his responsibilities. All Directors are to contribute actively to the work of the Board in order to discharge their responsibilities and shall make every effort to attend Board meetings where major issues are to be discussed.

8.3 Responsibilities of the Chairman

- 8.3.1 The Chairman shall have the power to convene a meeting of the Board and preside over its meetings and those of the General Assembly. The Vice-Chairman shall deputise the Chairman, in his absence.

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- 9.3.2 In accordance with the Article 22 of the Bank's Bylaws, the Chairman shall represent the Company in its relationship with others and before judicial bodies, government departments, Public Notaries, Courts, the Committee for the Resolution of Securities Disputes, Boards of Arbitration and Civil Rights, Police Departments, Chambers of Commerce and Industry, private commissions, all companies and establishments; to issue powers of attorney and to appoint and remove agents and attorneys; to raise, defend, plead, settle, acknowledge and arbitrate; to accept, execute and reject judgments on behalf of the Company; to demand the implementation of any article in any regulations, the registration of trademarks and internal work regulations.
- 9.3.3 The Chairman presides at the meetings of the Board and ensures that the Board and its Committees function effectively and independently of management.
- 9.3.4 The Chairman is responsible for the leadership of the Board and for the efficient functioning of the Board.
- 9.3.5 The Chairman shall ensure that all Directors receive an agenda, minutes of prior meetings, and adequate background information in writing before each Board meeting and when necessary between meetings.
- 9.3.6 In terms of the Board decision making process, the Chairman shall take an active lead in promoting mutual trust, open discussion, constructive dissent and support for decisions after they have been made.
- 9.3.7 The Chairman shall ensure that the views of shareholders are communicated to the Board as a whole.
- 9.3.8 The Chairman of the Board shall provide SAMA with a list of all Committees of the Board, their duties and work procedures as well as their members' names

8.4 Responsibilities of the Board Secretary

- 9.4.1 The Secretary of the Board of Directors shall conduct his/her responsibilities as directed by the Chairman of the Board. In addition to maintaining minutes of the Board meetings. The minutes are the permanent official record of the work and decisions taken by the Board and its subcommittees. The Minutes should be accurate and should clearly reflect all the items
- 9.4.2 Ensuring the availability of appropriate means of communication for the exchange and recording of information between the Board and its committees and between members of senior management and non-executive board members
- 9.4.3 Ensuring timely development of Board meetings schedule and Board agendas in conjunction with the Chairman and CEO.
- 9.4.4 Coordinating, Organizing and attending Board and shareholder meetings. Carrying out any instructions of the Board
- 9.4.5 Maintaining minutes of the Board meetings. The Minutes should be accurate and should clearly reflect all the items
- 9.4.6 Ensuring compliance with all statutory requirements in relation to Board affairs.

8.5 The Board's Decision-Making Process

- 8.5.1 Collegial Board – The Board shall be collegial and deliberative, to gain the benefit of each

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individual Director's judgment and experience. The Chairman shall take an active lead in promoting mutual trust, open discussion, constructive dissent and support for decisions after they have been made.

8.5.2 Number of Board meetings – The Board shall meet frequently to enable it to discharge its responsibilities effectively and at least once every three months at the invitation of the Chairman. No less than three of its members may request that a meeting of the Board be held. All Directors shall attend the Board meetings whenever possible and the Directors shall maintain informal communication between Board meetings.

8.5.3 Information for meetings – The Chairman is responsible for the leadership of the Board and for the efficient functioning of the Board. The Chairman shall ensure that all Directors receive an agenda, minutes of prior meetings, and adequate background information in writing before each Board meeting and when necessary between meetings. All Directors shall receive the same Board information. At the same time, Directors shall have a legal duty to inform themselves and they shall ensure that they receive adequate and timely information and shall study it carefully.

8.5.4 Minimum attendance – if any Director fails to attend three consecutive meetings without a legitimate excuse, he may be deemed to have resigned. The Board shall be entitled to appoint a replacement in accordance with Article 4.3 herein above. The Bank must immediately notify SAMA indicating which member has failed to satisfy the required level of attendance and any mitigating circumstances affecting his non-attendance. Where any of the Directors is unable to attend any of the Board meetings, he shall have the right to deputise one of the other Directors to represent him, provided a written proxy is made for such representation. No Director may represent more than one Director on the Board in addition to himself.

8.5.5

8.5.6 Recording of attendance record – The absence of Directors at Board and Committee meetings must be noted in the meetings' minutes. In addition, the percentage of Board attendance must be reported during any General Assembly meeting when Directors stand for re-election.

8.5.7 Chairman and Vice Chairman – The Board shall elect from amongst its Directors a Chairman and Vice Chairman who shall hold office for a term of three years upon obtaining SAMA's non-objection. The Chairman and/or Vice Chairman must not be the same person as the Chief Executive Officer.

8.5.8 Duties of Non-Executive Directors – Potential Non-Executive Directors shall be made aware of their duties before their nomination, particularly as to the time commitment required. The Nomination and Remuneration Committee shall regularly review the time commitment required from each Non-Executive Director and shall require each Non-Executive Director to inform the Committee before he accepts any Board appointments to another company.

8.6 Directors' Independence of Judgement

8.6.1 Independent judgement – Every Director shall bring independent judgment to bear in decision-making. No individual or group of Directors shall dominate the Board's decision-making and no one individual shall have unfettered powers of decision.

8.6.2 Information from Executive Directors – Executive Directors shall provide the Board with all relevant business and financial information within their cognizance and shall recognize that their role as a Director is different from their role as an officer of the Bank.

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8.6.3 Independence of Non-Executive Directors – Non-executive Directors shall be fully independent of management and shall constructively scrutinize and challenge management including the management performance of Executive Directors.

8.6.4 Appointment of Directors - The shareholders have absolute discretion when appointing Directors with no requirement to comply with the type of director to be appointed i.e. whether “independent” or “executive”. The Board shall, however, inform the shareholders of any applicable regulatory requirements to be taken into account in the shareholders’ appointment of new directors. Where there is the potential for conflict of interest, or there is a need for impartiality, the Board shall, to the extent possible, assign a sufficient number of independent Board members capable of exercising independent judgment.

8.7 The Board’s Representation of all Shareholders of the Bank

8.7.1 The Rights of Shareholders - The corporate governance principles followed should protect and facilitate the exercise of shareholders’ rights, contribute to providing effective channels for communication with shareholders and ensure the equitable treatment of all shareholders, including minority holdings, encourage greater shareholder participation at the meetings of the Ordinary General Assembly, and present proposals relating to the Bank’s performance and enhance the development of its operations.

8.8 Directors’ Access to Independent Advice

8.8.1 Independent advice – The Board shall ensure by way of formal procedures that individual Directors have access to independent legal or other professional advice at the Bank’s expense whenever they judge this necessary to discharge their responsibilities as Directors and this shall be in accordance with the Bank’s policy approved by the Board.

8.8.2 Access to Corporate Secretary – Individual Directors shall also have access to the corporate secretary to the Board (the "Corporate Secretary") as determined by the Board, who shall have responsibility for reporting to the Board on Board procedures. Both the appointment and removal of the Corporate Secretary shall be a matter for the Board as a whole, not for the CEO or any other officer.

8.8.3 Dissent – Whenever a Director has serious concerns which cannot be resolved concerning the running of the Bank or a proposed action, he shall consider seeking independent advice and shall ensure that the concerns are recorded in the Board minutes and that any dissent from a Board action is noted or delivered in writing. Upon resignation, a Non-Executive Director shall provide a written statement to the Chairman, for circulation to the Board, if he has any such concerns.

8.9 Directors’ Communications with Management

8.9.1 Management participation – The Board shall encourage participation by management regarding matters the Board is considering, and also by management members who by reason of responsibilities or succession, the CEO believes shall have exposure to the Directors.

8.9.2 Access to management – Non-executive Directors shall have free access to the Bank’s management beyond that provided in Board meetings. Such access shall be through the Chairman of the Audit Committee or the CEO. The Board shall make this policy known to

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management to alleviate any management concerns about a Director's authority in this regard.

9 Committees of the Board

9.1 Creation of Committees

The Board may, from time to time, create specialized committee when and as such committees are needed. The Mandates of the committees shall be approved by the Board. The Board has established the following specialized committees:

- 9.1.1 The Executive Committee is authorized to formulate executive policy of the Bank and supervise the implementation of the executive policy, assist the Board by reviewing, evaluating and making recommendations to the Board with regard to key strategic issues such as mergers, acquisitions or material changes in key strategic objectives or direction, approve credit limits that exceed the authority of the CEO subject to the limits approved by the Board such other responsibilities specifically mandated to it by resolution of the Board.
- 9.1.2 The Audit Committee's responsibilities include, without limitation, assisting the Board in providing oversight of the integrity of the Bank's financial statements; the Bank's compliance with legal and regulatory requirements; the Bank's compliance with the rules of good corporate governance; the external auditors' qualifications and independence; performance of the Bank's internal audit function; independent audits and regulatory inspections; the review of Bank's systems of internal controls regarding finance, accounting, legal, compliance and ethics that management and the Board have established; and the review of Bank's auditing, accounting and financial reporting policies & processes. The CEO shall not be a member of the Audit Committee.
- 9.1.3 The Risk Policy Committee's role is to act as the agent of the Board in ensuring that the Bank has an effective risk management framework in place in accordance with the regulatory requirements and best practice standards for management of risks in banks, effective compliance and good corporate governance to govern and outline the procedures and guidelines in relation to compliance with the corporate governance principles applicable to the Bank.
- 9.1.4 The Governance, Nomination and Remuneration Committee's responsibilities include formulation of the Bank's executive and staff remuneration policy as well as establishing processes for the identification of, and recommending, suitable candidates for senior management, establishing processes for the review of the performance of the individual directors and the Board as a whole, establishing processes for the review of the performance of senior management, and recommending 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.
- 9.1.5 Mandate of Committees – Committees must act only within their formal written mandates (as approved by the Board) and, therefore, the Board may not allow any committee to dominate or effectively replace the whole Board in its decision-making responsibility.
- 9.1.6
- 9.1.7 Disclosures - The Bank should disclose in its annual report on the working of the Board committees formed, the scope of their work, and names of their members (including independent members). The Chairman of the Board shall provide SAMA with a list of all Committees of the Board, their duties and work procedures as well as their members names upon the Board's formation.

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10 The Board Management Structure

10.1 Establishment of Management Structure

10.1.1 The Board shall appoint officers whose authority shall include management and operation of current activities of the Bank, reporting to and under the direction of the Board. The officers shall include at a minimum:

- The CEO
- The Chief Financial Officer
- The Corporate Secretary
- The Head of Internal Audit

And may also include such other officers as the Board considers appropriate.

11 Evaluation of the Board and each Committee

11.1 Annual Evaluation

11.1.1 At least annually, the Board shall conduct an evaluation of its performance and the performance of each committee and each individual Director. The evaluation process shall include:

- a) Assessing how the Board operates;
- b) evaluating the performance of each committee in light of its specific purposes and responsibilities, which shall include review of the self- evaluations undertaken by each committee;
- c) reviewing each Director's work, his attendance at Board and committee meetings, and his constructive involvement in discussions and decision making, and
- d) reviewing the Board's current composition against its desired composition with a view toward maintaining an appropriate balance of skills and experience and a view toward planned and progressive refreshing of the Board.

11.1.2. The Board should periodically review the effectiveness of its own controls and work procedures and identify weak points and make any necessary changes whenever the need arises thereof.

11.2 Administration of Evaluation by Committee

While the evaluation is a responsibility of the entire Board, it shall be organized and assisted by an internal Board committee and, when appropriate, with the help of external experts.

12 Loyalty to the Bank

12.1 Personal Accountability

12.1.1 Acknowledgment of personal accountability – Each Director and officer shall understand that, he is personally accountable to the Bank and the shareholders if he violates his legal duty of loyalty to the Bank, and that he can be personally sued by the Bank or the shareholders for

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such violations.

- 12.1.2 Duty of loyalty – The duty of loyalty described in section 14.1.1 (Acknowledgment of personal accountability) includes a duty not to use property of the Bank for his personal needs as though it was his own property, not to disclose confidential information of the Bank or use it for his personal profit, not to take business opportunities of the Bank for himself, not to compete in business with the Bank, and to serve the Bank's interest in any transactions with the Bank in which he has a personal interest.
- 12.1.3 Act with honesty, integrity and in good faith, with due diligence and care, with a view to the best interest of the Bank and its shareholders and other stakeholders.
- 12.1.4 Bank's Code of Conduct – The Board has established corporate standards for Directors and employees of the Bank, which are set out in this Charter and the Bank's Code of Conduct (the "Code of Conduct"). The Code of Conduct shall be communicated throughout the Bank. Each Director, member of the executive management, and the bank's employees have to sign the code of conduct declaration form annually.
- 12.1.5 The Bank has in place a Directors and Officers Insurance Policy ("Insurance Policy") which provides insurance cover for its directors in respect of certain actions and/or omissions of the directors (as set out in the Insurance Policy) while acting in their official capacity.
- 12.1.6 The Bank has developed a Related Party Transaction Policy to regulate, identify, monitor and enumerating approved and unapproved transactions, to be approved by the Board,
- 12.1.7 The Board shall ensure that related party transactions are carried out fairly and without preference had an "arm's length basis" and are disclosed to SAMA promptly and adequately within two business days.

12.2 Avoidance of Conflicts of Interest

- 12.2.1 Each Director and officer shall make every practicable effort to arrange his personal and business affairs to avoid a conflict of interest with the Bank.

12.3 Disclosure of Conflicts of Interest

- 12.3.1 Disclosure to the Board – Each Director and officer shall inform the entire Board of Conflict of interest (and potential conflicts of interest) in their activities with and commitments to, other organizations as they arise and abstain from voting on the matter. This annual disclosure shall include all material facts in the case of a contract or transaction involving the Director or officer. The Directors and officers must understand that any approval of a conflict transaction is effective only if all material facts are known to the authorizing persons and the conflicted person did not participate in the decision. Each Director shall declare in writing all their other interests in other enterprises or activities (whether as a shareholder of above 5% of the voting capital of a company, a manager, or other form of significant participation) to the Board on an annual basis.
- 12.3.2 Procedure for disclosure – The Board shall establish and disseminate to its members formal policies and procedures for periodic disclosure and updating of information by each Director and officer on his actual and potential conflicts of interest, and advance approval by disinterested Directors or shareholders of all transactions in which the Bank Director or officer has a personal interest provided that the Board shall require such advance approval in every

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case.

12.3.3 Material conflict of interest –Directors shall not enter into competition with the Bank, not demand or accept substantial gifts from the Bank for himself or his connected persons, not misuse the Bank’s assets, not use the Bank’s privileged information or take advantage of business opportunities to which the Bank is entitled, for himself or his associates; and absent themselves from any discussions or decision-making that involves a subject where they are incapable of providing objective advice, or which involves a subject or (proposed) transaction where a conflict of interest exists.

12.3.4 All Directors must declare in writing all of their and their connected persons holding and interests in the Bank group and its subsidiaries and associates on quarterly basis.

12.4 Disclosure of Conflicts of Interest to Shareholders

12.4.1 The Bank’s external auditors shall prepare a report to the shareholders at the Annual General Assembly Meeting to reflect any any authorization of a conflict of interest contract or transaction required in accordance with Article 71 of the KSA Companies Regulations.

13 Appointment of the Board and Training

13.1 Skill Criteria and Regulatory Requirements

13.1.1 Board members must have a proper understanding of, and competence to deal with the affairs and products of the bank and devote sufficient time to their responsibilities; and be able to independently assess and question the policies, processes and procedures of the bank, with the intent to identify and initiate management action on issues requiring improvement.

13.1.2 The Board shall inform the shareholders of 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 Directors and other factors.

13.2 Induction and Training of Directors

13.2.1 Induction of new Director/s – When a new Director is inducted, the Chairman, Corporate Secretary, legal counsel, compliance officer or other individual delegated by the Chairman shall review the Board’s role and duties with that person, particularly covering legal and regulatory requirements of this Charter

13.2.2 The Chairman shall ensure that each new Director receives a formal and tailored induction to ensure his contribution to the Board from the beginning of his term. The induction shall include meetings with senior management, visits to Bank facilities, presentations regarding strategic plans, significant financial, accounting and risk management issues, compliance programs, its internal and independent auditors and legal counsel.

13.2.3 Continuing Directors – All continuing Directors shall be invited to attend orientation meetings and all Directors shall continually educate themselves as to the Bank’s business and corporate governance.

13.2.4 Management programs and presentations – Management, in consultation with the Chairman,

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may hold programs and presentations to Directors in respect of the Bank's business and industry, which may include periodic attendance at conferences and management meetings. The Nomination and Remuneration Committee shall oversee Directors' corporate governance educational activities.

- 13.2.5 Director appointment agreements – The Bank shall have a written appointment agreement with each Director which recites the Directors' powers, duties, responsibilities and accountabilities and other matters relating to their appointment including their term, the time commitment envisaged, the committee assignment (if any), their remuneration and expense reimbursement entitlement, and their access to independent professional advice when that is needed.

14 Remuneration

Matters relating to directors' remuneration are covered under the separate Remuneration Policy.

14.1 Titles, Authorities, Duties and Reporting Responsibilities

- 14.1.1 Appointment of Management – The Board shall adopt by-laws and issue a formal letter of appointment prescribing each senior officer's title, authorities, duties and internal reporting responsibilities. This shall be done with the advice of the Nomination and Remuneration Committee and in consultation with the CEO, to whom the other officers shall normally report. These provisions shall include but shall not be limited to the following:

- a) The CEO shall have authority to act generally in the Bank's name, representing the Bank's interests in concluding transactions on the Bank's behalf and giving instructions to other officers and the Bank's employees;
- b) The chief financial officer shall be responsible and accountable for:
 - (i) The complete timely, reliable and accurate preparation of the Bank's financial statements, in accordance with the accounting standards and policies of the Bank; and
 - (ii) Presenting the Board with a balanced and understandable assessment of the Bank's financial situation.
- c) The Corporate Secretary's duties shall include arranging, recording and following up on the actions, decisions and meetings of the Board and of the shareholders (both at annual and extraordinary meetings) in books to be kept for that purpose; and
- d) The internal auditor's duties shall include providing an independent and objective review of the efficiency of the Bank's operations including a review of the accuracy and reliability of the Bank's accounting records and financial reports as well as a review of the adequacy and effectiveness of the Bank's risk management, control, and governance processes.

- 14.1.2 Limitations on authority – The Board shall also specify any limits which it wishes to set on the authority of the CEO or other officers (i.e. COO, CFO, CRO), such as monetary maximums for transactions which they may authorize without separate Board approval.

- 14.1.3 Corporate Secretary – The Corporate Secretary shall be given general responsibility for reviewing the Bank's procedures and advising the Board directly on such matters.

- 14.1.4 Succession planning – At least annually the Board shall review and concur in a succession plan

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addressing the policies and principles for selecting a successor to the CEO, both in emergencies and in the normal course of business. The succession plan shall include an assessment of the experience, performance, skills and planned career paths for possible successors to the CEO.

15 Communications with Shareholders

15.1 Shareholders' Meetings

- 15.1.1 Pursuant to Article 32 of the Bank's Bylaws, shareholders should be furnished with sufficient information on the date, location and agenda of the General Assembly's meetings 21 days prior to the date of the meeting.
- 15.1.2 Conduct of shareholders' meetings – the Board shall observe both the letter and the intent of the legal requirements for shareholder meetings including the following:
- a. Notices of meetings must be honest, accurate and not misleading. They shall clearly state and, where necessary, explain the nature of the business of the meeting;
 - b. Meetings shall be held during normal business hours and at a place convenient for the greatest number of shareholders to attend;
 - c. Notices of meetings shall encourage shareholders to attend shareholders meetings, and if not possible, participate by proxy and shall refer to procedures for appointing a proxy and for directing the proxy how to vote on a particular resolution. The proxy agreement shall list the agenda items and shall specify the vote (such as "yes," "no" or "abstain");
 - d. Notices shall ensure that all material information and documentation is provided to shareholders on each agenda item for any shareholder meeting, including but not limited to any recommendations or dissents of Directors;
 - e. The Board shall propose a separate resolution at any meeting on each substantially separate issue, so that unrelated issues are not "bundled" together;
 - f. In meetings where Directors are to be elected or removed the Board shall ensure that each person is voted on separately, so that the shareholders can evaluate each person individually;
 - g. The Chairman of the meeting shall encourage questions from shareholders, including questions regarding the Bank's corporate governance guidelines;
 - h. The minutes of the meeting must be made available to shareholders upon their request as soon as possible but not later than 7 working days after the meeting; and
 - i. Disclosure of all material facts must be made to the shareholders by the Chairman prior to any vote by the shareholders.
- 15.1.3
- 15.1.4 Pursuant to Article 39 of the Bylaws, shareholder meetings shall be chaired by the Chairman or the Vice Chairman (in the Chairman's absence), or any Director who is delegated by the Board in the event of the Chairman and Vice Chairman's absence.
- 15.1.5 Attendance of external auditor at shareholder meetings – The Bank shall require its external auditor to attend the annual shareholders' meeting and be available to answer shareholders' questions concerning the conduct and conclusions of the audit.

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- 15.1.6 The Bank shall provide SAMA with a copy of the minutes of the General Assembly meetings within no more than (15) days of the date of the meeting.
- 15.1.7 Notices of shareholder meetings – in notices of meetings at which Directors are to be elected or removed the Bank shall ensure that:
- a. Where the number of candidates exceeds the number of available seats, the notice of the meeting shall explain the voting method by which the successful candidates will be selected and the method to be used for counting of votes, and
 - b. The notice of the meeting shall present a factual and objective view of the candidates so that shareholders may make an informed decision on any appointment to the board.

15.2 Direct Shareholder Communication

The Board respects the rights of shareholders and seeks to facilitate the exercise of those rights by ensuring that the Bank communicates effectively with its shareholders. Accordingly, the Board has approved the adoption of a formal Shareholder and Board Communication and Complaints Policy to promote cogent communication with shareholders, and to set a framework for processing any shareholder complaints should they arise.

16 Disclosure of Corporate Governance

16.1 Disclosure

- 16.1.1 The Bank shall publish all financial and non-financial information which concerns depositors, shareholders, investors, market dealers through the annual report of the Bank, website or via an appropriate channel. Such information shall be provided to regulatory and supervisory entities and other concerned parties.
- 16.1.2 Compliance – At each annual shareholders' meeting, the Board shall report on the Bank's compliance with this Charter and the Code and explain the extent if any to which it has varied them or believes that any variance or noncompliance was justified.
- 16.1.3 Reporting – At each annual shareholders' meeting, the Board shall report on its compliance with the SAMA rules and regulations. Such information shall be maintained and held at the Bank's premises on behalf of the shareholders.
- 16.1.4 Board responsibility for disclosure – The Board shall oversee the processes of disclosure and communications with internal and external stakeholders. The Board shall ensure that disclosures made by the Bank are fair, transparent, comprehensive and timely and reflect the character of the Bank and the nature, complexity and risks inherent in the Bank's business activities. Disclosure policies shall be reviewed to comply with the SAMA's disclosure requirements.