



البنك السعودي للاستثمار  
The Saudi Investment Bank

## Board Risk Committee Charter



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## 1. Introduction

### 1.1 Charter Purpose

The purpose of this charter is to provide guidance to effectively operate and manage the Board Risk Committee of The Saudi Investment Bank.

Prudent risk taking is important in the business of banking. Under Enterprise Risk Management (ERM) the Bank is expected to show sufficient attention to its risk appetite, which serves as a critical link between corporate strategy and day-to-day risk assumption. In other words it sets out the level of risk that the Bank is willing to take in pursuit of its business strategy and objectives. As expected by all the stakeholders of the Bank as well as regulators/rating agencies the Bank will have in place a clear Risk Appetite Framework (RAF) approved by the Board of Directors that shall address several dimensions of the Bank's business such as:

- The nature of the risks to be assumed i.e. the risk strategy
- The maximum level of risk at which the Bank can operate ( risk capacity) and the maximum level of risk it will take ( risk appetite )
- The amount of risks to be taken i.e. the risk limits
- The desired balance of risk versus returns
- The Governance structure and desired risk culture for successful implementation of the RAF

### 1.2 SAIB documents for use in tandem

- Risk Management Policy Guide

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- Risk Appetite Framework Policy
- Treasury Policy Guide (TPG)
- Credit Policy Guide (CPG)
- Internal Capital Adequacy Assessment Plan (ICAAP) Policy
- Stress Testing Policy
- SAIB Business Partners Investment Policy
- Insurance Policy Guide
- Management Information Security Committee Charter
- Management Enterprise Risk Management Committee Charter
- Management Operational Risk Management Sub-Committee Charter
- Management Financial Fraud Control Sub-Committee Charter
- Management Stress Testing Sub-Committee Charter

### 1.3 Regulatory Documents for Reference

- SAMA Corporate Governance Guidelines
- Basel Corporate Governance Guidelines
- SAMA Capital Adequacy Guidelines

### 1.4 Ownership and Amendments

This charter is owned by the Governance function who shall be responsible for updating it in co-ordination with the Chief Risk Officer, as well as the Board Risk Committee

## 2. Charter Body

### 2.1 Committee Introduction

- 2.1.1 The purpose of the Board Risk Committee is to advise the Board regarding current and future plans and strategies for the Bank's risk management, and supervise the execution of such plans and strategies
- 2.1.2 The committee is responsible for assisting the Board in all activities and resolutions related to risk management, including the effective discharge of its responsibilities for business, market, credit, equity and other investment, financial, operational, liquidity and reputational risk management. The Committee must also assess the adequacy of the Bank's capital and its allocation
- 2.1.3 As a Committee reporting to the Board of Directors, the Risk Committee will have full access to all employees, Committees, records, systems, legal consultants, internal auditors, and external auditors, etc...

## 2.2 Composition

### 2.2.1 Requirements

- 2.2.1.1 The Board of Directors shall appoint the Board Risk Committee members as per prevailing rules and regulations.
- 2.2.1.2 Members of the Board Risk Committee shall be appointed by the Board of Directors for a three year period. Membership of the Committee ceases when the member is no longer on the Board of Directors. The Risk Committee will cease to exist as a Committee when the Board of Directors is dissolved
- 2.2.1.3 The appointment of all members of the Committee must be approved by SAMA (including the Chairman)

- 2.2.1.4 The committee should include members who have experience in risk management issues and practices
- 2.2.1.5 All Committee members are expected to maintain confidentiality on all issues, in compliance with Article 19 of the Banking Control Law
- 2.2.1.6 Each Board Risk Committee member shall be compensated in a manner that is proportional to his time and effort, and in accordance with the Saudi Arabian Monetary Agency's rules on compensation practices
- 2.2.1.7 In the event the Chairman loses his Board membership he will, as a consequence, lose his Chairmanship of the Committee. He will serve for a maximum of three years in this capacity renewable for further terms as per the prevailing regulations in this regard.
- 2.2.1.8 Since the Committee is authorized by the Board to obtain outside legal or other independent professional advice, the Committee can secure the attendance of outsiders with relevant experience
- 2.2.1.9 Private meetings with any of the above parties or other employees and officers can also be held. However, when the Committee invites Bank officers or employees, they should be invited through the Chief Executive Officer. . The Committee may also invite the Chief Executive Officer to attend such meetings.

## 2.2.2 Members

2.2.2.1 The Board Risk Committee comprises of the following members

1. Board Member
2. Board Member
3. Board Member
4. Board Member
5. Management Member (*secretary*)

2.2.2.2 The Chief Risk Officer is required to attend the meetings but shall not have the ability to vote

2.2.2.3 The Committee shall have the right to invite any staff within the organization to attend the Committee meeting(s), as deemed necessary, subject to the approval of its Chairman

## 2.2.3 Chairman, Vice Chairman and Secretary

2.2.3.1 The Chairman of the Committee will be:

- Selected by the Board of Directors
- Approved by SAMA

2.2.3.2 The Vice Chairman of the Committee will be:

- In the absence of the Chairman, his designee becomes the Chairman of the session

2.2.3.3 The Secretary of the Committee will be:

- Recommended by the CEO

- Approved by the Board Risk Committee

## 2.3 Roles and Responsibilities

### 2.3.1 General Responsibilities

- 2.3.1.1 Set the Bank's Risk Management Strategy which should be aligned with the Bank's strategy, business planning, capital planning, and compensation schemes, and recommend to the Board for its approval
- 2.3.1.2 Set the Bank's Risk Appetite Framework (RAF) and metrics and ensure that the RAF remains consistent with the Bank's short- and long-term strategy, business and capital plan as well as the Bank's compensation programs and other Board approved policies
- 2.3.1.3 Hold the CEO and other senior management accountable for the integrity of the Risk Appetite Framework, including the timely identification, management and escalation of breaches in risk limits and/or of material risk exposures;
- 2.3.1.4 Include an assessment of the risk capacity and the risk appetite, and other risk limits as necessary, in strategic discussions including those around growth in business lines or products
- 2.3.1.5 Review on a quarterly basis the report issued by management on the actual Risk Profile and Other Risk Limits against the approved levels of Risk Capacity and Risk Appetite, including both



quantitative and qualitative measures of Other Risk Limits against the approved levels.

- 2.3.1.6 Obtain an independent assessment (through internal assessors, third parties or both) of the design and effectiveness of the Risk Appetite Framework and its alignment with supervisory expectations
- 2.3.1.7 Confirm that there are mechanisms in place to ensure that senior management can act in a timely manner to effectively manage, and where necessary mitigate, material adverse risk exposures in particular those that are close to or exceed the approved risk capacity, risk appetite and other risk limits
- 2.3.1.8 Seek clarifications from senior management regarding activities outside the Board-approved Risk Appetite Framework for remedial actions, if any
- 2.3.1.9 Oversee and monitor the response by management regarding any “breaches” of Risk Capacity, Risk Appetite, or Other Risk Limits
- 2.3.1.10 Ensure the availability of adequate resources and expertise are dedicated to risk management in order to provide high quality independent assurances to the Board of Directors that the Bank is operating within the approved Risk Appetite Framework, including the use of third parties to supplement existing resources where appropriate
- 2.3.1.11 Ensure risk management is supported by adequate and robust IT and MIS to enable identification, measurement, assessment and reporting of risk information in a timely and accurate manner

- 2.3.1.12 Review and recommend for approval to the Board the Bank's stress testing results submitted by the Enterprise Risk Committee, and reviewed by the ALCO Committee
- 2.3.1.13 Review and recommend for approval to the Board the Bank's Internal Capital Adequacy and Assessment Plan (ICAAP)
- 2.3.1.14 Approve the Annual Operational Risk Appetite of the Bank
- 2.3.1.15 Ensure that the Bank has in place adequate insurance coverage (as per the Insurance Policy Guide)
- 2.3.1.16 Review and recommend for approval to the Board new and or amendments to all policies of the Bank
- 2.3.1.17 Review matters and input raised by the Enterprise Risk Management Committee for details on adherence to the Bank's Enterprise Risk Management Framework
- 2.3.1.18 Review the Risk Management Group structure, role, responsibilities, tools, and techniques used
- 2.3.1.19 Review fraud risk reports prepared identifying incidents and resolutions as prepared by the fraud prevention and detection function through the Financial Fraud Control sub-committee
- 2.3.1.20 Oversee and confirm the effective implementation of the guidelines issued by SAMA and other regulatory bodies related to Fraud

2.3.1.21 Review the results of bank's stress-tests through the Management Enterprise Risk Management Committee, carried out by the Stress Test Team (STT) and recommend approval of the Stress Test results to the Board for approval.

2.3.1.22 Review the results of the annual Internal Capital Adequacy Assessment Plan and recommend the same to the Board for approval

2.3.1.23 Review the results of remedial action taken by the Management Stress Test sub-committee and the Management Enterprise Risk Management Committee to address the outcomes of the Bank's stress-test

2.3.1.24 Receive, and provide feedback on, all matters raised by the Information Security Committee updates on all matters pertaining to information security that may impact the bank's risk

## 2.3.2 CRO-related Responsibilities

2.3.2.1 Ensure the regular interaction between the CRO and the Board Risk committee

2.3.2.2 Review and approve the CRO's Balanced Score Card

## 2.3.3 Business Associates and Subsidiary Responsibilities

2.3.3.1 Review, on a recurring basis, and understand, the risks related to the Bank's subsidiaries and their potential impact

## 2.3.4 Document Review Responsibilities

2.3.4.1 Review all types of Risk-related documents including those listed in Section 1.3 on the following basis:

- a. Internal Capital Adequacy Assessment Plan (ICAAP) Report (Yearly)
- b. Stress Testing Report (as of June and December Every Year)
- c. Risk Appetite Framework Compliance Report (Quarterly)
- d. Report on developments in risk culture (Quarterly)
- e. Treasury Compliance Report (Quarterly)
- f. List of Cases lodged by or against SAIB (Quarterly)
- g. Risk Dashboard (Monthly)

## 2.4 Meetings

2.4.1 The committee shall convene at least four times a year and when deemed necessary by the committee's Chairman

2.4.2 The Board Risk Committee must meet in response to any major issue that may arise and which needs their immediate attention and decision

2.4.3 At least 50% of the Committee members must be present to have a quorum for a meeting to be held

2.4.4 The Committee shall make decisions by a majority vote of members participating in the meeting

2.4.5 In case of a tie, the Chairman of the committee will have a casting vote

2.4.6 The dissenting members can register their disagreement mentioning the reasons for their dissent

2.4.7 No voting by proxy shall be permitted

2.4.8 Meetings can be called pursuant to the request of the Board, SAMA, or the Chairman of the Board Risk Committee

## 2.5 Term

2.5.1 The Committee's term is 3 years, or until the end of the term of the present Board, whichever comes first

2.5.2 The term of the Board member elected should also be linked to his membership term in the Board of Directors

## 2.6 Reporting Provisions

2.6.1 The committee shall report to the Board of Directors and make available its minutes of meetings to the Board of Directors. The Chairman of the committee shall brief the Board on any significant matters arising.

2.6.2 Two Management Committees shall make the minutes of their meetings available to the Board Risk Committee. They are:

1. Management Enterprise Risk Management Committee
2. Management Information Security Committee