Compliance Committee Charter

The Saudi Investment Bank

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Compliance Committee Charter

Introduction

The Compliance Committee is an internal Committee supporting the Audit Committee. It performs functions and responsibilities related to supporting supervision and ensuring the efficient implementation of the compliance policy and function at the bank in accordance with the principles and controls indicated in annex (1) of the Compliance Manual issued by SAMA in December 2008.

Purpose

The objective of the formation of this committee is to oversee the compliance risks in the bank, to ensure that the bank's management understands compliance risks to which the bank may be exposed and to have in place appropriate policies and procedures to manage such risks. The committee shall review actions taken to ensure a robust and consistent compliance system is in place, promote a high compliance culture, and assist the Audit committee to mitigate its burden in compliance area.

Also, the purpose of the Compliance Committee is to assist the Board of Directors through the Audit Committee in fulfilling its oversight responsibilities relating to:

- The Bank’s compliance with regulatory requirements;
- The development and the implementation of controls to manage and monitor the quality of the Bank’s compliance activities;
- The evaluation and coordination of the performance of the Bank’s Compliance function;
- Overseeing the compliance risks in the Bank and the management of the compliance function;
- Providing assurance to the Board regarding appropriateness and efficiency of the Bank's internal controls system regarding compliance.
- Reviewing actions taken to ensure a robust and consistent compliance system is in place.
- Promoting a high compliance culture.

General Provisions

This Charter shall:

- Define the authority of the Compliance Committee and its members;
- Define the rights and responsibilities of the Committee’s members including its election, composition, and the dismissal of the Committee members;
- Define the meeting procedures of the Committee; and
- Set out the rules relating to the remuneration of the Committee members.

**Election, Remuneration, Composition and Dismissal**

The Board of Directors, issue rules for appointing the members of the Compliance Committee, and define the term of their office, and the procedure to be followed by the Committee.

**Appointment & Term of office**

The chairman of the Committee shall be approved by the Board of Directors or the body delegated by the chairman of the board, before the holding of its first meeting after each term.

The Board of directors shall appoint the Compliance Committee members for a period of three (3) years and their replacements when positions become vacant or add new members if required. In case the bank believes that it should include one of the board members, then the term of the elected board member should be linked to the term of his membership in the Board of Directors.

In order to maintain compliance with SAMA requirements, the Chairman of the Compliance Committee may not:
- Be the Chairman of the Board of Directors;
- Be related to the other members of the Board, either through first degree relationship or through association in partnerships, or joint-ventures or substantial ownerships in companies;
- Be related to senior management of the Bank.

**Remuneration**

Remuneration shall specifically approved by the Board.

**Skills and Qualification of Members**

Members of the Compliance Committee must possess an appropriate knowledge of compliance rules and are familiar with issued rules and regulations, goal setting, technical reports, and skills in interacting with the Bank’s senior executives, regulators and other relevant parties.

**Composition**

As per SAMA requirements as a minimum, the Compliance Committee will have members from three departments in the bank. Given the different organization of the Compliance Department,
the membership should include: a member of the senior management, the Compliance Officer and the Anti-Money Laundering & Terrorist financing Officer.

The Compliance Committee is composed of:

- Two Non-executive Board Members.
- Head of Compliance;
- Head of AML;
- Head of Risk Management;
- Head of Operations
- Head of Audit (observer).
- Others may be called upon from time to time.

Note: A Non-Executive board member is an individual who provides opinions and technical advice and is not involved in any way in the management of the bank and does not receive a monthly or annual salary.

**Dismissal**

The Board may, at any time, dismiss any member of the Committee, or nominate the entire Committee.

Members of the Compliance Committee shall meet not less than four (4) times a year. All members should attend and participate in Committee meetings, and if a member fails to attend three meetings a year without a valid excuse, he/she will be substituted by another member.

**Secretary of the Compliance Committee**

The Head of Compliance is nominated as the Secretary of the Committee. He is responsible for:

- Ensuring committee meetings are convened.
- Circulating invitations and collecting confirmation of attendance of scheduled meetings from the committee members.
- Collecting input from the committee members on the proposed agenda for the meeting.
- Working with the Chairman of the committee to set the agendas for all meetings.
- Collecting documents to be circulated at the meeting.
- Distributing the meeting agenda with the relevant documents.
- Attending all meetings, taking minutes of the meeting, and circulating them to the members.
- Preparing and circulating the agenda for the meeting, together with the accompanying documents, at least one week before the meeting.
The Annual Balanced Scored Card (BSC) and performance of the Head of Compliance/ Secretary of the Committee should be reviewed and shared with the Chairman of Compliance Committee.

**Authority**

The Committee will have the resources and authority necessary to discharge its duties and responsibilities. The Committee shall have the following authority:

- Request documents, reports, explanations, and other relevant information from the officers, executives, and employees of the Bank;
- Invite the Bank’s officers, executives, and employees, as well as the Bank’s strategy advisors, to its meetings as observers to question them, and seek explanations and clarifications;
- Utilize the services of outside consultants, experts, and advisers;
- Perform special investigations as required, and utilize the services of independent experts in doing so; and
- Perform any other duties required by the Audit Committee and the Board within the scope of the authority of the Committee as set forth herein.

The Committee will have full and unconditional access to all books and records of the Bank including but not limited to the Board’s minutes of the meetings and its sub committee’s meeting minutes to discharge its responsibilities in relation to compliance, AML monitoring, fraud and suspicious activities, investigations and other responsibilities given in their charter or delegated by the Board from time to time.

**Rights and Responsibilities**

All opinions or proposals of the Committee are recommendations only and thus non-binding to the Board unless the Board instructs otherwise.

The following issues shall fall within the responsibilities of the Committee:

**General Responsibilities**

The Compliance Committee is responsible for:

- Laying down the general framework for the compliance function.
- Reviewing and approving the Bank’s Compliance Policy Manual, including a formal document establishing a permanent and effective compliance function, for its presentation to the Board of Directors for approval.
- Reviewing actions taken to ensure a robust and consistent compliance system is in place.
- Promoting a high compliance culture and values of honesty and integrity throughout the Bank.
- Assessing the extent to which the Bank is managing its compliance risk effectively and submitting a Compliance Assessment Report to the Board.
Ensuring compliance issues are resolved effectively and expeditiously by the Bank’s management with the assistance of the compliance function.

**Special Responsibilities**

The Compliance Committee shall also undertake the following responsibilities:

- Reviewing issues that may represent a compliance risk submitted to it by the Head of Compliance, Legal Department, Internal Audit, or other departments, subject to the Chairman of the Committee approval.
- Assessing annually its responsibilities and recommending changes it deems necessary.
- Taking appropriate action when receiving information on issues relating to conflicts of interest or breaches of business practices, business ethics, internal dealing, sales and marketing practices, anti-money laundering law and regulations, KYC, confidentiality, customer conduct, personal account trading, statutory registration, training on compliance and others.
- Ensuring procedures are put in place for establishing mechanisms between the various departments to share information on compliance issues that require common approaches.
- Reviewing amendments brought to the ethical standards and practices, laws and regulations that affect business activities and products, assessing the impact of these on the businesses, initiating the review of the Compliance Policy Manual to reflect the changes, and coordinating compliance training needs.

**Regulatory Authorities, Compliance and Risks**

The Compliance Committee shall:

- Review litigation and its impact and outcomes arising therefore against the Bank from a compliance perspective.
- Oversee compliance with applicable relevant laws, regulations, and resulting requirements that may impact the Bank’s compliance risk management.
- Assess applicable statutory compliance risk processes to anticipate and effectively manage arising updates in laws and instructions and their impact on the Bank’s performance with respect to compliance.
- Assist Senior Management in evaluating the adequacy of the resources allocated to the Compliance Department as well as the policies, procedures, and techniques employed in the compliance function.
- Review the major reports of regulators on the operations of the Bank and their relevance to compliance.
- Assist the CEO in obtaining SAMA’s no-objection before taking off the office of Head of Compliance or before replacing him (resignation, termination of service, etc). The change shall be documented, mentioning the reason. The communication to SAMA will be done by the CEO.
Relationship with the Board of Directors

The Compliance Committee will inform the Board of Directors through the Audit Committee when the Head of Compliance leaves his position or is terminated; disclosing reasons for his departure or termination, The same should be communicated to SAMA as per its circular that describes the Requirements for Appointments to Senior Positions In Financial Institutions Supervised by the Saudi Arabian Monetary Agency (SAMA – July 2013).

The Committee shall conduct an annual review and assessment of this Charter, and make recommendations to the Board regarding any amendments hereto it deems appropriate.

The Committee shall report to the Board on a regular basis, but not less than once every quarter. The Committee shall make such report to the Board as soon as feasible after every meeting. This report shall be in the form of Minutes of the Compliance Committee meeting.

Further, Committee members shall:
- Treat all information that became known to them in the course of performing their official duties as confidential information;
- Inform the Board of any changes in their independent status or any conflict of interest regarding decisions to be made by the Committee;
- Conduct annual reviews and assessments of the Committee activities and its members, including a review of the Committee’s compliance with this Charter; and
- Perform any other activities consistent with this Charter, the Bank’s policies and governing law, as the Committee or the Board deems necessary or appropriate.

Relationship with the Audit Committee

- The Chairman of the Compliance Committee will periodically update and provide the Audit Committee with information related to the compliance status in the bank.
- The Compliance Committee will provide an annual report to the Audit Committee on the compliance status of the bank including any issues and corrective actions.
- The audit committee will evaluate the overall performance of the Compliance Committee and update the board accordingly.
- The Secretary of the Compliance Committee will be the channel to provide the chairman of Audit Committee with the information related to the compliance status in the bank.
Meeting Procedures

Meetings shall be the principal form utilized for carrying out the work and activities of the Committee.

Meetings may be called by the Chairman of the Committee, requested by a member of the Committee or the Audit Committee, or by decision of the Board. Additional meetings may be called at any time when deemed necessary by the Chairman of the Committee. The Compliance Committee Secretary shall be responsible for calling such meetings.

Meetings may be conducted whenever and as often as necessary to properly carry out the Committee’s functions and duties in a timely manner. If a meeting of the Board is to be conducted in which a matter within the Committee’s authority is at issue, then a meeting of the Committee should be conducted at least 5 working days before such meeting of the Board, unless the Board decides otherwise.

Meetings may be conducted at a planned time when the members are physically present, and may be conducted in the form of video conferences.

The Committee shall obtain a report on compliance matters prepared by the Head of Compliance at least one week prior to the meeting. Such a report shall include all relevant information on the current compliance status of the Bank. It should include other information on the Bank’s performance regarding executed activities, business ethics, internal practices, anti-money laundering and combating terrorism financing actions, KYC, account opening rules, confidentiality, customer conduct, personal account trading, statutory registration, training on compliance, and compliance with all laws and guidelines. All information shall be forwarded to the Committee’s members.

A quorum shall be deemed present at any meeting of the Committee if at least 2/3 (66%) of the Committee members are present. The Committee shall make decisions by a majority vote of members participating in the meeting. In case of a tie, the Chairman of the Compliance Committee will have a casting vote. The dissenting members can register their disagreement mentioning the reasons for their dissent.

In case of matters involving possible violations by a member of the Compliance Committee, that member shall not attend the meeting as a committee member nor participate in the deliberations of the committee. If more than one member of the Compliance Committee is involved, the matter shall be referred to the Board of Directors.

The Secretary of the Committee shall be responsible for giving advance notice to all of the Committee members of the meeting and its agenda, and ensuring the availability of all necessary information regarding all items included on such agenda not less than one week before the meeting. Additionally, the notice shall be given in any form deemed convenient and agreed upon by the Committee members, e.g. by telephone, fax, ordinary, or electronic mail.
The results of the committee’s discussions shall be reflected in written minutes signed by the Chairman of the Committee. However the draft minutes will be circulated to all attending members of the committee within 5 working days by the Secretary of the Committee and their comments will be incorporated in the final minutes prior to the Chairman of the Committee signing these minutes.

The Committee's Chairman shall maintain responsibility for scheduling, convening and adjourning Compliance Committee Meetings. This shall include a follow up of the recommendations, resolutions and motions passed in the meeting. The Secretary of the Compliance Committee shall be responsible for documenting and consolidating meeting minutes, distributing them to the Committee members, obtaining their approval, and providing a copy to the Secretary of the Board.

Results of the Committee’s meetings shall be delivered to the Audit Committee and the Board of Directors in a form of a report if any decisions were made. The report shall include outcomes of the meeting with a list of decisions required if the Committee believes that they should issue those decisions, and they should attach any appendices to support their recommendations, otherwise, only the summary of minutes of the meeting shall be presented.