

# Board Risk Committee Charter



## 1- Introduction

- 1-1 The Risk Committee ("Committee") shall carry out the duties stated in this Charter.
- 1-2 The Charter shall state the Committee's scope of work, structure, and mandate including implementation mechanisms.
- 1-3 To ensure Company's alignment with best practices in corporate governance, the Committee shall periodically review this charter, and submit its recommendations to the Board of Directors "Board" to approve any necessary amendments in accordance with the applicable rules and regulations.
- 1-4 The Board shall assess the Committee performance on a regular basis, and submit any recommendation for improving the Committee's performance.

## 2- Committee Mandates

The Committee shall carry out all the assigned mandates, submit its recommendations to the Board, and shall maintain channels of direct communication with the Board, and shall not amend any decision issued by the Board, and the Committee mandates and tasks in accordance with relevant laws and regulations are as follows :

### 2-1 Risk Management:

- 2-1-1 Endorse the risk management strategy before the Board's approval, monitoring the implementation and updates based on the Company's internal and external changing factors.
- 2-1-2 Endorse the Risk Appetite that defines the acceptable levels of risks that the Company may be exposed to, review and maintain these levels periodically, and ensure that the Company does not exceed them.
- 2-1-3 Overseeing the risk management framework and related risk management policies, business continuity policy, Internal control policy, and the methodology of evaluating the control systems that align with the nature and volume of the Company's activities, or the regulations regulating its business or its strategic objectives or other related factors.
- 2-1-4 Verifying the viability of the Company's business continuity and success; and identifying risks that face the Company's continuity on an annual basis.
- 2-1-5 Overseeing the business continuity program, analyzing its impact on the Company's business and business continuity arrangements, and taking decisions in this regard.
- 2-1-6 Regularly reassessing the Company's ability to take risks and be exposed to such risks (through stress tests executed by Executive Management as an example).

- 2-1-7 Study the periodic reports prepared by the Risk Management function and take decisions where needed regarding them, and provide recommendations to the Board on matters related to risk management.
- 2-1-8 Oversee the Company's risk management system and assess its effectiveness and mechanisms for determining and monitoring the risks that threaten the Company to determine areas of inadequacy.
- 2-1-9 Ensure the organizational structure of the Risk Management and the availability of adequate resources.
- 2-1-10 Verifying the independence of the risk management employees from activities that may result in Company exposure to risks and working to increase awareness of the risk culture.
- 2-1-11 Review any issue raised by the audit committee that may affect the Company's risk management.

## **2-2 Subsidiaries:**

- 2-2-1 Recommend and oversee the level of risks appetite agreed with subsidiaries, and advise the stc group Board of Directors regarding exposures to risks that the Company may face.
- 2-2-2 Ensuring the effectiveness of the formation and performance of Risk Committees in the Subsidiaries.
- 2-2-3 Ensuring the efficiency of risk management practices and business continuity in Subsidiaries through periodic engagement reports according to the standards defined by the Risk Management, ensure adherence, and Report to the Board on any breach.
- 2-2-4 Review the effectiveness of the subsidiaries' internal controls and risk management systems.

## **3- Committee Structure**

### **3-1 Committee Formation:**

- 3-1-1 The Committee shall be formed by a decree of the Board, and comprise of three to five members from the Board or others with proper level of knowledge and experience.
- 3-1-2 If the Committee Chairperson is absent, the attending members shall nominate one of them to preside over the meeting temporarily.
- 3-1-3 The Committee may seek assistance from Non-Executive Directors or persons from outside the Board, whether shareholders or not.

### **3-2 Committee Chairperson:**

- 3-2-1 In their first meeting at the beginning of each new term, or in case the committee is re-formed, the committee members shall select a Chairperson for their committee.
- 3-2-2 The Committee Chairperson shall organize meetings, specify the agenda and shall be acquainted with all the information and documents necessary for enabling the Committee to carry out its responsibilities.
- 3-2-3 The Committee Chairperson or those he deputizes from the Committee members shall attend the General Assemblies to answer shareholders' questions relevant to the Committee's mandate.

### **3-3 Committee Secretary:**

- 3-3-1 stc Board Secretary shall carry out the Committee's secretarial duties. The Committee may appoint a Secretary from its members, provided that he/she meets the appropriate requirements as stipulated in the Corporate Governance Regulations issued by the Capital Market Authority and who shall be responsible for documenting the Committee meeting minutes, which shall include the discussions and deliberations carried during meetings, as well as the place, date, times on which the meetings commenced and concluded; and record the decisions of the Committee and voting results and retaining them in a special and organized register, and including the names of the attendees and the reservations they expressed (if any). Such minutes shall be signed by all of the attending members.
- 3-3-2 The Committee Secretary shall provide the Committee members with the agenda of the Committee meeting and related worksheets, documents and information and any additional information, related to the topics included in the agenda items, requested by any Committee member before at least five calendar days of the date specified for the meeting.
- 3-3-3 The Committee Secretary shall notify the Committee members of the dates of the Committee's meetings within a sufficient period.
- 3-3-4 The Committee Secretary shall submit regular reports on the Committee's activities and works to the Board. The Committee Secretary shall also carry out any and all other duties assigned to him by the Committee.
- 3-3-5 The Committee Secretary cannot participate in any of the Committee decisions or in voting.

**3-4 Invitees:**

- 3-4-1 Only Committee members can attend its meetings. The Committee however, may invite other persons to attend any of its meetings or a part thereof as necessary, and those invitees shall not be entitled to vote at such meetings on any decision the Committee takes thereon.
- 3-4-2 Invitees may not take part in any unless the Committee has invited them to discuss such matters specifically with them.
- 3-4-3 Committee members and other persons invited to the Committee meetings shall maintain the confidentiality of such meetings, the documents and information that is shared with them, the contents of its discussions, and reviewing of documents of which the attendees have become aware.

**3-5 Committee Term:**

- 3-5-1 The enactment date of the Committee is the formation date and shall end either on the expiry of the Board's term or the formal termination of the Committee by the Board. The Committee's term must be consistent with the duration of the Board tenure.

**3-6 Termination of Committee Services:**

- 3-6-1 The Board can terminate all/any Committee's members when the member(s) abuse their position in the Committee or the Board deems their conduct as damaging to the Company's goals and reputation.
- 3-6-2 A Committee member may resign by delivering a written notice to the Board Committee Chairperson. Such resignation shall become effective as of the date of delivering the said notice, unless the notice specifies a later time for the resignation to be effective.
- 3-6-3 A member loses his membership if he/she misses three consecutive meetings without prior permission from the Committee Chairperson or is unable to provide a legitimate excuse of absence acceptable to the majority of the attending Committee members.
- 3-6-4 The Committee may nominate a replacement member from among the Board members to be approved by the Board for a vacant position in the Committee. The new member shall complete the remaining duration of the replaced member's term taking into

consideration the requirements that should be fulfilled by the Committee member.

**3-7 Remunerations and Compensation of Committee Members:**

3-7-1 Each Committee member shall be given annual rewards, attendance allowance, and other allowances as provided for in the Company's Articles of Association, the policy of "Nomination of STC Board of Directors, Board Committees Members, their Remuneration, and Reward of Executive Management".

3-7-2 The Committee members shall be eligible for a compensation for the expenses they experience to attend Committee meetings from their places of residence to the Company head office, or to the place where the meetings are held, in addition to any other costs related to accommodation and transportation in accordance with the Company related policy.

**3-8 The Committee Meetings:**

**3-8-1 Meeting Invitation:**

- a. The Committee shall meet as per Committee Chairperson request or upon a written request from two of its members to the Committee Chairperson.
- b. The Committee shall meet at minimum Four times per year, or as necessary.
- c. In a Committee meeting, if a member cannot attend in person, he may take part in its deliberations and vote on proposed resolutions using one of the modern technological means subject.
- d. The invitations to the meeting shall be sent to each Committee member with sufficient notice time. Such an invitation shall be accompanied with the agenda and documents to be discussed at the meeting, and shall specify the time, date and place of the meeting.
- e. Committee meetings shall be held at the Company head office or at any other place the Committee members select.

**3-8-2 Quorum and Voting:**

- a. A Committee meeting shall not be a valid meeting unless attended by the majority of the Committee members.
- b. A Committee member cannot assign another member to attend a Committee meeting on his behalf or to vote on his behalf.
- c. Committee decisions shall be approved by majority of the members present at the meeting. In case of equal votes, the decision voted by the Chairperson shall be final or he may postpone the decision for further study.

- d. The Committee cannot issue its decisions by offering them to its members separately except in cases of urgent matters. Such decisions shall be considered valid and effective in case of the consent of at least two-thirds of the members unless for the request of one of the members for a meeting to review them. The decisions shall be put forward to the Committee's next first meeting for recording it in the minutes of the meeting.

### **3-8-3 Meeting Agenda:**

The Committee Secretary shall, in coordination with the Committee Chairperson and the Executive Management and the Internal Audit, prepare the agenda of the Committee meeting and schedule the topics to be discussed according to their significance and priority, which shall be revised and approved by the Committee Chairperson before being distributed to Committee members.

### **3-8-4 Minutes of Meeting:**

- a. The Committee Secretary shall prepare and send to the Committee members the first draft of the Minutes of meeting within five business days.
- b. The Committee members shall submit their feedback and remarks on the minutes within a sufficient time from receiving the first draft of such minutes by the Committee Secretary.
- c. Each member would have the right to object towards any decision issued by the Committee through declaring the reasons of objection. If any member leaves before the meeting is declared adjourned, the objection of the member, if any, would be limited to decisions on articles discussed while the member was present. Provided the minutes should refer clearly to the non-attended discussed articles, in case the member expresses his interest in doing so in writing.
- d. The Committee Secretary shall amend the first draft minutes of meeting according to the committee members' feedback to finalize the minutes.
- e. The Committee members shall submit their feedback and remarks on the minutes within two business days of receiving the second draft by the Committee Secretary.
- f. The Committee Secretary shall prepare the final version of the minutes, which shall be considered official once signed by all attending members and the Committee Secretary.
- g. The Committee Secretary shall send the approved minutes to the Committee members.

- h. In case a Committee member wishes to add his/her feedback into the minutes of the meeting following the present meeting as one of the main topics, he/she would have to coordinate with the Committee Chairperson to schedule it in the meeting agenda.
- i. The Committee shall follow up the implementation of the decisions it made and on any other topics discussed in previous meetings.

**3.9 Reports:**

- 1-1 Once approved, the minutes of the Committee meeting shall be accessible to any Board member along with the related documents.
- 1-2 The Committee shall provide recommendations to the Board regarding matters within the mandate of the Board of Directors, which affect the Committee duties.

**3.10 Resources and Sources of Information:**

- 1-2.1 The Committee shall have access to any and all resources and information necessary for properly carrying out its functions, duties, and responsibilities.
- 1-2.2 The Committee shall be entitled to approve a consulting project contracts, directly, or direct Executive Management to award a consulting projects contract to a consulting firm that the Committee has chosen as the most suitable and fitting the nature of duties and responsibilities assigned to the Committee, in all such cases, the application of the Company's Procurement Policy shall not be required.

**4- General Provisions**

- 4.1. This Charter shall be effective as of the date of its approval by the Board of Directors. No articles of this Charter shall be amended, omitted, or added without the Board's approval.
- 4.2. This Charter shall be complementary to STC Incorporation Document, STC Governance Document, Board of Directors Charter, Board Committees Charters, and other related documents.
- 4.3. This Charter shall supersede and replace any decisions not consistent with it.
- 4.4. Any topics not covered in this document, must follow the related regulations issued by the competent authorities.



