



AL RAYAN BANK

Al Rayan Bank PLC
("Company" or "Bank")

Remuneration & Nomination Committee

Terms of Reference

Effective 12 July 2021

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Remuneration & Nomination Committee

Terms of Reference

1. Purpose

Without prejudice to its detailed responsibilities set out at section 11 of these terms of reference, the Remuneration & Nomination Committee (the “**Committee**”) has purely advisory and specifically non-executive responsibility to:

- ensure that the Bank has directors and senior managers in place who are suitably qualified, experienced and trained;
- ensure that effective succession planning at Board, Executive and senior management level is undertaken;
- ensure that all of the Bank’s remuneration policies and practices are compliant with law and regulation;
- ensure that all of the Bank’s remuneration policies and practices are designed to attract, retain and motivate the Bank’s directors, senior managers, employees, workers and contractors;
- help the Chair of the Committee fulfil his or her SMF 12 and Prescribed Responsibilities;
- make recommendations to the Board on relevant policies, including the remuneration policy and Board Diversity Policy;
- set the over-arching principles, parameters and governance framework of the remuneration policy;
- review the effectiveness of the remuneration policy;
- lead the process for Board appointments and for identifying and nominating, for approval by the Board, candidates for appointment to the Board and its Committees (including being responsible for diversity and inclusion matters before making recommendations for appointment); and
- monitor the corporate governance framework of the Company and make recommendations to the Board to ensure that the framework is consistent with best corporate governance standards and practices.

2. Membership and attendance

- 2.1 The Committee shall have at least three (3) members.
- 2.2 The Board, in conjunction with the Chair of the Committee where necessary, shall provide guidance to the Committee as to its membership.
- 2.3 Members of the Committee shall be appointed by the Board. The Board shall review membership of the Committee on at least an annual basis.
- 2.4 All members of the Committee shall be Non-Executive Directors. A majority of the members shall be independent Non-Executive Directors. Across its members as a whole, the Committee shall have a balance of relevant skills and experience in remuneration and nomination matters provided that, where a member of the Committee does not have the necessary skills or experience, the Committee shall provide, or procure the provision of, appropriate training to such member.
- 2.5 The Chair of the Board will not chair the Committee except in exceptional circumstances e.g. where no other Non-Executive Director is available to take on the role as a result of absence due to illness or a vacancy on the Board and provided further that the Chair of the Board shall only be the chair of the Committee on a temporary basis until a suitable other chair is appointed.
- 2.6 Save as set out in the provisos to this paragraph, appointments to the Committee shall be for a period of up to three years, which may be extended for two further periods of up to three years (i.e. a maximum of nine years from the date of first appointment).

The provisos are that: (a) the member of the Committee still meets the other criteria for membership of the Committee and (b) there will be no specific limit on the term of appointment of Shareholder Non-Executive Directors, but their appointments and term will be reviewed regularly by Masraf Al Rayan (MAR).

2.7 Only members of the Committee have the automatic right to attend Committee meetings.

Other individuals may be invited to attend all or part of any meeting as and when deemed appropriate or necessary by the Chair of the Committee.

2.8 The Board shall appoint the Chair of the Committee.

In the absence of the Chair of the Committee or an appointed deputy at any meeting of the Committee: (a) the Senior Independent Director (if a member of the Committee) shall act as the Chair for that meeting, (b) in the absence of the Senior Independent Director, the remaining members present shall elect a Chair from among the members of the Committee present for that meeting and (c) if there is only one remaining member, the meeting shall be postponed until a quorum for the meeting is possible.

3. Company Secretary

The Company Secretary, or in his or her absence or unavailability an alternate appointed by the Chair of the Committee, shall act as the secretary of the Committee.

4. Quorum and Voting

4.1 The quorum necessary for the transaction of business shall be two members.

4.2 All members have one vote. Questions for or decisions by the Committee will be decided by a majority of votes (but written resolutions require unanimity, as set out below). In the event of a tied vote, the Chair of the Committee will have a second or casting vote.

5. Frequency of Meetings

5.1 The Committee shall meet at least four (4) times a year and otherwise as required.

5.2 Outside of the formal meeting programme and subject to the provisos below, the Chair of the Committee (and to a lesser extent the other Committee members) shall maintain a dialogue with key individuals involved in the Bank's governance. Such key individuals may include the Chair of the Board, the Chief Executive, members of the Bank's Executive Management team, the Head of HR, the External Auditor and the Internal Auditor. Direct dialogue with key individuals outside of the Executive team or audit functions is not encouraged.

The provisos are that: (a) such dialogue or interactions do not in any way compromise the independence of the Chair or other members of the Committee, (b) the individual Committee member provides to the Committee at the next occurring meeting of the Committee (or sooner if the individual Committee member deems it necessary and appropriate) a summary or outline of the matters in the engagement that are relevant to the Committee, including in respect of the topic and outcome of such interactions (provided that such Committee member shall be obliged to provide the other Committee members with such further details as they may reasonably request) and (c) all decisions of the Committee are made at formal meetings of the Committee duly convened and held in accordance with these terms of reference.

6. Notice of Meetings and meeting packs

6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of (a) the Chair of the Committee or (b) any other members if they consider it necessary, provided they do so after consultation with the Chair of the Committee wherever possible.

6.2 Unless otherwise agreed by the Committee, at least five working days before the date of the meeting (so that there will be a minimum of seven calendar days between the date of receipt of the notice and the date of the Committee meeting):

- notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required or requested to attend;

- supporting papers shall be sent to Committee members; and
- other attendees will receive such papers as are appropriate to them or for them, depending on the identity of those attendees and the contents of those papers.

6.3 The Chair of the Committee will be responsible for coordinating with the appropriate member of the Executive Team and the secretary of the Committee to ensure that the Committee's packs are distributed to Committee members and to other attendees, as appropriate, as far in advance of the meeting as is reasonably practicable, and in any event within the timeframes set out in paragraph 6.2 above.

All information contained in the packs distributed to Committee members shall be appropriate, focused and accurate, which shall be the responsibility of the person producing the information for the Committee.

The contents of the reports, information and supporting papers must:

- be provided in a format which ensures that members of the Committee and attendees at any meeting of the Committee are able easily to locate, digest and act on relevant information;
- enable the Committee to make informed decisions;
- include standing agenda items, being Previous Minutes, Review of Action Items and other management information relevant to the duties of the Committee;
- clearly distinguish between items for review and items for the Committee's decision; and
- where appropriate, contain an Executive Summary and Recommendation.

The Chair of the Committee will periodically reconfirm the standing requirements with the Committee members and ensure that there is regular feedback with respect to the quality and adequacy of information provided.

The Committee must ensure that: (a) the Board is kept fully informed of all matters within the remit of the Committee and (b) each of the Directors has all relevant information regarding any such matter for consideration by the Board.

Without prejudice to that key obligation and given: (a) the multiple governance processes that can apply to a matter before it reaches the Board and (b) the membership of the Board and its committees, the Committee shall also seek to avoid any unnecessary or excessive duplication of information prepared for the Board.

7. Minutes of Meetings

- 7.1 The secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of all those present and in attendance.
- 7.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. The minutes shall then be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Chair of the Committee.
- 7.3 Final signed copies of the minutes of the meetings of the Committee should be maintained for the Bank's records, in hard and soft copy where possible.

8. Remote/virtual attendance

The members of the Committee shall be deemed to meet together if they are in separate locations but are linked by conference telephone or other communication equipment which allows those participating to hear and speak to each other.

9. Written resolutions and resolutions consented to by Electronic Means

Decisions can also be made by a written resolution signed by all Committee members.

Written resolutions avoid the need to convene a meeting and may involve no collective discussion of the item involved (other than informally).

Once signed by all Committee members, a written resolution has the same force as a resolution passed at a meeting of the Committee.

The requirement for any resolution or other approval (or counterpart of such resolution or approval) to be in writing and signed by a Committee member will be satisfied by the member communicating consent to such resolution or other approval by electronic means, which consent must be sent to the address specified from time to time by the secretary of the Committee. For the avoidance of doubt, silence does not qualify as consent. If a member fails to reply within the time period specified by the secretary of the Committee, their response shall be counted as an objection to the resolution.

The Chair of the Committee should be mindful of the complexity or sensitivity of any matter to be decided by written resolution. In the event that the matter becomes complicated or protracted, the Chair should consider whether there is a need to call an ad-hoc meeting to discuss and approve the matter.

10. Annual general meeting

The Chair of the Committee will attend the annual general meeting of the Company to respond to questions from shareholders on the Committee's activities or nominate an appropriate alternative to appear on his or her behalf.

11. Duties

Nomination Matters

The Committee shall:

- 11.1.1 regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- 11.1.2 give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Bank, and the skills and expertise needed on the Board in the future;
- 11.1.3 keep under review the leadership needs of the Bank, both executive and non-executive, with a view to ensuring the continued ability of the Bank to compete effectively in the marketplace;
- 11.1.4 keep up to date and fully informed about strategic issues and commercial changes affecting the Bank and the market in which it operates;
- 11.1.5 be responsible for identifying, and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise, and, in doing so, have regard to the PRA and FCA 'fit and proper' test and other competence and capability criteria set out as part of approving individuals to the extent appropriate and applicable;
- 11.1.6 without prejudice to clause 11.1.5, the Committee may establish a panel, which may (at the discretion of the Committee) include directors or executives who are not members of the Committee, to consider applications for appointment to the Board, and to conduct interviews and otherwise lead the recruitment process;
- 11.1.7 before any appointment is made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Committee shall:
 - use open advertising or the services of external advisers to facilitate the search;
 - consider candidates from a wide range of backgrounds; and
 - consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position;
- 11.1.8 be responsible for selecting, appointing and setting the terms of reference for any recruitment consultants who advise the Committee;

- 11.1.9 for the appointment of a member of the Board, prepare a job description, including the time commitment expected;
- 11.1.10 prior to the appointment of a director to the Board, require the proposed appointee to disclose any other business interests that may result in a conflict of interest and to report any future business interests that could result in a conflict of interest. A proposed member of the Board's conflicts of interest and other significant commitments should be disclosed to the Board before appointment and any changes to a member's interests and commitments should be reported to the Board as they arise;
- 11.1.11 ensure that, on appointment to the Board, Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings;
- 11.1.12 review the results of the Board performance evaluation process that relate to the composition of the Board; and
- 11.1.13 review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties.

The Committee shall also make recommendations to the Board concerning:

- 11.1.14 formulating plans for succession for executives, Non-Executive Directors and senior management, and in particular for the key roles of Chair of the Board and Chief Executive;
- 11.1.15 suitable candidates for the role of senior independent director;
- 11.1.16 membership of any Board committees in consultation with the chair of those committees;
- 11.1.17 the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required;
- 11.1.18 any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Bank subject to the provisions of the law and their service contract; and
- 11.1.19 the appointment of any director to executive or other office.

Remuneration matters

The Committee shall:

- 11.1.20 monitor the development, implementation and review of all of the Bank's remuneration policies and practices in accordance with relevant regulations and good industry practice or generally accepted market guidance (including the FCA's dual regulated firms' remuneration code under SYSC19D of the FCA Handbook and the remuneration part of the PRA rulebook);
- 11.1.21 have responsibility for reviewing annually the remuneration policy for all executive directors and the members of the Executive management team, including pension rights and any compensation payments and, in the case of determining and setting the level of remuneration (other than compensation payments), shall make recommendations to the Board for Board approval. The Board itself or, where required by the Bank's articles of association, the shareholders, should determine the remuneration of the non-executive directors within the limits set in the articles of association. No director or senior manager shall be involved in any decisions as to their own remuneration;
- 11.1.22 monitor the level and structure of remuneration for senior management;
- 11.1.23 in determining the Bank's remuneration policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the Bank successfully without paying

more than is necessary, having regard to views of shareholders and other stakeholders. The remuneration policy should have regard to the risk appetite of the Bank and alignment to the Bank's long term strategic goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the Bank;

11.1.24 when assisting the Board to set the remuneration policy for directors, review and have regard to pay and employment conditions across the Bank, especially when determining annual salary increases;

11.1.25 review the on-going appropriateness and relevance of the remuneration policy;

11.1.26 within the terms of the agreed policy and in consultation with the Board and the Chair of the Committee (and with the Board's approval), determine the total remuneration package (including bonuses and incentive payments where relevant) of:

- the Board Chair;
- each non-executive director;
- each executive director (including the Chief Executive); and
- with input from the Chief Executive, other designated senior executives;

11.1.27 obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations, the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Bank but within any budgetary restraints imposed by the Board;

11.1.28 be exclusively responsible for establishing the selection criteria for, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;

11.1.29 determine the policy for, and scope of, pension arrangements for each executive director and other designated senior executives;

11.1.30 approve the design of, and determine targets for, any performance-related pay schemes operated by the Bank and approve the total annual payments made under such schemes;

11.1.31 ensure that contractual terms on termination, and any payments made, are fair to the individual and the Bank, that failure is not rewarded and that the duty to mitigate loss is fully recognised; and

11.1.32 oversee any major changes in employee benefits structures throughout the Bank.

12. Reporting Responsibilities

12.1 The Chair of the Committee shall report formally to the next occurring full Board meeting after each Committee meeting on all matters within the duties and responsibilities of the Committee and shall also formally report to the Board on how the Committee has discharged its responsibilities. The report shall include any issues on which the Board has requested the Committee's opinion.

12.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is necessary.

13. Other Matters

The Committee shall:

- have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance, as required;
- be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors;
- oversee any investigation of activities which are within its terms of reference;
- establish regular communication channels between the Chair of the Committee and the chair of MAR's

Remuneration/Nomination Committee(s), to enable the chairs of such committees to share ideas and information and to enable MAR and the Bank to fulfil their respective statutory and regulatory obligations effectively; and

- work and liaise as necessary with other Board committees.

14. Authority

The Committee is authorised to:

- seek any information it requires from any employee or director of the Bank in order to perform its duties;
- obtain, at the Bank's expense, external legal or other professional advice on any matter within its terms of reference where required; and
- request the attendance of any employee at a meeting of the Committee as and when required.

15. Review

The Committee shall:

- arrange for annual reviews of its own performance and the performance of its members;
- at least annually review its constitution and terms of reference to ensure it is operating at maximum effectiveness;
- recommend to the Board any changes it considers necessary to these terms of reference.

16. Version History

Version	Date Updated	Author / Reviewing Party	Date Reviewed	Comment
1.	1 Feb 2019	Company Secretary	4 December 2018	Approved by the Board on 1 February 2019
2.	30 June 2021	General Counsel	19 May 2021	Approved by the Board on 12 July 2021