



AL RAYAN BANK

**Al Rayan Bank Plc
Remuneration & Nomination Committee
Terms of Reference**

December 2023

1. Membership

- 1.1 The committee shall comprise of at least three members, the majority of which shall be independent non-executive directors.
- 1.2 Appointments to the committee are made by the board on the recommendation of this committee and shall be for a period of up to three years which may be extended for up to two additional three-year periods
- 1.3 Only members of the committee have the right to attend committee meetings. However, other individuals such as the Chief Executive Officer, the Chief People & Sustainability Officer, other directors and external advisers may be invited to attend all or part of any meeting, as and when appropriate.
- 1.4 The board shall appoint the committee Chair who shall be an independent non-executive director. In the absence of the committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the board.

2. Secretary

The Company Secretary or their nominee shall act as the secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

3. Quorum, Voting & Resolutions

The quorum necessary for the transaction of business shall be two members with each member receiving one vote where matters are tabled for approval. In the case where deadlock occurs, the Chair shall have the casting vote. Resolutions can also be approved electronically by the committee with majority approval.

4. Frequency of meetings

The committee shall meet at least four times a year and otherwise as required.

5. Notice of meetings

- 5.1 Meetings of the committee shall be called by the Company Secretary at the request of the committee Chair or any of its members.

- 5.2 Unless otherwise agreed, 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 to attend no later than five working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees, as appropriate, at the same time.

6. Minutes of meetings

- 6.1 The Company Secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.
- 6.2 Draft minutes of committee meetings shall be circulated to all members of the committee once reviewed by the Chair. Once approved, minutes should be circulated to all other members of the board unless, exceptionally, it would be inappropriate to do so.

7. Engagement with shareholders

The committee Chair should attend the annual general meeting to answer any shareholder questions on the committee's activities. In addition, the committee Chair should seek engagement with shareholders on significant matters related to the committee's areas of responsibility.

8. Duties

The committee should carry out the duties detailed below: -

A. Remuneration Duties

- 8.1 Have delegated responsibility for determining the Remuneration Policy for executive directors', senior management function holders' ("SMFs") and material risk takers' ("MRTs") remuneration.
- 8.2 Ensure remuneration schemes support alignment with long-term shareholder interests including considering deferral, malus, and claw back of executive remuneration (as appropriate).
- 8.3 Review and approve remuneration policies and practices to support strategy and promote long term sustainable success, with executive remuneration aligned to company purpose and values, clearly linked to the successful delivery of the company's long-term strategy.
- 8.4 When determining executive remuneration policy and practices, consider regulatory and governance requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.
- 8.5 No director or senior manager shall be involved in any decisions as to their own remuneration outcome.
- 8.6 In determining remuneration policy, consider all other factors which it deems necessary including relevant legal and regulatory requirements, and associated guidance. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders.

- 8.7 Annually review the ongoing appropriateness and relevance of the Remuneration Policy.
- 8.8 Within the terms of the agreed policy and in consultation with the Chair and/or Chief Executive Officer, as appropriate, determine the total individual remuneration package of each executive director, SMF and MRT, including bonuses, salary increases and incentive payments and recommend to the Board for approval. The choice of financial, non-financial and strategic measures is important, as is the exercise of independent judgement and discretion when determining remuneration awards, taking account of company and individual performance, and wider circumstances.
- 8.9 Review and recommend to the Board the firm's annual bonus and salary award pot for all employees.
- 8.10 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 company. However, the committee should avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants.
- 8.11 Review workforce remuneration and related policies.
- 8.12 Review and approve material and or new employee benefits (including *inter alia* the company's pension offering) and recommend to the board for approval.
- 8.13 Company Secretary & Chief People & Sustainability Officer to review and benchmark independent non-executive directors' remuneration and recommend to shareholders.
- 8.14 Approve proposals for contractual terms on termination for directors, SMFs and MRTs and any payments made, are fair to the individual and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

B. Nomination Duties

- 8.15 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.
- 8.16 Ensure plans are in place for orderly succession of board and senior management positions and oversee the development of a diverse pipeline for succession taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the board in the future.
- 8.17 Keep under review the leadership needs of the organisation, both executive and nonexecutive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.
- 8.18 Keep up-to-date and fully informed about strategic issues and commercial changes affecting the company and the market in which it operates.
- 8.19 Review and nominate candidates to fill board vacancies, Executive Committee and SMF vacancies, as and when they arise, having regard to regulatory suitability requirements and external references. Board approval to be sought for director appointments.
- 8.20 Receive regular reports from the Chief People & Sustainability Officer on people related

matters, including *inter alia* (i) workforce size and shape, (ii) people matters, (iii) employee engagement, (iv) culture, (v) DE&I, and (vi) graduate and other talent schemes.

- 8.21 Review and make recommendations for the process used to identify talent across the firm.
- 8.22 Before any appointment is made by the board, evaluate the balance of skills, knowledge, experience and diversity and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment and the time commitment expected. 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, having due regard to the benefits of diversity and taking care that appointees have enough time available to devote to the position.
- 8.23 Prior to the appointment of a director, other significant time commitments should be disclosed to the Company Secretary and any additional future commitments should not be undertaken without notifying the Company Secretary and obtaining prior approval of the board. The proposed appointee should also be required to disclose any other business interests that may result in a conflict of interest. These must be authorised by the board prior to appointment and any future business interests that could result in a conflict of interest must not be undertaken without prior authorisation of the board.
- 8.24 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, conflict matters, fees and involvement outside board meetings.
- 8.25 Review the results of the board performance evaluation process that relate to the composition of the board and succession planning.
- 8.26 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: -

- 8.27 Any changes needed to the succession planning process if its periodic assessment indicates the desired outcomes have not been achieved.
- 8.28 Suitable candidates as new directors and succession for existing directors.
- 8.29 Membership of the Audit and Risk committees, and any other board committees as appropriate, in consultation with the chair of these committees.
- 8.30 The re-appointment of non-executive directors 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 the light of knowledge, skills and experience required.
- 8.31 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

company subject to the provisions of the law and their service contract.

9. Reporting responsibilities

- 9.1 The committee chair shall report to the board after each meeting on the nature and content of its discussion, recommendations and action to be taken.
- 9.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be made available for board discussion when necessary.

10. Other matters

The committee shall

- 10.1 Have access to sufficient resources to carry out its duties, including access to the Company Secretary for advice and assistance as required.
- 10.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 10.3 Give due consideration to all relevant laws and regulations impacting the committee's authority.
- 10.4 Ensure that a periodic evaluation of the committee's own performance is carried out.
- 10.5 At least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.
- 10.6 The Chair shall endeavor to meet with their counterpart Chair(s) at Group, with the assistance of the Company Secretary.

11. Authority

The committee is authorised by the board to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference.

Date of approval
December 2023

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