

# ABU DHABI COMMERCIAL BANK

## PERFORMANCE EVALUATION AND REMUNERATION POLICY FOR THE GROUP CHIEF EXECUTIVE OFFICER

### Introduction

This Performance Evaluation and Remuneration Review Policy (the “**Policy**”) sets out the formal process concerning the annual review of the remuneration of the Group Chief Executive Officer (“**GCEO**”) of Abu Dhabi Commercial Bank PJSC (the “**Bank**”) and the related performance evaluation process.

This Policy embraces certain key guiding principles which are considered by the Board of Directors (the “**Board**”) to be critical to the successful governance of the Bank:

1. The Board’s relationship and interaction with the GCEO shall be managed and led by the Chairman of the Board (the “**Chairman**”). In particular, the Chairman shall manage the evaluation and the evaluation feedback processes according to the policies set out in this document, and taking into account the comments and opinions of other Directors, and where deemed necessary, other members of Senior Management.
2. Remuneration and other terms of employment for the GCEO shall be competitive, to ensure that the Bank can attract and retain a highly competent GCEO, and shall act as an incentive for enhanced performance. They shall consist of base salary, allowances and expenses, and performance-linked rewards and other negotiated terms of employment, so as to provide a mix of fixed and variable elements, and a blend of short and long-term incentives.
3. Because the GCEO directly influences the success and financial performance of the organization, it is important that the Chairman, having taken the views of the Board, sets performance standards and formally evaluates the GCEO’s performance objectively to

ensure accountability, and sets forward-looking objectives which are consistent with the Bank's strategic plan. The evaluation of these performance standards against set objectives additionally ensures that the GCEO's remuneration is aligned with the GCEO's performance.

4. The working relationship and information-sharing between the GCEO, the Chairman and the Board is a continuous process, which should culminate in a formal, annual performance review to facilitate feedback, identify areas of concern, if any, and clarify future expectations.

By means of this Policy, the Bank's objective is to ensure that the foregoing guiding principles are achieved, whilst simultaneously providing transparency and clarity to the Bank's policy on the evaluation and terms of employment of the GCEO.

#### **Article 1: GCEO performance evaluation and review process**

1. As early as possible in each calendar year, the Chairman will commence the GCEO's performance evaluation for the preceding year. Following completion of that process, and considering the results of the performance evaluation, the Nomination, Compensation & HR Committee (the "**Remuneration Committee**") shall commence a review of the GCEO's remuneration package.
2. In determining the GCEO's remuneration, the Remuneration Committee shall consider the matters itemized in Article 3 below.
3. In conducting the evaluation process, the Chairman will seek input from other Board members, the GCEO himself, and, where he deems necessary, other members of management and give due consideration of their comments before giving any feedback to the GCEO or making any recommendations to the Remuneration Committee.

4. The Remuneration Committee will seek input from the Chairman and other Board members, the GCEO himself and, where it deems necessary, other members of management, and give due consideration of their comments as part of the remuneration review process and prior to making any recommendations to the Board.
5. The Board shall consider the results of the evaluation and the recommendations of the Chairman and the Remuneration Committee when setting and reviewing the remuneration and other terms of employment for the GCEO, including any renewal of the GCEO's contract.
6. Unless otherwise agreed, the effective date of any changes to the GCEO's remuneration package shall be 1 January and the new rate of remuneration and arrears, if any, will be paid from that date.
7. The Bank's Policy on the GCEO's performance evaluations and remuneration, and any subsequent changes thereto, shall be approved by the Board of Directors, following the review and recommendations of the Remuneration Committee.
8. Where the Board so approves, this Policy shall be published on the Bank's website.

## **Article 2: The performance evaluation**

1. The Chairman shall lead and implement a formal annual performance evaluation for the GCEO.
2. The GCEO shall prepare a self-assessment at the start of each calendar year, based on his performance in the prior calendar year (the "Self-Assessment"). He shall send the Self-Assessment to the Chairman for review. The GCEO shall also propose long and short-term business objectives at the beginning of the review period (also known as key performance indicators ("KPIs")), and specify how to measure the successful achievement of each target. The Chairman shall review the Self-Assessment and, following consultation

with the Board, adjust or approve the KPIs. The KPIs shall be consistent with the Bank's strategic plan, and budget (in each case as approved by the Board), and the Chairman shall recommend the final KPIs to the Remuneration Committee. Once approved by the Remuneration Committee, the KPIs shall be communicated to Senior Management who shall ensure that the KPIs are embedded throughout the organization; this shall be achieved by ensuring that:

- (a) any qualitative elements of the KPIs are also reflected in the KPIs of the GCEO's direct reports and all other staff; and
  - (b) quantitative elements of the KPIs are cascaded amongst the appropriate teams responsible for those elements.
3. The GCEO may recommend that the KPIs be adjusted mid-year or on an as-needed basis (including, for example, where adjustments are made to the Bank's budget or forecast) to reflect developments in the marketplace, which shall be reviewed and approved by the Chairman and recommended to the Board for approval.
  4. The Chairman shall work with the Group Head of HR and the Board Secretary to ensure that the Self-Assessment and KPIs together constitute appropriate performance evaluation tools and jointly consider and assess the depth and breadth of the GCEO's impact in key areas, such as bottom-line financial metrics, operational results and leadership effectiveness.
  5. The Chairman shall instruct the Board Secretary to (a) circulate the performance evaluation tool to the Board members, and such other key stakeholders as the Chairman deems necessary (including, for example, other senior members of management) and (b) arrange review meetings with such members of the Board or management as he deems necessary.
  6. In particular but without limitation, the GCEO's annual performance evaluation shall address:

- (i) Past performance: this historical review should be directly comparable to the KPIs. It also forms a basis for critical decision as part of the remuneration review or continuation in the role.
  - (ii) Future performance: goal-setting focuses on the objectives for the forthcoming evaluation period and serves to enhance and align the GCEO's performance planning and development with the Board's performance expectations.
7. Performance evaluation shall take into account any adjustments made to KPIs throughout the course of the year under review.
8. The results of the annual performance evaluation process shall be collated by the Group Head of HR or the Board Secretary, and considered by the Chairman. Following his consideration, the Chairman shall make his recommendations to the Remuneration Committee. Following receipt of the Chairman's recommendations, the Remuneration Committee shall consider its recommendations regarding any adjustments to the GCEO's remuneration. The recommendations of the Remuneration Committee shall be presented to the Board for discussion in the absence of the GCEO.
9. The Chairman shall deliver the results of the annual performance evaluation and remuneration reviews and any decision of the Board to the GCEO.

### **Article 3: GCEO's remuneration**

1. The remuneration package payable to the GCEO shall be competitive on both the international and domestic markets and shall take into account the qualifications required, the responsibilities of the GCEO, scope of the position and other relevant market considerations.
2. A written employment agreement must be concluded between the Bank and the GCEO. In general, the agreement shall not be for a fixed term longer than three years at a time. It is

permissible to renew the employment agreement with the GCEO during its period of validity. It is also permissible to negotiate with the GCEO concerning an initial payment connected with his being recruited to the Bank.

3. The GCEO's remuneration package shall be reviewed annually by the Remuneration Committee and set by the Board. This review shall take into account the findings of the annual performance evaluation of the GCEO, described under Article 2 above, international and domestic benchmarks, general salary trends in comparable companies, and the Bank's performance.
4. Base Pay: The GCEO is paid a competitive base pay that reflects the fixed component of pay and rewards. It is set to reflect the marketplace for such position.
5. Short-Term Performance-Linked Rewards: Each year the GCEO's performance is reviewed against future performance objectives set for the year under review and any adjustments thereto. Relative potential variable pay is linked to the successful achievement of the performance objectives. The Remuneration Committee shall set the conditions and criteria applicable to bonus awards.
6. Long-Term Performance-Linked Rewards: the GCEO shall be entitled to participate in the Bank's variable pay plan, which is designed to align the interests of the GCEO with creating long term value for shareholders. Payments consist of cash and interests in shares.
7. Other Terms of Employment: these shall be competitive to those in comparable companies, including vacation benefits, medical benefits, use of motor vehicles, housing expenses and employment termination period (severance).

The Remuneration Committee shall avoid agreeing significant severance packages, unless it is considered unavoidable and in the best interests of the Bank.