

## Terms of Reference for the Board of Directors

### 1 Definitions

In these Terms of Reference the following words and phrases shall have the meanings assigned to them below:

“Bank”	means Abu Dhabi Commercial Bank PJSC;
“Best Practices”	means best practices in corporate governance as determined by the Board from time to time and includes regulatory requirements applicable to the Bank;
“Board”	means the Board of Directors of the Bank;
“Companies Law”	means UAE Federal Law No. 2 of 2015 concerning Commercial Companies (and its amendments from time to time);
“Council”	means the Abu Dhabi Investment Council;
“Directors”	means members of the Board;
“Executive Director”	means a Director who dedicates his activity on a full time basis to the management of, or receives a monthly or yearly salary from, the Bank;
“Independent Director”	means a Director who is independent as defined by applicable legislation and the Best Practices determined by the Board;
“Nomination Committee”	means the Board’s Nomination, Compensation & HR Committee;
“Non-Executive Director”	means a Director who neither dedicates his activity on a full time basis to the management of, nor receives a monthly or yearly salary from, the Bank;
“SCA Guidelines”	means the Securities & Commodities Authority (SCA) Resolution N. (7R.M.) of 2016 concerning the standards of institutional discipline and governance of public shareholding companies;
“Senior Management”	means the senior management of the Bank;
“Stakeholder”	means any person who has an interest in the Bank, including shareholders, staff, creditors, clients, suppliers and investors or potential investors; and
“Subsidiary”	means any entity defined as a subsidiary for the purposes of IFRS.

### 2 Purpose of these Terms of Reference

These Terms of Reference set out the authority, responsibilities, and membership of the Board. They supplement, and do not override, the Bank’s articles of association and laws governing companies and banks in UAE. In the event of any conflict between these terms of reference and the Bank’s articles of association or any law or regulation, the relevant provisions of the Bank’s articles of association, law or regulation, shall prevail.

### **3 Authority**

The Board comprises the Directors of the Bank, and derives its authority to act from the Bank's Memorandum, its Articles of Association, and other laws governing companies and banks in UAE.

### **4 Board's overall responsibilities**

The Board has overall responsibility for the Bank, including approving and overseeing the implementation of the Bank's strategic objectives, governance framework and corporate culture. The Board is also responsible for providing oversight of Senior Management. The Board's overall responsibilities include but are not limited to the following:

#### **4.1.1 Governance**

- Set the values of the Bank and facilitate effective, entrepreneurial and prudent management that can deliver long-term success for the Bank.
- Establish, review and monitor the effectiveness of the Bank's processes for corporate governance in accordance with Best Practices, with due regard to the Bank's Stakeholders and its role in the community.
- Ensure that there is a clear governance framework appropriate to the Bank's operational structure and the risk that it poses.
- Build trust in the Bank and corporate culture through consistent behaviour, transparency and accountability.
- Ensure the efficiency of internal controls throughout the Bank, including the management of finances and operations.
- Ensures that the Bank maintains a high degree of integrity in its operations. Formal policies on ethics, share dealings and code of conduct have been established and are required to be assented to by all employees and these have been published.
- Approve clear policies for the delegation of authority and the actual delegations to executives, particularly in respect of the financial and administrative affairs of the Bank.
- Evaluate the performance and work of Directors and Board committees.

#### **4.1.2 Strategy**

- Develop an in-depth understanding of each part of the Bank's business.
- Formulate, review, approve and monitor the Bank's strategic plans, including setting the Bank's overall risk appetite taking into account the competitive and regulatory landscape, long-term interest, exposure to risk and the ability to manage risk effectively.

- Review the assumptions and rationale underlying the Bank's strategic plans and ensure that clearly defined and measurable performance metrics are developed and embedded throughout the Bank.
- Develop the Board's meeting agenda to address the strategic priorities of the Bank.
- Make decisions concerning the Bank's capital structure and its dividend policy.
- Review, approve and monitor major investments, divestitures, strategic commitments and the Bank's annual budget.

#### **4.1.3 Commercial and Financial Responsibilities**

- Establish commercial and financial policies, make decisions concerning the major investments needed to achieve the Bank's objectives, and increase the value of shareholders' equity.
- Approve and oversee the implementation of the Bank's capital adequacy assessment process, capital and liquidity plans, and relevant compliance policies and obligations.
- Approve the annual and interim financial statements, recognising that the final responsibility for the preparation of proper accounts is not able to be delegated and lies with the Board, not the external auditors.

#### **4.1.4 Reviewing past performance**

- Review business results and monitor budgetary control in order to evaluate the Bank's activities and management.
- Review, approve and monitor any necessary corrective actions and processes.

#### **4.1.5 Integrity of external reporting**

- Review and monitor the processes, controls and procedures which are in place to maintain the integrity of the Bank's accounting and financial records and statements, with the guidance of the Audit & Compliance Committee.
- Monitor and receive reports from the Audit & Compliance Committee in relation to internal controls, compliance with prudential regulations and requirements, and internal and external audit reports.
- Review and monitor the reporting to shareholders to ensure that it is objective, comprehensive, factual and timely.

#### **4.1.6 Risk management**

- Establish, monitor and review the risk policies of the Bank and risk management and internal control processes with the guidance of the Risk & Credit Committee.

- Determine the nature and extent of the significant risks it is willing to undertake to achieve the strategic objectives of the Bank.
- Review and monitor processes for the maintenance of adequate credit quality.
- Develop and monitor the Bank's adherence to its risk appetite statement, risk policy and risk limits.
- Review and monitor processes for the documentation and regular review and updating of the Bank's risk profile.
- Monitor and manage potential conflicts of interest of management, Board members and shareholders, including misuse of corporate assets and abuse in related party transactions.

#### **4.1.7 Management oversight, executive review, succession planning and culture**

- Approve key executive appointments and monitor and review executive succession planning.
- Review and monitor the performance of the Group Chief Executive Officer and Senior Management.
- Oversee the design and operation of the Bank's compensation system, and monitor and review the system to ensure that it is aligned with the Bank's desired risk culture and risk appetite with the guidance of Nomination Committee.

Review and approve executive remuneration to ensure alignment with longer term interests of the Bank and its shareholders with the guidance of Nomination Committee.

- Ensures that that Senior Management's knowledge and expertise remain appropriate given the nature of the business and the Bank's risk profile with the guidance of Nomination Committee.
- Monitor and influence the culture, reputation and ethical standards of the Bank.
- Ensure the necessary human resources are in place, with the guidance of Nomination Committee.

#### **4.1.8 Board effectiveness**

- Ensure a formal and transparent Board nomination and election process.
- Monitor Board composition, Director selection, Board processes and Board performance, with the guidance of the Nomination Committee.
- Monitor and review processes to assist Directors to have sufficient time to devote to Board matters to ensure that they discharge their duties effectively.
- Review these Terms of Reference and their continuing adequacy from time to time.

## **5 Board qualifications and composition**

### **5.1.1 Board composition**

The Bank intends that composition of the Board, between the executive, Non-Executive and Independent Directors, and the Senior Management, will provide an optimal mix of skills, competencies, diversity and experience. Board Members should be and remain fit, individually and collectively, for their positions. They should understand their oversight role and be able to exercise sound, objective judgement about the affairs of the Bank.

5.1.1.1 Board Members should preferably have the following qualities and professional competences:

- have a record of integrity and good repute;
- executive management experience in the leadership of large corporate organizations, preferably listed;
- possess the knowledge, skills, experience and independence of mind, given their responsibilities on the Board and in the light of the bank's business and risk profile;
- ability to read and understand financial statements;
- ability to effectively contribute sufficient time and attention to the Bank's management;
- ability to deal with others with a sense of responsibility, firmness and co-operation;
- ability to interact with and consult with the Bank's employees and promote a culture of high management standards;
- a range of skills and experience as well as the ability to think strategically and with foresight;
- recent and relevant financial experience, preferably in commercial banking;
- ability and willingness to undertake regular professional training and development; and
- have sufficient time to fully carry out their responsibilities.

5.1.1.2 Subject as set out in clause 5.1, the Board will comprise Directors with a broad range of commercial skills and experience, particularly in a field which is complementary to the Bank's activities or strategy, or with appropriate professional qualifications, and who are able to bring useful expertise to the Board's discussions and decisions.

5.1.1.3 Board members must have a proven ability and capacity to make meaningful contributions to Board strategy and policy and be able, through questioning and analysis of reports, to participate in the overseeing of the proper functioning of management.

5.1.1.4 The size of the Board will be determined in accordance with the Bank's constitutional documents, and by reference to local laws, in

particular the Companies Law, to ensure efficient decision making and corporate governance.

- 5.1.1.5 The Board shall include a suitable balance between the numbers of Independent, Non-Executive, and Executive members, such that no individual or small group of individuals can dominate the Board's decision-taking.

#### **5.1.2 Chairman**

- 5.1.2.1 According to the Bank's Articles of Association and the Companies Law, the Chairman must be a national of the UAE. Furthermore, the Companies Law and SCA Guidelines require that the majority of the Board must also be nationals of the UAE.<sup>1</sup>

- 5.1.2.2 The Board shall elect from their number a Vice-Chairman who shall act as the Chairman in the latter's absence.

- 5.1.2.3 The position of Chairman of the Board and the position of Group Chief Executive Officer may not be held by the same person.

- 5.1.2.4 The tasks and responsibilities of the Chairman of the Board shall include without limitation:

- Ensure proper and effective overall functioning of the Board including maintaining a relationship of trust with fellow Board Members.
- Ensure Board decisions are taken on a sound and well informed basis and that adequate and timely information is provided prior to meetings, with the help of the Board Secretary.
- Ensure the efficiency and timely performance and discussion of any and all main issues by the Board.
- Be mainly responsible for drafting and approving the agenda of every meeting of the Board taking into consideration any matter proposed by the other Directors, with the support of the Secretary of the Board.
- Encouraging all Directors to fully and efficiently participate in handling the affairs of the Board and ensure that the Board is working in the best interests of the Bank.
- Taking the proper actions for ensuring efficient communication with shareholders on matters of governance and strategy and communicating their opinions to the Board.
- Allowing efficient participation of the Non-Executive Directors in particular and promoting constructive relations between Executive and Non-Executive Directors.
- Ensuring Directors receive appropriate training and development to discharge their duties and responsibilities effectively.

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<sup>1</sup> Please refer to the Companies Law (Article 151) and SCA Guidelines (Article 8a) under Section 25 of this policy.

### **5.1.3 Board committees**

- 5.1.3.1 The Board will establish committees as it considers appropriate to assist it in carrying out its responsibilities on such terms and conditions as it may think fit.
- 5.1.3.2 The Board shall, as a minimum, establish the following permanent committees and shall adopt terms of reference setting out matters relevant to the authority, responsibilities, membership and operation of those committees:
- an Audit & Compliance Committee;
  - a Nomination Committee;
  - a Corporate Governance Committee; and
  - a Risk & Credit Committee.
- 5.1.3.3 The Board may also appoint special committees from time to time to consider such matters as large projects, capital strategies, major investments and commitments, and capital expenditure.
- 5.1.3.4 Committees shall be formed of not less than four Non-Executive Directors and may, where so specified in the terms of reference and required by Best Practices, require a minimum number of Independent Directors. The Board shall consider the occasional rotation of members and of the chair of such committees to avoid undue concentration of power and promote fresh perspectives.
- 5.1.3.5 Any such committee shall, in the exercise of the functions delegated to it by the Board, conform to any regulations which may be imposed by the Board from time to time.
- 5.1.3.6 The Board may authorise any committee to sub-delegate any of its functions and may at any time dissolve any committee or cancel, suspend or vary the delegation made to it.
- 5.1.3.7 The meetings and proceedings of committees shall be governed by the provisions of the Articles of Association relating to Board meetings.
- 5.1.3.8 Each committee shall regularly submit reports to the Board about its activities and shall deliver a written report annually.

### **5.1.4 Authority of the Board**

The Board shall have full power and authority to do everything which may be required or desirable for the Bank's management and operations and to attain its objectives. Such powers shall not be limited except as provided by the laws of the United Arab Emirates, the Bank's Articles of Association, the Companies Law or the general meeting of shareholders. Under the Bank's Articles of Association, the Board is specifically authorised to:

- 5.1.4.1 lay down the necessary rules relating to the organisation of works and management of the Bank's operations;
- 5.1.4.2 appoint a Group Chief Executive Officer, heads of departments and senior staff, approve their remuneration and specify their scope of duties;
- 5.1.4.3 specify regulations for acquisition and disposal of the Bank's property and assets;
- 5.1.4.4 contract loans for any term;
- 5.1.4.5 dispose of or mortgage any of the Bank's real estate or other property and assets; and
- 5.1.4.6 in each case, without the approval of a general meeting, release the Bank's debtors; and make agreements for arbitration.

#### **5.1.5 Delegation to Senior Management**

- 5.1.5.1 The Board delegates to the Group Chief Executive Officer the authority and power to manage the day to day business affairs of the Bank subject to such specific delegations and limits that the Board makes from time to time. The Group Chief Executive Officer has authority to sub-delegate such authority and power to such members of the management team as he shall determine from time to time.
- 5.1.5.2 Clear instructions shall be given as regards the management's authorities and particularly in relation to the circumstances in which the management shall obtain the Board's approval before taking any decisions or entering into any obligations on behalf of the Bank. A written list of tasks and authorities maintained by the Board and those delegated thereby are set out in the terms of reference of the Management Executive Committee (MEC). The terms of reference of the MEC shall be reviewed annually.

## **6 Board meetings**

### **6.1 Attendance**

- 6.1.1 A Board meeting will not be valid unless a majority of its members are in attendance or represented.
- 6.1.2 Directors are expected to prepare adequately, attend, and participate at Board and committee meetings.
- 6.1.3 Directors will be provided with adequate materials on topics to be discussed at Board meetings sufficiently in advance of the meeting date; Board members will also be kept informed of developments between Board meetings.
- 6.1.4 The Non-Executive Directors will meet informally on a regular basis (at least annually), without the Group Chief Executive Officer, or any other Executive Director or other member of management being present.



## **6.2 Board meeting notices and agendas**

- 6.2.1 Meetings of the Board shall be held at least once every two months at the head office of the Bank or at any other place deemed appropriate by the Board. Board meetings shall be convened upon a written notice of the Chairman. Board meetings may also be convened at the request of the Chairman of the Board or at least 2 members of the Board or the Group CEO.
- 6.2.2 Where practicable the notice of the meeting shall be given, together with the agenda, at least one week before the meeting is held. The Board meeting materials may be circulated to the members of the Board by way of the Board iPad portal, email or other secure means. A director has the right to add any matter that he may deem necessary, for discussion in the meeting, subject to the prior consultation with the Chairman. The Board should meet 30 days before the Annual General Assembly date as per SCA guidelines (Article 5.3)<sup>2</sup>.
- 6.2.3 Board agendas will be structured throughout the year to ensure that each significant responsibility of the Board is addressed.
- 6.2.4 As part of the agenda, the Board will review strategy and the achievement of financial and other goals. The Board will receive a detailed overview of the performance and significant issues, including risk factors, of each business and support unit.
- 6.2.5 The Board will receive detailed financial, operational and performance reporting presentations from Senior Management individuals during the year; management will be available to discuss the reports with the Board.
- 6.2.6 The Board will review the Bank's long-term strategic plans and the major issues that it expects the Bank to face in the future during at least one Board meeting each year, which will be closely co-ordinated to align with the Bank's budget process.

## **6.3 Resolutions**

- 6.3.1 An absent Director may authorize another member of the Board to vote on his behalf provided that the Director present does not hold more than one proxy.
- 6.3.2 Without prejudice to the above paragraph, the Board may exceptionally take some decisions based on resolutions by circulation, provided that:<sup>3</sup>

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<sup>2</sup> Please refer to SCA Guidelines (Article 5(3)) and Section 25 of this policy. The CCL had provided for the time period for calling an AGA to be reduced (to 15 days - and this has been reflected in the Bank's revised Articles of Association (currently for approval by Central Bank) however, this circular appears to have now increased again to 30 days, guidance to be sought from SCA.

<sup>3</sup> SCA Circular (Section 20) regarding the Implementation of the Companies Law and Section 25 of this policy. This states that there are limits on the number of circular resolutions which can be passed in a year. Board Secretariat intend to write to SCA to request an exemption from this, based on the nature of our business, particularly UAE Central Bank requirements for full board approval for certain types of exposure.

- 6.3.2.1 the resolution is delivered to the Directors in writing and accompanied by all the supporting documents and papers as necessary for revising it;
- 6.3.2.2 any resolution by circulation must be agreed upon by a majority of the Directors; and
- 6.3.2.3 the resolution must be submitted to the succeeding meeting of the Board to be included in the minutes of such meeting.

#### **6.4 Minutes**

- 6.4.1 Minutes of Board meetings should be recorded in a minute book and signed by the Directors attending the meeting and the secretary. A dissenting Director should enter his objections in the minutes of the meetings. In the event of resignation, a Non-Executive Director should provide a written statement to the Chairman identifying his concerns, for circulation to the full Board. In case one of the members refuses to sign, his objection shall be recorded in the minutes together with the reason/s of his objection, if given, and a copy of the minutes as per SCA Guidelines Article 8(a).
- 6.4.2 Matters considered and decisions taken by the Board including such qualifications or controversial opinions as expressed by any Directors, shall be recorded in minutes of meetings held by the Board and its committees. Drafts of such minutes, before being approved, shall be circulated to all the Directors for comments which shall be incorporated, and approved by all members at the succeeding meeting of the Board. Minutes of meetings of the Board and its committees shall be kept, filed and published on the Bank's Board iPad portal by the secretary of the Board.

### **7 Directors' remuneration**

- 7.1 The general meeting of shareholders shall determine the remuneration of the Board which in any year must not exceed 10% of the net profit of the Bank after deducting the depreciation, the reserve and the distribution of a dividend not less than 5% of the capital among shareholders.
- 7.2 The Nomination Committee will review and make annual recommendations to the Board on the level of Directors' remuneration, taking into consideration, in respect of Non-Executive Directors, the amount of time they give to the Bank, as well as the extent and complexity of their responsibilities, including serving on Board committees.
- 7.3 Directors will be reimbursed all reasonable expenses incurred in carrying out their duties as a Director. Any such expenses should be submitted to the Board secretary for payment.
- 7.4 If a Director wishes to undertake an activity which will lead to the incurring of an unusual expense, the Director should consult with the Chairman prior to such expense being incurred.

- 7.5 The remuneration and expenses paid to each Director will be disclosed in the annual report.

## **8 Independence of Directors**

- 8.1 A Director will be considered to be independent for the purposes of service on the Board and Board Committees of the Bank if the Director satisfies the standards adopted by the Board from time to time or as defined by applicable legislation. These standards will reflect appropriate Best Practices. In particular, an Independent Director must be independent of character and judgment and free of any relationship or circumstance that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of his unfettered and independent judgment.
- 8.2 Each Director must provide the Board with all relevant information to assess his independence.
- 8.3 The determination of independence of a Director will be made by the Board on the recommendation of the Nomination Committee.

## **9 Appointment and re-election of Directors**

- 9.1 During such time that the Council or entities wholly-owned by the Council hold in excess of fifty percent (50%) of the share capital in the Bank, the Council shall have the right to appoint such number of members to the Board as corresponds to its proportion of shares in the issued share capital of the Bank. To the extent that the Council has applied all of its votes in securing the appointment of its entitled number of members of the Board, the Council shall not have votes to cast in relation to the appointment of any other members of the Board. Likewise, if the Council does not apply all of its votes in relation to the appointment of those members of the Board to which it is entitled to appoint, the principles of cumulative voting (as defined in the Bank's Memorandum and Articles of Association) shall apply and it may cast its votes in relation to the election of such other proposed members of the Board as it deems fit.
- 9.2 The Council shall use its reasonable endeavours to consult with the Nomination Committee regarding the candidate(s) it proposes to appoint as member(s) of the Board. In advance of making any appointment to the Board, the Bank shall provide the Council with the skills and profile of candidates necessary to ensure the proper and efficient functioning of the Board. Subject as aforesaid, the Council will have absolute discretion as to the identity of any individual that it appoints to the Board.
- 9.3 The members of the Board not appointed by the Council shall be elected by resolution of the other shareholders from amongst those persons approved for election by the Nomination Committee. In particular, the Committee shall consider the candidate's profile and experience and the specific requirements of the Board at that time. Votes shall be cast for such candidates by shareholders by means of cumulative voting.
- 9.4 In the event of a vacancy (other than a Director appointed by the Council) the Board, assisted by the Nomination Committee, shall identify candidates with the appropriate expertise and experience, using external consultants and/or placing advertisements, as appropriate. The most suitable candidate will be appointed by the Board but must stand for election by the shareholders at the next annual general meeting to confirm his appointment or appoint another in his place.

- 9.5 The Bank will provide a formal letter of appointment for each Director setting out a description of their duties and responsibilities, including Board committees, opportunities available for increasing their proficiency and for training by the Bank or otherwise, procedures in the event of being unable to attend meetings or matters of the Board, requirements for disclosure, procedures for dealing with conflicts of interest and trading in the Bank's shares, policies on confidentiality, and a copy of the Bank's Articles of Association.
- 9.6 The process for re-election or re-appointment of a Director is in accordance with the Bank's Memorandum and Articles of Association.
- 9.7 The Board has set a limit of 12 years for which an individual may serve as a Director, subject to the review of the Nomination Committee prior to each renewal review after that period. The Board generally regards this as an appropriate period of service, however recognizes that Directors who have served on the Board for an extended period of time have gained valuable experiences, insights and historical perspectives concerning the Bank which cannot be easily replaced.
- 9.8 The prior approval of the Central Bank is required before the appointment of any new Director to the Board.
- 9.9 Further details are set out in the Board's Policy on Selection & Appointment of Directors.

## **10 Resignation of Directors**

- 10.1 A Board member shall cease to be a Director if he resigns in writing from his position and shall be deemed to have resigned in the following instances:
- 10.1.1 A Director shall be considered as resigned if he absents himself from more than three consecutive (or 5 non-consecutive) Board meetings without a justifiable excuse acceptable to the Board during the term shall deemed to have resigned. If he holds in his personal capacity or as representative of any corporate persons the position of a member of Board with any other commercial bank operating in the UAE.
- 10.1.2 If he is convicted of any crime or other offence involving dishonesty or immorality unless reinstated or received amnesty from the applicable authorities.
- 10.1.3 If he is declared bankrupt.
- 10.1.4 If he discloses any information detrimental to the Bank's interests which he became aware of in the course of his being a member of the Board.
- 10.1.5 If he is dismissed pursuant to the provisions of the Bank's Articles of Association.
- 10.1.6 If his membership is contrary to the provisions of the Companies Law.
- 10.2 The general meeting shall have the right to dismiss any member of the Board, except the members of the Board appointed by the Council, and elect new

members after notifying the Ministry and Competent Authority accordingly. A Director dismissed under this provision shall not be eligible to become a Director of the Bank for a period of 3 years after his dismissal.

## **11 Non-Executive Directors**

Tasks of the Non-Executive Directors shall include without limitation:

- 11.1 to participate in the meetings of the Board and to provide independent opinion on strategic matters, policy, performance, accountability, resources, basic appointments and activity criteria;
- 11.2 to ensure that priority shall be given to the Bank's and shareholders' interests in case of conflict of interests;
- 11.3 to control the Bank's performance in realizing its agreed objectives and goals and to monitor its performance reports;
- 11.4 to develop procedural rules for the Bank's governance and supervise and monitor their implementation in compliance therewith;
- 11.5 to avail the Board and its different committees of their skills, experience, diversified specialties and qualifications through regular presence and efficient participation in the general assembly's meetings and the acquisition of a balanced understanding of shareholders' opinions; and
- 11.6 to participate in the Bank's Board Committees.

## **12 Induction and orientation**

- 12.1 The Nomination Committee of the Board, working with Senior Management, will provide an orientation programme for new Directors in order to assist them in fulfilling their duties and responsibilities. The programme will include discussions with the Chairman, the Group Chief Executive Officer, Senior Management and the internal and external auditors, the provision of reading material, tutorials and workshops. These will include details on Directors' rights, duties and responsibilities, the Bank's strategic plans, its significant financial, accounting and risk management issues, its compliance programmes, its Code of Corporate Governance, its Code of Conduct, and its management structure.
- 12.2 At the request of the Nomination Committee, Senior Management will conduct additional presentations for Directors from time to time regarding the Bank, the factors impacting, or likely to impact, on its businesses, and to assist the Non-Executive Directors in gaining a broader understanding and knowledge of the Bank. Directors are also encouraged to keep up to date on relevant topical issues.
- 12.3 The Board will dedicate sufficient time, budget, and other resources for the purpose of induction programmes and trainings and draw on external expertise as needed.

## **13 Access to independent professional advice**

- 13.1 The Board has the authority to conduct or direct any investigation required to fulfil its responsibilities and has the ability to retain, at the Bank's expense, such

legal, accounting or other advisers, consultants or experts as it considers necessary from time to time in the performance of its duties.

- 13.2 Any Director shall have the right to request the opinion of an independent consultant, at the Bank's expense, in relation to any of the Bank's affairs, subject to the non-conflict of interest principle. Reference is made to the Bank's policy on this subject for greater detail.

## **14 Board performance and Director evaluation**

- 14.1 The Board will annually review and evaluate the performance of the Board. This assessment will involve consideration of all of the Board's key areas of responsibility, and will specifically review areas where the Board and/or management contribution may be improved.
- 14.2 At least once every year, the Chairman of the Board will conduct a review of the performance and contribution to the Board of each Non-Executive Director. The Board as a whole will review the performance of the Group Chief Executive Officer at least once every year. The Chairman of the Corporate Governance Committee will facilitate an evaluation by all Directors of the performance of the Chairman of the Board.
- 14.3 The Board will also annually review and evaluate the performance of the Board committees, the Senior Management of the Bank, the relationship between the Board and management, and matters of general corporate governance.
- 14.4 The Corporate Governance Committee will recommend to the Board the performance criteria (both measurable and qualitative) to be considered in these evaluation processes. An external independent consultant may from time to time be brought in to review and make recommendations on any aspect of the Board's activities and performance.
- 14.5 The Bank will include in the corporate governance section of its annual report a statement as to whether a performance evaluation for the Board and its members has taken place in the reporting period and how it was conducted. A description of the process for performance evaluation of the Board, the Board committees and individual Directors will be made publicly available and updated as required, by posting it on the Bank's website in a clearly marked corporate governance section.
- 14.6 Reference is made to the Bank's Board evaluation policy for greater detail.

## **15 Access to management**

- 15.1 Board members will have complete and open access to members of management following consultation with the Chairman and the Group Chief Executive Officer.
- 15.2 As an intrinsic part of the Board's responsibility of management oversight, Board committees, specifically, will have access to and mandatory meetings with individual Senior Management in accordance with their respective committee charters.

## **16 Board Secretary**

All Directors shall have direct access to the Board secretary.

## **17 Codes of Conduct**

- 17.1 The operations of the Bank are governed by the Bank's code of conduct. The Bank's code of conduct is important and covers important aspects of daily banking and financial service practices.
- 17.2 Professional conduct rules and other internal policies and principles shall be adopted by the Bank as to fit its objectives and purpose and comply with the applicable laws and regulations. In performing their tasks, the Directors must comply with such rules.
- 17.3 The Bank's code of conduct includes the requirement that the business be conducted ethically and with professionalism to achieve the highest standards of behaviour.
- 17.4 The Bank's code of conduct applies to all Senior Management and employees of the Bank, as well as to temporary workers and other independent contractors and consultants when engaged by or otherwise representing the Bank and its interests. In addition, the Board has adopted a Directors code of conduct which conforms to relevant regulatory requirements and duly considers Best Practices. The Director's Code of Conduct describes the standards of behaviour expected from all the Directors of the Bank and its Subsidiaries. It sets out the rules applicable in matters of professional ethics and behaviour.
- 17.5 A Director shall, during the exercise of his powers and performance of his tasks, behave ethically and professionally, always taking into consideration the Bank's and shareholders' interests, and take such due care, diligence and skill as would be taken by a professional person in similar circumstances, and comply with all applicable laws, regulations and decisions as well as the Bank's Articles of Association and bylaws.

## **18 Confidential information**

- 18.1 The Directors shall regard the confidentiality of information as highly important and oversee that the internal control systems are monitored and employee integrity is fostered to ensure that confidential information is not improperly disclosed outside the Bank or used for individual personal gain.
- 18.2 When the Directors are serving on the boards of other companies and undertaking private transactions, they are to have regard to their confidentiality obligations at all times.

## **19 Conflicts of interest**

- 19.1 Directors are expected to avoid any action, position or interest that conflicts with an interest of the Bank, or gives the appearance of a conflict.
- 19.2 A Director who has any direct or indirect interest or duty which conflicts or may conflict with the interests of the Bank relating to any contract or other transaction



made or proposed to be made with or by the Bank, must give the other Directors notice of such interest. Such notice should be confirmed in writing.

- 19.3 This notification shall be recorded in the Board's minutes and the member having such interest shall not be counted in the quorum for the matter at hand nor be permitted to take part in the discussion or voting and if he does vote, his vote shall not be counted.
- 19.4 If a significant conflict of interest with a Director exists and cannot be resolved, the Director is expected to tender his resignation after consultation with the Chairman.
- 19.5 A Director may not participate in any business that may be in competition with the business of the Bank without prior authorisation from shareholders.
- 19.6 Certain Financial services may be provided to Non-Executive Directors under terms and conditions that would normally apply to the public. Executive Directors are entitled to financial services under terms and conditions that would normally apply to Senior Management from time to time. The granting of any financial services to a Director is subject to all applicable laws and regulations.
- 19.7 Once appointed, every Director shall disclose to the Bank the nature and dedicated times for, his positions in public companies, his other significant obligations and any variation therein once it takes place.
- 19.8 For more detail, please refer to the Board's conflict of interest policy.

## **20 Liability of Directors**

- 20.1 The Bank shall be bound by the actions of the Board within the limits of the Board's authority and shall be liable to compensate for loss or damage arising from breach of the Companies Law, the Articles of Association or any other illegal acts committed by the members of the Board in the course of their management of the Bank. The members of the Board shall not be held personally liable in connection with the Bank's undertakings by reason of them having carried out their duties provided that they do not exceed the scope of their authorities.
- 20.2 Directors shall be liable toward the Bank, the shareholders and third parties for all acts of fraud, power abuse, violation of the Companies Law or the Articles of Association and acts of mal-management in accordance with the provisions of the Companies Law.

## **21 Shareholding by Directors**

The Executive Directors may receive share options and performance rights over shares as approved by shareholders and, as members of staff, may also receive shares in the Bank.

## **22 Restrictions on share dealings by Directors**

- 22.1 Directors are subject to the restrictions contained in all applicable laws and regulations on applying for, acquiring and disposing of securities in, or other relevant financial products of, the Bank (or procuring another person to do so). If



a Director proposes to trade in the Bank's securities and is unsure of the obligations placed on him by virtue of applicable law and regulations and the rules of the Bank, then he must consult with the Chairman regarding such matters prior to trading.

- 22.2 Directors may only trade in the Bank's securities (subject to applicable laws) during periods which are not 'closed' or 'blackout' period as defined by SCA's regulations and notified by the Bank's Compliance Department or the Board Secretariat team from time to time. Directors are further required to notify the Chairman of any proposed trade in the Bank's securities prior to trading. Reference is made to the Bank's policy on this subject for greater detail.
- 22.3 Directors must not trade in the shares of any other entity if inside information on such entity comes to the attention of the Director by virtue of holding office as a Director of the Bank.
- 22.4 For more detail, please refer to the Directors' share dealing policy.

## 23 Notifications

Before 1st January each year the Bank must provide the relevant competent authority with a detailed list, certified by the Chairman, of his name and the names of the Directors, their capacities and nationalities. The Bank shall immediately advise the relevant competent authority of any changes to the list during the course of the year.

## 24 Communications

The Board believes that the Chairman and Senior Management speak for the Bank. Individual Board members are expected not to meet or otherwise communicate with representatives of the press without prior consultation with the Chairman and the Group Chief Executive Officer.

## 25 Applicable regulatory requirements

### Under SCA Guidance:

- Article 3d The Board of Directors Structure: Taking into account the conventions and treaties entered into by the State, the Chairman and the majority of the Board of Directors must hold the nationality of the State.
- Article 5(3) Board of Directors' Meeting: In case of holding a meeting of the Board of Directors to consider inviting the general assembly, the meeting of the Board of Directors should be held at least thirty days before the date of any meeting of the general assembly and the immediate disclosure to shareholders as per a detailed notice to the Market and on the website of the company directly after the conclusion of the Board's meeting and declaring its resolutions and the date of the general assembly's meeting.

### Under Companies Law:

- Article 151: Nationality of the Directors: The Chairman and the majority of the Board of Directors shall be UAE nationals. If the percentage of UAE Directors falls below the applicable percentage under this Article, the shortfall shall be made up within no more than 3 months, failing which all resolutions taken by the Board of Directors after that deadline will be void.

Under SCA Circular regarding Implementation of the Companies Law

- SCA Circular (Section 20): The Board of Directors Resolutions by Passing: In addition to such meetings provided for in Article (156) the Board may issue some of its resolutions by passing in the emergency cases. Such resolutions shall be deemed valid and effective, as if taken at a meeting duly convoked and held, with the observance of the following: (1) the cases of passing resolutions should not be more than 4 times per year; (2) the majority of the Board member agrees that the case which requires to pass a resolution is an emergency case; (3) all the Board members shall submit a written resolution for approval, accompanied by all necessary documents for review; (4) written approval by the majority of any Board resolution issued by passing, is required and shall be presented to the next Board meeting to be included in its minutes.

## **26 Publicly available information**

The following information will be made publicly available, and updated as required, by posting the material on the Bank's website:

- the Terms of Reference for the Board.

The following information will be included in the Bank's annual report:

- the names and details of the qualifications of the members of the Board; and
- the number of meetings of the Board and the names of those who attended.

These Terms of Reference are dated 25 September 2016 and supersede any Board Terms of Reference or charter previously in force.