Abu Dhabi Commercial Bank PJSC
Code of Corporate Governance

Definitions

In this code, the following words and phrases shall have the meanings assigned to them below:

"Audit Committee"	means the Board's Audit & Compliance Committee;
"Bank"	means Abu Dhabi Commercial Bank PJSC;
"Best Practices"	means best practices in corporate governance as determined by the Board from time to time including regulatory requirements applicable to the Bank;
"Board"	means the Board of Directors of the Bank;
"Chairman"	means the Chairman of the Board;
"Code"	means this Corporate Governance Code;
"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;
"GCEO"	means the Group Chief Executive Officer;
"GCFO"	means the Group Chief Financial Officer;
"GCRO"	means the Group Chief Risk Officer;
"Governance Committee"	means the Board's Corporate Governance Committee;
"Independent Director"	means a director who is independent as defined by applicable legislation and the Best Practices as assessed by such criteria as the Board may consider appropriate or relevant;
"KPIs"	means the Bank's key performance indicators, as assessed by the Board;
"Nomination Committee"	means the Board's Nomination, Compensation & HR Committee;
"Risk Committee"	means the Board's Risk & Credit 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;
"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, investors and potential investors; and
"Subsidiary"	means any entity defined as a subsidiary for the purposes of IFRS.

1. The Bank's Approach to Corporate Governance

1.1. The Bank believes in and is committed to good corporate governance, to provide a basis for its future development and corporate performance, to support trust in its activities as a recipient of depositors' funds and shareholders' capital, and to enable it to contribute to the successful development of the financial system of the UAE. Accordingly, the Bank's Board has resolved to adopt this Code, which conforms to relevant regulatory requirements and duly considers international best practices in corporate governance. The guiding principles of the Bank's Code are fourfold:

- Responsibility - including for the clear division and delegation of authority
- Accountability in the relationships between the Bank's management and the Board, and between the Board and the shareholders and other stakeholders
- Transparency and disclosure to enable stakeholders to assess the Bank's financial performance and condition
- Fairness in the treatment of all stakeholders.

1.2. The Bank considers the 'Corporate Governance Principles for Banks' published by the Basel Committee on Banking supervision to be important guidelines in establishing a robust governance framework. The Guidelines supplement this Code. This edition of the Bank's Code is dated 22nd October 2017 and replaces all prior versions. In line with the Bank's continued commitment to development, this Code will be kept under review, and will be amended as required from time to time to meet the changing needs and expectations of the Bank and the marketplace.

2. Commitment to Corporate Governance

2.1. The Bank has compiled this Code, which has been approved by the Bank's Board. It is available to the public on request, and is published on the Bank's website. Any changes to the Code will be similarly published.

2.2. The Bank has formed the Governance Committee to direct the preparation, updating, and enforcement of the Code (see section 5.5 below).

3. Board's overall responsibilities

3.1. **Responsibilities of the Board**

3.1.1. The Board has overall responsibility for the operations and the financial soundness of the Bank, and ensures that the interests of shareholders, depositors, creditors, employees, and other stakeholders, including the banking regulators and supervisors, are met. The Board ensures that the Bank is managed prudently and within the framework of laws and regulations and the Bank's own policies and also oversees the implementation of the Bank's strategic objectives, governance framework and corporate culture. The Board is also responsible for providing oversight of Senior Management.

3.1.2. Although certain shareholders have the right to appoint Directors, the Bank publicly affirms that the obligations of each director are owed to the Bank as a whole, and not to a particular shareholder alone. Directors are regularly required to sign declarations under which they confirm their understanding of this principle and re-affirm their commitment to it.

3.1.3. With regard to the respective roles of the Board and management, the Board approves the Bank's strategic goals, as well as overseeing the management of the Bank, whilst the day-to-day operation of the Bank is the responsibility of Senior Management. It is considered important that Directors do not involve themselves in day-to-day activities.

3.1.4. The Board aims to ensure that the Bank's internal control systems are effective and that the Bank's activities comply with the policies and procedures approved by the Board and as required by law, regulation or Best Practice. The Board will also ensure that the Bank has established a robust risk governance framework, and will establish the Bank's risk appetite and ensure that risks are properly monitored and discussed.

3.1.5. To enable the respective roles of the Board and Senior Management to be clearly understood, the function, roles, and responsibilities of the Board and its Committees, as well as the Management Executive Committee, have been set out in terms of reference, which are published on the Bank's website.

3.1.6. The Board will take the lead in establishing the Bank's corporate culture. In particular, it will create expectations that all business is conducted in a legal and ethical manner and will promote risk awareness within a strong risk culture.

This Code should be read in conjunction with the Bank's Directors code of conduct and the summary of Directors duties under the laws and regulations.

3.2. The Chairman and the GCEO

In order to promote an independent element within the Board, and frank and open discussion on key issues, the position of Chairman is separated from that of GCEO. According to the Bank's Articles of Association, the Chairman is elected from among the Directors of the Bank; and, the GCEO shall be appointed as an Executive Director of the Bank and may not be the Chairman.

3.3. The role of the Chairman

3.3.1. The Chairman plays a crucial role in the proper functioning of the Board. The Chairman provides leadership to the Board and is responsible for its effective overall functioning including maintaining a relationship of trust with the Directors.

3.3.2. The Chairman promotes a constructive relationship between the Board and the Senior Management, and between the executive and Non-Executive Directors.

3.3.3. The Chairman promotes a culture in the boardroom that encourages constructive criticism and alternative views on the issues under consideration, and consequent discussion and voting on individual questions.

3.3.4. It is the responsibility of the Chairman, with the support of the Board Secretary, to ensure Board decisions are taken on a sound and well informed basis and that adequate and timely information is provided prior to their meetings.

3.3.5. It is the responsibility of the Chairman to ensure effective communication with the Bank's shareholders, including ensuring receipt of adequate and timely information.

3.3.6. The Chairman, with the support of the Board Secretary, ensures that high standards of corporate governance are maintained.

3.4. **Composition of the Board**

3.4.1. The Bank intends that composition of the Board, between the Executive, Non-Executive and Independent Directors, the management, and the shareholders' appointees, will provide an optimal mix of skills, competencies, diversity and experience.

3.4.2. To foster an independent element within the Board, it is the Board's aim that Independent Directors should constitute at least one-third of the membership of the Board, and that the Board should have at least three Independent, Non-Executive Directors.

3.4.3. Directors will serve for a period of three years and then will be required to resubmit for re-election or re-appointment.

3.4.4. Directors should be and remain qualified, 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.

3.4.5. The Board has adopted a process for selection and appointment of Directors. This includes a review of (a) candidates' experience, knowledge, skills and independence of mind, (b) candidates' record of integrity and good repute, and (c) candidates' time available to carry out their duties. Further details are set out in the Board's Policy on Selection & Appointment of Directors.

3.4.6. The Board devotes time, annually, to devising appropriate training programs for its members.

3.5. **Board practices**

3.5.1. The Bank's Board meetings take place on a regular basis, usually between six and eight times a year, or more where so required. In order to ensure that a full range of topics is considered, it is the Bank's practice to schedule specific topics to be highlighted at each meeting and a rolling agenda is prepared for this purpose. The attendance of individual Directors is recorded and also made public in the annual report.

3.5.2. The Bank's policy is that the Board should include a strong, challenging, and independent element in order that it can exercise objective judgment. Through the participation of the Independent Directors and the conduct of the meetings of the Board, guided by the Chairman, the Board maintains a level of checks and balances to balance the influence of all parties including Senior Management and significant shareholders, and ensures that decisions are taken in the Bank's interests.

3.5.3. The Bank provides adequate information to Directors sufficiently in advance of meetings to enable them to reach informed decisions.

3.5.4. The Bank believes that the role of Board Secretary is an important one. In addition to the arrangement of Board meetings and the taking of meeting minutes, the responsibilities include ensuring that Board procedures are followed; that information is conveyed between the members of the Board, members of the Board Committees and management; that the Board receives advice on all governance matters; that resolutions are clear and unambiguous; and that individual Directors receive advice and support. To ensure the independence of the Board Secretary, the appointment and remuneration of the Board Secretary is a matter reserved to the Board as a whole.

3.5.5. A written record of Board discussions, resolutions, and Directors' votes is kept by the Board Secretary.

3.5.6. It is a key responsibility of Directors to ensure they be kept informed of developments within the Bank, and in the banking industry as a whole, both local and international. Accordingly, the Bank provides Directors with appropriate orientation and briefings on joining the Board and throughout their tenure, as they and the Board request. In addition, the Bank maintains a secure electronic iPad Portal through which all Directors are able to access relevant documentation relating to Board meetings, meetings of management committees, available training courses, and other matters of reference.

3.5.7. The categories of transactions that require Board approval (including loans larger than a set amount, or transactions with related parties) have been clearly defined in writing in the Board Committee and Management Committees' terms of reference.

3.5.8. The Non-Executive Directors of the Bank meet on a regular basis without the presence of management.

3.5.9. Individual Directors have independent access to management, and in particular the Committees of the Board have access to management.

3.5.10. The Bank has drawn up an organisation chart, showing lines of reporting and authority.

3.6. Board activities: appointment of GCEO

The Board's policy is to appoint a GCEO with integrity, technical competence, and experience in banking.

3.7. Board activities: self-assessment and management performance appraisal

3.7.1. The Board, led by the Chairman, oversees an evaluation process, including an assessment of the performance of the Board as a whole and individual Directors, at least once a year. An external facilitator conducts the performance appraisal at least once every three (3) years, unless otherwise exceptionally recommended by the Governance Committee and approved by the Board.

3.7.2. The Board supervises the performance appraisal of the Senior Management, including the GCEO.

3.8. Board activities: planning, controls, ethics, conflict of interest policy

3.8.1. The Bank has established its business objectives, and accordingly draws up a strategy for achieving them. The Board is required to approve the objectives, and the strategy, and the Board ensures that performance against plan is reviewed and that corrective action is taken as needed. The Bank's budgeting process is part of the short term planning and performance measurement.

3.8.2. The Bank's planning process includes a plan for the development of the Bank's capital position, with stress-tested and alternate scenarios under different business and economic conditions as appropriate, and with guidelines for setting the amount of dividends paid to shareholders.

3.8.3 The Board 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. The Bank has also established a formal conflict of interest policy for the Board to ensure that all decisions are made in the best interests of the Bank.

3.9. The Board Advisor

In order to benefit from the experience of high-profile individuals who are leading experts in financial services, governance and governing large listed corporations, the Board may, from time to time, engage a suitably experienced advisor. That advisor will have such responsibilities as are determined by the Board, but may include attending Board meetings and strategy meetings, and providing his views on governance issues.

4. Board's own structure and practices

4.1. Board Committees

4.1.1. The Board is ultimately responsible for the conduct of the Bank's affairs, but for greater efficiency, Board Committees have been set up with formally-delegated objectives, authorities, responsibilities, and tenure. The Board Committees regularly report to the full Board.

4.1.2. The Board has established four Board Committees to assist it in carrying out its responsibilities. These include the Audit Committee, the Nomination Committee, the Risk Committee and the Governance Committee. The purpose, powers, duties and responsibilities of each Committee are set out in separate terms of reference for each respective Committee, which are published on the Bank's website.

4.1.3. There is a formal and transparent process for appointments to the Board Committees, their mandates and membership (including members who are considered to be Independent) which is disclosed in the Bank's annual report and on the Bank's website. The members of the Board Committees are appointed by the Board, with due consideration of the recommendations of the Nomination Committee, where appropriate, and with due consideration of the Bank's Articles of Association, regulatory requirements and Best Practices. The Board considers an occasional rotation of members and of the chair of such committees to help avoid undue concentration of power and promote fresh perspectives.

4.1.4. Each Board Committee has direct access to appropriate members of the Senior Management, in accordance with the provisions of its respective charter.

4.1.5. Each Board Committee has access, as required, to external resources, including independent professional advisors, to enable it to adequately fulfil its mandate.

4.1.6. A written record of Board Committee discussions, resolutions, and Directors' votes is kept by the Committee secretary.

4.1.7. The Bank recognises that the proper functioning of Board Committees requires extensive participation by Non-Executive Directors and, in consequence, requires their adequate remuneration (section 4.3.6).

4.2. The Audit Committee

4.2.1. In accordance with the Best Practices, the Bank's Audit Committee is comprised of at least four and maximum five Non-Executive Directors and the majority of these Directors shall be Independent Directors. The Chairman shall not be a member of the Committee. The Chairman of the Committee should be an Independent Director. The Committee regularly reviews the membership of the Committee for this purpose. Membership of the Audit Committee is disclosed in the annual report.

4.2.2. The Bank's policy is that at least one member of the Audit Committee must have accounting or other financial management qualifications and expertise; the Committee should have a member who has experience in audit practices; at least two members must have an understanding of the financial services industry; and all members must be financially literate.

4.2.3. The Audit Committee reviews, and reports to the full Board on, amongst other things:

4.2.3.1. the Bank's quarterly and annual financial results prior to publication or distribution;

4.2.3.2. the accounting judgments that are intrinsic to the financial statements;

4.2.3.3. the Bank's internal controls and, in consultation with management and the external auditors, the integrity of the Bank's financial reporting processes and controls;

4.2.3.4. any significant findings of the external auditors together with management's responses;

4.2.3.5. the scope, results, and adequacy of the Bank's internal and external audits;

4.2.3.6. any significant changes to the Bank's accounting principles, and any items required to be communicated by the external auditors;

4.2.3.7. any requisite third-party opinions on the design and effectiveness of the overall risk governance framework and internal control system;

4.2.3.8. the objectivity of the external auditors; and

4.2.3.9. other non-audit work performed by the external auditors so as not to compromise the auditors' objectivity.

4.2.4. The Audit Committee recommends to the Board the appointment or the removal, the remuneration, and other contractual terms of the external auditors.

4.2.5. The Audit Committee has the ability to obtain any information from management, and may require that any member of management or Director attend its meetings.

4.2.6. The Audit Committee meets each of the Bank's external auditors and its internal auditors, without (other) management being present, at least once a year. The Bank considers that a strong and open relationship between the Audit Committee and these two audit functions is critical to its successful functioning.

4.2.7. The Audit Committee has specific responsibility for the oversight of the compliance function in the Bank.

4.2.8. The Bank recognises that the Audit Committee does not substitute for the responsibilities of the Board or the Bank's management for the supervision and adequacy of the Bank's internal control systems.

For more details, please refer to the Audit Committee terms of reference.

4.3. **The Nomination Committee and the appointment and remuneration of Directors**

4.3.1. The Nomination Committee comprises of at least four Non-Executive Directors, of whom at least two of these Directors shall be Independent Directors. Membership of the Committee is disclosed in the annual report.

4.3.2. The Nomination Committee should be constituted in a way that enables it to exercise competent and independent judgment on compensation policies and practices and the incentives created for managing risk, capital and liquidity.

4.3.3. The Nomination Committee reviews all candidates for Board appointments, duly considering their abilities and qualifications and, for re-nomination, their attendance, the quality and extent of their participation in Board meetings. 'Qualifications' includes academic record, experience, professional qualifications, skill, independence, and other senior appointments and company directorships. The Committee also considers candidates' records of integrity and availability to carry out the duties of a Non-Executive Director. In accordance with the Bank's articles of association, a Director is appointed for a three-year term.

4.3.4. The Nomination Committee makes the determination of whether a Director is 'independent' in accordance with the Bank's guidelines for 'independence', relevant legislation, regulations and Best Practices.

4.3.5. The Nomination Committee is responsible for overseeing the preparation and delivery of orientation and background briefing materials for new Directors.

4.3.6. The Nomination Committee recommends to the Board the remuneration of each Director and the GCEO. The Nomination Committee also reviews the remuneration of other Senior Management.

4.3.7. The Bank's remuneration of Non-Executive Directors takes into account the amount of time they give to the Bank, as well as the extent of their responsibilities and both international and domestic benchmarks and practices.

For more details, please refer to the Nomination Committee terms of reference.

4.4. **The Risk Committee**

4.4.1. The Risk Committee comprises of at least four (4) non-executive Directors and the majority of its members shall be Independent Directors. Certain key members of Senior Management are required to attend meetings of the Risk Committee, including the GCEO, GCFO, the GCRO and the Head of Credit. This composition ensures that the Risk Committee stays fully informed of the developments in the Bank's risk management functions. The Committee shall include members with experience in risk management issues and practice.

4.4.2. The Risk Committee makes regular reports to the full Board.

4.4.3. The Risk Committee is responsible for:

4.4.3.1. approving exposures beyond limits delegated to Management;

4.4.3.2. advising the Board on the Bank's risk appetite;

4.4.3.3. overseeing Senior Management's implementation of the Bank's Risk Appetite Statement (RAS), monitoring the state of risk culture in the Bank, and interacting with and overseeing the GCRO; and

4.4.3.4. providing oversight of the strategies for capital and liquidity management, as well as for all relevant risks of the Bank, such as credit, market, operational, compliance and reputational risks, to ensure they are consistent with the stated risk appetite.

4.4.4. The Risk Committee shall meet periodically with the audit and other risk-relevant committees to ensure effective exchange of information and effective coverage of all risk, including emerging risks and any needed adjustments to the risk governance framework of the Bank in light of its business plans and the external environment. To achieve this, all members of the Board are invited to attend the strategic risk related discussions of the Risk Committee.

For more details, please refer to the Risk Committee terms of reference.

4.5. **The Governance Committee**

4.5.1. The Governance Committee shall be formed of not less than four Non-Executive Directors. The Committee shall comprise only members of the Board, but shall be permitted to require any members of the Bank's management, or third parties, to attend meetings on a temporary or permanent basis, as shall be required to assist the Committee with its duties.

4.5.2. The Governance Committee is responsible to oversee the preparation and amendments of this Code and to ensure that the Bank maintains high standards of governance, which includes:

4.5.2.1. reviewing the Bank's governance structures and establishing the Bank's governance framework;

4.5.2.2. reviewing measures to implement accepted culture and ethics within the Bank;

4.5.2.3. monitoring corporate governance developments internationally and domestically with recommendations for the Bank's development plan; and

4.5.2.4. developing the Bank's corporate sustainability initiatives.

4.5.3. Membership of the Governance Committee is disclosed in the annual report.

For more details, please refer to the Governance Committee terms of reference.

5. Governance of group structures

5.1. The Board has overall responsibility for the Bank and for ensuring that there is a clear governance framework appropriate to the structure, business and risk of the group and its Subsidiaries. The Board and Senior Management are required to know and understand the Bank's operational structure and the risk that it poses.

5.2. The Board is responsible for being aware of the material risk and issues that might affect both the Bank as a whole and its Subsidiaries. It should exercise adequate oversight over Subsidiaries while respecting the independent legal and governance responsibilities that might apply to Subsidiary boards.

6. Risk management

6.1. **Risk management**

6.1.1. To support the Board's overall responsibility for identifying, monitoring and ensuring that adequate risk control measures are in place, the Bank adopts a multi-faceted approach:

6.1.1.1. the Board and the Risk Committee delegates some of their authorities to management through the Bank's Management Executive Committee, as deemed appropriate;

6.1.1.2. the Banks' internal control systems, which include internal and external audit, noted below; and

6.1.1.3. the Bank has a separate risk management department which separates the function and responsibility of reviewing and monitoring risk from the risk-taking business units of the Bank. The GCRO heads the risk management department.

6.1.2. To ensure its independence, the GCRO and risk management department report directly to the Risk Committee and on a day-to-day operational basis to the GCEO. Only the Board may appoint or remove the GCRO to and from office. For greater clarity, the independence of the GCRO and risk management department shall include compliance, and in the event that the Head of Compliance does not report to the GCRO, then he shall report directly to the Risk Committee to ensure his independence.

6.1.3. The GCRO's performance, compensation and budget should be reviewed and approved by the Risk Committee or the Board.

6.1.4. Specific responsibilities of the Bank's risk management department include:

6.1.4.1. analysis of credit risk, market risk, and operational risk;

6.1.4.2. development, updating and implementation of policy guidelines, risk strategies, risk systems & tools;

6.1.4.3. development of methodologies for the measurement and control of each type of risk;

6.1.4.4. setting of limits and approval, reporting and recording of exceptions to policy;

6.1.4.5. provision of information on risk metrics and on the Bank's risk profile to Senior Management and to the Board (the Risk Committee reviews the risk statistics of the Bank, both qualitative and quantitative, on a quarterly basis) and to external stakeholders such as rating agencies, etc.;

6.1.4.6. restructuring of problem loans and loan recoveries;

6.1.4.7. development of a method to identify and measure hard-to-quantify risks such as reputational risk;

6.1.4.8. independent input and oversight of the provisioning policies, processes and adequacy of specific and collective provisions;

6.1.4.9. compliance with regulatory guidelines, Anti Money Laundering (AML), Know your customer (KYC) norms and reporting of suspicious activity to the management, UAE Central Bank and the Audit Committee;

6.1.4.10. control liquidity/funding risks and capital adequacy issues, in close conjunction with the finance and treasury functions and, in conjunction with the treasury function, develop a formal contingency funding plan which sets out the strategies for addressing potential liquidity shortfalls in times of crisis;

6.1.4.11. provision of risk information for use in the Bank's public statements and reporting; and

6.1.4.12. enabling the Risk Committee as well as the Audit Committee to effectively discharge their responsibilities as listed in their respective terms of reference.

6.1.5. The functions of the risk management department are complemented by the Bank's management committees, including the risk and credit committee and the assets & liabilities committee.

7. Oversight of Strategy & Performance

7.1. Setting & monitoring strategy

7.1.1. The Bank's strategic direction is set by the Board; however, key members of Senior Management participate in the process of setting strategy. A strategy meeting is held at least once annually offsite prior to the Bank's first presentation of the budget for the following year.

7.1.2. The Board concentrates on the forward-looking strategic direction of the Bank and not on operational issues.

7.1.3. The Board ensures effective oversight of the Bank's strategy by assessing the Bank's past operational and financial performance for a given period or periods against (a) the Bank's agreed-upon strategy for the same timeframe(s); (b) the KPIs set for the period under review and approved by the Board; and (c) the performance of its key competitors.

7.2. Performance Objectives ("KPIs")

7.2.1. The Bank ensures that it adheres to a clear process, led by the GCEO, through which the performance objectives of the Bank (and its top executive team) are set for the coming year. KPIs are focused and well-articulated performance metrics against which management's performance can be tangibly measured by the Board.

7.2.2. The Bank's performance objectives reflect the strategic direction endorsed by the Board at the annual strategy meeting.

7.2.3. Once approved by the Board, Senior Management are responsible for ensuring that the KPIs are embedded throughout the organization.

7.3. Budget process

7.3.1. The Bank ensures that it abides by a clear budget policy and procedure.

7.3.2. The budget process enables the Board to conduct an effective and timely review of the draft budget proposed by management and, to this end, requires the management to make its budget presentation to the Board after the annual offsite strategy meeting.

7.3.3. The Bank's budget process reflects the strategic direction endorsed by the Board during the strategy meeting.

8. Control Environment

8.1. Internal controls

8.1.1. The Board is responsible for ensuring that the Bank establishes and maintains internal controls suitable for its business.

8.1.2. The Bank's structure of internal controls is reviewed at least once a year, by internal and external auditors.

8.1.3. The Bank has a compliance function, reporting to the Audit Committee, which monitors compliance with applicable laws and regulations, as well as the Bank's internal policies and procedures.

8.2. **Internal Audit**

8.2.1. The internal audit function provides an independent assurance to the Board and supports the Board and Senior Management in promoting an effective governance process and the long term strategies of the Bank.

8.2.2. The Bank's policy is that its internal audit function should be adequately resourced, trained, remunerated, be provided full access to Bank records and staff members and be given sufficient standing and authority within the Bank to adequately carry out its tasks.

8.2.3. The internal audit function reports to the Audit Committee and acts in consultation with the GCEO. This reporting structure is intended to ensure independence and balance the function's capacity to monitor as well as obtain in-depth information on the effectiveness of controls and processes. To promote independence, internal audit staff do not also have operational responsibilities.

8.2.4. Internal audit is responsible for proposing the structure and scope of the audit schedule, and any potential conflicts of interest are to be reported to the Audit Committee.

8.2.5. Internal audit reports may be discussed with the departments and operational units being reviewed, but the internal audit function is permitted to operate and make reports without outside influence or interference.

8.2.6. The internal audit function has responsibility for review of:

8.2.6.1. the Bank's financial reporting;

8.2.6.2. compliance with external laws and regulations;

8.2.6.3. compliance with the Bank's internal policies; and

8.2.6.4. risk focused audits, and compliance with the Bank's risk and credit policies and guidelines.

8.2.7. The internal audit function provides a periodic assessment of the Bank's overall governance framework including, but not limited to, an assessment of:

8.2.7.1. the effectiveness of the risk management and compliance functions;

8.2.7.2. the quality of risk reporting to the Board and Senior Management; and

8.2.7.3. the effectiveness of the Bank's system of internal controls.

8.3. **External Audit**

8.3.1. The Audit Committee is responsible for recommending to the Board the appointment, re-appointment, and rotation of the auditing firm and/or the principal partner in charge of the Bank's audit to the Board.

8.3.2. The principal reporting line of the external auditors is to the Audit Committee (see section 4.2.4). The external auditors meet the Audit Committee regularly, without management present, when financial results are presented for the Committee's approval, and attend Audit Committee and, where required, Board meetings.

9. Compensation

9.1. The Board is responsible for the overall oversight of the compensation system for the entire Bank. In addition, the Board regularly monitors and reviews outcomes to ensure that the Bank-wide compensation system is operating as intended.

9.2. The Bank seeks to ensure that compensation is effectively aligned with the Bank's risk management and promotes the long term health of the organisation and appropriate risk taking behaviour.

9.3. Directors' remuneration is set annually by the Board following delegation by the Bank's shareholders. Any proposals for changes are considered by the Nomination Committee prior to obtaining Board and, if necessary, shareholder approvals. According to federal laws and the Bank's articles of association, Directors may not receive any remuneration in respect of a year when the Bank does not achieve net profits.

9.4. In line with the Bank's commitment to sound governance and promotion of long-term sustainable shareholder value, the Bank's objective is to provide transparency to shareholders and other stakeholders about its remuneration principles and initiatives. The Bank supports levels of remuneration necessary to attract, retain and motivate employees of the calibre necessary to lead, manage and deliver in a competitive environment. However, the Bank seeks to avoid paying more than necessary for this purpose and has practices and policies in place that promote effective risk management.

9.5. The Bank seeks to ensure that remuneration packages reflect duties and responsibilities, are fair and equitable, and incorporate clear and measurable rewards linked to corporate and individual performance. Rewards will be based only on the results of a rigorous appraisal process.

9.6. As far as possible, bearing in mind market trends and constraints, remuneration shall align the interests of the Bank's employees with the interests of shareholders and other stakeholders, and shall blend short and long term incentives. Performance related elements shall be designed to minimise employee turnover and to give employees incentives to perform at the highest levels, whilst recognising the need to promote effective risk management.

9.7. The Bank's compensation structure is regularly monitored and reviewed by the Board.

9.8. The Bank values transparency in relation to its compensation practices. To these ends, it publishes details of its compensation practices on its website and a published report on compensation within the Bank's annual report.

10. Disclosure and Transparency

10.1. The Bank believes that the governance of the Bank should be adequately transparent to Stakeholders.

10.2. The Bank monitors 'Best Practices' in financial reporting by its comparable local and international peers. The Bank's Senior Management reports on these developments to the Board, and makes recommendations for the regular enhancement of the Bank's own disclosure practices.

10.3. The Bank recognises its obligation to provide meaningful information on its activities to shareholders, depositors, financial market counterparts, regulators, and the public in general. The Bank also has a duty to gather input on its activities, and to address shareholder concerns. The Bank discloses such information on a timely basis, and makes it available to all.

10.4. The Board accepts responsibility for the Bank's financial statements and the contents of the annual report, for their accuracy, and for their completeness.

10.5. The Bank commits to developing and maintaining the following information channels with its shareholders, investors, financial market counterparts, and the public in general:

10.5.1. professionally-staffed investor relations function that provides comprehensive, objective, and up-to-date information on the Bank, its financial condition and performance, and its activities;

10.5.2. annual report, produced promptly after the end of the financial year;

10.5.3. quarterly reports, providing quarterly financial information and the Board's report on the Bank's trading position and financial condition during the year;

10.5.4. regular meetings between Senior Management, investors and shareholders; and

10.5.5. regular briefings by Senior Management, especially the GCEO and the GCFO, for shareholders, financial market analysts, and financial journalists.

10.6. Information provided through the Bank's annual report, or its quarterly reports, and the text of any public presentations given by executives, is made available to interested parties both in writing through the Bank's investor relations function and, in a timely manner, on the Bank's website, in both Arabic or in English, as appropriate.

10.7. In its annual reports and quarterly reports, the Senior Management includes commentary that assists investors to understand current and future operating results and the financial condition of the Bank, including the possible impact of known trends, events and uncertainties. The Bank commits to ensuring that such commentary is reliable, complete, fair balanced, understandable and is grounded in the Bank's financial statements as reported. The commentary comprises non-financial as well as financial information about the Bank.

10.8. As part of its commitment to transparency and full disclosure, the Bank includes in its annual report, amongst other things, the following information:

10.8.1. disclosure of the Directors' code of conduct;

10.8.2. a discussion of its corporate governance practices during the year;

10.8.3. reference to the charters and terms of reference of the Board and Board Committees;

10.8.4. reports of the Board Committees on matters considered during the year;

10.8.5. the frequency of Board and Board Committee meetings;

10.8.6. information on each individual Director including: qualifications and experience; whether an independent, non-executive, or executive Director; the membership of Board Committees; dates of appointment to the Board; attendance at Board and Board Committee meetings; and remuneration;

10.8.7. the Board's performance evaluation;

10.8.8. disclosure of Directors' conflicts of interest;

10.8.9. a description of the Bank's dividend policy;

10.8.10. the principles and disclosure of Senior Management remuneration and incentives;

10.8.11. a discussion of the Bank's internal controls systems; and,

10.8.12. the Bank's engagement and achievements in corporate sustainability during the year.

11. Treatment of Shareholders

11.1. The Bank takes active steps to encourage shareholders to participate in the Annual General Meeting and also to vote either in person or in their absence by proxy.

11.2. The Bank's policy is that all Directors should be present at the Annual General Meeting, and are invited to address relevant questions from shareholders.

11.3. Representatives from the external auditors are present to answer questions about the audit and their auditors' report.

11.4. The Bank assigns separate resolutions for separate issues that are raised at the Annual General Meeting, with voting on each.

11.5. As required by the Bank's articles of association, appointment of the Bank's Directors and auditors is confirmed by voting at the Annual General Meeting.

This edition of the Code has been approved by the Board on 22nd October 2017.