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# FRAMEWORK

## Group Corporate Governance Framework

Version 1.0

Board Secretariat  
Group Compliance

## Document Control

### Revision Record

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Date Approved	Approved by	Position	Group / Department
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## 1. Purpose

- 1.1. The Group is committed to establishing an effective corporate governance framework, which will provide a basis for its future development and sustainable growth, 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.
- 1.2. This Framework shall institutionalize the principles of adequate corporate governance across ADCB Group and enabling the establishment of a consistent and comprehensive range of policies and systems to ensure the adequate management of the Group along with effective oversight and control.
- 1.3. The Group's operational structure has been considered when developing this Framework, along with its size, complexity, business strategy, risk profile, markets and regulatory requirements (including the Corporate Governance Regulations).
- 1.4. The Bank's Islamic window, PSIs and services shall comply with Shari'ah rules and the Group has established a sound and effective Shari'ah governance framework, with the key mechanisms and functionalities to ensure effective and independent Shari'ah oversight, as per the requirements set out by the Central Bank and the Higher Shari'ah Authority.

## 2. Scope

- 2.1. This Framework shall be applicable across the Group, including its subsidiary Al Hilal Bank PJSC, and all other subsidiaries, affiliates, branch, and international locations.
- 2.2. The Board is ultimately responsible for the adoption and oversight of the implementation of the corporate governance principles and best practices.
- 2.3. Various policies, processes and documents have been implemented to drive and support good governance practices.

*Refer to Appendix 1 for a list of the key documents as referred to in this Framework.*

## 3. Objective

- 3.1. This Framework, along with its respective policies and mechanisms of governance, establishes the Group's approach to ensuring effective oversight and governance relating to its entities structure, activities, and risks.
- 3.2. The guiding principles of the Group's Framework are fourfold:
  - 3.2.1. Responsibility - including for the clear division and delegation of authority;

- 3.2.2. Accountability in the relationships between the Group's Senior Management and the Board, and between the Board and the shareholders and other stakeholders;
- 3.2.3. Transparency and disclosure to enable Stakeholders to assess the Group's financial performance and condition; and
- 3.2.4. Fairness in the treatment of all Stakeholders.

## 4. Definitions and Abbreviations

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

"Bank"	means Abu Dhabi Commercial Bank PJSC;
"Board"	means the Board of Directors of the Bank;
"BRC"	means the Board Risk Committee;
"BEC"	means the Board Executive Committee;
"BAC"	means the Board Audit Committee;
"CBUAE or Central Bank"	means the Central Bank of the United Arab Emirates;
"Corporate Governance Regulations"	means all applicable regulations and standards on corporate governance, including, but not limited to, the Central Bank's Corporate Governance Regulation and Standards for Banks (Circular No.:89/2019 dated July 18, 2019) and the Securities & Commodities Authority (SCA) Chairman's Resolution No. 03/RM of 2020 Regarding the Approval of the Public Joint-Stock Companies Governance Guide;
"Chairman"	means the Chairman of the Board;
"Controlling Shareholder"	means a shareholder who has the ability to directly or indirectly influence or control the appointment of the majority of the Board of directors, or the decisions made by the Board or by the general assembly of the entity, through the ownership of a percentage of the shares or

	stocks or under an agreement or other arrangement providing for such influence.
"Director"	means a member of the Board;
	means this Group Corporate Governance Framework;
"Framework"	
"GCEO"	means the Group Chief Executive Officer;
"GCCO"	means the Group Chief Compliance Officer;
"GCFO"	means the Group Chief Financial Officer;
"GCIA"	means the Group Chief Internal Auditor;
"GCRO"	means the Group Chief Risk Officer;
"Group"	means a group of entities which includes the Bank and (a) any Subsidiary of the Bank, and (b) any affiliate and joint venture of the Bank;
"Independent Director"	means a member of the Board who is considered independent pursuant to the Corporate Governance Regulations;
"KPIs"	means the Bank's key performance indicators, as assessed by the Board;
"Major Shareholder"	means One Hundred & Fourteenth Investment Company – Sole Proprietorship LLC;
"MEC"	means the Management Executive Committee;
"NCHRG"	means the Board Nomination, Compensation HR & Governance Committee;
"Related Party"	means the Group and its Controlling Shareholder's members of the Board, Senior Management (and their First-Degree Relatives), Staff and companies in which any of these including hold 30% or more of its capital, and persons with control, joint control or significant

	influence over the Bank (and their First-Degree Relatives);
“PSI”	means product, service, and initiative;
“Senior Management”	means the executive management of the Bank responsible and accountable to the Board for the sound and prudent day-to-day management of the Bank;
“Staff”	means all persons working for the Bank, including the members of Senior Management, except for the Board;
“Stakeholder”	means any person who has an interest in the Bank, including shareholders, Staff, creditors, clients, suppliers, investors, and potential investors; and
“Subsidiary”	means an entity, owned by another entity by more than 50% of its capital, or under full control of that entity regarding the appointment of the Directors and any entity defined as a subsidiary for the purposes of IFRS.

## 5. Framework

### 5.1. Related Legal Instruments and Policy Documents

- 5.1.1. This Framework document must be read together with relevant legal instruments and policy documents that have been issued by ADCB Group, in particular the Terms of Reference of: (i) the Board (ii) any terms of reference or any other policy document in relation to any other Board committee, management committee, department or group formed within the ADCB Group.

<sup>1</sup> Refer to Appendix 1 for a list of the Policies and Procedures within the coverage of this Framework.

### 5.2. Approach to Corporate Governance

- 5.2.1. ADCB Group’s principles of corporate governance are in harmony with local regulatory requirements on corporate governance, which highlights that good corporate governance helps to build an environment of trust, transparency, and accountability, which is necessary for fostering long-term investment, financial stability, and business integrity, thereby supporting stronger growth and societies that are more inclusive.

5.2.2. The Framework aims to meet the highest standards and best practices and is in line with the Corporate Governance Regulations and relevant laws and regulations.

5.2.3. The Framework shall be adopted by the Group, up to the extent that it is not contradicting with the applicable legal and/or regulatory requirements of the Subsidiary. A detailed consolidated governance and supervision approach must be maintained to specify governance measures at the level of the Group by way of Inter-Group Policy.

### 5.3. Board of Directors

#### 5.3.1. Responsibilities of the Board

- The Board is the Bank's principal decision-making forum and has overall responsibility for the organizational structure of the Group and for leading, supervising and controlling the Group and is accountable to the shareholders for creating and delivering sustainable shareholder value through its guidance and supervision of the Group's business. The Board is responsible for the operations and the financial soundness of the Group, and ensures that the interest of shareholders, depositors, creditors, Staff, and other stakeholders, including regulators are met. In particular, it sets the goals, strategies and policies of the Group. The Board monitors the performance of the Group's businesses and guides and supervises the Group's Senior Management.
- The Board shall act in the best interests of its various stakeholders while meeting regulatory expectations. Treating customers fairly shall be an integral part of the Group's corporate culture. The Board recognises that depositors' interests take precedence over shareholders' interests.
- The Board's responsibilities include, but are not limited to, the following:
  - **Strategy and management** – setting the Group's long-term objectives and commercial strategy, and monitoring management's performance;
  - **Structure and capital** – approving changes relating to capital structure, corporate structure and management and control structures;
  - **Financial reporting, planning and controls** – approving interim and year-end results, annual report and accounts, dividends, business plans, budgets (including funding plans) and forecasts, significant changes in accounting policies or practices, remuneration of and appointment or removal of external auditors and other material accounting policies;
  - **Internal controls** – setting and monitoring internal controls;
  - **Risk** – setting the Group's risk strategies and appetite and monitoring the Group's approach to material risks;



- **Major transactions** – approving major capital investments and projects, by reason of materiality or size, including acquisitions, mergers, disposals, and material contracts not in the ordinary course of business;
  - **Board and other appointments** – appointment or removal of the GCEO and other Senior Management, succession planning, terms of reference and membership of Board committees, adherence to requirements of regulatory requirements, Directors' Conflict of Interest & Code of Conduct, and annual performance review of the Board, Board committees & individual directors;
  - **Annual evaluation** – annual evaluation and supervision of the GCEO;
  - **Remuneration** – determining policy for remuneration of Directors and Senior Management, creation and approval of share incentive plans and other remuneration schemes; and
  - **Delegation of authority** – monitoring matters delegated to Board committees, management committees and Senior Management.
- The Board has adopted a rolling agenda to ensure that each of its responsibilities is satisfied on a periodic basis and considers other agenda items on an 'as required' basis.

*For further details, please refer to the Board's terms of reference.*

### 5.3.2. Culture

- A key responsibility of the Board is to ensure that the Bank builds and maintains a healthy culture.
- The Group believes that companies that attach equal importance to performance and culture achieve exceptional results over time.
- The Board is committed to supporting gender diversity. As a result, women represented 20% of the Bank's Board membership, in line with international best practice.

### 5.3.3. Appointment of Directors

- The Group recognises that an effective Board is crucial to the success of its business and the ability of the Group to serve in the interests of all stakeholders.
- In accordance with the Bank's articles of association, all Directors are required to seek re-election by shareholders at least every three years. If a vacancy arises, Directors are permitted to elect any individual nominated to fill the vacancy, but any Director appointed in this manner must seek election by the shareholders at the next Annual General Meeting.
- The Bank's Major Shareholder has the right to elect a percentage of the Board that is proportionate to its holding of the Bank's share capital.

- The Bank's Directors' Selection Policy reflects the fit & proper criteria for the selection, appointment, and re-election of Directors, in accordance with applicable regulations.
- Any candidate for appointment as a Director must be pre-approved by the Central Bank.
- CBUAE has the right to reject appointment or nomination of any person to the membership of the Board or refuse continuation of service of a Board member.

*For further details, please refer to the Directors' Selection Policy.*

#### **5.3.4. Independence of Directors**

- Independence is an important factor in the Directors' ability to service in the best interest of the Group and all its Stakeholders.
- The Group complies with the independence requirements of the Corporate Governance Regulations. The NCHRG committee is responsible to ensure that Independent Directors remain independent on a continuous basis, unless a Director's independence is compromised in accordance with the Corporate Governance Regulations.

#### **5.3.5. Delegation of authority**

- A Directors' power to serve the Bank is conferred upon the Board as a whole; an individual Director has no particular authority or power when acting on their own, apart from the Chairman, whose powers are not absolute. The Chairman, via a Power of Attorney, has delegated specific powers to the GCEO, who has sub-delegated through a Power of Attorney specific powers to Senior Management. Each Power of Attorney is valid for a period of three years, after which they are reviewed and, where necessary, renewed for a further three years.

#### **5.3.6. Board Practices**

- The Bank's Board meetings take place on a regular basis, at minimum six times a year, or more where so required. In order to ensure that a full range of topics are considered, it is the Bank's practice to schedule specific topics to be highlighted at certain meetings. The attendance of individual Directors is recorded and also made public in the Bank's corporate governance report, which forms part of the annual report.
- 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 Group's interests.

- The Bank provides adequate information to Directors sufficiently in advance of meetings to enable them to reach informed decisions.
- A written record of Board discussions, minutes, resolutions, and Directors' votes is kept by the Board Secretary function.
- It is a key responsibility of Directors to ensure they be kept informed of developments within the Group, 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. 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.
- The categories of transactions that require Board approval (including loans larger than a set amount, or transactions with Directors and Related Parties) have been clearly defined in writing in the Board committee and management committees' terms of reference and the Related Party Transactions Policy.
- The Directors of the Bank meet on a regular basis without the presence of Senior Management, including, but not limited to the, GCCO, GCIA, GCFO, and GCRO.
- Individual Directors have independent access to Senior Management, and in particular the committees of the Board have access to Senior Management.
- The Group has drawn up an organisation chart, showing lines of reporting and authority.

#### **5.3.7. Board activities: appointment of GCEO**

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

#### **5.3.8. Board activities: self-assessment and management performance appraisal**

- The Board, led by the Chairman, oversees an evaluation process, including an assessment of the performance of the Board as a whole, its Board committees 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 NCHRG committee and approved by the Board.
- The Board supervises the performance appraisal of the GCEO.

*For further details, please refer to the Directors' Performance Evaluation Policy and/or the GCEO Performance Evaluation and Remuneration Policy.*

#### **5.3.9. Board activities: planning, controls, ethics, conflict of interest policy**

- The Group 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 Group's budgeting process is part of the short-term planning and performance measurement.
- The Group's planning process includes a plan for the development of the Group'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.
- The Board ensures that the Group 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 Staff and these have been published.

#### **5.3.10. 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/her views on governance issues.

#### **5.3.11. Board's Composition**

- The Board will be constituted as per ADCB's Articles of Association and other pertinent regulatory directives.
- At least one third of the Board Members shall be Independent Directors, and a majority of the Directors must be UAE nationals. Directors shall have adequate expertise and knowledge to effectively perform their functions in the best interest of the Group and they shall give sufficient time and attention to their role as a Director.

#### **5.3.12. Duties of the Board Chairman**

- Providing leadership to the Board and ensuring proper and effective overall functioning of the Board and its Board committees, including maintaining a relationship of trust with fellow Directors.
- Encouraging and promoting critical discussion and ensuring that dissenting views can be freely expressed during the decision-making process.
- Ensuring 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.
- Ensuring the efficiency and timely performance and discussion of any and all material issues by the Board.

- Being 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 Board Secretary and ensuring that the content, organization, quality of documentation and time allocated to each topic allows for sufficient discussion and decision making.
- Encouraging all Directors to fully and efficiently participate in handling the affairs of the Board and ensuring that the Board is working in the best interests of the Group.
- Taking 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 Independent Directors in particular and promoting constructive relations between Independent Directors and Senior Management.
- Ensuring Directors receive appropriate training and development to discharge their duties and responsibilities effectively.
- Safeguard an effective and independent oversight of Shari'ah compliance within the organizational framework.

## 5.4. Organizational Structure and Practices

### 5.4.1. Board Committees

- The Board is ultimately responsible for the conduct of the Group'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.
- The Board has established four Board committees to assist it in carrying out its responsibilities. These include:
  - the Board Executive Committee;
  - the Board Audit Committee;
  - the Board Nomination, Compensation, HR, and Governance Committee; and
  - the Board Risk Committee.
- The purpose, powers, duties and responsibilities of each Board committee are set out in their respective terms of reference, which are published on the Bank's website.
- 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 corporate governance report of the 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 NCHRG committee, where appropriate, and with due consideration of the Bank's articles of association and the Corporate Governance Regulations. 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.

- Each Board committee has direct access to appropriate members of the Senior Management, in accordance with the provisions of its respective terms of reference.
- Each Board committee has access, as required, to external resources, including independent professional advisors, to enable it to adequately fulfil its mandate.
- A written record of Board committee discussions, minutes, resolutions, and Directors' votes is kept by Board Secretariat.

*For further details on the Board committee's responsibilities, please refer to the BEC, BRC, BAC, and/or NCHRG terms of references.*

*For further details on the Organisational Structure, please refer to Appendix 2.*

#### **5.4.2. Directors' performance evaluation**

- ADCB Group shall maintain a comprehensive Director's performance evaluation policy and an SOP which aim to assess the effectiveness of the Board's oversight of the Group's Senior Management;
- The Directors' Performance Evaluation Policy shall include, but not limited to, the following:
  - Principles of Board assessments
  - Responsibility for the assessments
  - Other feedback; and
  - Disclosure policies and practices for evaluation

*For further details on Directors' Performance Evaluation process, please refer to Directors' Performance Evaluation Policy.*

### **5.5. Compensation**

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

- 5.5.2. The Group seeks to ensure that compensation is effectively aligned with the Group's risk management and promotes the long-term health of the organisation and appropriate risk-taking behaviour.
- 5.5.3. Directors' Board remuneration for a financial year is paid in the subsequent year and is a fixed amount, subject to the shareholders' approval at the Bank's annual general meeting. Directors are not eligible for any additional allowances, salaries or fees, bonuses, long-term or other incentive schemes. Directors do not receive any pension benefits from the Bank. Any proposals for changes are considered by the NCHRG committee prior to obtaining Board and shareholders' approvals.
- 5.5.4. According to Corporate Governance Regulations, negative financial performance or net loss reported by the Bank in a financial year may lead to a contraction of the Board's total compensation. The Central Bank may impose additional reductions to the Board's total compensation where the negative financial performance was due to non-compliance with applicable regulations, omission, or error by the Board.
- 5.5.5. In line with the Group's commitment to sound governance and promotion of long-term sustainable shareholder value, the Group's objective is to provide transparency to shareholders and other stakeholders about its remuneration principles and initiatives. The Group 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 Group seeks to avoid paying more than necessary for this purpose and has practices and policies in place that promote effective risk management.
- 5.5.6. The Group 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 shall be based only on the results of a rigorous appraisal process.
- 5.5.7. As far as possible, bearing in mind market trends and constraints, remuneration shall align the interests of Staff with the interests of shareholders and other Stakeholders, and shall blend short and long-term incentives. Performance related elements shall be designed to minimise Staff turnover and to give Staff incentives to perform at the highest levels, whilst recognising the need to promote effective risk management.
- 5.5.8. The BRC committee shall, without prejudice to the tasks of the NCHRG committee, regularly review the Groups' remuneration framework and examine whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings. The Group's compensation structure shall be regularly monitored and reviewed by the Board.
- 5.5.9. The Group 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.

## 5.6. Board Secretariat



- 5.6.1. Board Secretariat acts as an interface between the Board and Senior Management. As well as acting as administrator for the Board's activities, Board Secretariat works closely with both the Board and the Senior Management to facilitate communication and transparency. Board Secretariat assists the Senior Management by helping them to understand the requirements and directions of the Board and proactively facilitates the governance of the Group. To facilitate this role, Board Secretariat has full visibility of all management committees and activities. The function is both administrative and strategic.

## 5.7. Conflict of Interest and Related Parties

- 5.7.1. The Bank maintains a comprehensive policy to address conflicts of interests and insider trading aspects so that the Bank is able to identify actual and potential conflicts of interest and manage them fairly and appropriately to prevent any situation affecting adversely the interests of the Bank, its shareholders and Stakeholders. The policy also captures rules governing the Group's entering any commercial transaction with a related party, personal account dealing, tenders, auctions and outsourcing. The said rules and procedures also include principles of transparency, fairness and disclosure in addition to the requirement that a related party transaction be approved by a majority vote of shareholders, without the concerned related party participating in the voting.
- 5.7.2. Staff are required to disclose periodically any personal interests and dealing in the Bank's shares, including third parties that have relations with the Bank.

## 5.8. Governance of the Group Structure

- 5.8.1. The Board has overall responsibility for the Group and for ensuring that there is a clear governance framework appropriate to the structure, business and risk profile of the Group. The Board and Senior Management are required to know and understand the Group's organizational structure both at the legal entity and business line, and the risks that it poses.
- 5.8.2. The Board is responsible for being aware of the material risk and issues that might affect the Group. It should exercise adequate oversight over the Group, while respecting the independent legal and governance responsibilities that might apply to each Subsidiary.
- 5.8.3. The Board is responsible for setting policies and clear strategies for establishing new structures and legal entities, which ensure that they are consistent with the policies and interests of the Group.
- 5.8.4. The Board is responsible for ensuring that the Group's corporate governance framework includes appropriate processes and controls to identify and address potential intragroup conflict of interest, such as those arising from intragroup transactions.
- 5.8.5. The Board is responsible for ensuring that there are effective systems in place to facilitate the exchange of information among the various entities, to manage the risks of each Subsidiary as well as of the Group as a whole, and to ensure effective control of the Group.
- 5.8.6. There are sufficient resources to monitor the compliance of all entities with all applicable legal, regulatory and governance requirements.



## 5.9. Executive Management

5.9.1. The BEC supports the Board to fulfil its responsibilities in relation to the oversight of:

- the development and execution of the Group's business plan as per the strategy approved by the Board;
- the Group's sustainability strategy and strategic priorities;
- the material aspects of the business of the Group; and
- reviewing and approval of credit commitments.

5.9.2. Executive Management shall be responsible to provide oversight to the MEC, specific responsibilities among other are highlighted as below

- provide guidance and review MEC proposals for acquisitions, disposals and joint ventures and other value creation opportunities, including establishment, or closure and exit of any international operations and make necessary recommendations to the Board for approval;
- the development of the Group's strategy, strategic priorities and annual targets before their submission to the Board for approval;
- the development of the Group's Environmental, Social and Governance (ESG) strategy and strategic priorities;
- regularly review the performance of the Group's business and, where so requested by the MEC, provided guidance on new business initiatives.
- guide the MEC on the Group's technology transformation (including digitization and use of artificial intelligence and advanced analytics) and technology strategy (including IT governance) and shall monitor the progress of strategic information technology projects.

## 5.10. Senior Management

5.10.1. Senior Management shall be responsible and accountable to the Board for the sound and prudent day-to-day management of the Group. Furthermore, the MEC must ensure that Senior Management implement, consistent with the direction given by the Board, systems, processes, and controls for managing the risks to which the Group is exposed and for complying with laws, regulations, and internal policies, which includes a comprehensive and independent risk management, compliance and audit functions, as well as an effective overall system of internal controls.

5.10.2. The Committee must ensure that the organization, procedures, and decision-making of Senior Management is transparent and that there is clarity on the role, authority, and responsibility of the various Senior Management positions. This is to be ensured through effective monitoring, analysis, and regular management reporting

## 5.11. Risk Management

- 5.11.1. Risk Management is a crucial part of the Group's corporate governance framework. The Board has overall responsibility for setting the Group's risk appetite and ensuring risk is effectively managed.
- 5.11.2. The BRC oversees risk monitoring and management and reviews all risk types. It works with management to define risk appetite and strategy as appropriate for particular sectors, geographic regions, and customer types. It periodically reviews and monitors compliance with the Group's overall risk appetite and makes recommendations to the Board.
- 5.11.3. The BRC's responsibility also includes reviewing the appropriateness and effectiveness of the Group's risk management systems and controls, reviewing the outcome of stress tests and the Group's stress-testing methodology and ensuring that the Group's risk governance is supportive of prudent risk-taking at all levels at the Group.
- 5.11.4. The BRC regularly seeks assurance from Senior Management that the Central Bank regulations are suitably addressed and reported accordingly to the Board.
- 5.11.5. To support the Board's overall responsibility for identifying, monitoring, and ensuring that adequate risk control measures are in place, the Group adopts a multi-faceted approach:
- the Board and the BRC delegates some of their authorities to management through the Group's management executive committee, as deemed appropriate;
  - the Group has in place internal control systems, which include internal and external audit, risk and compliance;
  - the Group has a separate risk management function which separates the function and responsibility of reviewing and monitoring risk from the risk-taking business units of the Group. The GCRO heads the risk management department;
  - the Group has a separate compliance function, which separates the function and responsibility of reviewing and monitoring compliance from the risk management function. The GCCO heads the compliance function.
- 5.11.6. To ensure independence, the GCRO and the risk management function shall report directly to the BRC and on a day-to-day operational basis to the GCEO. Only the Board may appoint or remove the GCRO to and from office.
- 5.11.7. The GCRO's performance, compensation and budget should be reviewed and approved by the BRC and/or the Board.
- 5.11.8. Specific responsibilities of the Group's risk and credit management functions include, amongst other things:

- analysis of credit risk, market risk, and operational risk, Information security, data management, fraud and Shari'ah risk;

;

- development, updating and implementation of policy guidelines, risk strategies, risk systems and tools;
- development of methodologies for the measurement and control of each type of risk;
- setting of limits and approval, reporting and recording of exceptions to policy;
- provision of information on risk metrics and on the Group's risk profile to Senior Management and to the Board (the BRC reviews the risk statistics of the Group, both qualitative and quantitative, on a quarterly basis) and to external stakeholders such as rating agencies, etc.;
- restructuring of problem loans and loan recoveries;
- development of a method to identify and measure hard-to-quantify risks such as reputational risk;
- independent input and oversight of the provisioning policies, processes and adequacy of specific and collective provisions;
- control liquidity/funding risks and capital adequacy issues, in close conjunction with the Group's 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;
- provision of risk information for use in the Group's public statements and reporting; and
- enabling the BRC to effectively discharge their responsibilities as listed in their respective terms of reference.
- oversee material risks arising from new PSIs, or material modifications to existing PSIs, from strategic or major operational initiatives, such as changes in systems, business models, acquisitions, or from third party relationships, including outsourcings.
- approve all material outsourcing arrangements and material modifications thereof from risk perspective

5.11.9. The responsibilities of the risk management function are complemented by the Group's management committees, including the risk committee and the assets & liabilities committee.

## 5.12. Control Environment

#### 5.12.1. Internal Controls

- The Board is responsible for ensuring that the Group establishes and maintains internal controls suitable for its business.
- The Group's structure of internal controls is reviewed at least once a year, by internal and external auditors.
- The Group's Senior Management recognizes and respects the independent duties of the risk management, compliance, internal audit, Shari'ah compliance and Shari'ah audit functions, and they do not interfere with the exercise of such duties.
- The Group's compliance function reports to the BAC, which monitors compliance with applicable laws and regulations, as well as the Group's internal policies and procedures.
- The compliance function shall ensure compliance with regulatory guidelines, Anti Money Laundering (AML), Know Your Customer (KYC) norms and reporting of suspicious activity to Senior Management, the Central Bank and the BAC.

#### 5.12.2. Internal Audit

- 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 Group.
- The Group's policy is that its internal audit function should be adequately resourced, trained, remunerated, be provided full access to Group records and staff members, and be given sufficient standing and authority within the Group to adequately carry out its tasks.
- The internal audit function reports to the BAC. 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 have operational responsibilities.
- The internal audit function is responsible for proposing the structure and scope of the audit schedule, and any potential conflicts of interest are to be reported to the BAC.
- 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.
- The internal audit function has responsibility for the review of:
  - the Group's financial reporting;
  - compliance with external laws and regulations;

- compliance with the Group's internal policies; and
- risk focused audits, and compliance with the Group's risk and credit policies and guidelines.
- The internal audit function provides a periodic assessment of the Group's overall governance framework including, but not limited to, an assessment of:
  - the effectiveness of the risk management and compliance functions;
  - the quality of risk reporting to the Board and Senior Management; and
  - the effectiveness of the Group's system of internal controls.

*For further details, please refer to the Internal Audit Charter.*

#### **5.12.3. Internal Shari'ah Audit**

- Internal Shari'ah Audit function is an independent, objective assurance and consulting activity designed to add value and improve controls and Shari'ah compliance level of the Islamic Banking activities. It assists the Group in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of Group's Shari'ah risk management, controls and governance processes.
- The Internal Shari'ah Audit function is responsible to evaluate and assess those controls are adequate and functioning in a manner to ensure Shari'ah risks are appropriately identified and managed for all Islamic Banking activities including governance structure, risk management, and control processes.
- To maintain the independence of Internal Shari'ah Audit function from other ADCB departments, branches and subsidiaries, its personnel shall report to Head of Internal Shari'ah Audit Department, who shall report functionally to the Board via the BAC and administratively to Group Chief Internal Auditor, and ISSC for approval of Shari'ah reports.
- The key objectives of Internal Shari'ah Audit include the following:
  - To provide acceptable assurance to the Board in consultation with the ISSC that the organization is in adherence with the applicable Shari'ah principles and rules.
  - To assess the governance structure as per CBUAE and HSA guidelines.
  - To assess the role and processes of Internal Shari'ah Control Department.
  - To ensure PSIs, forms, agreements are Shari'ah compliant and are approved by ISSC.

- To conduct sample review of contracts to ensure the same are executed within released Fatwas/Shari'ah guidelines.
- To review the Islamic Banking financial statements, profit distribution mechanisms and payments of Zakat.
- To highlight to the management any Shari'ah material remarks for necessary actions to ensure non-reoccurrence of Shari'ah non-compliant activities.
- To preserve its objectivity and independence, the Internal Shari'ah Audit function staff members are not allowed to:
  - Perform any operational duties for ADCB outside ISAD's function.
  - Initiate or approve accounting transactions external to ISAD activities.
  - Approve policy and procedures relating to auditee/Banking activities.
  - Direct the activities of any ADCB employee not employed by ISAD, except to the extent such employees have been appropriately assigned to internal Shari'ah auditing teams or to otherwise assist the internal Shari'ah auditors.

*For further details, please refer to the Internal Shari'ah Audit Charter.*

#### **5.12.4. External Audit**

- The BAC is responsible for recommending to the Board the appointment, re-appointment, and rotation of the external auditors and/or the principal partner in charge of the Group's external audit to the Board.
- The principal reporting line of the external auditors is to the BAC. The external auditors meet the BAC regularly, without management present, when financial results are presented for the BAC's approval, and attend Board meetings, when required.

*For further details, please refer to the External Auditor Selection Policy.*

#### **5.13. Disclosure, Transparency and Annual Report**

- 5.13.1. The Group believes that the governance of the Group should be adequately transparent to Stakeholders.
- 5.13.2. The Group monitors best practices in financial reporting by its comparable local and international peers. The Group's Senior Management reports on these developments to the Board and makes recommendations for the regular enhancement of the Group's own disclosure practices.

- 5.13.3. The Group recognizes its obligation to provide meaningful information on its activities to shareholders, depositors, financial market counterparties, regulators, and the public in general. The Group also has a duty to gather input on its activities, and to address shareholder concerns. The Group discloses such information on a timely basis and makes it available to all.
- 5.13.4. The Board accepts responsibility for the Group's financial statements and the contents of the annual report, for their accuracy, and for their completeness.
- 5.13.5. The Group commits to developing and maintaining the following information channels with its shareholders, investors, financial market counterparts, and the public in general:
- professionally staffed Investor Relations function that provides comprehensive, objective, and up-to-date information on the Group, its financial condition and performance, and its activities;
  - annual report, produced promptly after the end of the financial year;
  - quarterly reports, providing quarterly financial information and the Board's report on the Group's trading position and financial condition during the year;
  - regular meetings between Senior Management, investors and shareholders; and
  - regular briefings by Senior Management, especially the GCEO and the GCFO, for shareholders, financial market analysts, and financial journalists.
- 5.13.6. Information provided through the Group's annual report, or its quarterly reports, and the text of any public presentations given by Senior Management, is made available to interested parties both in writing through the Group's Investor Relations function and, in a timely manner, on the Group's website, in both Arabic or in English, as appropriate.
- 5.13.7. 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 Group, including the possible impact of known trends, events, and uncertainties. The Group commits to ensuring that such commentary is reliable, complete, fair balanced, understandable and is grounded in the Group's financial statements as reported. The commentary comprises non-financial as well as financial information about the Group.
- 5.13.8. As part of its commitment to transparency and full disclosure, the Group includes in its annual report, amongst other things, the following information:
- disclosure of the Directors' Code of Conduct
  - a discussion of its corporate governance practices during the year;
  - reference to the terms of references of the Board and Board committees;

- reports of the Board committees on matters considered during the year;
- the frequency of Board and Board committee meetings;
- information on each individual Director including: qualifications and experience; whether an independent Director; the membership of Board committees; dates of appointment to the Board; attendance at Board and Board committee meetings; and remuneration;
- the recruitment approach for the selection of members of the Board and for ensuring an appropriate diversity of skills, backgrounds and viewpoints;
- information on the policy and actual figures of female candidates' consideration and representation on the Board;
- the Board's performance evaluation;
- disclosure of Directors' conflicts of interest;
- a description of the Bank's dividend policy;
- incentive and compensation policy including the decision-making process used to determine the Group's compensation policy, the most important design characteristics of the compensation system and aggregate quantitative information on compensation;
- key points concerning its risk exposures and risk management strategies;
- a discussion of the Bank's internal controls systems;
- annual Shari'ah Reports on the compliance with Shari'ah rules and the resolutions of the Higher Shari'ah Authority;
- the Bank's engagement and achievements in corporate sustainability during the year;
- Annual Attestation statement signed by the Chairman, providing assurance that the corporate governance arrangements of their Banks are adequate and efficient; and
- Non-Compliances / Inadequacies if any, identified during the year in the corporate governance framework and expected remediation timeline.

*For further details, please refer to the Board Secretariat Disclosure Policy.*



## 6. Monitoring, Evaluation and Review

- 6.1 This Policy will be reviewed by Nomination, Compensation, HR, and Governance Committee every two years or earlier if there is any change in the regulations &/or laws and, if required or as deemed appropriate shall be recommended to the Board for approval.
- 6.2 Any departure from the policy or non-compliance with the Policy will be escalated to Nomination, Compensation, HR, and Governance Committee for corrective action.
- 6.3 This policy, upon receipt of the approval, shall be published on the Bank's website as well as on the Board iPad reading room.

## 7. Exceptions:

- 7.1 None, unless otherwise stated in previous sections of this policy.

## 8. Reference Documents:

This Framework has been developed based on the following regulatory requirements:

- The Central Bank's Corporate Governance Regulation & Standards for Banks (Circular No.89/2019 dated July 18, 2019)
- Federal Law No. 32 of 2021 on Commercial Companies (and its amendments from time to time);
- The Securities and Commodities Authority Chairman's Resolution No.03/RM of 2020 Regarding the Approval of the Public Joint-Stock Companies Governance Guide

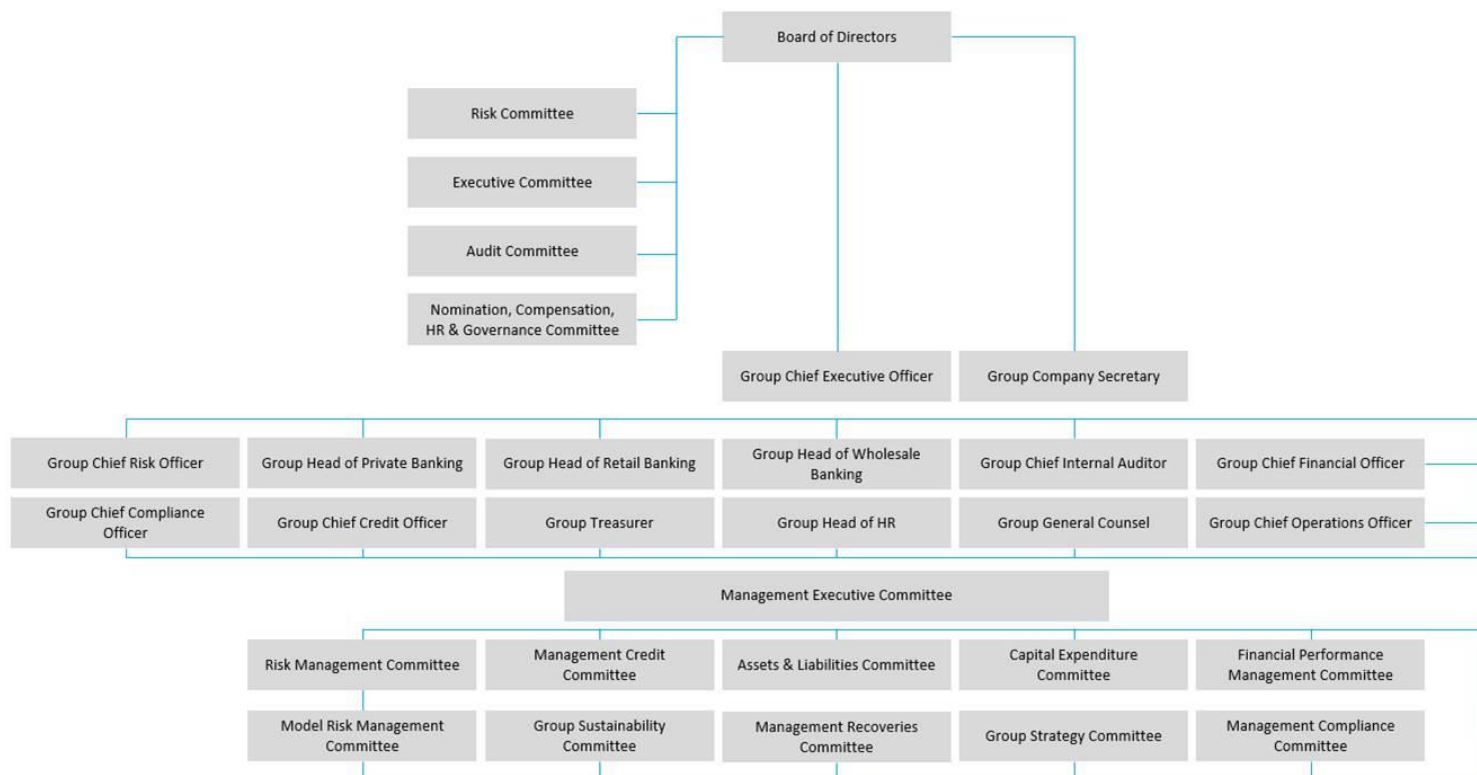
This policy document must be revised should any of the above regulation requirements be amended or replaced or upon the issuance of any new regulations &/or laws.

The Framework is dated [x] and supersedes any Corporate Governance Framework previously in force.

## 9. Appendix 1 – List of key documents as prescribed by this Framework

Sr.	Document	Last Approval Date
1.	ADCB Board of Directors Terms of Reference	23 <sup>rd</sup> April, 2020
2.	ADCB Board Risk Committee Terms of Reference	29 <sup>th</sup> November, 2021
3.	ADCB Board Executive Committee Terms of Reference	29 <sup>th</sup> November, 2021
4.	ADCB Board Audit Committee Terms of Reference	31 <sup>st</sup> January, 2022
5.	ADCB Board Nomination, Compensation, HR & Governance Committee Terms of Reference	23 <sup>rd</sup> April, 2020
6.	POL-LBS-022 - ADCB Directors' Code of Conduct	29 <sup>th</sup> July, 2020
7.	POL-LBS-015 - ADCB Directors' Conflict of Interest Policy	29 <sup>th</sup> July, 2020
8.	POL-LBS-016 - ADCB Directors' Performance Evaluation Policy	29 <sup>th</sup> July, 2020
9.	POL-LBS-017 - ADCB Directors' Selection Policy	23 <sup>rd</sup> April, 2020
10.	POL-LBS-018 - ADCB Directors' Share Dealing Policy	29 <sup>th</sup> July, 2020
11.	POL-LBS-013 - ADCB External Auditor Selection Policy	29 <sup>th</sup> July, 2020
12.	POL-LBS-020 - ADCB GCEO Performance Evaluation & Remuneration Policy	23 <sup>rd</sup> April, 2020
13.	POL-LBS-019 - ADCB Duties and Responsibilities of the Board Secretary	23 <sup>rd</sup> April, 2020
14.	POL-LBS-021 - ADCB Related Party Transactions Policy	15 <sup>th</sup> December, 2020

## 10. Appendix 2 – Organizational Structure



The Group Chief Risk Officer reports directly to the Board Risk Committee and has a dotted line to the Group Chief Executive Officer.

The Group Chief Compliance Officer reports directly to the Group Chief Executive Officer and has direct access to the Board Audit Committee. In addition, the Group Company Secretary has a dotted line to the Group General Counsel.