

AL HILAL BANK PJSC

Terms of Reference of the Board of Directors

Approved by the Board of Directors on 1st September, 2022

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TERMS OF REFERENCE OF THE BOARD OF DIRECTORS

1. Definitions

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

“ADCB”	means Abu Dhabi Commercial Bank PJSC;
“Bank”	means Al Hilal Bank PJSC;
“Board”	means the Board of Directors of the Bank;
“Chairman”	means the Chairman of the Board;
“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 and the Securities & Commodities Authority (SCA) Public Joint-Stock Companies Governance Guide;
“Companies Law”	means UAE Federal Law No. 32 of 2021 concerning Commercial Companies (and its amendments from time to time);
“Competent Authority”	means the local authority concerned with the affairs of the Bank in the relevant emirate;
“Controlling Shareholding”	means the issued ordinary shares and financial instruments convertible into ordinary shares held by the major shareholder;
“Directors”	means members of the Board;
“Duty of Care”	means the duty to decide and act on an informed and prudent basis with respect to the Bank;
“Duty of Confidentiality”	means the duty to observe confidentiality which applies to all information of a confidential nature with which a Director is entrusted by the Bank or which is brought to their attention during or at any time after the carrying out of their assignment;

“Duty of Loyalty”	means the duty to act in good faith in the interests of the Bank. The duty of loyalty should prevent individual Directors from acting in their own interests, or in the interests of another individual or group, at the expense of the Bank and shareholders;
“Fit and Proper Process”	means the evaluation of a Bank’s proposed member of the Board and Senior Management as to expertise and integrity;
“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;
“Higher Shari’ah Authority / HSA”	means the Central Bank’s Higher Shari’ah Authority for financial and banking activities;
“ISSC”	means the Internal Shari’ah Supervision Committee which is a body appointed by the Bank, comprised of scholars specialized in Islamic financial transactions, which independently supervises transactions, activities and products of the Bank and ensures they are compliance with Islamic Shari’ah in all its objectives, activities, operations and code of conduct;
“Major Acquisition”	means an acquisition or investment by the Bank (where assets are being acquired, including shares but not including debt (except convertible debt), the aggregate amount (in one juridical person) of which exceeds 5% of Total Regulatory Capital, or which is deemed in advance by the Central Bank to be a Major Acquisition;
“Non-Executive Director”	means a Director who does not have any management responsibilities within the Bank, and may or may not qualify as an independent director;
“Paid-Up Share Capital”	means the share capital of the Bank which is fully paid;
“Pillar 3”	means Pillar 3 disclosure requirements - the consolidated and enhanced framework issued by the Basel Committee on Banking Supervision in March 2017 and any subsequent revisions;

“Risk Governance Framework”	means the framework through which the Board and Senior Management establish and make decisions about the Bank’s risk approach; articulate and monitor adherence to the risk appetite and risk limits relative to the Bank’ strategy; and identify, measure, manage and control risks;
“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;
“Significant Shareholder”	means the issued ordinary shares and financial instruments convertible into ordinary shares held by Significant Shareholder. For the avoidance of doubt, a Controlling Shareholder is also a Significant Shareholder, and a Controlling Shareholding is also a Significant shareholding;
“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 and investors or potential investors; and
“Total Regulatory Capital”	means the sum of the Bank’s Common Equity Tier 1, Additional Tier 1 and Tier 2 capital.

2. Purpose of these Terms of Reference

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

3. Authority

The Board consists of the Directors of the Bank, and derives its authority to act from the Bank’s articles of association, and other laws or regulations governing public joint stock companies and banks in the UAE.

4. Board's overall responsibilities

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

4.1. Governance

- 4.1.1. Ensure effective control over the Group's entire business, while respecting the independent legal and governance responsibilities that apply to the individual entities within the Group.
- 4.1.2. Establish and have an in-depth understanding of the Group's organizational and legal structures, and the risks these structures pose.
- 4.1.3. Act with integrity and exercise Duty of Care, Duty of Confidentiality and Duty of Loyalty.
- 4.1.4. Set the values of the Group and facilitate effective, entrepreneurial and prudent management that can deliver long-term success to the Group.
- 4.1.5. Establish the Group's corporate governance framework, policies and processes in accordance with the Corporate Governance Regulations, with due regard to the Bank's Stakeholders and customers and the Group's role in the community.
- 4.1.6. Periodically review the Group's corporate governance framework to ensure it remains appropriate to the Group's operational structure and the risk that it faces, as well as its size, complexity, business strategy, markets & regulatory requirements, risk profile and systemic importance.
- 4.1.7. Approve and publicly disclose a statement providing assurance that the corporate governance arrangements of the Group are adequate and efficient.
- 4.1.8. Build trust in the Group through consistent behaviour, corporate culture, transparency, accountability and fair treatment of Staff and customers.
- 4.1.9. Approve clear policies for the delegation of authority and the actual delegations to Senior Management and their executives, particularly in respect of the financial and administrative affairs of the Group.
- 4.1.10. Provide independent oversight of the conduct risk framework, and establish and maintain a strong conduct risk management and control culture, covering the below, among others:
 - a) Oversee the establishment and effective implementation of conduct risk and consumer protection frameworks, policies and procedures;
 - b) Review and approve conduct risk appetite at least annually or in the case of a material change in the Bank's conduct risk profile; and

- c) ensure implementation of a conduct risk framework commensurate with the Group's risk profile, risk appetite and complexity of operations.

4.2. Shari'ah Governance

- 4.2.1. Establish, review and approve a sound and effective Shari'ah governance framework with mechanisms and functionalities to ensure effective and independent Shari'ah oversight, as per the requirements set out by the Central Bank and the UAE's Higher Shari'ah Authority.
- 4.2.2. Approve policies relating to governance structures and reporting arrangements, Shari'ah non-compliance risk management and other areas that are material to the effective implementation of Shari'ah governance within the Bank.
- 4.2.3. Oversee the implementation of resolutions, rulings and decisions or advice of the ISSC within all business and functional lines, including any business or risk implications arising from such implementation.
- 4.2.4. Oversee the implementation of the internal Shari'ah control framework to prevent Shari'ah non-compliance and any rectification measures to resolve incidences or circumstances that may result or have resulted in Shari'ah non-compliance.
- 4.2.5. Oversee the performance of Senior Management and other officers entrusted to implement the Bank's Shari'ah governance framework such that the Board is satisfied that the measures of their performance are aligned with Shari'ah governance objectives.
- 4.2.6. Promote a sound corporate culture which reflects the importance of adhering to Shari'ah requirements in product development and marketing, strategy formulation, business operations, risk management practices and other aspects that promote end-to-end compliance with Shari'ah.
- 4.2.7. Develop and strengthen knowledge and understanding on Islamic finance, as well as keeping abreast with developments that may impact the Islamic financial business, and to fulfil their responsibility towards a vigilant running of the Bank.

For further details on the Board's Shari'ah responsibilities, please refer to the Bank's Shari'ah Governance Framework.

4.3. Strategy

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

- 4.3.3. Actively engage in the affairs of the Group to ensure strategy and policies are implemented as designed and in a timely manner to protect the long-term interests of the Group.
- 4.3.4. Review the assumptions and rationale underlying the Group's strategic plans and ensure that clearly defined and measurable performance metrics are developed and embedded throughout the Group.
- 4.3.5. Develop the Board's meeting agendas to address the strategic priorities of the Group.
- 4.3.6. Make decisions concerning the Group's capital structure and its dividend policy.
- 4.3.7. Review, approve and monitor major investments, divestitures, strategic commitments, operational initiatives (such as changes in systems) and the Group's annual budget.

4.4. Commercial and financial responsibilities

- 4.4.1. Establish commercial and financial policies, make decisions concerning the major investments needed to achieve the Group's objectives, and increase the value of shareholders' equity.
- 4.4.2. Approve and oversee the implementation of the Group's capital adequacy assessment process, capital and liquidity plans, and relevant policies and obligations.
- 4.4.3. Approve the annual and interim financial statements, requiring periodic independent review of critical areas of the business and internal control and recognising that the final responsibility for the preparation of proper accounts is not able to be delegated and lies with the Board, not the external auditors.

4.5. Credit responsibilities

- 4.5.1. Approve and oversee implementation of key policies, including, but not limited to, credit (including instructions on large exposures) and liquidity policies.
- 4.5.2. Approve and annually review a mortgage lending policy.
- 4.5.3. Approve a list of property values and ensure that values are assessed using appropriate criteria and in a suitable manner.
- 4.5.4. Approve credit commitments as required by the Central Bank including facilities to individual Directors and/or their related parties and large exposures and any existing exposures becoming a large exposure by an increase of credit facilities.
- 4.5.5. Obtain the approval of the Bank's general assembly, in the presence of the Bank's external auditors, in case the Bank is obliged to book interest due from an exposure to a Director in a suspense account, and related to another Director and/or to make a bad debt provision, and/or to write off an exposure, either partly or fully.

4.5.6. Ensure fair structure and a balanced composition of the Bank's credit portfolio.

4.6. Past performance review

4.6.1. Review business results and monitor budgetary control in order to evaluate the Group's activities and management.

4.6.2. Review, approve and monitor any necessary corrective actions and processes.

4.7. Integrity of external reporting

4.7.1. Review and monitor the processes, controls and procedures which are in place to maintain the integrity of the Group's accounting and financial records and statements, with the support of the Bank's Audit Committee.

4.7.2. Ensure adequate governance structures and control processes for all financial instruments that are measured at fair value for risk management and financial reporting purposes.

4.7.3. Monitor and receive reports from the Bank's Audit Committee in relation to internal controls, compliance with prudential regulations and requirements, and internal and external audit reports.

4.7.4. Review and monitor reporting to shareholders to ensure that it is objective, comprehensive, factual and timely.

4.7.5. Approve all financial information in material public disclosure documents and regulatory disclosures.

4.7.6. Approve and recommend appointment, re-election and dismissal of external auditors to the Bank's general assembly. In cases of the Board's non-approval of the Bank's Audit Committee's recommendations on the election, appointment, resignation or dismissal of the external auditor, the Board shall include in the Bank's corporate governance report, a statement articulating such recommendations and the reason(s) behind the Board's disapproval thereof.

4.8. Risk management

4.8.1. Establish, approve and oversee the implementation of an effective Group Risk Governance Framework and risk management processes and culture across the Group, at the recommendation of the Bank's Risk Committee.

4.8.2. Determine the nature and extent of the significant risks it is willing to undertake to achieve the strategic objectives of the Group.

4.8.3. Develop a Group wide risk appetite statement and risk limits, taking into account the competitive and regulatory landscape and the Group's long-term interests, risk exposures and ability to manage risk effectively.

- 4.8.4. Establish and approve risk management policies, which include identifying, measuring, evaluating, monitoring, reporting and controlling or mitigating all internal and external sources of material risk and reflect an understanding of the risks arising from the Group's business activities and the relationships among those risks.
- 4.8.5. Annually review with Senior Management and the Heads of the Bank's Risk Management, Compliance and Internal Audit Departments the Group's Risk Governance Framework as well as risk management and internal control policies and processes to ensure that these remain appropriate in the light of material changes to the Group's size, complexity, business strategy, markets and regulatory requirements, to identify and address significant risks and issues and determine areas that need improvement.
- 4.8.6. Review and monitor processes for the documentation and regular review and updating of the Group's risk profile.
- 4.8.7. Approve the policy for mapping the Group's business lines into the regulatory business lines defined by the Central Bank for the purpose of calculating the minimum capital required for operational risk.
- 4.8.8. Establish, review and monitor adherence to the Group's liquidity risk tolerance in line with the Group's objectives, strategy and overall risk appetite.
- 4.8.9. Establish, approve and semi-annually review the Group's strategies, policies and processes for the management of market risk and ensure they are consistent with the Group's risk appetite statement, risk profile, systemic importance and capital strength of the Bank while taking into account market and macroeconomic conditions and the risk of a significant deterioration in market liquidity.
- 4.8.10. Periodically review the scenarios and outcomes of the stress testing programs.
- 4.8.11. Review and monitor processes for the maintenance of adequate credit quality.
- 4.8.12. Promote risk awareness within a strong risk culture, and set the expectation that all Staff are responsible for ensuring the Group operates within the established Group Risk Governance Framework, risk appetite and risk limits.
- 4.8.13. Approve, monitor and manage potential conflicts of interest of management, Directors and shareholders, including misuse of corporate assets and abuse in related party transactions.
- 4.8.14. Approve and oversee implementation of a disclosure policy and periodically disclose risk management related information in line with applicable regulatory requirements.

4.9. Internal controls

- 4.9.1. Establish an effective internal control framework across the Group, taking into account the Group's risk profile, and oversee its implementation.

- 4.9.2. Ensure the efficiency of internal controls throughout the Group, including the management of finances and operations.
- 4.9.3. Approve a disclosure policy for Pillar 3 information that sets out the internal controls and procedures for disclosure of such information.
- 4.9.4. Attest in writing that Pillar 3 disclosures have been prepared in accordance with the approved internal control processes and disclosure policy.

4.10. Compliance, AML/CFT and Sanctions

- 4.10.1. Ensure an effective AML/CFT compliance programme is in place and clearly articulate its expectations with regard to the responsibilities and accountability of all Staff in relation to it.
- 4.10.2. Approve and oversee the implementation of the Group's compliance policies, including setting the appetite for AML/CFT and sanctions related matters.
- 4.10.3. Establish a strong compliance culture, with appropriate tone at the top, and robust three lines of defence.
- 4.10.4. Ensure the Group operates in line with all applicable laws, regulations and related cabinet decisions and guidelines.

4.11. Management oversight, executive review, remuneration and succession planning

- 4.11.1. Establish a Fit and Proper Process for the selection of Senior Management, including the Heads of the Risk Management, the Compliance and the Internal Audit Departments.
- 4.11.2. Approve the appointments of key members of Senior Management as well as monitor and review their succession planning.
- 4.11.3. Actively engage in succession planning for the Bank's Chief Executive Officer.
- 4.11.4. Monitor Senior Management's actions to ensure that they are consistent with the strategic objectives and policies approved by the Board and are aligned with the Group's values, risk appetite and risk culture regardless of financial gain or loss to the Group.
- 4.11.5. Defining accountability of the Senior management and consequences if their actions are not aligned with Board's expectations, group values, objectives and policies of the Bank.
- 4.11.6. Meet with Senior Management on a regular basis and critically review and challenge explanations and information provided by Senior Management.
- 4.11.7. Set appropriate performance and compensation standards for Senior Management consistent with the long-term strategic objectives, prudent risk taking and the financial soundness of the Group and oversee the development and operation of compensation

policies, systems and related control processes together with Board Nomination, Compensation, HR, and Governance Committee.

- 4.11.8. Review the performance of the Bank's Chief Executive Officer and Senior Management.
- 4.11.9. Oversee the design and operation of the Group's compensation system, and monitor and review the system to ensure that it is aligned with the Bank's desired risk culture and risk appetite.
- 4.11.10. Review and approve executive remuneration to ensure alignment with longer-term interests of the Group and its shareholders.
- 4.11.11. Ensures that Senior Management's collective knowledge and expertise remain appropriate given the nature of the business and the Bank's risk profile.
- 4.11.12. Ensure that the necessary human resources are in place.

4.12. Values & Culture

- 4.12.1. Establish, monitor and communicate corporate culture and values through measures including, but not limited to, a written code of conduct, a conflict of interest policy, a whistleblowing policy mechanism, and a consumer protection program.
- 4.12.2. Set the "tone from the top" by playing a lead role in establishing, promoting, adhering to and monitoring the Group's adherence to corporate culture and values that create expectations that all business must be conducted in a legal and ethical manner.
- 4.12.3. Monitor and influence the culture, reputation and ethical standards of the Group.
- 4.12.4. Ensure that Staff are aware that appropriate disciplinary or other actions will follow unacceptable behaviours and transgressions.

4.13. Board effectiveness

- 4.13.1. Ensure a formal and transparent Director selection, nomination and election process.
- 4.13.2. Monitor Board composition and Board processes.
- 4.13.3. Evaluate the performance of the Board, Board Committees and individual Directors on an annual basis.
- 4.13.4. Monitor and review processes to assist Directors to have sufficient time to devote to Board matters to ensure that they discharge their duties effectively.
- 4.13.5. Participate in meetings of the Board and provide independent opinions on strategic matters, policy, performance, accountability, resources, basic appointments and activity criteria.

- 4.13.6. Ensure that priority is given to the Bank's and shareholders' interests in case of conflict of interests.
- 4.13.7. Avail the Board and its different committees of their skills, experience, diversified specialties and qualifications through regular presence and efficient participation in Board meetings and through regular engagement with shareholders and by attendance at general meetings and acquiring a balanced understanding of shareholders' opinions.
- 4.13.8. Participate in the Bank's Board Committees.
- 4.13.9. Periodically review these Terms of Reference and their continuing adequacy.

4.14. Major Acquisitions

- 4.14.1. The Board is responsible and shall ensure that the Bank establishes adequate policies and procedures to ensure that the risks inherent in Major Acquisitions are identified, understood and mitigated to the extent possible. At a minimum, policies and procedures must require:
 - a) Approval by the Board; and
 - b) Reporting that enables the Board and Senior Management to monitor and manage the risks on an ongoing basis.
- 4.14.2. The Board shall assess the:
 - a) Risks and impacts on the Group's capital, income, liquidity, overall financial position and compliance with prudential requirements under a variety of scenarios, particularly with more pessimistic assumptions than in the baseline case;
 - b) Risks and impacts on existing customer exposures, documentation and services;
 - c) Extent to which the Bank's business lines, risk management, legal and regulatory compliance and information technology functions have the necessary expertise, systems and other tools to measure and manage the associated risks.
- 4.14.3. The Board shall ensure that Major Acquisitions conducted by the Bank's subsidiaries do not expose the Bank to undue risks, hinder effective supervision, or the implementation of corrective measures in the future.
- 4.14.4. The Board shall ensure that written approval from the Central Bank is obtained prior to completing a Major Acquisition and appropriate disclosures are made to the relevant regulatory authorities.

4.15. Significant and Controlling Shareholding

- 4.15.1. The Board is responsible and shall ensure that the Bank establishes adequate policies and procedures to ensure that the risks inherent in the transfer of Significant and Controlling

Shareholding are identified, understood and mitigated to the extent possible. At a minimum, policies and procedures must require:

- a) Approval by the Board; and
- b) Reporting that enables the Board and Senior Management to monitor and manage the risks on an ongoing basis.

4.15.2. The Board shall ensure that written approval from the Central Bank is obtained prior to completing any proposed transfer of Significant and Controlling Shareholding in accordance with applicable Central Bank regulations and standards.

4.15.3. The Board shall ensure that the Bank maintains an up to date Shares Register which includes written records with regards to the Bank's shareholders and their corresponding shareholdings. The Board shall also ensure that any changes to the Bank's shareholders and their corresponding shareholdings are appropriately reflected onto the Shares Register.

4.15.4. The Board shall ensure that national shareholding is in accordance with the minimum requirement set out within applicable Central Bank regulations and standards.

4.16. Acquisition of Own Shares

4.16.1. The Board shall ensure that the Bank does not directly or indirectly acquire, purchase, buy-back or deal in its own shares without prior written approval from the Central Bank, unless shares have devolved to it in accordance with relevant Central Bank requirements.

4.16.2. The Board shall monitor any acquisition of the Bank's own shares in order to ensure that the Bank does not directly or indirectly purchase, acquire, buy-back or hold any amount of its own shares exceeding ten percent (10%) of the Bank's paid up share capital.

4.16.3. The Board shall immediately communicate any breach with regards to regulatory requirements with regards to the acquisition of its own shares to the Central Bank.

5. Board qualifications and composition

5.1. Board composition

5.1.1. The size of the Board will be determined in accordance with the Bank's constitutional documents, and by reference to local laws and regulations, in particular the Corporate Governance Regulation, to ensure efficient decision making and corporate governance.

5.1.2. The Board composition must allow the exercise of objective and independent judgement.

5.1.3. Directors should be and remain qualified, individually and collectively, for their positions. They should understand their oversight and corporate governance role and be able to exercise sound, objective judgement about the affairs of the Bank.

5.1.4. The Board shall comprise of at least seven (7) Directors and a maximum of eleven (11) Directors or as may be stipulated by the Bank's articles of association and any amendments thereto, provided that, to the extent required by the Bank's articles of association:

- all Directors shall be non-executive; and the Chairman of the Board and the majority of the Directors must be UAE nationals and female representation on the Board shall be aligned with applicable laws and regulations.

5.1.5. All Directors may hold:

- memberships in the boards of up to five (5) Public Joint Stock Companies (PJSCs) in the UAE. This is also applicable to PJSCs inside the Group;
- memberships in the Board of only one (1) Bank in the UAE; and
- memberships in up to four Banks outside the UAE.

5.1.6. Directors must obtain permission from the Board before accepting nominations to serve on another board and no conflict of interest must be present.

5.1.7. The Board shall be sufficiently diverse in its composition. Collectively, the Board shall have knowledge of all significant businesses of the Group and an appropriate balance of skills, diversity and expertise commensurate with the size, complexity and risk profile of the Group. These requirements, amongst others, are detailed in the Bank's Directors' Selection Policy.

5.2. Duration of appointment

5.2.1. Directors shall hold office for a term of three years, at the end of which they shall resign, but shall be eligible for re-election or re-appointment, as the case may be, on each occasion.

5.3. Chairman

5.3.1. The Board shall elect from their members a Chairman. In the Chairman's absence and with his prior permission, the Board shall elect from amongst themselves a chairman for that specific Board meeting.

5.3.2. The Chairman of the Board shall be a Non-Executive Director

5.3.3. The tasks and responsibilities of the Chairman shall include without limitation:

- Providing leadership to the Board and ensuring proper and effective overall functioning of the Board and its 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.
- 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. Board committees

- 5.4.1. The Board will establish committees as it considers appropriate to assist it in carrying out its responsibilities on such terms and conditions as it may think fit.
- 5.4.2. The Board shall, as a minimum, establish the following permanent Board committees and appoint chairs to those committees and shall adopt Terms of Reference setting out matters relevant to the authority, responsibilities, membership and operation of those committees:
 - Board Audit Committee;
 - Board Risk Committee; and
 - Board Nomination, Compensation, HR & Governance Committee.
- 5.4.3. The Board may also appoint special committees from time to time to consider matters such as large projects, capital strategies, major investments and commitments, and capital expenditure.
- 5.4.4. Committees shall be formed of not less than three Non-Executive Directors.
- 5.4.5. The Board shall regularly review composition of its committees and consider the occasional rotation of members and of the chair of such committees to avoid undue concentration of power and promote fresh perspectives. It is recommended (but not mandatory) that

committee members appointments shall be rotated every three years, although this may be extended by two additional periods of up to three years, subject to the member continuing to meet any requirements for membership of the committee.

- 5.4.6. Any such committee shall, in the exercise of the functions delegated to it by the Board, conform to any regulations which may be imposed by the Board from time to time.
- 5.4.7. The Board may authorise any committee to sub-delegate any of its functions and may at any time dissolve any committee or cancel, suspend or vary the delegation made to it.
- 5.4.8. The meetings and proceedings of committees shall be governed by the provisions of the Bank's articles of association relating to Board meetings.
- 5.4.9. Each Board committee shall regularly submit reports to the Board about its activities and shall deliver a written report annually.

5.5. Authority of the Board

- 5.5.1. The Board shall have full power and authority to do everything which may be required or desirable for the Bank's management and operations and to attain its objectives. Such powers shall not be limited except as provided by the laws of the UAE, the Bank's articles of association, the Companies Law, the Corporate Governance Regulations or the annual general assembly meeting.
- 5.5.2. A Director's 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.
- 5.5.3. Under the Bank's articles of association, the Board is specifically authorised to:
 - lay down the necessary rules relating to the organisation of works and management of the Bank's operations;
 - appoint a Chief Executive Officer, heads of departments and senior Staff, approve their remuneration, where applicable, and specify their scope of duties;
 - specify regulations for acquisition and disposal of the Bank's property and assets;
 - contract loans for any term;
 - dispose of or mortgage any of the Group's real estate or other property and assets, subject to the Bank's shareholder approval;
 - make decisions concerning loans, debentures, determine the term loans ceiling, appoint lawyers to act on the Group's behalf, authorise the institution of lawsuits, defend the Group's interests before the courts of law whether acting as plaintiff or defendant, enter into conciliation or arbitration, settle lawsuits, abandon and relinquish any right of

privilege, with or without consideration, and make decisions on the application of the Group's funds.

5.6. Delegation to Senior Management

- 5.6.1. The Chairman, via a Power of Attorney, has delegated specific authority and powers to the Bank's Chief Executive Officer to manage the day to day business affairs of the Group, subject to such specific delegations and limits that the Board makes from time to time. The Bank's Chief Executive Officer has authority to sub-delegate such authority and power to such members of the management team as he shall determine from time to time.
- 5.6.2. Clear instructions shall be given as regards the management's authorities and particularly in relation to the circumstances in which the management shall obtain the Board's approval before taking any decisions or entering into any obligations on behalf of the Bank. A written list of tasks and authorities maintained by the Board and those delegated thereby are set out in the Terms of Reference of the Management Executive Committee (MEC). The Terms of Reference of the MEC shall be reviewed at least every two years.
- 5.6.3. Each Power of Attorney is valid for a period of three years, unless otherwise agreed, after which they are reviewed and, where necessary, renewed for a further three years.

6. Board meetings

6.1. Attendance

- 6.1.1. A Board meeting shall not be valid unless a majority of its members are in attendance by physical presence or via audio-visual means.
- 6.1.2. Directors may participate in meetings by means of telephone or videoconference provided that (a) all participants can be heard simultaneously and (b) the video conference is held in compliance with the Corporate Governance Regulations.
- 6.1.3. Directors are expected to prepare adequately, attend, and participate at Board and Board committee meetings.
- 6.1.4. Directors shall be provided with adequate materials on topics to be discussed at Board meetings sufficiently in advance of the meeting date; Directors shall also be kept informed of developments between Board meetings.
- 6.1.5. The Directors will meet informally on a regular basis (at least annually), without the Bank's Chief Executive Officer, or other member of Staff being present.
- 6.1.6. The Board may with the agreement of the Chairman, invite members of Staff, or third parties, to attend certain items being presented.

6.2. Board meeting notices and agendas

- 6.2.1. A minimum of six (6) Board meetings shall be held on an annual basis and at least once every two months at the head office of the Bank, by means of telephone or video conference, or at any other place deemed appropriate by the Board. Board meetings shall be convened upon a written notice of the Chairman. Board meetings may also be convened at the request of the Chairman or at least two Directors or the Chief Executive Officer.
- 6.2.2. Where practicable the notice of the meeting shall be given, together with the agenda, at least one week before the meeting is held. The Board meeting materials may be circulated to the Directors by way of the Board iPad portal, email or other secure means. A Director has the right to add any matter that he/she may deem necessary, for discussion in the meeting, subject to prior consultation with the Chairman. The Board should meet 30 days before the annual general assembly meeting date.
- 6.2.3. Board agendas will be structured throughout the year to ensure that each significant responsibility of the Board is addressed.
- 6.2.4. As part of the agenda, the Board will review strategy and the achievement of financial and other goals. The Board will receive a detailed overview of the performance and significant issues, including risk factors, of each business and support unit.
- 6.2.5. The Board will receive detailed financial, operational and performance reporting presentations from Senior Management during the year; management will be available to discuss the reports with the Board.
- 6.2.6. The Board will review the Group's long-term strategic plans and the major issues that it expects the Group to face in the future during at least one Board meeting each year, which will be closely co-ordinated to align with the Bank's budget process.

6.3. Resolutions

- 6.3.1. An absent Director may authorize another Director to vote on his/her behalf provided that the Director present does not hold more than one proxy.
- 6.3.2. Resolutions of the Board shall be adopted by majority of the Directors present or represented, and if there are an equal number of votes the Chairman or acting Chairman shall have a casting vote.
- 6.3.3. Without prejudice to the above paragraph, the Board may exceptionally take some decisions based on resolutions by circulation, provided that:
 - the resolution is delivered to the Directors in writing and accompanied by all the supporting documents and papers as necessary for revising it;
 - any resolution by circulation must be agreed upon by a majority of the Directors; and
 - the resolution must be submitted to the succeeding meeting of the Board to be included in the minutes of such meeting.

6.4. Minutes

- 6.4.1. Minutes of Board meetings shall be recorded and circulated to all Directors for comments, which shall be incorporated and approved by all Directors at the succeeding meeting of the Board. Once approved, the minutes shall be signed by the Directors attending the meeting and the Board Secretary before being placed in a minute book and published on the Bank's iPad portal by the Board Secretary. The signatories to such minutes shall be liable for the validity of the statements contained therein. The meeting minutes shall include details of issues discussed, recommendations made, decisions taken, dissenting opinions and the person responsible for completion of tasks discussed at the committee meeting. In case one of the Directors refuses to sign, his/her objection shall be recorded in the minutes together with the reason(s) for his/her objection, if given, and a copy of the minutes shall be sent to Directors for their records.
- 6.4.2. Directors, the Bank's Chief Executive Officer, the Board Secretary and delegated officers of the Board Secretariat, are each authorised by the Bank individually to provide certified copies of extracts taken from the minutes of any Board meeting, by signing such extracts, identifying that it is a certified true copy of the original and including the date that the certification is provided. Any party dealing with the Bank may rely absolutely on such certified copy as being a true and accurate copy of the original document.

7. Directors' remuneration

- 7.1. Board members who are considered employees of ADCB shall not be compensated for holding the office of a director in the Bank's Board or its committees, unless otherwise decided by the Bank's shareholder.

8. Selection, appointment and re-election of Directors

- 8.1. All candidates for Board membership will be subject to a Fit and Proper Process to ensure they have sufficient competence, knowledge and experience to effectively carry out their duties. All candidates shall be assessed against the approved fit and proper criteria.
- 8.2. In the event of a vacancy the Board, assisted by the Nomination, Compensation, HR and Governance Committee, shall identify candidates with the appropriate expertise and experience. The most suitable candidate will be appointed by the Board subject to approval by the Bank's shareholder. If the number of vacant positions in any one financial year of the Company reaches or exceeds a quarter of the number of members of the Board, the Board shall notify the Bank's shareholder within a period not exceeding one month from the date on which the last position became vacant in order to appoint directors to fill the vacant positions.
- 8.3. The Bank will provide a formal letter of appointment for each Director setting out a description of their duties and responsibilities, including Board committees, compensation (if any), opportunities available for increasing their proficiency and for training by the Bank or otherwise, procedures in the event of being unable to attend meetings of the Board, requirements for disclosure, procedures for dealing with conflicts of interest, policies on confidentiality, and a copy of the Bank's articles of association.

- 8.4. The Board has set a limit of 12 years for which an individual may serve as a Director, subject to the review of the Nomination, Compensation, HR and Governance Committee prior to each renewal after that period. The Board generally regards this as an appropriate period of service, however recognizes that Directors who have served on the Board for an extended period of time have gained valuable experiences, insights and historical perspectives concerning the Group which cannot be easily replaced.
- 8.5. The no-objection of the Central Bank must be obtained prior to the appointment, nomination, or renewal of any person for membership of the Board.

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

9. Resignation of Directors

- 9.1. A Director shall cease to be a Director if he/she resigns in writing from his/her position and shall be deemed to have resigned in the following instances:
- If he/she absents himself/herself from more than three consecutive (or five non-consecutive) Board meetings without a justifiable excuse acceptable to the Board during the term.
 - If he/she holds in his/her personal capacity or as representative of any corporate persons the position of a member of Board with any other commercial bank operating in the UAE.
 - If he/she is convicted of any crime or other offence involving dishonesty or immorality unless reinstated or following receipt of amnesty from the applicable authorities.
 - If he/she is declared bankrupt or ceases to pay his/her commercial debts, even if the same has not resulted in the announcement of their bankruptcy.
 - If he/she discloses to any third party any information detrimental to the Group's interests which he became aware of in the course of his being a Director.
 - If he/she is dismissed pursuant to the provisions of the Bank's Articles of Association.
 - If he/she is not re-elected after the expiry of their term of membership.
 - If he/she is dismissed by a resolution adopted by the Bank's annual general assembly.
 - If he/she dies or becomes legally incapacitated.
 - If his/her membership is contrary to the provisions of the Companies Law, Corporate Governance Regulations or any other law or regulation.
- 9.2. In the event of resignation, a Director should provide a written statement to the Chairman identifying his/her concerns, for circulation to the full Board.

- 9.3. The annual general assembly meeting shall have the right to dismiss any Director and elect new members.
- 9.4. The no-objection of the Central Bank must be obtained prior to the removal of a Director during his/her term of membership. Upon resignation/removal of a Director, the Bank must inform the Competent Authority.
- 9.5. A Director dismissed under this provision shall not be eligible to become a Director of the Bank for a period of 3 years after his dismissal.

10. Induction and training

- 10.1. The Board Nomination, Compensation, HR, & Governance Committee, working with Senior Management, will provide an induction programme for new Directors in order to assist them in fulfilling their duties and responsibilities. The programme will include discussions with the Chairman, the Chief Executive Officer, Senior Management and the internal and external auditors, the provision of reading material, tutorials and workshops. These will include information about Directors' rights, duties and responsibilities, the Bank's strategic plans, its significant financial, accounting and risk management issues, its compliance programmes, its Code of Conduct, and its management structure as well as an overview of the regulatory environment applicable to the Group, including the Corporate Governance Regulations.
- 10.2. At the request of the Board Nomination, Compensation, HR, and Governance Committee, Senior Management will conduct additional presentations for Directors from time to time regarding the Group, the factors impacting, or likely to impact, its businesses, and to assist the Directors in gaining a broader understanding and knowledge of the Group. Directors are also encouraged to keep up to date on relevant topical issues.
- 10.3. The Board will dedicate sufficient time, budget, and other resources for the purpose of induction programmes and trainings and draw on external expertise as needed.
- 10.4. The Board will annually review its training program to ensure that Directors acquire, maintain and enhance knowledge and skills relevant to their responsibilities.

11. Access to independent professional advice

- 11.1. The Board has the authority to conduct or direct any investigation required to fulfil its responsibilities and has the ability to retain, at the Bank's expense, such legal, accounting or other advisers, consultants or experts as it considers necessary from time to time in the performance of its duties.
- 11.2. Any Director shall have the right to request the opinion of an independent consultant, at the Bank's expense, in relation to any of the Bank's affairs, subject to avoidance of any conflict of interest.

For further details, please refer to Access to Independent Professional Advise Policy.

12. Board performance and Director evaluation

- 12.1. The Board will annually review and evaluate the performance of the Board and Board committees. This assessment will involve consideration of all of the Board's key areas of responsibility, and will specifically review areas where the Board and/or management contribution may be improved. The Board shall review the performance of the Bank's Chief Executive Officer at least once every year.
- 12.2. The Board shall also annually review and evaluate the performance of the Board committees, the Senior Management of the Bank, the relationship between the Board and management, and matters of general corporate governance.
- 12.3. The Board Nomination, Compensation, HR and Governance Committee will recommend to the Board the performance criteria (both measurable and qualitative) to be considered in these evaluation processes. An external independent consultant will be brought in once every five years to review and make recommendations on any aspect of the Board's activities and performance.
- 12.4. The Bank will include in the corporate governance section of its annual report a statement as to whether a performance evaluation for the Board, Board committees and individual Directors has taken place in the reporting period and how it was conducted. A description of the process for performance evaluation of the Board, the Board committees and individual Directors will be made publicly available and updated as required, by posting it on the Bank's website in a clearly marked corporate governance section.

Please refer to Directors' Performance Evaluation Policy for further detail.

13. Access to management

- 13.1. Directors will have complete and open access to members of management following consultation with the Chairman and the Chief Executive Officer.
- 13.2. As an intrinsic part of the Board's responsibility of management oversight, Board committees will regularly meet with individual Senior Management in accordance with their respective committee charters.

14. Access to Board Secretary

All Directors shall have direct access to the Board Secretary.

15. Codes of Conduct

- 15.1. The operations of the Bank are governed by the Bank's Code of Conduct. The Bank's Code of Conduct is important and covers important aspects of daily banking and financial service practices.
- 15.2. Professional conduct rules and other internal policies and principles shall be adopted by the Bank as to fit its objectives and purpose and comply with applicable laws and regulations. In performing their tasks, the Directors must comply with such rules.

- 15.3. The Bank's Code of Conduct includes the requirement that the business be conducted ethically and with professionalism to achieve the highest standards of behaviour.
- 15.4. The Bank's Code of Conduct applies to Staff, as well as to temporary workers and other independent contractors and consultants when engaged by or otherwise representing the Bank and its interests. In addition, the Board has adopted a Director's Code of Conduct which conforms to relevant regulatory requirements and duly considers best practices. The Director's Code of Conduct describes the standards of behaviour expected from all Directors of the Bank. It sets out the rules applicable in matters of professional ethics and behaviour.
- 15.5. Director shall, during the exercise of their powers and performance of their tasks, behave ethically and professionally, always taking into consideration the Group's and shareholders' interests, and take such due care, diligence and skill as would be taken by a professional person in similar circumstances, and comply with all applicable laws, regulations and decisions as well as the Bank's articles of association and bylaws.

For further details, please refer to the Directors' Code of Conduct.

16. Confidential information

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

17. Conflicts of Interest

- 17.1. Directors must not have any conflict of interest that may impede their ability to perform duties independently and objectively, or be subject to any undue influence from:
- Other persons/business;
 - Previous or current positions held; or
 - Personal, professional or other economic relationships with other Directors or Senior Management, or
 - Other entities within the Group.
- 17.2. Once appointed, every Director shall disclose all actual or potential conflicts to the Bank. A Director who has any direct or indirect interest or duty which conflicts or may conflict with the interests of the Bank relating to any contract or other transaction made or proposed to be made with or by the Bank, must give the other Directors notice of such interest. Such notice should be confirmed in writing. This notification shall be recorded in the Board's conflicts register and the meeting minutes and the Director

having such interest may not be counted in the quorum for the matter at hand nor be permitted to take part in the discussion or voting. If he/she does vote, his/her vote shall not be counted.

- 17.3. If a significant conflict of interest with a Director exists and cannot be resolved, the Director is expected to tender his resignation after consultation with the Chairman.
- 17.4. A Director may not participate in any business that may be in competition with the business of the Group without prior authorisation from the Board and, where appropriate, the shareholders.
- 17.5. Certain financial services may be provided to Non-Executive Directors under terms and conditions that would normally apply to the public. The granting of any financial services to a Director is subject to all applicable laws and regulations.

For further details, please refer to the Directors' Conflict of Interest Policy.

18. Liability of Directors

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

19. Notifications

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

20. Communications

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

21. Publicly available information

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

- Terms of Reference for the Board; and
- Directors' profiles.

22. Review and administration of these Terms of Reference

The Board of Directors shall review this Terms of Reference on a regular basis and at least once every two years and amend it if and when required.

23. Applicable regulatory requirements

- Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organisations Guidelines for Financial Institutions dated June 23, 2019
- Decretal Federal Law No. 14 of 2018 regarding the Central Bank & Organization of Financial Institutions and Activities
- The Central Bank's Corporate Governance Regulation for Banks (Circular No.:89/2019 dated July 18, 2019)
- The Central Bank's Corporate Governance Standards for Banks (Circular No.:89/2019 dated July 18, 2019)
- The Central Bank's Board of Directors Decision No 59/4/2019 regarding Procedures for Anti-Money Laundering and Combating Financing of Terrorism and Illicit Organizations
- The Central Bank's Financial Reporting and External Audit Regulations (Circular No.:162/2018 dated August 29, 2018)
- The Central Bank's Financial Reporting and External Audit Standards (Circular No.:162/2018 dated August 29, 2018)
- The Central Bank's Internal Controls, Compliance and Internal Audit Regulations (Circular No.:161/2018, dated August 29, 2018)
- The Central Bank's Internal Controls, Compliance and Internal Audit Standards (Circular No.:161/2018, dated August 29, 2018)
- The Central Bank's Risk Management Regulations (Circular No.:153/2018 dated May 27, 2019)
- The Central Bank's Risk Management Standards (Circular No.:153/2018 dated May 27, 2019)
- The Central Bank's Guidance re Capital Adequacy in the UAE dated June 2019
- The Central Bank's Standards re Capital Adequacy in the UAE dated June 2019 The Central Bank's Regulation re Liquidity at Banks (Circular No.:33/2015 dated May 27, 2015)

- The Central Bank's Market Risk Regulations (Circular No.:164/2018 dated August 29, 2019)
- The Central Bank's Interest Rate and Rate of Return Risk in the Banking Book Regulations (Circular No: 165/2018 dated August 29, 2018)
- The Central Bank's Regulation regarding Mortgage Loans (Circular No:31/2013 dated October 28, 2013)
- The Central Bank's Regulations re Monitoring Large Exposure Limits (Circular No.:31/2013 dated November 11, 2013)
- The Central Bank's Guidelines to Monitoring of Large Exposures (Annexure to Circular No.: 32/2013)
- The Central Bank's Notice 380/2016 dated December 12, 2016 regarding Dividend Announcement Approval Process
- The Securities & Commodities Authority Chairman's Resolution No. 03/RM of 2020 Regarding the Approval of the Public Joint-Stock Companies Governance Guide
- The Securities and Commodities Authority's circular on need for immediate disclosure of the decisions of the Board concerning the dealings of conflict of interest (dated May 28, 2013)
- The Securities and Commodities Authority's Decision No. (3) of 2000 concerning the Regulations as to Disclosure and Transparency
- The Chairman of the Securities and Commodities Authority's Board of Directors' Decision No. (21/R.M) of 2019 concerning procedures of Anti-Money Laundering and Counter-Terrorism and Illegal Organizations Financing
- The Central Bank's Standard regarding Shari'ah Governance for Islamic Financial Institutions dated 3 May, 2020
- The Central Bank's Major Acquisitions Regulation dated 9 June, 2020
- The Central Bank's National Shareholding in Banks Regulation dated 15 November, 2021
- The Central Bank's Transfer of Significant Shareholding Regulation dated 15 April 2020

The Terms of Reference must be revised should any of the above regulation requirements be amended or replaced.

These Terms of Reference are dated 1st September, 2022 and supersede any Board Terms of Reference or charter previously in force.