

AL HILAL BANK PJSC

Terms of Reference of the Board Nomination,
Compensation, HR & Governance Committee

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

Terms of Reference of the Board Nomination, Compensation, HR & Governance Committee

1. Definitions

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

“Bank”	means Al Hilal Bank PJSC;
“Board”	means the Board of Directors of the Bank;
“Board Secretary”	means the Company Secretary 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 Regulations and Standards for Banks and the Securities & Commodities Authority (SCA) Public Joint-Stock Companies Governance Guide;
“Committee”	means the Board Nomination, Compensation, HR & Governance Committee;
“Chairman”	means the Chairman of the Committee;
“CEO”	means the Bank’s Chief Executive Officer;
“CHRO”	means the Bank’s Chief Human Resources Officer;
“Director”	means a member of the Board;

“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;
“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;
“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; and
“Staff”	means all persons working for the Bank, including the members of Senior Management, except for the members of the Board.

2. Purpose

- 2.1. The purpose of the Committee is to enable the Board to fulfil its responsibilities in relation to the oversight of:
 - 2.1.1. the appropriate composition of the Board;
 - 2.1.2. the nomination of appropriate Directors to the Board and its committees;
 - 2.1.3. assessment of the performance of the Board, Board Committees, individual Directors and members of Senior Management;
 - 2.1.4. succession plans for Board members and Senior Management;
 - 2.1.5. remuneration policies for the Bank’s Directors and Senior Management;
 - 2.1.6. the Bank’s Board performance evaluation and adoption and monitoring of action plans arising from it;
 - 2.1.7. the Group’s public reporting on corporate governance & remuneration matters;
 - 2.1.8. the Group’s HR strategy, including Emiratization;

- 2.1.9. the development of the Group's corporate governance framework, including policies, procedures, and systems and controls;
- 2.1.10. the Group's compliance with regulatory requirements relating to corporate governance; and
- 2.1.11. the Group's corporate culture and values, including its governance culture.

3. Membership

- 3.1. The Committee members shall be appointed by the Board. Any member of the Committee may be removed or replaced at any time by the Board.
- 3.2. The Committee shall comprise not less than three Non-Executive Directors.
- 3.3. The Committee shall elect, from among its members, a Chairman who shall be distinct from the chairman of the Board and the chairs of other committees. The chairman of the Board may not be a member of the Committee.
- 3.4. The CHRO shall be the only permanent invitees from Senior Management to attend the Committee's meetings. The CHRO may, with the agreement of the Committee's Chairman, invite members of Staff, or third parties, to attend certain items being presented.
- 3.5. The Committee members shall be appointed for an initial period of three (3) years. Following expiration of that period, the member may be reappointed by the Board.
- 3.6. Where a Director who is a member of the Committee leaves office, the Board shall appoint a new member to the Committee.
- 3.7. A Director shall cease to be a member of the Committee if they resign, and shall be deemed to have resigned if they absent themselves for more than three consecutive Committee meetings without a justifiable excuse acceptable to the Committee.

4. Administration

4.1. Meetings

- 4.1.1. Meetings of the Committee shall be held at the head office of the Bank, by means of telephone or video conference, or at any other place deemed appropriate by the Committee. Meetings shall be convened upon a written notice of the Chairman or the Committee's Secretary, upon the Chairman's instructions. Committee meetings may also be convened by the Chairman or the Committee's Secretary at the request of two (2) members of the Committee. The CHRO may also request meetings through the Committee's Secretary, who shall consult with the Chairman to determine whether a meeting should be convened.

- 4.1.2. The Chairman shall develop the agenda for each meeting, with contribution from the Committee's Secretary, the Board Secretary, the CHRO and, where appropriate, other members of Senior Management, and circulate it to all members of the Committee sufficiently in advance of the meeting, along with adequate supporting materials on the topics to be discussed.
- 4.1.3. Majority of the members shall attend all meetings in person (physical attendance and by audio-visual means) and shall not be represented in the meetings by proxy from other members for constitution of quorum.

4.2. Resolutions

- 4.2.1. Resolutions of the Committee shall be adopted by a majority of votes of members present or represented. In the event of a tie, the Chairman shall have a casting vote.
- 4.2.2. An absent Committee member may authorize another member to vote on their behalf provided that the member present does not hold more than one proxy.
- 4.2.3. Without prejudice to the above clause, the Committee may exceptionally take some decisions based on resolutions by circulation, provided that:
 - a. members unanimously agree that the case that necessitates a resolution by circulation is urgent;
 - b. the resolutions are delivered to the members in writing (which may include delivery by email) and are accompanied by all the supporting documents and papers as necessary for reviewing it; and
 - c. any resolution by circulation must be unanimously agreed upon by the members and must be submitted to the succeeding meeting of the Committee to be included in the minutes of such meeting.

4.3. Minutes

- 4.3.1. Minutes of Committee meetings shall be recorded and signed by the members attending the meeting and the Committee's Secretary. 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 members refuses to sign, their objection shall be recorded in the minutes together with the reason(s) for their objection, if given, and a copy of the minutes.
- 4.3.2. Drafts of the minutes of Committee meetings shall be circulated to the members for comments, which shall be incorporated, and approved by the Committee at the subsequent Committee meeting.

4.3.3. Final copies of the meeting minutes shall be:

- a. signed by attending Committee members (digital or wet ink signature accepted);
- b. submitted to the Board for consideration at the next full Board meeting;
- c. submitted to the Board Secretariat for filing; and
- d. published on the Bank's Board portal.

4.3.4. A member of ADCB's Board Secretariat function shall act as the Committee's Secretary.

5. Reporting

- 5.1. The Committee shall report to the Board and shall provide periodic updates on the matters which have been delegated to the Committee herein.
- 5.2. The Committee shall submit a written report to the Board specifying with absolute transparency its actions, findings and recommendations. The report shall be submitted annually or more frequently as and when requested by the Board.
- 5.3. The Committee shall make short presentations to the Board, as and when required by the Board.

6. Powers of the Committee

- 6.1. The Committee shall have the appropriate authority to discharge its duties and responsibilities as set out in these Terms of Reference and to sub-delegate those duties and responsibilities as it considers appropriate, provided that such sub-delegation is notified to the Board at its next meeting. All sub-delegations granted before the date of adoption of these Terms of Reference shall remain in place.
- 6.2. The Committee shall be specifically empowered to appoint or retain external independent professionals and consultants for advising or assisting the Committee on legal, accounting, or other matters, to the extent it deems necessary or appropriate.

7. Responsibilities

7.1. Composition and nomination

- 7.1.1. The Committee shall review the composition and diversity of the Board, its mix of skills, knowledge and experience.

- 7.1.2. The Committee shall identify and review annually the ideal profile and future needs of the Board, including identifying complimentary candidate profiles based upon qualifications, experience and technical skills.
- 7.1.3. The Committee shall oversee the establishment of a fit and proper process for identifying, assessing and selecting candidates for the Board and Senior Management.
- 7.1.4. The Committee shall establish and periodically review a director selection policy.
- 7.1.5. The Committee shall review proposed candidates for the role of Director, their qualifications, experience, and technical skills and, with due exercise of their judgment, make appropriate recommendations to the Board.
- 7.1.6. The Committee shall oversee the development of the Bank's diversity policies, including ensuring that the Bank's policies require at least 20% of candidates considered for Board membership to be female and that at least 20% of Board members are female.
- 7.1.7. The Committee shall oversee the preparation of appropriate nomination documents and notifications proposing candidates for directorships.
- 7.1.8. The Committee shall oversee the preparation of appropriate appointment documents and notifications for new Directors, setting out the terms and conditions of their directorships.
- 7.1.9. The Committee shall oversee the preparation of induction materials and orientation sessions for new Directors, in consultation with Senior Management and with the Board Secretary.
- 7.1.10. The Committee shall review outside memberships of Directors and Senior Management on a periodic basis and ensure that a review and approval process takes place before a member of the Board accepts nomination to serve on another Board so as to ensure that the activity will not create a conflict of interest.
- 7.1.11. The Committee shall review the membership of Board committees to ensure compliance with the Corporate Governance Regulations, and at the request of the chairman of the Board, identify and review proposed candidates for committees.
- 7.1.12. The Committee shall establish a fit and proper process for the selection of Senior Management, including the heads of the Risk Management, Compliance and Internal Audit departments.
- 7.1.13. The Committee shall review the Bank's succession plans for Directors and Senior Management.

- 7.1.14. The Committee shall review the Bank's recruitment, retention, and termination policies and procedures for Senior Management.
- 7.1.15. The Committee shall develop, control, apply and annually revise the Bank's Human Resource and training policies and procedures, and the operation and strategies, including Emiratization of the HR function, on behalf of the Board.
- 7.1.16. The Committee shall oversee the organisation of regular briefing and updating sessions for all Directors, in consultation with Senior Management and with the Board Secretary.

7.2. Assessment

- 7.2.1. The Committee shall oversee the design and regularly review procedures for annual assessment of the performance of the CEO, Senior Management and other Staff.

7.3. Remuneration

- 7.3.1. The Committee shall develop and annually review the Group's overall compensation framework and system, including benefits, long term incentive schemes, bonus structures, retention schemes, special payments, and awards, and ensure that remuneration is aligned with the Group's strategy, objectives, culture, values, and risk appetite as well as long-term interests, sustainability and financial soundness. When reviewing the Group's compensation framework, the Committee shall consider:
 - a. the ratio and balance between the fixed (basic salary and any routine employment allowances that are predetermined and not linked to performance) and variable components of compensation;
 - b. the nature of the duties and functions performed by the relevant Staff and their seniority within the Group;
 - c. the assessment criteria against which performance-based components of compensation are to be awarded;
 - d. the integrity and objectivity of the process of performance assessment against the set criteria;
 - e. together with the Board Risk Committee, regularly monitor and review compensation plans, outcomes and processes to assess whether the Group's compensation system is creating the desired incentives for managing risk, capital and liquidity and does not incentivize excessive risk taking;

- f. ensure that an independent assessment of the compensation framework and systems by an external third party is conducted at least once every five years and oversee implementation of recommendations/action plans arising from the assessment;
- g. propose to the Board remuneration packages for the Board and Board committees' chairmen and members;
- h. propose to the Board specific remuneration packages for the CEO;
- i. Together with the Board review and approve the remuneration of the Group's Staff (including Senior Management but excluding the Group Chief Executive Officer), including performance or incentive linked remuneration; and
- j. review the proposed public disclosure of the Group's remuneration levels and policies, including the disclosed remuneration of individual Directors, Senior Management, and other management both individually and in aggregate.
- k. review and approve promotions, bonus, performance assessment, and removal of the Internal Shari'ah Control Division and Internal Shari'ah Audit Division heads and staff in consultation with the Internal Shari'ah Supervision Committee.

7.3.2. In circumstances where ADCB employees are appointed to the Group's board, the Committee shall ensure that they are not remunerated for such roles.

7.4. Corporate governance

7.4.1. The Committee shall monitor developments in the Group's corporate governance framework and practices both in the local market amongst the Bank's competitors, and in the international markets and propose to the Board such developments, as and when appropriate.

7.4.2. The Committee shall work closely with other Board committees and Senior Management, as necessary to monitor the implementation of such corporate governance framework developments on behalf of the Board. Such corporate governance policies and procedures will include, amongst other things, the operations and functions of the Board and its committees, the structure of management committees, the relationship between the Board and management, the disclosure practices of the including Directors' conflicts of interest, measures to implement accepted culture and ethics within the Bank, and the governance of other areas and issues within the Group as the Committee may consider of importance from time to time (such as risk governance, remuneration governance, product and services governance, financial transparency, procurement governance, subsidiary governance, complaint-handling processes and IT governance).

- 7.4.3. The Committee shall work with management, as designated by the CEO, who shall be responsible for such day-to-day implementation or monitoring of the Group's corporate governance framework (including policies, procedures, systems and controls) and code of conduct, as may be required.
- 7.4.4. The Committee shall support the Board in establishing the Group's corporate culture. In particular, it shall create expectations that all business is conducted in an ethical manner and in compliance with laws, regulations and internal practices that will promote a strong governance culture. Furthermore, it shall ensure that fair treatment of customers is an integral part of the Group's governance and corporate culture.
- 7.4.5. The Committee shall conduct the annual performance evaluation of Directors, Board as a whole and Board committees and submit the report to the Board. It shall also facilitate necessary support to the members of the Board and committees in carrying out their annual self-assessment procedures. The Committee will coordinate a regular review of the Terms of Reference for the committees of the Board and ensure that the publication of appropriate and up-to-date information relating to such committees is contained on the Bank's website and in the corporate governance report.
- 7.4.6. The Committee shall, with the assistance from the Board Secretary, oversee the availability of professional development schemes to the Board and specialist training to committee members or individual Directors, to enable Directors to regularly update and refresh their skills and knowledge, as determined by the Board.
- 7.4.7. The Committee shall ensure that each member of the Board annually confirms that they have sufficient time available to manage the time commitments required from their role in the Bank.
- 7.4.8. The Committee shall review and approve the sustainability strategy as presented by Senior Management and assess Senior Management's progress in implementing the sustainability strategy.
- 7.4.9. The Committee shall review the Bank's section of ADCB's annual corporate governance report to ensure compliance with the Central Bank's Regulations and Standards and Best Practices.
- 7.4.10. The Committee shall review and monitor related party transactions to ensure they are conducted in an ordinary course of business and on an arm-length basis.
- 7.4.11. The Committee shall ensure corporate governance related matters, including related party transactions, are disclosed to the regulators and shareholders in a timely and comprehensive manner.

7.5. General responsibilities

- 7.5.1. The Committee shall review and approve credit facilities extended to Staff and/or their related parties as determined by the Central Bank's regulations.
- 7.5.2. The Committee shall 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.
- 7.5.3. The Committee shall report its actions to the Board, making appropriate recommendations where the relevant actions do not fall within the Committee's authorities as set out in these Terms of Reference.

8. Publicly available information

- 8.1. The Committee's Terms of Reference shall be made publicly available, and updated as required, by posting the material on the Bank's website.
- 8.2. The following information shall be included in the Bank's corporate governance report:
 - the names and details of the qualifications of the members of the Committee;
 - the number of meetings of the Committee; and
 - a description of the Committee's responsibilities and how the responsibilities were fulfilled.

9. Self-assessment

The Committee shall annually conduct an evaluation of its performance and report the assessment results to the Board of Directors.

10. Review and administration of the Terms of Reference

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

11. Applicable regulatory requirements

- The Central Bank's Corporate Governance Regulation for Banks (Circular No.:83/2019 dated July 18, 2019);
- The Central Bank's Corporate Governance Standards for Banks (Circular No.:83/2019 dated July 18, 2019);

- The Central Bank's Regulations re Monitoring of Large Exposure Limits (Circular No.:32.2013 dated November 11, 2013);
- The Securities & Commodities Authority Chairman's Resolution No. 03/RM of 2020 Regarding the Approval of the Public Joint-Stock Companies Governance Guide; and
- The Securities and Commodities Authority's Decision No. (3) of 2000 concerning the Regulations as to Disclosure and Transparency.

These Terms of Reference are dated 1st September, 2022 and supersede any Board Nomination, Compensation, HR & Governance Committee Terms of Reference or charter previously in force.