

RAKBANK

Corporate Governance Framework

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1. Definition

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

Affiliate	An entity owned by another entity by more than 25% and less than 50% of its capital
Applicable Laws and Regulations	The applicable Federal Commercial Companies Law, Central Bank of the United Arab Emirates (CB UAE) Corporate Governance Regulation and Standards, and the Securities and Commodities Authority (SCA) Resolution No. (3R.M.) of 2020 concerning the standards of institutional discipline and governance of public shareholding companies, and its amendments, and related circulars from time to time, and other relevant laws and regulations as amended from time to time
Articles of Association	the Articles of Association of RAKBANK as published on the Bank's website
Bank	The National Bank of Ras Al Khaimah (P.S.C.), RAKBANK
Board of Directors	Board of Directors, Board
Controlling Shareholder	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
Conflict of Interest	A situation of actual or perceived conflict between the duty and private or other interests of a person, which could improperly influence the performance of his/her duties and responsibilities
Framework	Corporate Governance Framework
First Degree Relatives	the individual's parents, siblings, children
Group	a group of entities which includes RAKBANK, and: <ol style="list-style-type: none">any Controlling Shareholder of RAKBANK;any subsidiary of RAKBANK or of any Controlling Shareholder of RAKBANK;any Affiliate, joint venture, sister company and other member of the Group
Independent Director	A member of the Board who has no relationship with the Bank or the Group that could lead to benefit which may affect his/her decision. He/she must not be under any other undue

influence, internal or external, ownership or control, which would impede the Member's exercise of objective judgment. The Independent Member of the Board forfeits his/her independence in the cases as specified in the Applicable Laws and Regulations

Related Parties	The Group and its Controlling Shareholder's Members of the Board and Senior Management (and their First-Degree Relatives) and persons with control, joint control or significant influence over the Bank (and their First-Degree Relatives)
Senior Management, Executives	The executive management responsible and accountable to the Board for the sound and prudent day-to-day management of the Bank, including Group Chief Executive Officer and all Group Chief Executive Officer's direct report
Subsidiary	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 Board of Directors
Staff	all persons (including outsourced, and with other contractual arrangements) working for the Bank including members of senior management but excluding members of the Board

2. Introduction

The National Bank of Ras Al Khaimah aspires to hold the highest standards of ethical conduct, complete transparency and maintaining full compliance with the laws, rules and regulations that govern the Bank's businesses.

This Corporate Governance Framework ("Framework") provides an overview of the corporate governance structures, principles, policies and practices of RAKBANK, which helps meet its responsibilities to stakeholders and protect the business.

The RAKBANK Board of Directors oversees the Framework and its provisions are in alignment with the applicable governance expectations of the Bank's regulators: CB UAE and SCA.

3. Applicability

The Framework as approved by RAKBANK's Board of Directors is intended to apply at the Group level. It is however, the responsibility of the Group individual entities' Boards to assess the compatibility of the Framework with other legal and regulatory requirements, to endorse the Framework for their entities or introduce necessary changes as appropriately needed.

4. The Board

The Management of the Bank shall be vested in the Board of Directors, whose Members are elected and/or appointed by Shareholders. The Board shall have full power and authority to do everything, which may be required for the Bank's management and operation and conducive to attaining its objects. Such powers and authorities vested in the Board shall not be limited except

as provided by the applicable laws, the resolutions of the relevant authorities, the Bank's Articles of Association, or the resolutions of the General Meeting. The Board may engage independent professional advisors, as it may consider appropriate. The Board shall form permanent and other specialized committees required under the Applicable Laws and Regulations.

The Board of Directors' primary responsibility is to provide effective governance over the Bank's affairs for the benefit of its shareholders, and to balance the interests of its diverse constituencies, including its customers, employees, suppliers and local communities. In all actions taken by the Board, the Directors are expected to exercise their business judgment in what they reasonably believe to be in the best interests of the Bank and to comply with relevant laws, regulations, rules and best banking practices. In discharging their obligation, Directors may rely on the honesty and integrity of the Bank's senior executives, and its outside advisors and auditors.

4.1. Board Composition and Qualifications

The Board shall consist of seven (7) members as stipulated in the Bank's Articles of Association. All Members of the Board must be non-executives, of whom one third must be independent members. The Chairman and the majority of the Board Members must be UAE Nationals.

- 4.1.1. Members will be elected for a maximum three (3) year renewable term of membership.
- 4.1.2. The Board shall be sufficiently diversified to have an appropriate balance of skills, diversity, and expertise that are commensurate with the size, complexity, and risk profile of RAKBANK, and the Group. Collectively, the Board must have knowledge of the Bank and Group's significant businesses.
- 4.1.3. The Board composition shall allow the exercise of objective and independent judgment.
- 4.1.4. Directors (elected and appointed) may hold:
 - 4.1.4.1. Membership in the Board of up to 5 Public Joint Stock Companies (PJSCs) in the UAE; this is also applicable to PJSCs part of the Group;
 - 4.1.4.2. Membership in the Board of only 1 bank in the UAE and up to 4 banks outside the UAE
- 4.1.5. Members of the Board must obtain permission for the Bank's Board of Directors before accepting nominations to serve on another board and no conflict of interest must be present.
- 4.1.6. Members of the Board, individually and collectively, must be and remain qualified for their positions, as per the Applicable Laws and Regulations.

4.2. Role of the Board of Directors

As per the Applicable Laws and Regulations, the Board of Directors duties and responsibilities cover the areas of corporate culture; Governance, and Stakeholders Rights; Risk, Credit, and Internal Controls; Financial, Transparency and Disclosure; Management Oversight; Nomination and Remuneration; Strategy; and Sharia Governance.

4.2.1. Corporate Culture

- 4.2.1.1. Establishing and communicating corporate culture and values through measures including but not limited to a written code of conduct including a Conflict of Interest Policy, a Whistleblower Policy, share dealing policy and a strong internal control environment, and to oversee the mechanisms put in place for the implementation of the different policies.
- 4.2.1.2. Implementing an effective risk management culture and internal control manual across the Bank and the Group. In order to promote a sound corporate culture, Members of the Board shall establish the “tone from the top” by:
 - 4.2.1.2.1 Setting and adhering to corporate values and creating expectations that all business must be conducted in a legal and ethical manner, and overseeing the adherence to such values by staff;
 - 4.2.1.2.2 Promoting risk awareness within a strong risk culture, and setting the expectation that all staff are responsible for ensuring the Bank operates within the established risk governance framework, risk appetite and risk limits;
 - 4.2.1.2.3 Ensuring that appropriate steps have been taken to communicate throughout the Bank the corporate values, professional standards and codes of conduct approved by the Board, together with supporting policies; and
 - 4.2.1.2.4 Ensuring that staff are aware that appropriate disciplinary or other actions will follow unacceptable behaviors and transgressions.

4.2.2. Governance and Stakeholders rights

- 4.2.2.1 Overseeing the implementation of Bank’s governance framework and periodically reviewing it to ensure that it remains appropriate in the light of material changes to the Bank’s size, complexity, business strategy, markets and regulatory requirements.
- 4.2.2.2 Ensuring that RAKBANK and the Group have robust Corporate Governance policies and processes commensurate with the Bank’s risk profile and systemic importance.
- 4.2.2.3 Setting an insider trading / share dealing policy to include procedures preventing the insiders in the Bank from using confidential internal data information for tangible and intangible gains.
- 4.2.2.4 Evaluating the overall performance and effectiveness of the Board, its committees, and members and taking corrective actions as appropriate.
- 4.2.2.5 Conducting periodic reviews of the Bank’s organizational structure and legal structures for review and adoption.
- 4.2.2.6 Establishing and periodically updating its by-laws, procedural rules or other similar documents setting out its organization, responsibilities, and key activities.
- 4.2.2.7 Ensuring the protection of shareholders’ interest and the Bank’s assets, and setting a policy for distribution of the Bank’s profits in a manner that serves the interests of both the shareholders

and the Bank. The Framework shall be made available at the general meeting and mentioned in the Board's report.

4.2.2.8 Managing shareholders complaints, inquiries and proposals, and including their proposal to add items to the Annual General Meeting's agenda.

4.2.2.9 Ensuring that the Board communicates with stakeholders through the investor relationship function.

4.2.3. Risk, Credit and Internal Controls

4.2.3.1 The Board is responsible for approving and overseeing the implementation of the Bank's risk governance framework and the alignment of its strategic objectives with its Risk Appetite. The risk governance framework shall incorporate three lines of defense approach that includes the Bank's Senior Management of the business lines, the functions of risk management and compliance, and an independent and effective internal audit function. As well as having an independent and effective internal sharia audit function reporting to the internal sharia control committee.

4.2.3.2 Establishing RAKBANK's risk appetite, taking into account the competitive and regulatory landscape and the Bank's long-term interests, risk exposures and ability to manage risk effectively and overseeing the adherence to its risk appetite and risk limits;

4.2.3.3 Approving and overseeing the implementation of key policies including, but not limited to credit, liquidity and internal capital adequacy assessment process;

4.2.3.4 Taking necessary procedures to ensure efficient internal auditing of the workflow in the Bank, including:

4.2.3.4.1 Setting a clear policy approved by the Board to ensure efficient internal auditing and of the workflow in the Bank.

4.2.3.4.2 Setting written and detailed regulations and procedures for internal auditing which determines the duties and responsibilities in compliance with the policy approved by the Board and general requirements and objectives stipulated in the applicable legislations.

4.2.4.5 Ensuring there are written procedures to manage and address conflict of interests, and deal with potential cases of such conflict of interests for Board Members, Senior Executive Management and shareholders, and setting the procedures to be taken in cases of misuse of the Bank's assets and facilities or misconduct resulting from transactions with related parties.

4.2.4.6 Setting and reviewing a delegation policy for the Bank to determine delegated persons and the powers assigned thereto.

4.2.4 Financial, Transparency and Disclosure

4.2.4.1 Ensuring the soundness of administrative, financial, and accounting systems, including the systems related to preparation of financial reports.

4.2.4.2 Approving the annual financial statements and requiring periodic independent review of critical areas of the business; and

4.2.4.3 Setting the Bank's disclosure and transparency policy and following up its implementation in accordance with the requirements of the supervisory authorities and applicable legislations, and monitor implementation.

4.2.5 Management Oversight

4.2.5.1 Approving the selection of and overseeing Senior Management's responsibilities, ensuring that the Bank's activities are carried out in a manner consistent with the business strategy, risk governance framework, compensation and other policies approved by the Board. The Board shall hold members of Senior Management accountable for their actions and enumerate the consequences if their actions are not aligned with the Board's expectations.

4.2.5.2 Overseeing of Senior Management' responsibilities and holding members of Senior Management accountable for their actions:

4.2.5.2.1 Monitoring Senior Management's actions to ensure that they are consistent with the strategic objectives and policies approved by the Board and are aligned with its Risk Appetite;

4.2.5.2.2 Meeting regularly with Senior Management;

4.2.5.2.3 Critically reviewing and challenging explanations and information provided by Senior Management;

4.2.5.2.4 Setting appropriate performance and compensation standards for Senior Management consistent with long term strategic objectives and the financial soundness of the Bank;

4.2.5.2.5 Assessing whether Senior Management's collective knowledge and expertise remain appropriate given the nature of the business and the Bank's risk profile;

4.2.5.2.6 Actively engage in succession planning for the Group Chief Executive Officer and ensure that appropriate succession plans are in place for Senior Management positions.

4.2.6 Nomination and Remuneration

4.2.6.1 Setting clear and precise standards and procedures for Board Membership and putting them into force subsequent to approval by the shareholders.

4.2.6.2 Board is responsible for recommending the remuneration of the Board for approval by shareholders.

4.2.6.3 Ensuring that Directors are provided with appropriate induction and training program.

4.2.6.4 Putting in place a clear and rigorous process of identifying and selecting candidates for the Senior Management of the Bank, and where applicable for Group. This includes a fit and proper process for the selection of Senior Management, including the heads of risk management,

compliance, and internal audit functions, and the maintenance of succession plans for Senior Management.

4.2.6.5 Together with the Board Nomination and Remuneration Committee, approving the compensation of Senior Management and overseeing the development and operation of compensation policies, systems, and related control processes.

4.2.6.6 Reviewing executive compensation and assessing whether it is aligned with the Bank's culture and risk appetite;

4.2.6.7 Supervising the Bank's human resources policies.

4.2.7 Strategy

4.2.7.1 Actively engaging in affairs of the Bank to ensure that the strategy and policies are implemented, acting in a timely manner to protect the Bank's long-term interests of the Bank;

4.2.7.2 Overseeing the development of and approving the Bank's business objectives and strategy, capital structure, financial objectives, and annual budgets and monitoring their implementation;

4.2.7.3 Supervising the Bank's main capital expenses and ownership and disposal of assets;

4.2.7.4 Setting performance objectives and monitoring implementation and the overall performance of the Bank;

4.2.7.5 Ensure the availability of resources required to achieve the Bank's objectives.

4.2.8 Gender Diversity

4.2.8.1 The Board acknowledges the benefits of diversity, particularly gender diversity on the performance of the Board and the Bank. Board promote diversity of gender, social and ethnic backgrounds. Board have formulated Selection, Appointment and Remuneration Policy is advancing a framework for inclusion and promoting gender diversity at the Board's level.

4.2.9 Other Matters

4.2.9.1. As per the Bank's Articles of Association, the Board may enter into loans for any term, dispose of or mortgage any of the Bank's real estate or other property and assets, release the Bank's debtors and make agreements and arrangements for arbitration.

4.3. Responsibilities of the Board of Directors'

The Board is the decision-making body for all matters that are significant to the Bank as a whole because of their strategic, financial or reputational implications or consequences. The Board has ultimate authority to decide on all issues except those that are reserved by law or in the Articles of Association to the authority of the shareholders in the general meeting.

4.3.1 The Board should encourage the entrepreneurial leadership of the Bank within a framework of prudent and effective controls which enable risk to be assessed and managed.

- 4.3.2 The Board must ensure that management balances the promotion of long-term growth with the delivery of short-term objectives.
- 4.3.3 The Board should be clear about the Bank's purpose and set its values and ethical standards. The Board should ensure that management behaves with integrity and that the Bank's obligations to its shareholders and others are understood and met.
- 4.3.4 The Board is responsible for strategic direction, management supervision and adequate controls with the ultimate objective of promoting the success and long-term value of the Bank.
- 4.3.5 The Board should set the strategic aims and ensure that the necessary financial and human resources are in place for the Bank to meet its objectives. The Board should ensure that management is focused on implementing the approved strategy.
- 4.3.6 The Board of Directors should set and enforce clear lines of responsibility and accountability throughout the organisation.
- 4.3.7 The Board must ensure that management maintains a system of internal control that provides assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations. The key components of internal control are:
 - 4.3.7.1 Control environment: Directors must set the "tone at the top" that influences the control consciousness of personnel;
 - 4.3.7.2 Risk assessment: the Board must be aware of and deal with the risks it faces;
 - 4.3.7.3. Control activities: control policies and procedures must be established and implemented to help ensure risks are effectively managed;
 - 4.3.7.4. Information and communications: information and communication systems, including accounting systems, provide the information needed to manage and control operations;
 - 4.3.7.5 Monitoring: the control process must be monitored and adapted as conditions change.
- 4.3.8 The Board should ensure that there are policies and procedures to identify, avoid or manage and appropriately disclose potential conflicts of interest.
- 4.3.9 The Board should ensure that there are policies, based on regulations or otherwise, regarding lending to Directors and staff of the Bank.
- 4.3.10 The Board should ensure that Board's disclosure policies are designed to ensure the fair and timely release of material information to the market and that such information is honest, accurate, not misleading and reasonably complete.
- 4.3.11 The Board should ensure that accounting policies and procedures are such that the Bank's financial statements present a true and fair view of its financial position.

- 4.3.12 The Board should ensure that there is appropriate oversight by senior management consistent with the Board policy.
- 4.3.13 The Board has put in place a system that ensures compliance to the fullest extent with the AML/CFT laws and regulations.
- 4.3.14 Directors are expected to attend Board meetings and meetings of committees and subcommittees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Decisions must be taken at properly constituted Board meetings and must be formally recorded.

4.4. **Duties of the Board of Directors**

- 4.4.1 To act honestly and in good faith in the best interests of the Bank.
- 4.4.2 To exercise reasonable care, diligence and skill to a standard that would be expected of a Director in its position.
- 4.4.3 To avoid conflicts of interests, and to disclose to the Board any personal interest in a transaction to be entered into by the Bank which may conflict with the interests of the Bank. Directors must not participate in a Board discussion on such a transaction and Directors must refrain from any vote on the transaction wherein he/she is conflicted. Directors should disclose any financial interests or business activities which might affect the Bank's financial position. Directors must not participate in any business that competes with the Bank nor carry out trade activities for Director's own account in any of the Bank's activities.
- 4.4.4 Directors should deal fairly and in an equal manner with all of the Bank's employees, suppliers, customers and competitors. Director should not take unfair advantage of anyone through manipulation, concealment, and abuse of privileged information, misrepresentation or any other unfair dealing practice.
- 4.4.5 Keep the entire Bank's information strictly confidential as long as such information has not been made public, and must only use the Bank's property for legitimate business purposes.
- 4.4.6 To only make statements to the media about the Bank's business operations with the agreement of the Chairman or the Group Chief Executive Officer.

4.5. **Board Secretary**

The Board Secretary is an independent function within RAKBANK, appointed by the Board and reporting directly to the Board. The appointment, dismissal and remuneration of the Board Secretary shall be determined by a Board resolution. The appointed Board Secretary shall have the qualifications requirements stipulated in the Applicable Laws and Regulations.

The duties of the Board Secretary include:

- 4.5.1. ensuring that the Board members adhere to procedures adopted by the Board;
- 4.5.2. informing Senior Management of the Bank about the Board and its committees resolutions and follow up points and submitting reports concerning their application and implementation;
- 4.5.3. supporting and making arrangements for the Board assessment;

- 4.5.4. organizing and preparing agendas and papers for Board meetings, committees and general assembly meeting;
- 4.5.5. drafting the minutes of the meeting, draft resolutions, and lodge required disclosures with the regulatory authorities;
- 4.5.6. ensuring decisions made are communicated to the relevant Bank's stakeholders;
- 4.5.7. monitoring the changes in relevant legislation and complying with the respective laws by lodging the disclosures as and when required.

4.6. **Board Proceedings and Standards**

4.6.1. **Board Meeting Notice and Agenda**

4.6.1.1 Board meetings shall be convened upon a written notice by the Chairman, or the Board Secretary on his behalf. Board meetings may also be convened by the Chairman or the Board Secretary on the request of (2) two members of the Board.

4.6.1.2 The Secretary shall in consultation with the Chairman set the agenda for each meeting. The agenda and meeting pack should be circulated to all Board members in advance of the meeting.

4.6.1.3 Notice of Board meetings together with an agenda and sufficient relevant supporting information to enable the Board to reach informed decisions, shall be provided to the members of the Board at least (1) one week before the meeting is due to be held. Each member of the Board shall have the right to add any matter that he/she deems appropriate to the agenda.

4.6.2. **Board Meetings**

4.6.2.1 The Board shall hold its meetings at the head office of the Bank or at any other place deemed appropriate by the Board as often as the need may arise and in any event not less than six times per year. Board meetings may be held through audio or video conferencing facilities or any other forum whereby each member can effectively participate in such meetings, according to Applicable Laws and Regulations.

4.6.2.2 No meeting of the Board shall be valid unless a majority of its members are in attendance or represented. It shall be permissible for Board Members to appoint another member of the Board to vote on his behalf in which case, such other member shall have two (2) votes, provided that a member of the Board of Directors may not act on behalf of more than one member and that at least half of the Board Members are present in person.

4.6.2.3 The Board may invite members of the staff and external experts to attend meetings as deemed necessary, on a temporary or permanent basis, upon an invitation from the Chairman.

4.6.2.4 Staff of the Central Bank may attend meetings of the Board and/or its Committees and have access to their minutes

4.6.3. **Board Meetings Decisions**

4.6.3.1 Resolutions of the Board shall be adopted by majority of the Board Members present or represented, and if there are an equal number of votes the Chairman shall have a casting vote. It shall not be permissible to vote by correspondence.

4.6.3.2 A written resolution of the Board of Directors signed by the majority Members of the Board of Director shall be deemed valid and enforceable as if it were a resolution taken at a meeting of the Board of Directors duly notified and convened, subject to the relevant provisions in the applicable Laws and Regulations.

4.6.3.3 The Chairman, Board Members, the Group Chief Executive Officer, the Board Secretary, or the Bank's General Counsel are each authorized by the Bank individually to provide certified copies of extracts of the resolution 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.

4.6.4. **Board Meetings Minutes**

The Minutes should document the details of matters considered and the decisions made, including any reservation of members or dissenting views expressed. Drafts of the Minutes shall be circulated to Board Members for their comments, and then approved at the subsequent Board meeting. Minutes shall be signed by all Members who attended the meeting together with the Board Secretary, and kept in a special book by the Board Secretary.

4.6.5. **Director Access to Senior Management**

4.6.5.1. Directors shall have full and free access to senior management and other employees of the Bank. Any meetings that a Director wishes to initiate may be arranged through Group Chief Executive Officer or the Board Secretary.

4.6.5.2. The Board may invite senior management of the Bank to attend Board meetings for specific items on the agenda based on the Group Chief Executive Officer's recommendations.

4.6.6. **Succession Planning**

The Board Nomination and Remuneration Committee shall report to the Board on an annual basis the succession plan. The Board Nomination and Remuneration Committee shall consider all appointments to the Board and make recommendations to the Board for filling any vacancies. The Board shall work with the Board Nomination and Remuneration Committee to nominate and evaluate potential successors to the Group Chief Executive Officer. The Group Chief Executive Officer shall meet periodically with the Nomination Committee in order to make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

4.6.7. **Corporate Governance Report**

Corporate Governance report signed by the Chairman of the Board of Directors shall be included in the Annual Integrated Report of the Bank.

4.6.8. **Documents Maintenance**

The Bank shall maintain all corporate governance documents including but not limited to all minutes, reports and other allied documents for a period not less than ten years. In case of a judicial lawsuit (filed or to be filed against the Bank) or a continuous claim or any investigation

related to these minutes, documents, reports and other papers, the Bank shall maintain the same until the end of lawsuit, claim or continuing investigation.

4.7. **Board Effectiveness**

4.7.1. **Directors Selection, Appointment, and Election/Re-election**

4.7.1.1. The Board has adopted [Board Selection, Appointment and Remuneration Policy](#) which sets the basis of clear, fair and rigorous process for identifying and selecting all the candidates for the Board of Directors of the Bank, and if needed the Group, with the aim of:

- 4.7.1.1.1. Having an efficient Board sufficiently diverse in its composition, with appropriate balance of skills, diversity, and expertise commensurate with the size, complexity and risk profile of RAKBANK and its Group.
- 4.7.1.1.2. Comply with applicable regulations and required disclosures regarding Directors elections and appointments.

4.7.2. The Board Nomination and Remuneration Committee (“BNRC”) is delegated by the Board to achieve the objectives of the Policy and implement its related procedures.

4.7.3. **Directors Independence**

4.7.3.1. As per [Board Selection, Appointment and Remuneration Policy](#), at least one third of the Board must be independent Members. Independent Members are Members of the Board who has no relationship with the Bank or Group that could lead to a material benefit which may affect his/her decisions. Independent Members shall not be under any other undue influence, internal or external, ownership or control, which would impede him/her from exercising objective judgment.

4.7.3.2. A Board Member shall lose his independence in the scenarios stated in [Board Selection and Appointment Policy](#) and Applicable Laws and Regulations.

4.7.4. **Induction, Development, and Board Assessment**

4.7.4.1. **Induction Program**

The Board Nomination and Remuneration Committee offers new Board Members the opportunity to participate in an Induction Program aimed to assist them in fulfilling their duties. The program will cover:

- the Bank’s strategy, objectives, governance, and organization.
- the financial and operational aspect f of the Bank’s activities.
- the obligations, duties, liabilities, and rights of Board Members.
- the functions and obligations of the Board Committees.

The Induction Program offers an overview of the regulatory environment applicable to the Bank.

4.7.4.2. Development Program

The Board Nomination and Remuneration Committee offers Board Members the opportunity of ongoing training and development. Sufficient time, budget, and other internal and external expertise are dedicated to ensure that Board Members acquire, maintain, and enhance their knowledge and skills relevant to their responsibilities.

4.7.4.3. Board Assessment

The Board, through the Board Nomination and Remuneration Committee carries out at least annually an assessment of the Board, Board committees, and individual directors to determine ways to strengthen its effectiveness. This must include an independent assessment by an external party at least every five (5) years.

4.7.5. Directors Remuneration

4.7.5.1. As per [Board Selection, Appointment and Remuneration Policy](#), Members of the Board are compensated only with fixed compensation comprising the payment of an annual fixed amount and the reimbursement of directly related costs to the discharge of their responsibilities. Bonus or any other incentive based mechanisms based on the performance of the Bank are excluded.

4.7.5.2. The remuneration of the Board Chairman and Members shall not exceed 10% of the net profits for any fiscal year after deducting all consumption and reserves.

4.7.6. Directors Insurance

Board Members are offered Directors and Officers liability insurance, as approved by the Board.

5. The Chairman

The Chairman of the Board is responsible for the overall effective functioning of the Board and its Committees. The Chairman shall assume the following duties and responsibilities:

- 5.1. Ensure that the Board acts efficiently, fulfills its responsibilities and discusses all issues on a timely basis.
- 5.2. Develop and approve the agenda of each Board meeting, taking into consideration any issues that Board Members propose to be included in the agenda. The Chairman may delegate this responsibility to a certain Board Member or the Board secretary under the Chairman's own supervision.
- 5.3. Encourage all Board Members to participate fully and efficiently in the Board in order to achieve the Bank's interests and ensure performing the Board Members' tasks in the best interests of the Bank.
- 5.4. Adopt suitable procedures to ensure efficient communication with the shareholders and efficient communication of their views to the Board.
- 5.5. Hold periodic meetings with the non-executive Board Members without presence of the Bank's executives.
- 5.6. All other duties, roles and responsibilities as stated in the applicable Laws and Regulations

6. Board Committees

To assist in exercising its responsibilities, the Board may establish committees as necessary or appropriate. Each committee shall have its own written Terms of Reference. The Terms of Reference shall set out the mission and responsibilities of the committees as well as membership, committee structure, frequency of meetings, quorum and reporting to the Board.

The Chairman of each committee, in consultation with the committee members, shall determine the frequency and length of the committee meetings consistent with any requirements set out in the committee's terms of reference. The Secretary of each committee, in consultation with the Chairman and members of the committee and appropriate senior management, shall prepare the committee's agenda. The Secretary of each Committee will also be responsible to record proceedings of the committee and circulate the minutes of meeting.

The Board and each committee shall have the power to engage independent legal, financial or other advisors as they may deem necessary.

6.1. Board Audit Committee

The Board has established a Board Audit Committee to assist the Board in the oversight, monitoring and review of the following:

- 6.1.1. The quality and integrity of financial statements and financial reporting
- 6.1.2. The effectiveness of governance, risk management and internal control systems
- 6.1.3. Compliance with laws and regulations
- 6.1.4. Compliance with the Group Code of Conduct
- 6.1.5. The Group Internal Audit function
- 6.1.6. The statutory audit process and External Auditors.

The detailed duties of the Committee are set out in its terms of reference.

6.2. Board Risk Committee

The Board has established a Board Risk Committee to assist the Board in fulfilling its responsibility with respect to the oversight of the Bank's risk management and Compliance framework specifically relating to Bank's overall risk appetite and management of specific risk areas which includes Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Interest Rate Risk, IT Risk, Business Continuity Risk and Compliance, including the significant risk management policies used in managing these risks.

The detailed duties of the Committee are set out in its terms of reference.

6.3. Board Nomination and Remuneration Committee

The Board has established a Board Nomination and Remuneration Committee to assist the Board in areas of board composition; nomination and remuneration of board members and senior management; setting the induction and director ongoing development programs; assessment of the Board, its committees, and directors; succession planning for Board Members and Senior Management, and HR policies.

The detailed duties of the Committee are set out in its terms of reference.

6.4. **Board Strategy Committee**

The Board Strategy Committee has been established by the Board of Directors to assist the Board and give guidance to the Group Chief Executive Officer and Senior Management in managing the affairs of the Bank in areas of the Bank's overall strategy, operational and financial performance monitoring, and budgeting.

The detailed duties of the Committee are set out in its terms of reference.

6.5. **Board Credit Committee**

The Credit Committee has been established by the Board to assist the Board of Directors to primarily manage credit risks of the Bank (Personal Banking, Business Banking, Wholesale Banking, FI, and Treasury related asset portfolios) through the review, approval or recommendation of individual or group credits within the authorities delegated by the Board.

The detailed duties of the Committee are set out in its terms of reference.

7. **Key Governance Policies Set by the Board**

RAKBANK have set a number of key policies for the Bank, including but not limited to:

- 7.1. [Code of Conduct and Ethics for Board Members](#) - The Bank has adopted a Code of Conduct and other internal policies and guidelines, consistent with the Bank's purpose and values, and to comply with the laws, rules and regulations that govern the Bank's business operations. The Code of Conduct applies to all employees, temporary workers and other independent contractors and consultants when engaged by, or otherwise representing, the Bank and its interests.
- 7.2. [Board Selection, Appointment and Remuneration Policy](#) - sets the basis for a clear, fair and rigorous process for identifying and selecting all the candidates for the Board of Directors of the Bank and sets out the guidelines for payment of remuneration to Chairman and Board Members.
- 7.3. [Share Dealing Policy](#) - which is designed to help directors, officers and employees comply with insider trading laws and to prevent even the appearance of improper insider trading.

8. **Senior Management**

8.1. **Responsibilities of Senior Management**

- 8.1.1. There is a clear demarcation of roles and responsibilities between the Board and senior management that fosters an environment of transparency, confidence and mutual trust in which the Board is able to constructively challenge and provide guidance to management.
- 8.1.2. The senior management operates within the organizational structure and clearly defined delegated authorities as determined by the Board.

- 8.1.3. It is the Senior Management's responsibilities to implement, consistent with the directions of the Board of Directors, systems, processes, and controls for running the business, including managing the risks to which the Bank is exposed and for complying with laws, regulations, and internal policies.

9. Management Committees

- 9.1. Governance committees may be established by the Management as necessary or appropriate to manage the affairs of the Bank. Each committee shall have its own written Charter / Terms of Reference. The Charter / Terms of Reference shall set out the mission and responsibilities of the committees as well as membership, committee structure and operations and in case it reports to the Board or any of the Board Committees.
- 9.2. The Management Committee Charter / Terms of Reference – whenever reporting to the Board or any of the Board Committees - should be approved by an appropriate Board Committee. The committee shall assume authorities as delegated by the Board and documented in the Charter / Terms of Reference. Management could also institute other committees or sub-committees as may be considered necessary. The authority of the committee or sub-committee shall be approved by the respective management committee and will assume the authority of the main committee as appropriate. The Secretary of each committee, in consultation with the Chairman and members of the committee and appropriate senior management, shall prepare the committee's agenda. The Secretary of a management committee or sub-committee shall record the proceedings and circulate minutes of meeting.
- 9.3. The agenda for each committee meeting shall be distributed to all members in advance of the meeting. The Management committee(s) shall have the power to engage independent legal, financial or other advisors, as they may deem necessary.

10. Control Functions

10.1. Risk Management

- 10.1.1. The Board Risk Committee endorses the Bank's overall risk management strategy and appetite, providing the necessary direction concerning risk management measures undertaken by the Bank.
- 10.1.2. Executive accountability for continuous assessment, monitoring and management of the risk environment and efficacy of risk management procedures sits with executive level committees (the Management Risk Committee and the sub-committees such as Information Security Management Committee, Fraud Management Committee and Business Continuity Management Committee).
- 10.1.3. Various risk functions are centralised under an independent risk division headed by the Group Chief Risk Officer (GCRO) who reports to the Board Risk Committee.

10.2. **Compliance Officer**

- 10.2.1. The Board and Management have established a zero tolerance to breaches of compliance policies. The compliance function is an independent second line of defense function. In line with the Central Bank of UAE's regulations and standards on Compliance, the Group Chief Compliance Officer reports directly to the Group Chief Executive Officer and has unrestricted access to the Board Risk Committee.
- 10.2.2. The function works closely with the Group Chief Risk Officer to set the Compliance risk appetite and presents the Compliance risk updates at every Board risk Committee. The Group Chief Compliance Officer is also the registered Money Laundering Reporting Officer of the Bank with the regulators and drives the Anti Money Laundering and Counter Terrorism and Sanctions practice of the Bank.

10.3. **Internal Audit**

- 10.3.1. The role of internal audit is to provide independent assurance that the Bank's risk management, governance and internal control processes are operating effectively. It provides an independent assurance to the Board and supports the Board and Senior Management in promoting an effective governance process and the long-term strategies of the Bank.
- 10.3.2. As the third line of defense, RAKBANK's Internal Audit is an independent function, with a mandate to protect the assets, reputation and sustainability of the organisation. The Group Chief Auditor Officer (GCAO) reports directly to the Board Audit Committee, which oversees the functioning of Group Internal Audit. The Board Audit Committee, in addition monitors the appropriateness and integrity of the published financial statements of the Bank and its subsidiaries, approves the terms of engagement of External Auditors and receives and reviews regulatory inspection reports from the UAE Central Bank and other such regulators.

10.4. **External Audit**

- 10.4.1. The external auditor is appointed annually at the Annual General Assembly. The Audit Committee is responsible for recommending to the Board the appointment, re-appointment, and rotation of the auditing firm and/or the principal partner in charge of the Bank's audit.
- 10.4.2. The principal reporting line of the external auditors is to the Audit Committee. The Audit Committee meets with the external auditors regularly to review and discuss with them the scope, quality, effectiveness and conclusions of their work. The Audit Committee also considers the provision of non-audit services performed by the auditors to ensure that they are objective and independent of the Bank.
- 10.4.3. The external auditor attends and presents to the Board the results of the annual audit of the accounts. In addition, they also attend the General Assembly meeting and are available to answer questions.

11. Subsidiary Governance

The Board of RAKBANK is responsible for providing adequate oversight of the Group, while respecting the legal independence of its subsidiaries. RAKBANK Board of Directors recognizes the importance of its responsibility in exercising effective governance oversight and control over Bank's subsidiaries and promoting intragroup business efforts. The Board seeks to ensure that the Bank's internal control framework takes into account the material risks to which the group and its subsidiaries are exposed to.

12. Sharia Governance

The Board of RAKBANK is responsible to ensure that RAKBANK complies with the Sharia rules and establish a sound and effective Sharia Governance framework with key mechanism and functionalities to ensure effective and independent Sharia oversight, as per the requirements set out by the Central Bank and the Higher Sharia Authority.

13. Review

Corporate Governance Framework shall be reviewed by the Board on an annual basis or earlier, if required.