



## **NATIONAL BANK OF FUJAIRAH**

### **THE GOVERNANCE FRAMEWORK OF THE BOARD OF DIRECTORS**

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**INDEX**

<b>1. Introduction .....</b>	<b>3</b>
<b>2. Applicability &amp; Adoption .....</b>	<b>3</b>
<b>3. Guidelines .....</b>	<b>3</b>
<b>3.1 Mission .....</b>	<b>3</b>
<b>3.2 Board of Directors .....</b>	<b>3</b>
<b>3.3 Role of the Board.....</b>	<b>3</b>
<b>3.4 Selection of CEO, Chairman and Vice Chairman .....</b>	<b>5</b>
<b>3.5 Selection of Board Members .....</b>	<b>5</b>
<b>3.6 Independence and Qualification of Directors.....</b>	<b>5</b>
<b>3.7 Term Limits .....</b>	<b>5</b>
<b>3.8 Board Meetings .....</b>	<b>5</b>
<b>3.9 Annual Strategic Review .....</b>	<b>6</b>
<b>3.10 Board Committees .....</b>	<b>6</b>
<b>3.11 Director Access to Senior Management .....</b>	<b>6</b>
<b>3.12 Access to Independent Advisors.....</b>	<b>6</b>
<b>3.13 Director Remuneration .....</b>	<b>7</b>
<b>3.14 Director Induction and Continuing Development.....</b>	<b>7</b>
<b>3.15 Evaluation of Board Performance .....</b>	<b>7</b>
<b>3.16 CEO Performance .....</b>	<b>7</b>
<b>3.17 Succession Planning .....</b>	<b>7</b>
<b>3.18 Code of Conduct .....</b>	<b>7</b>
<b>3.19 Shareholder Communications to the Board .....</b>	<b>7</b>
<b>3.20 Insider Transactions .....</b>	<b>8</b>
<b>3.21 Transactions with Directors.....</b>	<b>8</b>
<b>3.22 Loans to Directors and Senior Management .....</b>	<b>8</b>
<b>3.23 Investments .....</b>	<b>8</b>
<b>3.24 Review of Governance Guidelines.....</b>	<b>8</b>
<b>3.25 Indemnification.....</b>	<b>8</b>
<b>3.26 Information to the Board .....</b>	<b>9</b>

## 1. Introduction

Commercial banks are leading contributors to a successful economy and are expected to show the way on displaying high standards of management and corporate governance. Good governance is essential for the long-term success of a bank and it largely depends on the skills, experience and knowledge of the directors. Banks with good governance and transparent disclosure practices are trusted by their stakeholders: shareholders, customers, employees and by their regulators.

## 2. Applicability & Adoption

These guidelines are developed and recommended by the Risk Committee and approved by the Board of Directors (hereinafter referred to as 'the Board') of National Bank of Fujairah (hereinafter referred to as 'NBF' or 'the Bank'). It is the responsibility of the Risk Committee to discuss the specifics of these guidelines with the senior management of the Bank to ensure smooth and timely flow of information to the Board enabling them to take effective and well-informed decisions.

## 3. Guidelines

### 3.1 Mission

National Bank of Fujairah aspires to achieve the highest standards of ethical conduct; reporting results with accuracy and transparency; and maintaining full compliance with the laws, rules and regulations that govern the Bank's businesses.

### 3.2 Board of Directors

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 investors, customers, employees, suppliers, regulators, government and local communities. In all actions taken by the Board, the Directors 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 that obligation, Directors rely on the honesty and integrity of the Bank's senior executives and its external advisors and auditors.

### 3.3 Role of the Board

Shareholders elect the Board to oversee management and to assure that shareholders' long term interests are served. Through oversight, review, and counsel, the Board establishes and promotes the Bank's business and organizational objectives. The Board oversees the Bank's business affairs and integrity, works with management to determine the Bank's vision, mission and long-term strategy, performs the annual Chief Executive Officer evaluation, oversees succession planning of the CEO and as deemed appropriate, of the Bank's senior executives, establishes internal control over financial reporting, and assesses the Bank's risk appetite and profile, and strategies for risk mitigation.

The Board recognizes that the long-term interests of shareholders are advanced by responsibly addressing the concerns of other stakeholders including employees, customers, suppliers, regulators, government, and local communities.

Within the framework of its duties and responsibilities, including those prescribed by statute, regulations and the articles of association, the Board has delegated certain authorities and powers to committees or individuals, including the CEO, but the Board reserves the authority to deal with the following matters:

- decisions on the vision, mission, long-term objectives and strategy of the Bank;
- decisions on the credit, investment and risk policies of the Bank;
- approval of the strategies necessary to achieve these objectives, bearing in mind the activities of competitors and potential competitors and the risks inherent in these strategies;

- approval of authorities and powers delegated to the CEO and to Board committees and management committees or senior management;
- approval of the Bank's annual budget including specific approval of capital expenditure, investments and disposals;
- approval of limits for deposits, transactions and exposure risks;
- reviewing and, where appropriate, approving material related party transactions which are not in the ordinary course of business;
- approval of the capital management policy and the basis of allocation of capital within the Bank;
- approval of short, medium and long term borrowings and borrowing programs by the Bank through bilateral, club, syndicated group of financial institutions or issuance of bonds, notes or any other type or kind of financial instrument;
- decisions on the organization structure of the Bank;
- approval of the establishment of any subsidiary company;
- ensuring that the Bank manages risk effectively by:
  - (a) approving the Bank's risk appetite (the extent and categories of risk which the Board regards as acceptable for the Bank to bear);
  - (b) approving the Bank's risk management framework (embracing principles, policies, methodologies, systems, internal controls, processes, procedures and people); and
  - (c) monitoring the Bank's aggregate risk exposures and risk/return;
- ensuring that the executive management of the Bank:
  - (a) establishes and maintains appropriate systems to plan and control bank operations and risks and to comply with relevant legislation and regulations;
  - (b) provides regular and sufficient information to the Board to enable it to discharge its monitoring duties in relation to these matters; and
  - (c) implements disclosure policies and procedures that comply with regulatory requirements
- approval of the financial results announcements and reports and financial statements and annual report;
- recommendation of interim and final dividend payments to the shareholders;
- approval of the adoption of any significant change in accounting policies or practice;
- approval of the policy relating to charitable donations;
- recommendation to AGM for external auditors appointment;
- approval of the company's main professional advisors and their fees, where significant;
- ensuring that the Board has the appropriate number and quality of directors to fulfill its responsibilities;
- appointment of committees of the Board with terms of reference as necessary;
- appointment of independent valuers for real estate and/or delegate authority for such appointment of independent valuers to a Bank's governance committee;

- ensuring the forward planning of the main executive appointments within the organization;
- approval of the appointment, dismissal, and remuneration of executives one level below the Board including all members of the Management Committee;
- approval of remuneration policy and bonus pools and salary scales for employees;
- approval of the appointment and removal of the Board secretary; and
- approval and review of the corporate governance arrangements of the Bank.

### **3.4 Selection of CEO, Chairman and Vice Chairman**

The Board selects the Bank's CEO, Chairman and Deputy Chairman in the manner that it determines to be in the best interests of the Bank's shareholders.

Further, the Board ensures that the Bank's CEO, Chairman and Deputy Chairman are different individuals with clear set of roles and responsibilities assigned to each of them.

### **3.5 Selection of Board Members**

The Board nominates director candidates for election by the shareholders taking into consideration the overall composition and diversity of the Board and areas of expertise that new Board members might be able to offer and fills any Board vacancies that occur between shareholder elections pursuant to the Bank's Articles of Association. As per the circular no. 2203/2011 dated 05 April 2011 from the Central Bank of the UAE (CBUAE), appointment of any new Board Member will require a prior approval from the CBUAE. Any new appointment of a member to the Board is also communicated to the Emirates Securities and Commodities Authority (ESCA) and Abu Dhabi Securities Exchange (ADX).

### **3.6 Independence and Qualification of Directors**

The Board ensures that a number of the Directors of the Board meet the criteria for independence as established by the Board and any applicable laws, rules and regulations regarding independence in effect from time to time. The number of other public company boards on which a Director may serve shall be subject to a case-by-case review by the Board in its capacity as the Nomination Committee, in order to ensure that each Director is able to devote sufficient time to perform his or her duties as a Director.

### **3.7 Term Limits**

The Board does not believe it should limit the number of terms for which an individual may serve as a director. Directors who have served on the Board for an extended period of time are able to provide valuable insight into the operations and future of the Bank based on their experience with and understanding of the Bank's history, policies, and objectives. The Board believes that, as an alternative to term limits, it can ensure that the Board continues to evolve and adopt new viewpoints through the evaluation and development process described in these guidelines. However, as per the requirements of the Company Law, a Board member who has completed a term of three years will be required to go through a process of reappointment to continue serving as a Board member.

### **3.8 Board Meetings**

Directors are expected to attend Board meetings and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Information and materials that are important to the Board's understanding of the business to be conducted at a Board meeting should be distributed to the Directors prior to the meeting, in order to provide ample time for review beforehand. The Chairman or Deputy Chairman of the Board shall establish a calendar of standard agenda items to be discussed at each meeting scheduled to be held over the course of the ensuing year, and shall also establish the agenda for each Board meeting. Each Board member is free to



suggest items for inclusion on the agenda or to raise subjects that are not on the agenda for that meeting.

### **Board Meetings – Frequency**

The Board will generally hold six regularly scheduled meetings per year and will hold additional special meetings as necessary. Each Director is expected to attend both scheduled and special meetings, except if unusual circumstances make attendance impractical. A notification in regard to the holding of the Board meeting is sent to Emirates Securities and Commodities Authority (ESCA) and Abu Dhabi Securities Exchange (ADX) two days prior to the date of the Board meeting.

### **Board Meetings – Agenda**

The CEO, in consultation with the Chairman and Deputy Chairman of the Board, will set the agenda for each Board meeting, taking into account suggestions from other members of the Board.

### **Board Meetings – Minutes**

Minutes with respect to actions/decisions taken at each meeting of the Board shall be recorded by the Board Secretary and will be included in the papers for the next full Board meeting.

### **Advance Distribution of Materials**

All information relevant to the Board's understanding of matters to be discussed at an upcoming Board meeting will be distributed to all Board members in advance by the Board Secretary, whenever feasible and appropriate. Each Director will be expected to review this information in advance of the meeting to facilitate the efficient use of meeting time. In preparing this information, management ensures that the materials distributed are as concise as possible, yet give Directors sufficient information to make informed decisions.

## **3.9 Annual Strategic Review**

The Board shall review the Bank's long-term strategic plans and the principal issues that it expects the Bank may face in the future during at least one Board meeting each year.

## **3.10 Board Committees**

The committees of the Board will be the Audit Committee, Nomination & Remuneration Committee and Risk Committee. The Board may establish additional committees as necessary or appropriate. Committee members shall be appointed by the Board after consulting the individual Directors. The agenda for each committee meeting shall be distributed to all Directors in advance of the meeting. Further, the minutes of the various committees of the Board will be forwarded to all the Board members on a periodic basis.

## **3.11 Director Access to Senior Management**

Directors shall have full and free access to senior management and other employees of the Bank. Any meetings or contacts that a Director wishes to initiate may be arranged through the CEO or the Secretary or directly by the Director. The Board may invite senior management of the Bank to attend Board and Board committee meetings for specific items on the agenda. If the CEO wishes to have additional Bank personnel attendees he will obtain the prior consent of the Chairman or the Deputy Chairman for the Board meeting and the respective Chairman for the specific Board committee meeting.

## **3.12 Access to Independent Advisors**

The Board and its committees have the right at any time to retain independent external auditors and financial, legal, or other advisors. The Bank will provide appropriate funding, as determined by the Board or any committee, to compensate those independent external auditors or advisors, as well as to cover the ordinary administrative expenses incurred by the Board and its committees in carrying out their duties.

### **3.13 Director Remuneration**

The form and amount of Directors' remuneration is determined by the shareholders. The Nomination and Remuneration Committee ensures that the remuneration are in compliance with the requirements of the Company Law and recommend to the Board which in turn proposes to the shareholders at AGM. The Nomination and Remuneration Committee shall conduct an annual review of Directors remuneration. Directors who are not employees of the Bank or any of its subsidiaries or affiliates shall not enter into any consulting arrangements with the Bank.

### **3.14 Director Induction and Continuing Development**

The Bank shall provide an induction programme for new Directors and continuing education opportunities for all members of the Board. The induction programme shall include presentations by senior management on the Bank's strategic plans, its significant financial, accounting and risk management issues, its compliance programme, its Code of Conduct, its management structure together with meetings with senior management and the internal and external auditors. The induction programme may also include visits to the Bank's significant facilities. Periodical Corporate Governance trainings and awareness sessions as a part of continuing education will also be organized for the members of the Board and the Board Secretary by utilizing services of external training providers.

### **3.15 Evaluation of Board Performance**

The Nomination & Remuneration Committee shall conduct an annual review of Board performance in accordance with guidelines to be agreed by the Board. The results of the review of Board performance shall be summarized and presented to the Board.

### **3.16 CEO Performance**

The Board shall conduct an annual review of the CEO's performance in order to ensure that the CEO is providing the best leadership for the Bank in the long and short term.

### **3.17 Succession Planning**

The CEO shall meet periodically with the Nomination & Remuneration Committee of the Board 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.

### **3.18 Code of Conduct**

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. The Board shall monitor compliance with the Code of Conduct.

### **3.19 Conflict of Interest**

No member of NBF Board of Directors shall derive any personal profit or gain, directly or indirectly, by reason of his or her participation with NBF. This shall also include the member's business or other non-profit affiliations, family and/or significant other, employer, or close associates who may stand to receive a benefit or gain. Each individual Board member and CEO shall disclose to the full Board any personal interests which he or she may have in any matter pending before the organization and shall refrain from participation in any discussion or decision on such matter.

In addition, any member of NBF's Board of Directors shall refrain from obtaining any list of clients or donors for personal or private solicitation purposes at any time during the term of their affiliation.

Any new member of the Board of Directors or of the staff shall be given this policy at the time of their election onto the Board of Directors and/or joining of the Bank respectively. The policy will be reviewed at least every two years by the Board at a regularly scheduled meeting.

### **3.20 Shareholder Communications to the Board**

Shareholders may contact an individual Director, the Board as a group, or a specified Board committee or group, including the independent Directors as a group.

### **3.21 Insider Transactions**

Directors and executive officers may not trade Bank shares during a close or blackout period as defined by regulations or Stock Exchange listing rules.

### **3.22 Transactions with Directors**

To the extent transactions, including brokerage services, banking services, insurance services and other financial services, between the Bank and any Director or family member of a Director are not otherwise specifically prohibited under these Corporate Governance Guidelines or other policies of the Bank, such transactions should be made in the ordinary course of business and on the same terms as those prevailing at the time for comparable transactions with non-affiliates.

### **3.23 Loans to Directors**

The Bank may grant credit facilities to Directors or their interested companies or immediate family no more favorable than those may be offered to the general public. While granting such credit facilities, Bank shall be governed by the regulations of the Central Bank of the UAE as issued from time to time, the Bank's Credit Policy, provisions of conflict of interest as stated under point 3.19 of this document and any other relevant policy.

### **3.24 Investments**

Neither the Bank nor any member of senior management make any investment in a partnership or other privately-held entity in which a Director is a principal, or in a publicly-traded company in which a Director directly owns or controls more than a 10% interest.

A Director, or family member of a Director, may participate in investment opportunities offered or sponsored by the Bank provided they are offered on similar terms as those for comparable transactions with similarly situated non-affiliated persons.

Directors and members of senior management may not invest in partnerships or other investment opportunities sponsored, or otherwise made available, by the Bank, unless their participation is approved in advance by the Board. Directors and members of senior management may not invest in a third party entity when the investment opportunity is made available to him or her as a result of such individual's status as a Director or member of senior management of the Bank.

### **3.25 Review of Governance Guidelines**

The Board is expected to review these guidelines at least every two years (we may consider this to change to annually) or as appropriate. The Audit Committee of the Board through the Head of Internal Audit shall undertake an annual review of the compliance and adherence with the framework and related guidelines.

### **3.26 Indemnification**

The Bank provides reasonable directors' and officers' liability insurance for the Directors and shall indemnify all Directors to the fullest extent permitted by law and the Bank's certificate of incorporation and by-laws.

### **3.27 Information to the Board**

The Bank shall provide the Board with information necessary for its effective functioning and on a periodic basis as desired under the various regulatory requirements and the international best practices.