

# **Corporate Governance & CSR Report 2015**



بنك الشارقة  
Bank of Sharjah



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## Introduction

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Corporate Governance is a method of developing and enforcing regulatory measures in order to maintain a more accountable management in line with international best practices. It refers to a set of relationships between the management, Board of Directors, shareholders and other stakeholders, which provides the structure through which the objectives of the organization are set. It also ensures that there are clear guidelines for the allocation of authority and responsibility to various stakeholders. It instils a culture where the Board of Directors and the Executive Management contemplate the impact of their decisions prior to implementation to consider the interests of all the stakeholders, first and foremost, the shareholders of the company.

Corporate Governance has been launched to the forefront of business activity post-financial crisis. Regionally and internationally, recessions and downturns in many countries have been blamed on lack of corporate governance or non-compliance with corporate governance guidelines. It has therefore become imperative that companies focus on this as a matter of urgency, aiming to meet regulatory requirements and striving to meet international best practices.

Corporate Governance may not be seen as a core business function but without it, the basic business concerns would begin to suffer. Governance is a holistic approach to the management and organization within a firm which, if directed in a comprehensive manner can make a substantial difference to the business's success and its long-term sustainability; it feeds into all areas of the business.

Corporate Governance closely examines the effectiveness of the Board of Directors and the performance of the Executive and Non-Executive Directors. The Board should be the driving force of the business progress and its decision-makings. Ultimately the Directors hold responsibility for decisions made by the organization and are liable for any associated risks.

Bank of Sharjah P.S.C. (hereafter "the Company" or "the Bank") has always been committed to achieving a high level of governance. Ethical and responsible business practices have been embedded in the Bank's culture since its inception in 1973. The Bank focuses on transparency and disclosure to ensure it is in line with best international standards and practices. The bank continuously strives to enhance the level of trust amongst its stakeholders and to further focus on the principle of transparency. As such, it updates the shareholders on the recent corporate governance developments by publishing the Corporate Governance and Corporate Social Responsibility (CSR) report as part of its Annual Report. The Corporate Governance framework within the Bank is based on the regulations set by the UAE Central Bank and the Securities & Commodities Authority, the Federal and local legislations such as the National Electronic Security Authority (NESA) as well as the Basel II 'Principles for enhancing Corporate Governance'.

Bank of Sharjah was incorporated on December 22, 1973, by Emiri Decree issued by H.H. Dr. Sheikh Sultan Bin Mohammed Al Qasimi, Ruler of Sharjah, as the first Financial institution in the Emirate of Sharjah, the fifth in the Federation, and the first consortium bank established in the GCC in association with Banque Paribas. The Bank was also the first financial institution to make 40% of its capital available to public subscription.

Over the years, the Bank has continued to grow and become successful. Bank of Sharjah remained relatively unscathed during the various financial crises over the years and this is a testament to the Bank's proficient Board of Directors, Management and its underlying good governance.

The Bank has always been focused on maintaining internal control and governance and has shown its commitment in many ways including being a founding member of Hawkamah – The Institute for Corporate Governance. Through its membership with Hawkamah, the Bank is playing its part in the development and promotion of increased transparency, disclosure and better governance throughout the MENA region.

The Bank has a designated Corporate Governance and CSR Officer whose primary role is the development and implementation of the Bank's governance framework, overseen by the Board of Directors.

The Bank has a list of 'Core Values' on which strong emphasis is placed, namely: Performance, Ethics, Transparency, Initiative, Creativity, Quality (PETICQ); all of which form the basis of this report.

### **Mission Statement Bank of Sharjah P.S.C**

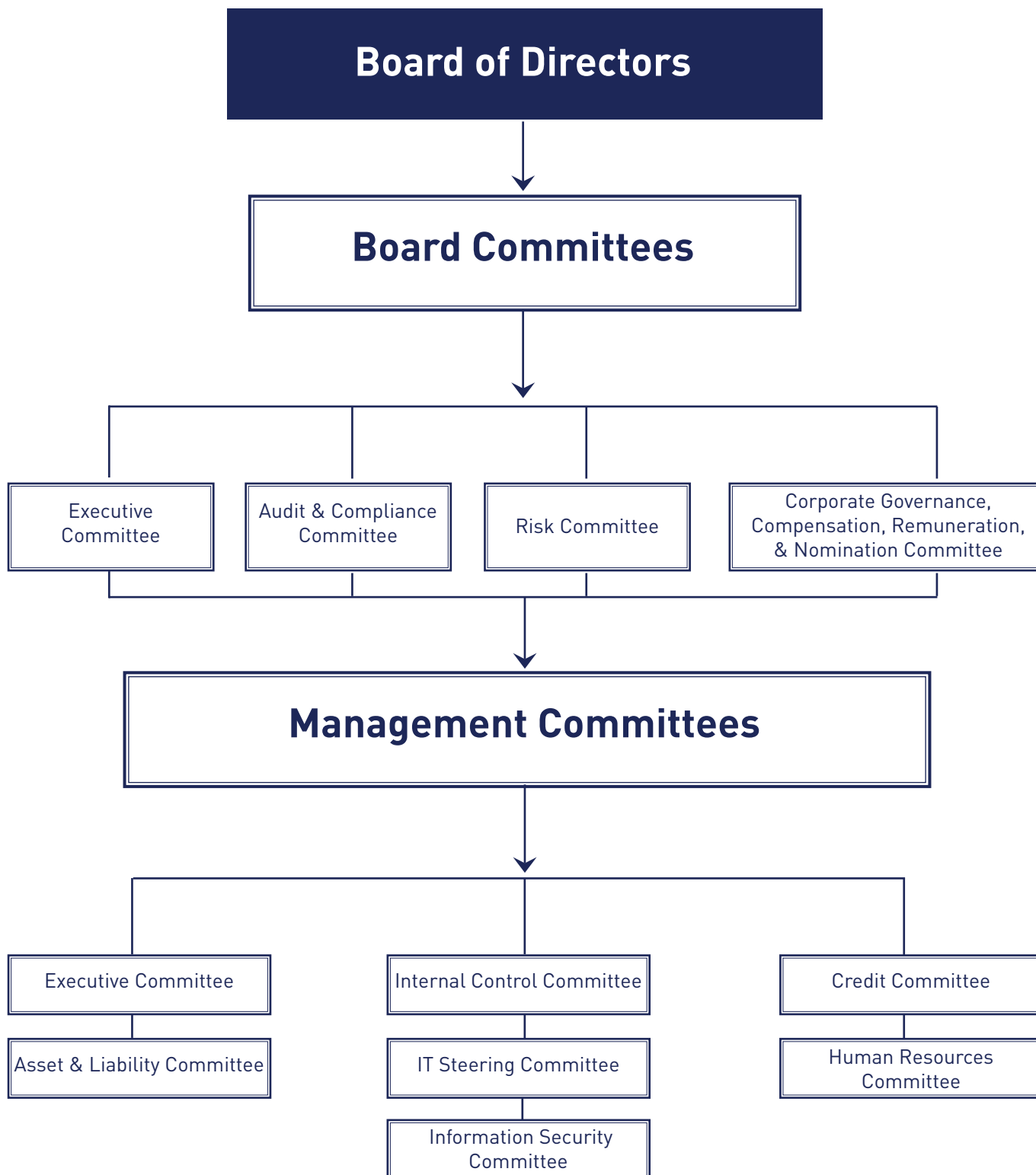
**'The mission of Bank of Sharjah is to achieve strong and sustainable Performance for its shareholders. The Bank is committed to its personnel and clientele to accompany them in realizing their aspirations and objectives.**

**Performance, Ethics, Transparency, Initiative, Commitment, Quality**

**are imprinted in the way we do business and how we contribute to society and the environment.'**

## **Bank's Corporate Governance Structure**

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As shown in the above figure, the Board of Directors heads the governance structure of the bank. The Board created four Board Committees, with specific roles and responsibilities delegated to each. In addition, in order to ensure an effective achievement of the Bank's goals, the Bank's Management created seven Committees devoted to the day-to-day management of the business.

## Board of Directors

Bank of Sharjah has a very experienced, highly skilled and well-respected Board of Directors from a variety of business backgrounds. The Board members are fully committed to the Bank's long-term sustainability and their confidence is evident through their shareholding in the Bank. The Directors are engaged with the business practice, they know the Bank's business structure and its operational procedures; which enables them to keep abreast of significant changes and to act promptly to protect the Bank's long-term interests, when necessary. The Directors are committed to achieving the Bank's objectives while ensuring shareholders' interests are always considered. In line with the revised Basel Committee's Corporate Governance Principles for Banks, the Board approves and follows the implementation of the Bank's overall strategy, and periodically reviews the Bank's Corporate Governance framework to ensure its appropriateness with respect to changes in the Bank's business strategy, scope of activities and regulatory requirements. The Board is also responsible for establishing the Bank's risk appetite along with the Senior Management, taking into consideration the Bank's risk exposure and long-term objectives.

The Board meets regularly, six times per year (Article 22 – Articles of Association). In addition to these meetings, the Board may convene whenever the need arises upon the invitation of the Chairman, by three of its Directors or by the General Manager. A meeting can only be held if the majority of members are in attendance. If Directors are unable to attend a meeting, their votes can be assigned to another Director of their choosing (Article 23). A Director cannot act for more than one other Director.

Independent Directors can meet at any time outside of scheduled Board meetings to discuss any issues they might have.

The Board of Directors shall consist of not less than nine members and not more than fifteen members to be elected by the Ordinary General Meeting by secret cumulative ballot (Article 17). Currently there are ten members on the Board.

The Board status is aligned with the Bank's definition of independence as stated in the Articles of Association as well as best practices regarding Directors interests and exposure levels. As such the Board is 60% independent, that is 6 Independent and Non-Executive Directors, 3 Non-Executives Directors and one Executive Director. It is not permitted for the Chairman of the Board to be the General Manager of the Company or its Managing Director (Article 17).

The term of the Board is three years at the end of which a new Board is elected. Directors whose term expires may be re-elected (Article 18). The Board elects a Chairman and Deputy Chairman by a simple majority vote (Article 19).

The Chairman of the Board and the majority of the Directors must be of UAE nationality.



## Definition of Independence

As defined in point 14 of the Bank's Articles of Association, an Independent Director is a director who was not personally or through his spouse or any of his relatives a member of the Company's executive management during the past two years and none of them had any substantial financial dealings with the Company, its holding company or any of its subsidiaries or affiliates during the past two years".

The Director loses his independent status in any of the following instances, inter alia:

- If he has been employed by a party connected to the Company in the past two years.
- If he has connections with a consultancy firm or a firm that offers consultancy services to the Company or to a party related to the Company.
- If he has connections to a major customer or supplier of the Company or any party related to it.
- If he has contracts for personal services with the Company, any party related to it or with its executives.
- If he is connected to a non-profit organization that receives substantial funding or donations from the Company or a party affiliated to it.
- If he works as an Executive in another company in which the Company Executives occupy the office of Directors.
- If during the past two years, he had connections with or was employed by the present or past auditors of the Company or any party affiliated to it.

**Executive Directors:** are Directors who are fully devoted to the management of the Company or who receive a monthly or annual salary from the Company.

**Non-executive Directors:** are Directors who are not fully devoted to managing the Company or who do not receive a monthly or annual salary from the Company.

**Board of Directors**  
**Bank of Sharjah P.S.C.**

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CHAIRMAN  
Mr. Ahmed Abdalla Al Noman



VICE CHAIRMAN  
Sheikh Mohammed Bin Saud Al Qasimi



Sheikh Saif Bin Mohammed  
Bin Butti Al Hamed



H.E. Humaid Nasser Al Owais



Mr. Abdul Rahman Bukhatir



Mr. Abdul Aziz Hassan  
Al Midfa



Mr. Abdul Aziz Mubarak  
Al Hasawi



Mr. Saud Al Besharah



Mr. Francois Dauge



Executive Director & General Manager  
Mr. Varouj Nerguizian

**Mr. Ahmed Abdalla Al Noman** Chairman (Independent Non-Executive Director)

Board Member since 1973 and Chairman since 1993. A former Director of the Government of Sharjah Land Department, and a prominent businessman.

**Sheikh Mohamed Bin Saud Al Qasimi** Vice Chairman (Non-Executive Director)

Board Member since 2004 and Vice Chairman since 2008. He is a member of the Sharjah Ruling Family, and the Chairman of the Government of Sharjah - Finance Department and a prominent businessman.

Chairman's Duties: (Article 26 - Articles of Association)

- To ensure that the Board operates efficiently, performs its duties and deliberates all fundamental matters promptly.
- To set and adopt the agenda of each Board meeting, taking into consideration any matters proposed by the Directors. The Chairman may assign this responsibility to a particular Director or to the Secretary of the Board.
- To encourage Directors to participate fully and effectively so as to ensure that the Board acts in the Company's best interests.
- To undertake suitable measures to ensure a proactive relationship with the shareholders and transmittal of their views to the Board.
- To promote active participation by the Directors, particularly the Non-Executive Directors, and develop a constructive relationship between Executive and Non-Executive Directors.

**Sheikh Saif Bin Mohammed Bin Butti Al Hamed** (Independent Non-Executive Director)

Board Member since 1999, member of the Abu Dhabi Ruling Family, and a prominent businessman, who owns substantial businesses in the Emirates and sits on many company Boards. He is the son of Sheikh Mohammed Bin Butti Al Hamed, former Representative for the Western Region of H.H. the Ruler of Abu Dhabi, and a major shareholder of United Al Saqr Group, Abu Dhabi.

**H.E. Humaid Nasser Al Owais** (Independent Non-Executive Director)

Board Member since 1973 and one of the Founding members. A former Federal Minister of Electricity and Water, a prominent businessman who maintains private businesses.

**Mr. Abdulrahman Mohamed Bukhatir** (Non-Executive Director)

Board Member since 1973 and one of the founding members of the Bank. A prominent businessman with a diversified business portfolio that includes businesses in India, Morocco and Tunisia, among others.

**Mr. Abdulaziz Hassan Al Midfa** (Independent Non-Executive Director)

Board Member since 1973. Former Director of the Finance Department in Sharjah.

**Mr. Abdulaziz Mubarak Al Hasawi** (Non-Executive Director)

Member of the Board since 2005. The son of the Late Mr. Mubarak Al Hassawi, one of the three main founders of the Bank. He is a well-known Kuwaiti businessman, Chairman and a Senior Executive in several leading institutions across Kuwait. He also owns and manages companies across the region including the UAE, Saudi Arabia, Lebanon, Bahrain and Europe.

**Mr. Saud Abdul Aziz Al Besharah** (Independent Non-Executive Director)

Board member since 1985. A prominent businessman in Kuwait and a Director of various companies.

**Mr. Francois Dauge** (Independent Non-Executive Director)

Board Member since 1995. A former Executive of BNP Paribas and a member of the Franco/Lebanese Chamber of Commerce, Paris - France.

**Mr. Varouj Nerguizian** (Executive Member & General Manager)

Joined the Bank in 1977 and has, as a member of the Staff of BNP Paribas, held the position of General Manager of the Bank since 1992. He became an Executive Board Member in 2008. He is also the Chairman and General Manager of Emirates Lebanon Bank S.A.L. as well as Board Member of several other entities.

**Board of Directors**  
**Emirates Lebanon Bank S.A.L.**  
**"Majority owned by Bank of Sharjah P.S.C"**

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- **Mr. Varouj Nerguizian**  
(Chairman & General Manager)
- **Sheikh Saif Bin Mohammed Bin Butti Al Hamed**  
(Vice-Chairman & Independent Director)
- **Mr. Abdul Aziz Mubarak Al Hasawi**  
(Vice-Chairman & Non-Executive Director)
- **Sheikh Mohammed Bin Saud Al Qasimi**  
(Bank of Sharjah representative & Non-Executive Director)
- **Sheikh Khalid Bin Sultan Al Qasimi**  
(Independent Director)
- **Mr. Salah Ahmad Al Noman**  
(Independent Director)
- **H.E. Selim Jreissati**  
(Independent Director)
- **Mr. Karim Souaid**  
(Independent Director)
- **Dr. Bassel Salloukh**  
(Independent Director)
- **Mr. Fadi Ghosn**  
(Non-Executive Director)
- **Mr. Mario Tohme**  
(Non-Executive Director)
- **Mr. Aram Nerguizian**  
(Independent Director)

#### **Directors on Both Boards**

Sheikh Mohammed Bin Saud Al Qasimi

Sheikh Saif Bin Mohammed Bin Butti Al Hamed

Mr. Abdulaziz Mubarak Al Hasawi

Mr. Varouj Nerguizian

## Role of the Board

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The Board's primary function is being in line with Principle One of Basel II 'Principles for Enhancing Corporate Governance' which states:

“The Board has overall responsibility for the Bank, including approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values. It is the Board's responsibility to direct and supervise the general management.”

The Board shall have all the powers to manage the Company and carry out transactions. Nothing shall act to limit these powers except as provided for in the Law of Commercial Companies and the amendments thereto or the Articles of Association or by resolutions of the Extra Ordinary General Assembly. The Board also ensures that Bank of Sharjah is effectively managing its role as Parent Company of Emirates Lebanon Bank SAL. Emirates Lebanon Bank SAL has a separate Board of Directors; Bank of Sharjah holds the majority Board position in Emirates Lebanon Bank SAL.

### **General Responsibilities of the Board**

- To set down the Company's policy and supervise its implementation.
- To appoint a General Manager for the Company and define his powers in the light of management agreements concluded between the Company and third parties.
- To authorize borrowing by the Company in the short, medium or long term.
- To draft regulations relative to loans and other matters covered under the corporate objects.
- To issue resolutions, rules and internal regulations relative to corporate financial and administrative affairs.
- To set the controls and rules for accepting cash term deposits from shareholders, banks and financial institutions.
- To prepare the annual report on corporate affairs.
- To approve participation in companies and banking and financial institutions with objectives similar to those of the Company.
- To purchase, sell and mortgage real estate as may be required for the Company's affairs, leasing or exploiting real estate for periods not exceeding three years.
- To conclude settlements, relinquish any of the Company's rights and submit to arbitration in matters subject to the jurisdiction of courts of law.
- To set regulations for the business of the Board and its meetings and the distribution of assignments and responsibilities amongst the Directors.

## **Directors' Duties**

Upon assuming a position on the Board, each Director must declare to the Bank the posts he occupies in companies and public institutions as well as any other important duties that might have to be undertaken. Directors must determine a time allocated to these duties and inform the Company of any changes when it occurs.

Directors' duties include ensuring conformity with the rules of governance and the standards of institutional compliance issued by The Emirates Securities and Commodities Authority (ESCA) in Decree No. 32r/2007 and any complementary or amending decrees.

Conflict of interests:

If any Director has an interest which conflicts with those of the Company's in any transaction submitted to the Board for approval, he shall be required to make his interest known to the Board and have his declaration registered in the minutes provided he does not take part in the vote relative to such transaction.

Directors must act with honesty and integrity, taking into consideration the interests of the Company and its shareholders and adhere to the laws, regulations and decrees in effect and the Company's Articles, and by-laws.

A majority of the Directors may request the advice of an outside consultant on any corporate matter at the Company's expense provided that there is no conflict of interest. It is the Board's duty to choose an appropriate consultant if required.

## **The Responsibilities of the Non-Executive Directors shall include:**

Attending Board Meetings where they can offer independent views on strategic matters, policy, performance, accountability, resources, senior appointments and work standards.

Giving priority to the interests of the Company and its shareholders whenever there is a situation of conflict of interest.

- Participating in committees.
- Supervising the Company's performance with the view of fulfilling its agreed purposes and objects and reviewing the performance reports.
- Setting procedural rules of governance and controlling and supervising implementation in accordance with these Articles.
- Enabling the Directors and the various committees to offer their capabilities, experience and varied specialties and qualifications for the Company's well-being by attending regularly and participating proactively in General Meetings and forming a balanced comprehension of the Shareholders' views.

**Bank of Sharjah Board Meeting Attendance**

Meeting Date	31/01/15	21/03/15	21/03/15	29/04/15	06/06/15	07/11/15	TOTAL
Meeting No.	203	204	205	206	207	208	2015
Mr. Ahmed Al Noman	0	1	1	1	1	1	5
Sh. Mohamad Bin Saud Al Qasimi	0	1	1	1	0	0	3
Sh. Saif Bin Mohd. Bin Butti Al Hamed	0	1	1	1	0	0	3
H.E. Humaid N. Al Owais	1	1	1	1	1	1	6
Mr. Abdulrahman Bukhatir	1	1	1	0	0	1	4
Mr. Abdul Aziz Al Midfa	1	1	1	1	1	1	6
Mr. Abdul Aziz Mubarak Al Hassawi	1	0	0	1	1	1	4
Mr. Saud Al Besharah	1	1	1	0	1	1	5
Mr. Francois Dauge	1	1	1	1	1	1	6
Mr. Varouj Nerguizian	1	1	1	1	1	1	6

## Board Committees

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“The Board of Directors shall establish specialized Committees of at least three Non-Executive Directors, two of them to be independent. The Chairman of such Committees shall be an Independent Director. The Chairman of the Company shall not be entitled to be member of any of the specialized Committees. The Board of Directors shall choose Non-Executive Directors when forming Committees specialized in subjects that could have a potential conflict of interest such as verifying financial and non-financial statements, review of deals with related parties, choosing Executive Directors as well as remuneration related issues.”

“The Committees shall be formed in accordance with procedural rules set by the Board provided they define the Committee’s responsibilities, its period of operation, its powers and the manner in which the Board exercises its supervision over it. The Committee shall report to the Board its proceedings, conclusions and recommendations with full transparency. The Board shall follow up on the work of the Committees to ensure their adherence to the tasks entrusted to them.”

Each of the Board Committees will have an independent role, operating as an overseer and a maker of recommendations to the Board for its consideration and final approval. The Committees will not assume the functions of management, which remain the responsibility of the Executive Directors, Officers and other members of Senior Management.

The Committees hold regular meetings and minutes of these meetings are kept by the Secretary in each institution. The minutes are reviewed, approved and signed by all the Committee members.

The Company provides the Committees with adequate resources to discharge their duties, including authorizing the Committees to seek the advice of experts, wherever necessary.

The Charters of all committees are reviewed annually and any recommended changes are submitted to the Board for approval.

As per Article 26.5 of Articles of Association, Management is required to provide the Board and its ensuing Committees with adequate and fully supported information in a timely manner so as to enable them to reach proper resolutions and fully discharge their duties and responsibilities. However, the Board may, if necessary, conduct additional investigations that enable it to base its resolutions on a valid ground.

**Board Executive Committee**

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## Introduction

In accordance with Article (20) of the Bank's Articles of Association, the Board of Directors appoints a Committee known as the Board Executive Committee. The Committee is established in line with Bank of Sharjah Group practices.

The Board Executive Committee is a unique emanation of the Board. It is granted extensive powers to manage the Bank and supervise its operation in accordance with the general directives of the Board of Directors, and within the framework of the laws and regulations.

## Composition

The Board appoints the members of the Committee, based on having the appropriate skills, while ensuring that there is no conflict of interest.

The Committee is composed of four Board Members.

The Board sets the remuneration of the Committee members.

## Committee Secretary

The General Manager is appointed as Secretary to the Board Executive Committee and should record the minutes of each meeting.

## Role

The Board Executive Committee is empowered to carry out, without referring to the Board, all or any of the acts and matters set forth below, which are hereby delegated to it by the Board from amongst the Board's powers enumerated in Article (21) of the Articles of Association.

## Key Responsibilities

To make recommendations regarding the development and implementation of the bank's strategic plan.

To devise the general policy of the investment of the funds, acquisition of the loans and other rights and their transfer with or without security.

To obtain mortgages and other rights whether in rem or personal.

To record notations of law suits in the real estate register and to delete such notations for or without consideration.

To extend banking facilities to individuals, corporations and banks, funded or unfunded, in local currency or any foreign currency against any security it deems appropriate, and to set their terms. Such facilities include but are not limited to:

Loans, Overdrafts, Trust Receipts, Cheques Discount, Letters of Guarantees, Documentary Credits, Foreign Exchange Spot & Forward deals, Currency & Interest Rate Swaps; Derivatives and in general all banking and financial transactions initiated within the scope of international banking practice.

To authorize issuing and selling notes and borrowing against such notes with or without security, to subscribe to notes issued by companies or other investment institutions, governments, or others.

To approve the launching and marketing of investment portfolios and trade and investment in local and international shares, bonds and other financial instruments.

To approve settlements and delegate the power for finalizing them to the General Manager or the Bank's attorneys.

To authorize initiating legal actions, concluding settlements, making submissions for arbitration, withdrawing legal proceedings and waiving rights against or without consideration, with the right to receive and effect payments, waive rights, release and discharge.

To grant signing powers on behalf of the Bank and define the category of each signatory.

To delegate to the General Manager the whole or part of its vested authority.

### **Authority & Accountability**

Any decisions made should be taken unanimously and shall be binding upon the Board as if adopted by the Board.

The Executive Committee shall perform its duties under the supervision of the Board of Directors and under its full responsibility.

The Board Executive Committee will have the authority to access any document and request information from any department, staff member or management team.

Each member of the Board Executive Committee shall acquire, by virtue of his membership, a category "A" signing authority on behalf of the Bank.

### **Meetings**

The Board Executive Committee meets on a monthly basis, or whenever the chairman considers necessary.

The Committee can invite to the meetings members of staff, management or anyone else deemed necessary.

The Secretary of the Committee issues the minutes of the meetings, to be approved and signed by all Committee members.

For a meeting to be held the majority of members need to be in attendance. Attendance by proxy shall not be accepted. Meetings can be held via video or telephone conferences or any other permissible means. Email correspondence shall be considered a valid medium for holding these meetings.

### **Resources**

The Bank shall provide the Board Executive Committee with adequate resources to discharge its duties including authorising the Committee to get the assistance of experts or consultants, whenever necessary.

### **Other**

The Board conducts periodic evaluations of all Committees in order to assess their performance and effectiveness.

The Charters for all Committees are reviewed annually and any recommendation for improvement is submitted to the Board.



### **Board Executive Committee Members**

Mr. Ahmed Abdalla Al Noman

H.E. Humaid Nasser Al Owais

Mr. Saud Al Besharah

Mr. Francois Dauge

Mr. Varouj Nerguizian (Secretary)

### **Board Executive Committee Members Emirates Lebanon Bank S.A.L.**

Mr. Varouj Nerguizian

Mr. Saud Al Besharah

Mr. Francois Dauge

Mr. Fadi Ghosn

Mr. Mario Tohme

## **Board Audit and Compliance Committee**

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## Introduction

The Board Audit and Compliance Committee is supervised by and reports to the Board of Directors.

The Committee is established under the Bank of Sharjah Articles of Association, Articles 26.8 to 26.10 and in accordance with the UAE Central Bank guidelines.

## Composition

### *Membership & Chairperson*

The Board appoints the members of the Committee based on having the appropriate skills and ensuring that there is no conflict of interest.

The Board sets the remuneration of the Committee members.

The Committee is composed of a minimum of three non-executive Directors with the majority also being Independent.

The Chairman of the Board cannot be a member of the Audit and Compliance Committee.

The Chairperson of the Committee is an Independent Director and is selected by the Board.

At least one of the members of the Committee is competent in finance, accounting or audit.

## Committee Secretary

The members of the Committee appoint a Secretary who prepares meeting agendas, conducts the meeting proceedings, records the minutes and ensures they are approved and signed by the Committee members.

The term of the Committee shall be similar to that of the Board.

## Role

- Verify the independence of the Bank's External Auditors.
- Assess the integrity of the Bank's financial statements and disclosures.
- Ensure the Bank has an effective and efficient internal auditing process.
- Oversee the implementation of the Bank's compliance policies and procedures and ensure that the Bank is in compliance with all regulatory and legal requirements in line with the Bank's Code of Conduct.

## Responsibilities: Audit

To review Bank of Sharjah's financial and accounting policies and procedures, ensuring the integrity and accuracy of the Bank's financial statements and disclosures.

To ensure the Bank employs international accounting and reporting standards or requirements imposed by the regulatory authorities.

To regularly meet with the Bank's Internal Auditors to discuss audit plans and resources, receive reports on any major findings that have been issued to Executive Management and to discuss any issues arising from reviews of the Internal Control environment.

To receive and consider reports and proposals from Management and/or any other related department.

To adopt a policy for appointing and contracting the External Auditor and to discuss with the External Auditor the nature, scope and efficiency of the audit in accordance with generally accepted auditing standards.

To follow up and monitor the independence and objectivity of the External Auditor.

To monitor, as part of its normal course of activity, and revise the integrity of the annual, semi-annual -and quarterly financial statements to particularly lay an emphasis on:

- Any changes to the accounting policies and practices.
- The aspects subject to the Senior Management's judgment.
- The substantial amendments resulting from the audit.
- Bank of Sharjah's business continuity.
- Compliance with the accounting standards set forth by the competent authority.

- Compliance with the Listing Rules, Disclosure Rules and any other legal requirements as relevant to the preparation of financial reports.
- To coordinate with the Board of Directors, the Executive Management and the Finance Manager or the Manager performing the latter's tasks and to meet with the External Auditors at least once a year.
- To consider any significant and unusual matters contained or to be contained in financial reports as well as accounts and to give due consideration to any issues raised by the Financial Manager or the person performing his tasks, Compliance Officer or External Auditors.
- To revise the financial and Internal Control systems for risk management; this will include consideration of the following: the nature and extent of the risks that the Bank faces; the extent and categories of risk which the Board regards as acceptable for the Bank to bear; the likelihood of the concerned risks materializing; the Bank's ability to reduce the occurrence and impact on the business from risks that do materialize; the overall culture and attitude established within the Bank towards internal control and relevant aspects of third party service suppliers; the business continuity plans and related testing of their maintenance and operations covering the Bank; the timeliness of any corrective action being taken by the Executive Management to manage risks or to address any shortcomings in internal control; the policies and processes necessary for the Bank to comply with the relevant regulatory and legal requirements, including taxation; and where directed by the Board, other matters such as the Bank's code of conduct/business ethics.
- To discuss the Internal Control system with the Management and to ensure its duties are performed with the aim of developing an efficient Internal Control system.
- To consider the findings of principal investigations in Internal Control matters assigned thereto by the Board of Directors or carried out by the Committee's initiative with the Management's approval.
- To ensure coordination between the Internal Auditors and the External Auditor, the availability of necessary resources and verification and monitoring of the efficiency of the Internal Control body.
- To review the External Auditor's letter to Management, audit plan and any significant explanations requested thereby from the Executive Management with regards to the accounting records, the financial accounts or control systems as well as the Executive Management's reply and approval.
- To ensure a timely reply by the Board of Directors on the explanations and matters discussed in the External Auditor's letters.
- To monitor Bank of Sharjah's adherence to professional conduct rules.
- To ensure the activity rules related to such tasks and powers as assigned thereto by the Board of Directors are properly applied.
- To submit a report to the Board of Directors on the matters contained in this clause.
- To consider other issues as determined by the Board of Directors and report to the Board any matters that, in the Committee's opinion, necessitate an action and to provide recommendations on the necessary steps.

### **Responsibilities: Compliance**

- To oversee Bank of Sharjah's compliance measures, ensuring all appropriate legislation and regulations are met and that all functions are working effectively.
- To monitor management's analysis of the legal obligations and possible risks to the Bank and to provide advice to the Board on the potential developments in, or changes to, those obligations.
- To review Internal Control functions ensuring compliance at all levels and inspect any proposed stress testing measures.
- To review any major disclosure documentation prior to issuance to regulators or to the market.
- To develop rules, through which employees of Bank of Sharjah can confidentially express any doubt they may have on potential abnormalities in the financial reports or Internal Control or any other matters and to ensure proper arrangements are available to allow independent and fair investigation of such abnormalities, through whistle blowing procedures.

## **Authority & Accountability**

The Board Audit and Compliance Committee will have the authority to access any documents and request information from any department or any member of staff or management, as needed. To ensure good order any request should come in writing.

As per Article 26.5 of Bank of Sharjah's Articles of Association, Management is required to provide the Board and its ensuing Committees with adequate and fully supported information in a timely manner so as to enable them to reach proper resolutions and fully discharge their duties and responsibilities. However, the Board may, if necessary, conduct additional investigations that enable it to base its resolutions on a valid ground.

All Committee reports are directly submitted to the Board of Directors.

## **Meetings**

The Board Audit and Compliance Committee meets whenever necessary and at least on a quarterly basis.

One meeting takes place prior to the review and approval of the Annual Report and Accounts.

Information regarding each meeting (date, location, agenda and supplementary documents) is provided to the Committee Members well in advance of the meeting.

For a meeting to be held the majority of members need to be in attendance. Attendance by proxy shall not be accepted. Meetings can be held via video or telephone conferences or any other permissible means. Email correspondence shall be considered a valid medium for holding these meetings.

The Secretary of the Committee drafts the minutes and sends final copies to all Committee members for approval and signature.

The Chairperson of the Committee can invite to the meetings members of Management, staff or anyone else deemed necessary.

The Committee shall meet at least once a year with the External Auditors without the presence of any Executive Directors, members of Management or any other Officers, to discuss any unresolved issues or concerns.

Where appropriate and unless there are justifiable reasons for not doing so, the substance of any such matters discussed shall be conveyed to the General Manager.

The External Auditors may request a meeting with the Committee or its Chairman if they consider it as necessary.

The Committee shall meet with the Head of Internal Audit and the Head of Compliance at least once a year without the presence of any Executive Directors, members of Executive Management or any other Officers.

## **Resources**

The Bank shall provide the Board Audit and Compliance Committee with adequate resources to discharge its duties including authorising the Committee to receive the assistance of experts or consultants, whenever necessary.

## **Others**

This Charter is reviewed annually and any recommended changes are submitted to the Board for approval.

The Chairperson of the Committee should be present at the Annual General Assembly.

## **Board Audit & Compliance Committee Members**

Mr. Saud Al Besharah (Chairman)

Sheikh Mohammed Bin Saud Al Qasimi

Mr. Francois Dauge

## **Board Audit & Compliance Committee Members, Emirates Lebanon Bank**

Mr. Karim Souaid (Chairman)

Dr. Bassel Salloukh

Mr. Fadi Ghosn

Mr. Mario Tohme

**Board Risk Committee**

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## **Introduction**

The Board Risk Committee is supervised by and reports to the Board of Directors.

The Committee is established under the Bank of Sharjah Articles of Association, Articles 26.8 and 26.9 and in accordance with the UAE Central Bank guidelines.

## **Composition**

### **Membership & Chairperson**

The Board appoints the members of the Committee based on having the appropriate skills and ensuring that there is no conflict of interest.

The Board sets the remuneration of the Committee members.

The Committee is composed of a minimum of three non-executive Directors with the majority also being Independent.

The Chairperson of the Committee is an Independent Director and is selected by the Board.

The Chairman of the Board cannot be a member of the Risk Committee.

## **Committee Secretary**

The members of the Committee appoint a Secretary who prepares meeting agendas, conducts the meeting proceedings, records the minutes & ensures they are approved and signed by the Committee Members.

The term of the Committee shall be similar to that of the Board.

## **Role**

To assist the Board in ensuring that:

- The Company has implemented an effective policy and plan for risk management that will enhance the Company's ability to achieve its strategic objectives.
- The disclosures regarding risk are comprehensive, timely and relevant.

## **Responsibilities**

Make recommendations to the Board concerning appropriate levels of risk tolerance and appetite as well as the Bank's overall risk strategy.

Monitor the processes in place to ensure that risks are managed within the levels of tolerance and appetite as approved by the Board.

Ensure that risk management assessments are performed on a continuous basis.

Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks.

Ensure that Management considers and implements appropriate risk responses in a timely manner.

Ensure that continuous risk monitoring by management takes place.

Liaise closely with the Audit and Compliance Committee to exchange information related to risk.

Convey to the Board the Committee's formal opinion on the effectiveness of the risk management processes.

Receive and review quarterly reports from the Head of Risk detailing the Bank's current status with respect to immediate risk exposures plus a commentary on potential future risks and the Bank's strategy to respond to the changing risk landscape.

## **Authority & Accountability**

The Board Risk Committee will have the authority to access any documents and request information from any department or any member of staff or management, as needed. To ensure good order any request should come in writing.

As per Article 26.5 of Bank of Sharjah's Articles of Association, the Management is required to provide the Board and its ensuing Committees with adequate and fully supported information in a timely manner so as to enable them to reach proper resolutions and fully discharge their duties and responsibilities. However, the Board may, if necessary, conduct additional investigations that enable it to base its resolutions on a valid ground.

All Committee reports are directly submitted to the Board of Directors.

## **Meetings**

The Board Risk Committee meets whenever necessary and at least on a quarterly basis.

Information regarding each meeting (date, location, agenda and supplementary documents) is provided to attendees well in advance of the meeting.

For a meeting to be held the majority of members need to be in attendance. Attendance by proxy shall not be accepted. Meetings can be held via video or telephone conferences or any other permissible means. Email correspondence shall be considered a valid medium for holding these meetings.

The Chairperson of the Committee can invite to the meetings members of Management, staff or anyone else deemed necessary.

The Secretary of the Committee drafts the minutes of the meetings that should be signed and approved by all members.



## **Resources**

The Bank shall provide the Risk Committee with adequate resources to discharge its duties including authorising the Committee to receive the assistance of experts or consultants whenever necessary.

## **Others**

This Charter is reviewed annually and any recommended changes are submitted to the Board for approval.

The Chairperson of the Committee should be present at the Annual General Assembly.

### **Board Risk Committee Members Bank of Sharjah**

Mr. Francois Dauge (Chair)

Mr. Saud Al Besharah

Mr. Varouj Nerguizian

### **Board Risk Committee Members Emirates Lebanon Bank**

H.E. Selim Jreissati (Chair)

Mr. Varouj Nerguizian

Mr. Fadi Ghosn

**Board Corporate Governance,  
Compensation, Remuneration &  
Nomination Committee**

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## **Introduction**

The Board Corporate Governance, Compensation, Remuneration & Nomination Committee is supervised by and reports to the Board of Directors.

The Committee is established under the Bank of Sharjah Articles of Association, Articles 26.8 and 26.9, and in accordance with the UAE Central Bank guidelines.

## **Composition**

### **Membership & Chairperson**

The Board appoints the members of the Committee, based on having the appropriate skills and ensuring that there is no conflict of interest.

The Board sets the remuneration of the Committee members.

The Committee is composed of a minimum of three non-executive Directors with the majority also being Independent.

The Chairman of the Board cannot be a member of the Corporate Governance, Compensation, Remuneration & Nomination Committee.

The Chairperson of the Committee is an Independent Director and is selected by the Board.

The term of the Committee shall be similar to that of the Board.

## **Committee Secretary**

The members of the Committee appoint a Secretary who prepares meeting agendas, conducts the meeting proceedings, records the minutes and ensures they are approved and signed by the Committee members.

## **Role**

Overseeing the implementation of :

- Corporate Governance policies and practices, ensuring the Bank is meeting best practice standards and is complying with local legislation and regulator's guidelines.
- Providing assistance to the Board in meeting its responsibilities, with the ultimate aim of shaping the Corporate Governance policies of the Bank.
- Ensuring an independent overview of all elements of remuneration and the structure of other compensation packages as well as the nomination procedure for senior management and for Board members.

## **Responsibilities: Corporate Governance**

- To ensure that regular disclosures are made to investors and the public through monthly monitoring.
- To develop appropriate criteria for verifying the independence of Directors, annually or when warranted.
- To ensure the Directors sitting on the Board and on Board Committees are suitably skilled and have a sufficient understanding of the company's structure and its operations at the time of appointment.
- To ensure that training for Board members is organized on a regular basis in order to stay abreast of recent developments.
- To oversee the Assessment Process of the Board, its Committees and individual Directors, according to the Bank's internal procedure. The Assessment procedure was approved by the Board of Directors and will be reviewed on a regular basis.
- To review and assess the adequacy of the Bank's Corporate Governance policies and Board practices and make recommendations for enhancing Board's effectiveness.
- To review and approve the Annual Corporate Governance Report.
- To communicate to the Board any developments or policy changes concerning governance and/or control measures for Bank of Sharjah and all other Group entities.
- To ensure all Group entities are compliant with governance related regulations and laws in the countries of operation, including all regulations or guidelines referring to the 'Parent Company'.
- To annually review all Board Committee Charters and submit recommendations to the Board for approval.

## **Responsibilities: Compensation, Remuneration**

- To recommend Board remuneration, including fees to be paid to the Chairman and Non-Executive Directors and members of the Board Committees, within the limits set out in the Bank's Articles of Association and to review them annually.
- To make recommendations on the Annual Report concerning the disclosure of Board of Director remuneration packages and payments.
- To assess remuneration and compensation packages through benchmarking practices.
- To review Bank's policy on bonuses, privileges, incentives and salaries.
- To note the decisions made by the General Manager regarding remuneration to be paid to members of the Senior Management Team.

## **Responsibilities: Nomination**

- To consider and carefully review matters related to the structure and composition of the Board; to set appropriate criteria for nominating chairpersons and members of Board Committees.
- To review succession plans for the Chairman of the Board and Senior Management, taking into consideration the expertise needed for dealing with the various challenges that the Bank might face.
- To oversee the performance evaluation of the Board, its Committees and individual Directors.

## **Authority & Accountability**

The Board Corporate Governance Committee will have the authority to access any documents and request information from any department or any member of staff or management, as needed. To ensure good order any request should come in writing.

As per Bank of Sharjah's Article 26.5 of Articles of Association, Management is required to provide the Board and its ensuing Committees with appropriate information in a timely manner so as to enable them to reach proper resolutions and fully discharge their duties and responsibilities. However, the Board may, if necessary, conduct additional investigations that enable it to base its resolutions on a valid ground.

All Committee reports are directly submitted to the Board of Directors.

## Meetings

The Committee meets whenever necessary and at least on a quarterly basis.

Information regarding each meeting (date, location, agenda and supplementary documents) is provided to attendees well in advance of the meeting.

For a meeting to be held the majority of members need to be in attendance. Attendance by proxy shall not be accepted. Meetings can be held via video or telephone conferences or any other permissible means. Email correspondence shall be considered as a valid medium for holding these meetings.

The Chairperson of the Committee can invite to the meetings members of Management, staff or anyone else deemed necessary.

The Secretary of the Committee drafts the minutes to be signed by all Committee members.

## Resources

The Bank shall provide the Committee with adequate resources to discharge its duties, including authorising the Committee to get assistance from experts or consultants whenever necessary and to have access to any of the staff members needed.

### **Board Corporate Governance, Compensation, Remuneration & Nomination Committee Members, Bank of Sharjah**

H.E. Humaid Nasser Al Owais (Chairman)

Mr. Abdul Rahman Bukhatir

Mr. Abdul Aziz Hassan Al Midfa

Mr. Francois Dauge

Mr. Varouj Nerguizian (non-voting member)

### **Board Corporate Governance Committee Members, Emirates Lebanon Bank**

Dr. Bassel Salloukh (Chairman)

Mr. Fadi Ghosn

Mr. Mario Tohme

Mr. Aram Nerguizian

### **Board Compensation, Remuneration & Nomination Committee Members, Emirates Lebanon Bank**

Mr. Salah Al Noman (Chairman)

H.E. Selim Jreissati

Mr. Fadi Ghosn

Mr. Mario Tohme

## General Management

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## A - General Manager

### Mr. Varouj Nerguizian

Joined Bank of Sharjah in 1977 and has, as a member of the Staff of BNP Paribas, held the position of General Manager since 1992, he became an Executive Board Member in 2008. He also holds the position of Chairman and General Manager of Emirates Lebanon Bank S.A.L. and a Board Member of several other entities.

### **The Role of General Manager:**

The General Manager is appointed by the Board.

The General Manager is appointed Secretary to the Board, and is delegated and granted all necessary powers to sign, execute and validate solely, any extract of the minutes of the meetings of the Board of Directors.

The General Manager is appointed as secretary to the Board Executive Committee.

The General Manager is vested with full authority to manage the financial and administrative matters of the Bank, as he deems necessary and within the framework of the Bank's policies as set out by the Board of Directors and the Executive Committee.

The General Manager fixes the terms and conditions applicable on all banking transactions, conditions applicable on lending or banking facilities as well as deposits.

The General Manager implements the decisions of the General Assembly, the Board of Directors and the Board Executive Committee within their pre-set guidelines, appoints legal counsels and empowers them with the necessary authorities to carry on their assignments.

The General Manager hires and terminates Bank staff, fixes their salaries, benefits and determines their authorities and revokes their vested powers.

## B - Management Structure

The Bank has two Deputy General Managers, both of whom have been with the Bank for many years:

**Mr. Mario Tohme** Joined Bank of Sharjah in 1987, and has held his current position of Deputy General Manager since 1998.

**Mr. Fadi Ghosn** Joined Bank of Sharjah in 1990, and has held his current position of Deputy General Manager since 2005.

(The appointment of two Deputy General Managers enables the Bank to make provisions for succession planning)

The Bank also has a very experienced team of Senior Managers who support the General Management as well as the Board Executive Committee. These include: Senior Manager Head of Risk, Senior Internal Audit Manager – who report directly to the Risk and the Audit and Compliance Committees, respectively; Senior Manager Corporate and Investment, Senior Operations Manager, Senior Financial Planning and Reporting Manager and Senior Manager of Private Banking & Wealth Management. The Bank also has five skilled and knowledgeable Branch Managers, who, in an organization such as Bank of Sharjah are crucial to the effective operation of the business.

Although there are clear reporting lines for each delegation within the Bank, the Senior Management team are available to all members of staff at any time should a need arise.

### **Senior Management**

The Bank has a highly experienced and qualified Senior Management team approved by the Board of Directors. Senior Management's role is separate from that of the Board. They are guided by the Directors as to how to best achieve the company's aims and objectives. A key focus for Senior Management is ensuring that the Bank is conducting its business in line with the Bank's objectives while maintaining a focus on internal controls and risk management. The Board will ensure that the management act in a fair and honest fashion and that the best interests of the Bank's stakeholders, especially shareholders, are paramount and in line with the Bank's Mission Statement.

'The mission of Bank of Sharjah is to achieve strong and sustainable Performance for its shareholders. The Bank is committed to its personnel and clientele to accompany them in realizing their aspirations and objectives. Performance, Ethics, Transparency, Initiative, Commitment, Quality are imprinted in the way we do business and how we contribute to society and the environment.'

The members of Management assist the General Manager to achieve the goals of the bank and ensure solid governance through management Committees.

To strengthen the transparency in Corporate Governance and enhance the efficiency of the Banking processes, the Bank formalized all of its Management committees within a global structure.

All of the Management committees provide recommendations to the General Manager.

## **Management Committees**

### **a) Management Executive Committee**

#### **Composition:**

- General Manager
- Deputy General Managers
- Head of Risk
- Head of Internal Audit
- Head of Information Technology
- Head of Banking Operations
- Head of Corporate and Investment
- Head of Compliance
- Head of Legal
- Head of Centralized Processing
- Head of Accounts and Finance
- Head of Financial Planning and Reporting
- Head of Treasury
- Branch Managers
- Head of Board Liaison & Shareholders Moderator

#### **Responsibilities:**

The Management Executive Committee has the responsibility to oversee the Board-approved plan for executing the bank's strategy and discuss, assess and review significant issues across all business units of the Bank, including but not limited to:

- Financial performance
- New business
- Performance of large clients
- Infrastructure including Information Technology
- Local, regional and global issues impacting business and/or clients
- Impacts of new laws/regulations on the way the bank operates
- Private Banking & Wealth Management

The Management Executive Committee has the power to decide within the delegation of the General Manager.



## **b) Management Internal Control Committee**

The Internal Control system is the overall structure aimed at controlling various risks that the Bank is exposed to through the performance of its activities.

The Bank's objectives cannot be achieved without risk-taking. Thus, controlling risk is essential for attaining these objectives.

### **Composition**

- Head of Internal Audit
- Head of Risk
- Head of Compliance
- Head of Financial Planning and Reporting

### **Responsibilities**

The Management Internal Control Committee ensures that:

- Rules and procedures pertaining to various functions across the Bank are updated and implemented accordingly.
- Appropriate organizational measures are taken, particularly with respect to the segregation of duties, aimed at mitigation of the Bank's risk exposures.
- Effective internal controls are in place, monitoring the Bank's activities.

## **c) Management Credit Committee**

The Management Credit Committee establishes policies and guidelines for executing Bank's credit strategies and makes recommendations on the current financing proposals.

### **Composition**

- General Manager. In his absence, a Deputy General Manager represents the General Manager.
- Deputy General Manager/s
- Head of Structured Finance
- Head of Credit
- Head of Credit Risk
- Head of Credit Administration

### **Responsibilities**

Some of the responsibilities of the Management Credit Committee include:

- Ensuring implementation and update of Credit procedures, limits and guidelines in compliance with applicable regulations and audit requirements.
- Controlling and monitoring the utilization of facilities within stipulated limit.
- Recommending and revising country and industry-specific limits, aimed at ensuring the Bank's risk exposure is compatible with the Board approved risk appetite.

## **d) Management Asset & Liability Committee**

The Management Asset and Liability Committee encompasses the strategic management of the balance sheet aimed at achieving a sustained growth while maintaining the quality of earnings and the solvency of the bank, all in line with the Bank's strategic goals. The Committee's primary goal is to manage the Bank's capital, liquidity and risk profile, taking into consideration market developments, by ensuring that it meets all its obligations and abides by the regulatory requirements.

## Composition

- Deputy General Managers
- Head of Corporate and Investment
- Head of Risk
- Head of Treasury
- Head of Financial Planning & Reporting
- Head of Accounts & Finance
- Head of Banking Operations
- Head of Internal Audit (Observation role)

## Responsibilities

The responsibilities of the Asset and Liability Committee include:

- Monitoring and discussing the status and results of implemented asset and liability management strategies and tactics.
- Developing parameters for the pricing and maturity distributions of deposits, loans and investments.
- Keeping abreast of significant changes/trends in the Bank's financial results.

## e) Management Information Technology Steering Committee

The Management IT Steering Committee oversees the bank's technology system developments and ensures that IT projects and initiatives are prioritized, well-defined and executed in a manner that is aligned to business requirements.

## Composition

- Deputy General Manager
- Head of Banking Operations
- Head of Internal Audit
- Head of Information Technology
- Head of Compliance
- Head of Corporate and Investment
- Head of Accounts and Finance

## Responsibilities

The IT steering committee is involved with tasks such as the following:

- Reviewing and recommending changes for IT's Strategy, Budget and Policy documents;
- Overseeing the execution of the Bank's IT strategy;
- Ensuring that IT governance is aligned with the Bank's overall corporate governance;
- Reviewing and prioritizing IT initiatives and modification requests;
- Monitoring the return on investments and IT projects, in comparison to the targeted levels and budget;
- Reviewing the potential IT risks, the risk mitigation controls in place and updating the Senior Management on the current status of IT risks on a periodic basis.

## f) Management Information Security Committee

The purpose of the Information Security Committee (ISC) is to direct, approve, monitor, and evaluate information security tasks conducted by Bank of Sharjah.

## Composition

- Head Information Technology Manager
- Information Technology Manager
- Information Security Officer
- Head of Risk

- Head of Compliance
- Head of Internal Audit
- Head of Financial Reporting and Planning
- Head of Corporate Credit
- Head of Banking Operations

### Responsibilities

The responsibilities of the ISC include but are not limited to:

- Ensuring the information security policy and the information security objectives are established and are compatible with the strategic directions of the Organization;
- Ensuring that regulatory information security standards, such as the UAE Information Assurance Standards, are implemented and monitored;
- Ensuring the integration of the information security requirements into the Organization's processes;
- Communicating the importance of the effectiveness of information security management to all stakeholders and system owners.

### g) Management Human Resources Committee

The Human Resources (HR) Committee has been established to strategically manage the HR processes of the bank and ensure their consistency with the business objectives. Moreover, it oversees and reviews the appropriateness of staff related matters and compensation packages needed for achieving the bank's objectives.

### Composition

- General Manager
- Head of Human Resources
- Head of Accounts & Finance
- Employee Representative

### Responsibilities

The Committee is responsible for all matters related to the HR function, including but not limited to:

- Promotions with a direct financial bearing: salary, allowance, compensation, grade scaling, and salary reviews among others.
- Promoting the employment of UAE Nationals through the Bank's Quintetta Emiratization Program.
- Reviewing and approving updates to HR-related policies and procedures.
- Making recommendations and reporting on various Human Resources management and operational issues such as:
  - Recruitment
  - Performance measurement
  - Career development and promotions
  - Staff training programs

## C - Control Functions

A robust control environment exists within the Bank where individual business functions are responsible for the controls within their activities. This is further enhanced through an oversight by the Risk Management function which monitors the processes in place and an independent Internal Audit function that reports to the Board Audit Committee. The internal audit Department's responsibilities are defined by the Board Audit and Compliance Committee as part of their oversight role. The internal audit function represents the third line of defence at the Bank, ensuring the effectiveness of the Bank's internal control system and providing assurance to the Board of Directors and Senior Management in protecting the overall reputation of the Bank. Its responsibilities include reviews of Processes, Systems, Controls and Procedures.

## Shareholdings

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## A - Shareholders Meetings

The Ordinary General Assembly usually meets once a year in Sharjah, Shareholders attending should represent not less than half of the capital.

The Bank ensures all shareholder rights, as per the UAE law, the guidelines of the UAE Central Bank and the Securities and Commodities Authority (SCA), are upheld.

A notice to shareholders to attend a General Meeting shall be published in two local daily Arabic newspapers and addressed by registered letters not less than twenty one days before the date set for the meeting. The notice shall include the agenda of the meeting, subject to the approval of the relevant authorities and filing the Annual Balance Sheet and the Company's accounts. Copies of the notice shall be sent to the competent authority.

The business of the General Meeting shall include: hearing and approving the Board's report on the Company's activities and financial position during the year, the auditor's report, the balance sheet for the financial year and the profit and loss account; approving the Board's proposals concerning the distribution of profits; electing directors whenever required; appointing External Auditors and fixing their fees and resolving to release the Directors and the auditors of any liability.

A shareholder may appoint another person, who is not a board member, to represent him, provided the number of shares held by the representative does not exceed 5% of the Bank's capital.

The owner of shares registered at ADX one working day preceding the General Assembly Meeting shall be deemed as a holder of the Right to Vote.

The owner of shares registered at ADX 10 days after the General Assembly Meeting is entitled to Cash Dividends & Bonus Issues.

The owner of shares registered at ADX 10 days preceding the subscription date has the right to the Increase of the Capital.

The Shareholders may review the financial statements on the ADX website or the Bank's website.

The Bank must pay dividends within 30 days of the General Assembly date; by Demand Draft to be sent to the address registered at ADX, or by crediting the account of the shareholder.

An Extra Ordinary General Assembly can be called at any time to discuss certain issues related to the increase/decrease of the capital, amendments to the Articles of Association, Merging, winding up or selling the company.

**The Extraordinary General Meeting shall not be validly held unless it is attended by shareholders who represent not less than three quarters of the corporate capital**

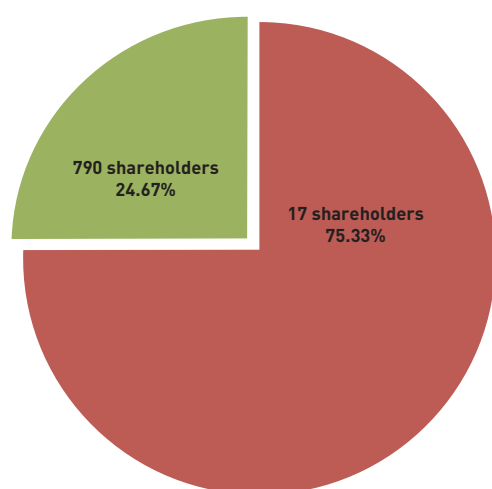
The Ordinary General Assembly appointed KPMG as the Bank's external auditors for the financial year 2015, and fixed their remuneration at AED 700,000.

Auditors report to Senior Management and to the Audit and Compliance Committee or directly to the Board ensuring effective transfer of information.

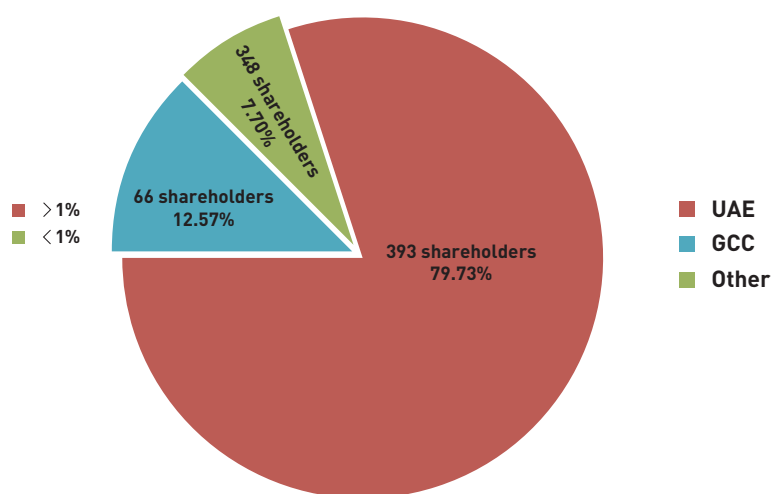
The Board may, at any time, request an audit to be conducted on any area within the Bank. They may also choose to use another company or consultants separate from those already used by the Bank.

## B - Composition of Shareholders (as at 31/12/2015)

Of the 807 shareholders, 17 shareholders own 75.33%, the remaining 790 shareholders own 24.67%.



Capital Structure 2015



Shareholder By Nationality & % of Holding As at December 2015

393 shareholders holding 79.73% are of United Arab Emirates Nationality, 66 shareholders holding 12.57% are GCC Nationals, the remaining 348 shareholders holding 7.70% are of other nationalities.

### Shareholdings as at 31/12/2015

Major Shareholders	%
Sharjah Asset Management	16.26
Al Saqr United Group	11.98
Mr. Ahmed Abdalla Al Noman	5.48
<b>Total</b>	<b>33.72</b>

### Board of Directors holding more than 0.1%

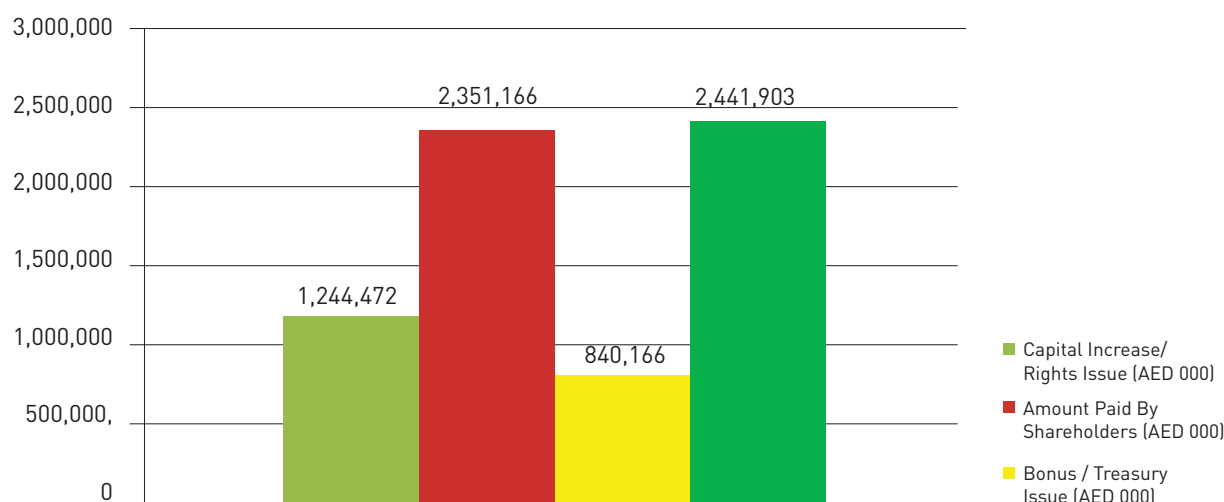
Mr. Ahmed Al Noman	5.48
Mr. Abdulaziz Al Hasawi	4.54
Sheikh Mohammed Bin Saud Al Qasimi	4.37
Mr. Abdulrahman Bukhatir	3.11
Mr. Abdulaziz Al Midfa	1.18
Mr. Varouj Nerguizian	0.29
Mr. Saud Al Besharah	0.26
H.E. Humaid Nasser Al Owais	0.20
Sheikh Saif Mohamed Bin Butti Al Hamid	0.02
<b>Total</b>	<b>19.45</b>

## C - Dividends 2014

Bank of Sharjah has increased its capital since inception from AED 15 Million to AED 2.1 Billion.

Shareholders were paid cash dividends for a total amount of AED 2.2 billion, and bonus issue shares of 840.5 Million Shares.

## Evolution of Capital Vis a Vis Rights Issue Bonus Issue & Dividends Paid



### Shares:

Bank of Sharjah shares are listed on the Abu Dhabi Securities Exchange (ADX).

The Bank has 2.1 billion issued shares each with a book value of AED 2.1 (as at 31/12/2015).

## D - Others

### Partnership with Financial Integrity Network (FIN) for advisory services

As one of the premier financial institutions in the UAE, Bank of Sharjah has consistently maintained the highest standards of financial integrity and compliance, while keeping abreast of continuous evolutions in the regulatory requirements. In order to further raise the bar, the Bank has entered into a partnership with global expert Financial Integrity Network (FIN), for advisory services.

Financial Integrity Network (FIN) is a premier strategic advisory firm dedicated to helping its clients strengthen the financial integrity needed to succeed in today's global security environment.

By offering a comprehensive and strategic approach to countering a wide spectrum of evolving illicit financing risk, FIN assists clients in developing, strengthening, and ultimately maximising the effectiveness of their counter-illicit financing capabilities. FIN's deep experience in the global and US policy, enforcement, and regulatory fields allows it to architect novel strategies, structures, and solutions for emerging risks and financial integrity challenges.

The tie-up with FIN is part of Bank of Sharjah's continuous efforts to grow and evolve in keeping with global standards: a strategy that has gained the Bank a position of pre-eminence in the UAE financial sector with an emphasis on quality and customer service.

### NetReveal Implementation - December 2015

Bank of Sharjah and its subsidiary Emirates Lebanon Bank SAL, Lebanon joined forces with the multi-award winning BAE Systems, engaging the company's service for NetReveal®, which is a system for Anti-Money Laundering (AML) Transaction Monitoring. BAE Systems is a leading provider of enterprise risk, fraud, financial crime and compliance solutions to the global financial services industry. With over 100 clients across four continents, its NetReveal® has established a proven track record of reducing financial losses, protecting users' reputations and improving operational efficiencies.

### Commitment to the professional development of bank's staff; launch of Intuition Know-How eLearning library

Bank of Sharjah made a major investment in the training and development of its entire staff with the launch of Intuition Know-How in 2015; the world's leading financial markets eLearning library. Available online, these self-study courses make it easy to learn, test and improve competency levels across a wide variety of banking-related products, topics and skills. As an interactive training tool, each module is structured with an overview of the topic, a detailed topic review and a brief test to assess the user's comprehension of the material.

This represents a substantial financial investment in the professional development of the Bank's personnel. The Bank's success in the future will depend on having knowledgeable and professional staff servicing the customers.

## Appendix

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## Code of Conduct - Bank of Sharjah Group

The reputation of Bank of Sharjah (BOS) depends on its employees and representatives; each employee is expected to ensure that their behaviour preserves this reputation and act in line with the BOS code of conduct.

### Objectives

This code imposes an obligation to act beyond mere compliance and to support the underlying core values of Bank of Sharjah, (PETICQ).

### Performance, Ethics, Transparency, Initiative, Commitment and Quality

The Code should be a guide; personal values and integrity are fundamental in ensuring ethical business practice.

The Code is based on principles that must be followed in a comprehensive manner.

This code is adopted by the Board of Directors, and is applicable to all employees in Bank of Sharjah Group. Violations of this Code will be fully investigated and could result in disciplinary action.

### Principles

#### Ethics and Transparency

To gain the trust of clients, staff members should act ethically and transparently in all their professional actions, and fulfil their responsibility with trust and integrity.

#### Commitment and Quality

Staff members shall work in the customers' best interests so as to provide customers with quality service and to be committed to act in compliance with the laws and professional standards, in line with the requirements and the reputation of the bank. The staff members are committed to comply with the Professional Ethics of the Bank and its internal policies related to conflicts of interest, disclosure, confidentiality of information and any other principle which ensures ethical business practice.

#### Performance and Initiative

The staff members shall seek to provide customers with suitable services, information that is not misleading, and financial advice. The initiative should be undertaken to ensure the quality of service and to preserve in all cases the customer's best interests.

#### Process to respect the code

Acceptance of the code by all the employees.

The code of conduct is sent to all employees to be signed by each one, formalizing their commitment to Bank of Sharjah Professional Ethics. The signed copy is recorded in each employee file, kept with the Human Resources department. Any amendment to the code of conduct will be displayed on the BOS internal website.

Any breach of this Code will be seen not only as a breach of Bank regulations but also of the Bank's Core values. A breach of the Bank regulations is seen as a serious incident since it could potentially damage the reputation of the Bank. Disciplinary actions therefore will be severe and could lead to termination of contract; the Bank reserves the right to further action including judiciary proceedings.

If you are aware of any breach of the Code of Conduct then you have a responsibility to report it to the Legal and Compliance department; to ignore such a breach could create personal liability.

# Code of Ethics - Bank of Sharjah Group

The core values are:

## P-E-T-I-C-Q

### Performance, Ethics, Transparency, Initiative, Commitment, Quality

The Bank of Sharjah Group conducts business in an honest and ethical manner on which reputation is built. The ethical standards practiced are measured on performance and behaviour therefore it is imperative that the principles are understood and instilled throughout the Group. The Code should be a guide; personal values and integrity are fundamental in ensuring ethical business practice.

This code, based on the core values, adopted by the Board of Directors, is applicable to all employees, management and Directors in the Bank of Sharjah Group. Violations of this Code or the Group Code of Conduct will be fully investigated and may result in disciplinary action.

### Principles:

- 1) All by-laws, regulation and legislation should be followed by the Bank of Sharjah Group, and under no circumstance should these be disregarded or abused.
- 2) Values must be honoured. Always act professionally; ethically; transparently; conducting business with integrity, commitment to the Bank of Sharjah Group, to colleagues, and customers and always maintain a quality service.
- 3) All business should be conducted with confidentiality; this applies internally, externally and even after leaving the Group. Information such as strategic plans, financial results, marketing strategies, internal policies, personal records, new investments and client related material including identity and account details should never be disclosed to a third party, inclusive of family members. Responsibility must be taken to safeguard and act with discretion and sensitivity.
- 4) Provide accurate information; disclosures made to Management, Regulators, shareholders and the public should be truthful, forthright and accurate. All information disclosures should be made in the correct manner, as per internal procedure.
- 5) Any situation where conflict of interest could arise should be avoided, it is unacceptable to continue in such a circumstance where a client or the Bank of Sharjah Group, could be compromised. This includes using contacts to advance personal interests i.e. private business dealings. [Please refer to the Conflict of Interest Policy for more information].
- 6) No material or intelligence, particularly regarding competitors, should be gathered by illegitimate means, acting on information believed to be gathered in such a way will not be tolerated.
- 7) Bribery, in all manners, should be rejected. No remuneration or compensation should be received or given in order to attract or influence any business decision or transaction. The receipt of gifts is not forbidden, it is only acceptable when there is no intent to influence or no compromise of professionalism. If there is doubt as regards to the reason for a gift then a manager should be contacted or the legal department consulted. All gifts exceeding AED 500 should be received in a transparent fashion and should be reported to a superior.
- 8) Property should not be misused or damaged in any way. Property, information or position, should never be used for personal gain. Assets should be used efficiently and never misappropriated.
- 9) If you are aware of any breach of the Code of Ethics or the Code of Conduct then you have a responsibility to report this to a member of management, to ignore such a breach could create personal liability.

## **Conflict of Interest Policy - For the Bank of Sharjah Group**

In line with the Code of Conduct and the Code of Ethics, the Bank of Sharjah Group, has a strict policy to ensure that any conflict of interest in any area of the business is avoided. This policy is applicable to any business decision, transaction, strategic discussion, and planning or client relationship.

When a private interest interferes, or appears to interfere, in any way with the interests of the Bank Sharjah Group, then there is a clear conflict of interest. In which case, it must be reported as soon as it arises in order to protect the Group and prevent any reputational risk.

If there is ever a situation where a person could be seen to personally gain, financially or otherwise, either through a decision or by a transaction they are dealing with then they must report the conflict immediately. To continue to deal with a client or other party with knowledge that there might be a conflict of interest will be seen as a clear breach of this policy.

## **Disclosure policy - Bank of Sharjah Group**

The Bank of Sharjah Group is focused on timely and factual disclosure in line with legal and regulatory requirements.

The disclosure policy covers all documents released to shareholders or other stakeholder groups. It covers all material including annual reports, quarterly reports, management reports, information to be published on websites and press releases as well as oral statements, interviews and speeches.

### **General Policy:**

The Bank of Sharjah Group follows a strict procedure relating to all disclosures. Any report or document that is to be disclosed will be written or compiled by the relevant department before it is sent to Management for approval. All major disclosures including all reports must be reviewed by the Board Corporate Governance Committee and the Board Audit and Compliance Committee and approved by the Board before they are released to shareholders and to the general public.

### **Website Disclosure:**

There is a specific procedure for internal and external website disclosure. A website disclosure form must be completed by the relevant Head of Department and the document sent to the legal department and to the internal control department for review before the document is sent to the General Manager for final approval. Finally the document and the completed approval form are sent to the IT department who are responsible for uploading the document to the specified location on the website.

### **Spokesperson:**

Any public event, key note speech or interview that Bank of Sharjah Group is participating in must be handled by an approved spokesperson. Spokespeople are chosen by the General Manager and made known to the Board of Directors. Only those approved to speak may do so.