

RAKBANK

Board Selection, Appointment and Remuneration Policy

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1. Objective

RAKBANK's Selection, Appointment and Remuneration Policy ("Policy") sets the basis for a clear, fair and rigorous process for identifying and selecting all the candidates for the Board of Directors of the Bank, and if needed the Group, with the aim of:

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

The Policy also sets out the guidelines for payment of remuneration to the Chairman and Board Members. The Board Nomination and Remuneration Committee ("BNRC") is delegated by the Board to achieve the objectives of the Policy and implement its related procedures.

2. Applicability

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

3. Definitions

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

Affiliate	An entity owned by another entity by more than 25% and less than 50% of its capital
Applicable Laws and Regulations	The applicable Federal Commercial Companies Law, Central Bank of the United Arab Emirates (CB UAE) Corporate Governance Regulation and Standards, and the Securities and Commodities Authority (SCA) Resolution No. (3R.M.) of 2020 concerning the standards of institutional discipline and governance of public shareholding companies, and its amendments, and related circulars from time to time, and other relevant laws and regulations as amended from time to time
Articles of Association	the Articles of Association of RAKBANK as published on the Bank's website
Bank	The National Bank of Ras Al Khaimah (P.S.C.), RAKBANK

Board of Directors	Board of Directors, Board
Controlling Shareholder	A shareholder who has the ability to directly or indirectly influence or control the appointment of the majority of the Board of Directors, or the decisions made by the Board or by the general assembly of the entity, through the ownership of a percentage of the shares or stocks or under an agreement or other arrangement providing for such influence
First Degree Relatives	the individual's parents, siblings, children
Group	a group of entities which includes RAKBANK, and: <ul style="list-style-type: none"> a. any Controlling Shareholder of RAKBANK; b. any subsidiary of RAKBANK or of any Controlling Shareholder of RAKBANK; c. any Affiliate, joint venture, sister company and other member of the Group
Independent Director	A member of the Board who has no relationship with the Bank or the Group that could lead to benefit which may affect his/her decision. He/she must not be under any other undue influence, internal or external, ownership or control, which would impede the Member's exercise of objective judgment. The Independent Member of the Board forfeits his/her independence in the cases as specified in the Applicable Laws and Regulations
Policy	Board Selection, Appointment and Remuneration Policy
Related Parties	The Group and its Controlling Shareholder's Members of the Board and Senior Management (and their First-Degree Relatives) and persons with control, joint control or significant influence over the Bank (and their First-Degree Relatives)
Senior Management, Executives	The executive management responsible and accountable to the Board for the sound and prudent day-to-day management of the Bank, including Group Chief Executive Officer and all Group Chief Executive Officer's direct report

Subsidiary An entity, owned by another entity by more than 50% of its capital, or under full control of that entity regarding the appointment of the Board of Directors

Staff all persons (including outsourced, and with other contractual arrangements) working for the Bank including members of senior management but excluding members of the Board.

4. General Guidelines

- 4.1. Pursuant to the RAKBANK Articles of Association, the Board shall consist of seven (7) Members, each with a maximum three (3) year renewable term of membership. All Members of the Board must be non-executive, and at least one-third of the members of the Board shall be Independent Directors. A majority of the Board Members, including the Chairman, must be UAE Nationals.
- 4.2. BNRC shall review the composition and diversity at the Board to ensure an appropriate balance of skills, diversity, expertise, independence and meet regulatory requirements and recommend to the Board changes whenever required.
- 4.3. The BNRC shall monitor to ensure that the Board Members remain individually and collectively qualified for their position and ensure compliance with applicable laws and regulations.
- 4.4. The BNRC shall aim to maintain a list of prospective candidates for Board directorship and review the list periodically as part of its Board succession planning. The Board shall engage in open discussions with key shareholders regarding the desirable profile, qualities, skills and qualifications being sought.

5. Basis for considering of Potential Candidates

- 5.1. The BNRC shall lead the process of identifying, assessing and nominating candidates for the Board of Directors. The initial considerations of potential candidates for the Bank's Board of Directors should take into consideration the candidate's individual profile; his or her suitability within the Board and its committees, against the skill set matrix; meeting future anticipated needs in terms of skills, experience, profile, that may be identified by the Board and the Bank; contribution to the Board's diversity (including gender, age, nationality); and complying with regulatory requirements particularly in terms of independence.

Please refer to Annex 1: Directors Election Fit and Proper Criteria for more details regarding the assessment criteria.

6. Gender Diversity

- 6.1. The Board acknowledges the benefits of diversity, particularly gender diversity on the performance of the Board and the Bank. A key component of the Selection, Appointment and Remuneration Policy is advancing a framework for inclusion and promoting gender diversity at the Board's level.
- 6.2. The Board is committed to advance gender diversity and has set the measurable objective that at least twenty percent (20%) of candidates for consideration for the Board's membership must be female. The objective is in line with the CBUAE requirements and the Board shall actively work towards setting other measurable objectives to increase female representation at the Board over time.
- 6.3. To achieve the target it has set for itself, the Board through the BNRC shall take the following steps:
 - 6.3.1. Recognize and disclose the Board's commitment to act on advancing gender diversity and consider it as one of the selection criteria.
 - 6.3.2. Support the promotion of an inclusive culture, based on equity, merit, and respect and instill these values in the Bank's corporate culture.
 - 6.3.3. Encourage the nomination of female candidates for the election of the Board, through seeking recommendations from shareholders, and/or by sourcing female candidates through third party professional search firms.
 - 6.3.4. Strive to ensure that at least 20% of the candidates for Board's membership are female.
 - 6.3.5. Include female candidates in the list of prospective candidates that the BNRC maintains on an ongoing basis as part of succession planning.
 - 6.3.6. Advance female candidates amongst candidates with similar skills and experience.
 - 6.3.7. Create awareness and address potential biases during the assessment process.
 - 6.3.8. Monitor and report annually on gender diversity at the Board.

7. Process of Identification, Nomination, and Appointment of Board Members

- 7.1. Suitable candidates for Board membership may be identified through different sources including shareholders nominations, candidates sourced through third party professional search firms, and Government direct appointments. At least twenty percent (20%) of the candidates for Board membership's consideration must be female.
- 7.2. Nomination for Board membership shall be opened and announced, along with the invitation to the shareholders General Meeting, or as specified by competent authorities, taking into account the following:
 - 7.2.1. The nomination of the Board membership shall remain open for a period of ten days at least from the date of the announcement;
 - 7.2.2. The names and details of the candidates shall be published on the notice board of the Bank and on the Bank's website at least two days prior to the announced general meeting;

- 7.2.3. After closing the nomination, a candidate shall not relinquish his/her nomination to another person; and
- 7.2.4. The Authority and the market shall be provided with a list of candidates' names in the day following the nomination closing.
- 7.3. The BNRC shall consider all candidates applying for Board membership nomination. The BNRC shall follow a fair process in evaluating members against its Fit and Proper criteria and skill set matrix through interviews, background checks, review of written submissions and declarations, and references.
- 7.4. The Bank shall send list of Board membership's candidates to the Department of Economic Development of Ras Al Khaimah prior to the scheduled General Meeting to verify the integrity, good reputation, competence and compliance with the corporate governance standards of the nominees. Voting shall be limited to the nominees approved by the Department of Economic Development in Ras Al Khaimah and the other Relevant Competent Authorities.
- 7.5. Similarly, the no-objection of CBUAE shall be obtained prior to the appointment, nomination, or renewal of any person to the membership of the Board.
- 7.6. The BNRC shall present the list of suitable candidates to the Board for its recommendation to the shareholders at the General Meeting, specifying that these candidates are recommended by the Board of the Bank.
- 7.7. Members of the Board shall be elected by resolution of the General Meeting by means of Cumulative Voting through secret ballot, subject to the approval of the Relevant Competent Authorities and in accordance with the applicable conditions and standards set out by the Relevant Competent Authorities.
- 7.8. Board Members are eligible for re-elections. Directors must continue to remain individually qualified for their position, in addition to meeting the Fit and Proper criteria set by the Bank and the regulatory requirements, the BNRC shall consider the overall performance of the Director nominated for re-elections and their commitment to dedicate sufficient time for a role on the Board, and his or her commitment to the Bank's Director development program.
- 7.9. The Government of Ras Al Khaimah, owning more than 5% of the Bank's capital, may appoint persons to represent it on the Board of Directors with the same proportion to the number of members of the Board with minimum one (1) person. The Board composition must allow the exercise of objective and independent judgment. The BNRC shall engage with the Government in that case, in an open dialogue to discuss the desirable skills, qualities, and qualifications identified, coordinating with the Government to support the ensure that the appointed Director contributes to an efficient Board.
- 7.10. The Board may appoint, within 30 days, a Board member to fill a vacancy arising in the Board. Such appointment shall be presented to the first General Meeting to confirm the appointment or appoint another person. The new Board member shall complete the term of the predecessor member. In case the Board did not appoint new Board member to fill the vacancy within the aforementioned period, the Board must open the nomination to elect a member for the vacant Board position in the first General Meeting. The new Board member shall complete the term of the predecessor member.

7.11. In case vacant positions reach a quarter of the Board members, the remaining Board members shall call for a General Meeting to be held within 30 days at most from the date of the last vacancy to elect Board members for these positions.

7.12. Government may change its appointed Director(s) by issuing an official letter addressed to the Bank in this regard specifying the name of the new member to complete the term of his predecessor.

8. Remuneration of Board Members

8.1. General Guidelines regarding remuneration of Board members:

8.1.1. The remuneration of the Chairman and Members of the Board shall consist of fixed compensation comprising the payment of an annual fixed amount approved by the Annual General Assembly. The remuneration may not exceed 10% of net profits for such fiscal year after deducting all consumption and reserves.

8.1.2. The payment of the fixed amount to the Member of the Board shall include a part relating to their service on the Board and another part relating to their service on Board Committees, with greater weighting applied to chairing Committees. The payment may also include the value of other non-monetary benefits (such insurance and healthcare as an example), as per the details included in the appointment letter signed by each Member of the Board.

8.1.3. The Bank may also pay expenses, fees, additional bonus on a monthly salary to any Board Member, consistent with the policies suggested by the Board Nomination and Remuneration Committee, reviewed by the Board and approved by the General Assembly. If such Member serves in any committee, makes special efforts or performs additional work to serve the Bank in excess of his regular duties as a Member on the Bank's Board.

8.1.4. Directors shall be reimbursed of directly related costs incurred for the discharge of their responsibilities.

8.2. Exclusions in relation to the remuneration of Board Members

8.2.1. Bonus or any incentive-based mechanisms based on the performance of the Bank must be excluded.

8.2.2. Attendance allowance may not be paid to the Chairman or a Board Member for attending Board meeting.

8.3. Other Provision regarding Remuneration to Board Members

8.3.1. Negative financial performance or net loss reported by the Bank in a financial year should generally lead to a contraction of the Board's total compensation where the negative financial performance was due to non-compliance with regulations, omissions or errors by the Board. Subject to the approval of the General Meeting, a payment not exceeding Two Hundred Thousand Dirhams (200,000), may be paid to each Board Member at the end of the financial year. If the Bank did not achieve profit during that year or if the Bank achieved profit but the share of the Board Member

from such profit is less than Two Hundred Thousand Dirhams (200,000), in such case, it is not permitted to receive both the remuneration and the payment.

- 8.3.2. Fines that may have been imposed on the Bank by the Authority or the Relevant Competent Authority due to violations by the Board of the Law or the Articles of Association during the fiscal year shall be deducted from the remuneration. The General Assembly may decide not to deduct such fines or some of them if it deems that such fines were not the result of default or error of the Board.

8.4. Annual Revision of Remuneration

The remuneration of the Chairman and Members of the Board is revised annually. The Board Nomination and Remuneration Committee shares its recommendation with the Board, for the approval of RAKBANK Shareholders at the Annual General Meeting.

9. Disclosures

The Board shall disclose, in its annual Corporate Governance statement, information on the Policy and actual figures of female candidates' consideration and representation on the Boards.

10. Review

The Board Selection, Appointment and Remuneration Policy shall be reviewed by the Board on an annual basis or earlier, if required.

Annexure 1: Directors Election Fit and Proper Criteria

The BNRC has set the below Fit and Proper Criteria in identifying, assessing, and selecting candidates for the Board.

1. Individually, the Candidates should at the minimum:
 - 1.1. possess the necessary knowledge, skills, and experience, with at least five years of experience in the fields of the Bank's activities;
 - 1.2. have a record of integrity and good repute;
 - 1.2.1. shall not have been previously sentenced to a criminal penalty or for an offense that involves a breach of honor or integrity unless his/her character has been vindicated;
 - 1.2.2. shall not have been subject to a judgment of discharge or dismissal from the Board of Directors of any shareholding companies listed on the financial market during the year preceding nomination;
 - 1.2.3. His / her civil record issued by the SCA shall be clear of administrative penalties; 1.2.4. shall not be subject to any lawsuits, reports, or prosecution investigations concerning any offense that involves a breach of honesty and integrity; and
 - 1.3. have sufficient time to fully discharge their responsibilities;
 - 1.4. provide for a collective suitability and added value to the Board;
 - 1.5. do not have any conflict of financial or non-financial interests;
 - 1.6. have a record of financial soundness; and
 - 1.7. shall fulfill any other terms stipulated in the Companies Law or the Bank's Articles of Association.
 - 1.8. Shall not exceed the maximum number of memberships permissible and which is:
 - holding up to five (5) public joint stock companies (PJSC) in the UAE (applicable to PJSCs inside the Group).
 - holding memberships in the Board of only one (1) Bank in the UAE and up to four (4) Banks outside the UAE.
 - being a Chairman or Vice Chairman of more than two companies based in the State. Such person may not be a Managing Director of more than one company based in the State
 - 1.9. Meet other requirements under applications laws and regulations.
2. In assessing the candidates collective suitability, the factors a Board should take into account include but are not limited to:
 - 2.1. Whether members of the Board have a range of knowledge and experience in relevant areas and varied backgrounds to promote diversity of views;
 - 2.2. Relevant individual areas of competence which may include, but are not limited to, capital markets, financial analysis, financial stability, financial reporting, information technology, strategic planning, risk management, compensation, regulations, corporate governance, management, accounting, audit, and Sharia rules and principles.
 - 2.3. Whether the Board collectively has a good understanding of local, regional and global economic and market forces, and of the legal and regulatory environment applicable to the Bank's operations; and
 - 2.4. Whether individual members of the Board can contribute to effective communication, collaboration, and critical debate in the meetings of the Board and its committees.

3. Candidates will also be assessed on the basis of having a conflict of interest that may impede their ability to perform their Board duties independently and objectively, or be subject to any undue influence.
 - 3.1. A member of the Board shall lose his/her independence in the following cases:
 - 3.1.1. If his/her tenure as an independent member of the Board in the Bank has exceeded twelve (12) consecutive years from the date of his/her appointment.
 - 3.1.2. If he/she or any of his/her first degree relatives has worked as staff of the Bank or its subsidiaries during the past (2) years.
 - 3.1.3. If he/she has worked for and / or is a partner, in a company that performs consulting works for the Bank or its Group, or I have acted in such capacity during the past two (2) years.
 - 3.1.4. If he/she have had any personal services contracts with the Bank or its Group during the past two (2) years.
 - 3.1.5. If he/she have been affiliated with any non-profit organization that receives significant funding from the Bank or its Group.
 - 3.1.6. If he/she or any his/her first degree relatives has been a partner or employee of the Bank's auditor during the past two (2) years.
 - 3.1.7. If he/she or any of his/her first degree relatives, has or had a direct or indirect interest in the contracts and projects of the Bank and its Subsidiaries during the last two (2) years, and the total of such transactions exceeds the lower of 5% of the Bank's paid capital or the amount of five million dirhams or its equivalent amount in a foreign currency, unless such relation is part of the nature of the Bank's business and involves no preferential terms.
 - 3.1.8. If he/she or any of his/her first degree relatives (individually or collectively) own directly or indirectly 10% or more of the Bank's capital or he/she is a representative of a shareholder who owns directly or indirectly more than 10% of RAKBANK's capital.
- The provisions in items 3.1.2 to 3.1.8 above do not apply to members of the Board appointed by a Government shareholder.

Annexure 2: Documents Required from Candidates as part of the Nomination Application

1. Candidates should provide the Company Secretary the following documents from:
 - 1.1. The candidate's CV including work experience, qualifications, and the Board seat applied for (e.g. Independent).
 - 1.2. An undertaking to comply with the provisions of the Companies Law and the decisions issued in implementation thereof and the Bank's Articles of Association, and that the candidate will observe duty of loyalty, duty of care and duty of confidentiality when performing of his/her duties.
 - 1.3. A statement of the names of companies and corporations which the candidate works for or serves as a member of the Boards of Directors therein, as well as any other works the candidate performs directly or indirectly that may compete with the Bank's operations.
 - 1.4. Police Clearance Certificate.
 - 1.5. A colored copy of a valid Passport, Visa or family book, and Emirates ID.
 - 1.6. Two passport size photography.
 - 1.7. Complete CBUAE Application for Directors.
 - 1.8. In case of nomination by a shareholder, an official letter from such shareholder shall be submitted, containing names of their nominees for Board membership.