

# Corporate Governance Guidelines of Bank Audi sal

## A. Preamble

In 2005, the Board of Bank Audi sal (the Bank) made corporate governance improvement a central goal. The Board adopted a program to this effect at the end of 2005. In 2006, the Board adopted a set of voluntary Guidelines to provide a framework for the Bank's corporate governance to be used by the Board and for the benefit of the Bank's shareholders and other stakeholders. Such a framework aimed at promoting continuity, consistency and effectiveness in the way the Board operates and governs the Bank. The Guidelines were based on international best practice and took into account, and were subordinate to, legal requirements and By-Laws of the Bank.

Having revisited Bank Audi's 2006 Corporate Governance Guidelines, notably in light of:

- The Principles for Enhancing Corporate Governance issued by the Basel Committee on Banking Supervision;
- The recent Governance related regulatory directives issued by the Central Bank of Lebanon and by the regulators in the various countries of the Group's presence;

The Board renewed its commitment to their fundamental principles and deemed them largely still relevant. A number of additions were however proposed, notably to further highlight (i) the Board's role in exerting a Risk Based supervision of the Bank's affairs, and (ii) the importance of the existence of robust internal controls.

## B. The Guidelines

1. *The Mission of the Board:* The responsibility of the Board is to ensure strategic direction, management supervision and adequate control of the company, with the ultimate goal of increasing the long-term value of the Bank.
2. *The Main Tasks of the Board:* In fulfilling its overall mission, the Board assumes the following tasks and responsibilities consistent with those set out in the By-laws of the Bank:
  - 2.1. Review and approve the multi-year business plan and annual budget of the Bank and the Group. Oversee management and provide guidance on the achievement of objectives set out in the business plan and budget.
  - 2.2. Ensure that the bank's risk management, compliance and internal control infrastructures keep pace with any changes to its risk profile (including its growth) and to the external risk landscape;
  - 2.3. Ensure that the risk management function, compliance function and internal audit function, have each sufficient authority, stature, independence, resources and access to the board or its relevant Committee;
  - 2.4. Assisted by the Corporate Governance and Nomination Committee, ensure that the Board's composition, structure, policies and processes meet all relevant legal and regulatory requirements and strive to achieve global corporate governance best practice standards in the Bank. To this effect, approve and regularly review these Guidelines, Chart of Authorities and Delegation of Powers to Management, Committee charters and practices; and, when necessary, the By-laws and propose amendments to the General Meeting of Shareholders.
  - 2.5. Ensure that the spirit of these Guidelines is followed by the Bank and that appropriate policies to this effect are put in place.

- 2.6. Assisted by the Remuneration Committee, maintain policies (including a written Group Compensation and Benefits Policy) to attract, retain, develop and motivate executives and employees of high calibre and regularly review these policies in order to ensure their alignment with the Bank's strategy and development as well as with regulatory requirements;
- 2.7. Assisted by the Remuneration Committee, develop a culture of fairly evaluating effort and rewarding performance; and develop and maintain a coherent, ethical system of values and incentives for human resource development throughout the Bank;
- 2.8. Appoint, review the service contract and, when necessary, dismiss the CEO.
- 2.9. The Board, on a recommendation from the Remuneration Committee, which should follow the annual evaluation of its Executive members by the Corporate Governance and Nomination Committee and that of the CEO by the non-executive session of the Board, should decide on the annual remuneration of its executive members for their executive functions.
- 2.10. Assisted by the Board's Group Audit Committee, ensure that the Bank has an effective system of internal control, including financial control; evaluate the internal control system on a yearly basis; ensure effective, independent external and internal audit functions and an effective legal and regulatory compliance function.
- 2.11. Assisted by the Group Risk Committee, (i) approve the Group's Risk Policies and Risk Appetite, (ii) monitor Group's risk profile for all types of risks; and (iii) oversee the management framework of the aforementioned risks and assess its effectiveness.
- 2.12. Assisted by the Board's Audit Committee, review and approve the Bank's consolidated financial statements and ensure the integrity of all financial and non-financial regular or ad hoc disclosures;
- 2.13. Assisted by the Board's Corporate Governance and Nomination Committee, ensure that the Bank has developed and maintains a high-standard, functioning Code of Conduct for Bank employees.
- 2.14. Assisted by the Board AML/CFT Committee, discharge its functions and supervisory role with respect to fighting money laundering and terrorist financing and understanding the related risks, and take the appropriate decisions in this regard.
- 2.15. Review and approve major transactions, as defined in the Chart of Authorities and Delegation of Powers to Management, or other transactions of strategic importance that the CEO submits for its approval. Review and approve major acquisitions by the Bank of stakes in other companies, other than for purely financial purposes.
- 2.16. Review and approve transactions between the Bank and Directors or other parties related to the Bank, according to these Guidelines, the By-laws and/or Bank's Code of Conduct and, where appropriate, seek approval from Shareholders and submit an annual report on Related Party Transactions to the Shareholders.
- 2.17. Approve the establishment and participation in charitable foundations, non profit associations and non-profit corporations by the Bank.
- 2.18. Decide on any other issue, as required by laws, regulations, the By-laws of the Bank or considered by the Chairman of the Board to be of importance to the Bank.

### 3. Authority of the Board

- 3.1. The Chairman of the Bank represents the Bank in all instances according to Lebanese law. The Board has ultimate power to decide on all issues of management, except those areas that are reserved by law or by the By-laws of the Bank to the authority of the Chairman of the Bank or the General Meeting of Shareholders.
- 3.2. The Board may decide to delegate part of its powers in specific areas to one or more of its members or to executives and staff of the Bank. It might also decide to delegate the right to the Chairman or to the CEO to further confer delegated authorities to the staff of the Bank.
- 3.3. The above delegations and authorities should be clearly outlined in a Chart of Authorities and Delegation of Powers to Management which is maintained by the Board. The Board should also maintain a schedule of Reserved Powers over which the Board retains full decision making authority.

#### 4. *The structure of the Board*

- 4.1. *Board size:* The number of directors, which shall not exceed 12, is decided upon by the General Meeting of Shareholders, following a proposal by the Board. The Board might decide not to fill any vacant post following a resignation, death or discharge of a director until the next General Meeting.
- 4.2. *Board composition:* The Board should consist of qualified directors as defined in Section 6, distributed as follows:
  - 4.2.1. A majority of Board members must be Lebanese.
  - 4.2.2. At least half of the Board should consist of Non-Executive Directors, who are not employed by the Bank or other Group affiliates and are not involved in its day to day business.
  - 4.2.3. At least 1/3 of the members of the Board should consist of Independent Non-Executive Directors as defined in 6.5.
  - 4.2.4. Up to half of the Board could consist of Non-Executive Directors, representing shareholders or shareholders group, who own or control individually a material percentage of the Bank's decision- making rights (the "Shareholder- Appointed Non-Executive Directors") provided that the Shareholder- Appointed Non-Executive directors should not be employed by the Bank or its subsidiaries nor should they be involved in its day- to- day business.
  - 4.2.5. As an example, and in application of the above Board composition guidelines, a Board comprised of 12 members could include 4 Shareholder - Appointed Non-Executive Directors, 4 Executive Directors and 4 Independent Non-Executive Directors.
  - 4.2.6. The Board determines the status of each one of its directors.
- 4.3. *Honorary Directors:* The Board may, upon a proposal of the Chairman, appoint non-voting honorary directors who may participate in Board plenary or committee meetings. Honorary directors are appointed because of their long experience in the financial sector, their intimate long-standing knowledge of the Bank or their stature in the economy and society of Lebanon or other countries where the Bank has important business interests.
- 4.4. *The role and responsibilities of the Chairman of the Bank:* The Chairman shall be elected by the Board of Directors from among its members. The Chairman:

- 4.4.1. is responsible for leadership of the Board, ensuring the fulfilment of all of its tasks and responsibilities, the proper planning of its agenda, the effectiveness of its meetings and the efficient use of the Board's time.
- 4.4.2. calls and presides over the meetings of the Board, approves the agendas and guides the Corporate Secretary on all matters relevant to the Board.
- 4.4.3. is responsible for ensuring that the directors receive accurate, timely and clear information.
- 4.4.4. facilitates the effective contribution of non-executive directors in particular
- 4.4.5. is available to shareholders as the representative of the Bank and its principal voice on all matters.
- 4.5. The Chairman is also the General Manager of the Bank. He shall propose to the Board the appointment of a second General Manager and Chief Executive Officer, other than himself, who will assume the responsibility of managing the business and operations of the Bank with accountability to the Board.
- 4.6. *Vice Chairman of the Board:* One or more Vice Chairmen will be appointed by the directors to chair meetings of the Board in the absence of the Chairman.
- 4.7. *Board Committees:* The Board should establish and maintain the following regular committees:
  - the Group Audit Committee;
  - the Group Risk Committee;
  - the Remuneration Committee;
  - the Compliance/AML/CFT Board Committee;
  - the Corporate Governance and Nomination Committee ;
  - the Group Executive Committee;
- 4.7.1. The members of the committees and their Chairmen should be appointed by the Board.
- 4.7.2. Each committee shall have its own charter, which will be approved by the Board and annexed to these Guidelines.
- 4.7.3. The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.
- 4.8. The Board may appoint members to an international Advisory Board to assist the Board to develop the strategy of the Bank and the Group; and to bring an international perspective to specific issues of interest to the Bank. The Advisory Board shall meet twice a year with the Board. The Board will determine the terms of reference of the Advisory Board.

## 5. *The functioning of the Board*

### 5.1. Meetings

- 5.1.1. The Board shall meet at least six times per year (of which at least 2 times in Lebanon). The Chairman may convene a meeting at his discretion. At least two Board members can request a meeting, in which case the Chairman is obliged to convene a meeting within 10 days of the request.
  - 5.1.2. The Board has the requisite quorum when one half plus one of the directors is present (or represented). Decisions are taken by majority of those participating.
  - 5.1.3. The proceedings and decision of the Board and its Committees are recorded in its minutes which can be filed in an electronic form. Minutes of every meeting should be distributed and approved at the Board's following meeting.
  - 5.1.4. Participation at a meeting can take place by tele- or video-conference when directors participating in this manner have in parallel given general proxies to other members of the Board for voting purposes.
  - 5.1.5. The Agenda of every Board meeting will be set by the Chairman in consultation with the CEO and shall be promptly communicated to members of the Group Executive Committee.
  - 5.1.6. At its first meeting of every calendar year, the Board should adopt a calendar of meetings and a rolling agenda for the next 12 months which properly fulfils its tasks and responsibilities and responding to all matters reserved for its decision.
  - 5.1.7. Meetings shall be attended by the Corporate Secretary. The Chairman may invite other executives and external advisors to participate as required. The Chairman may at any time decide to close the Board meeting to any non-members.
  - 5.1.8. Directors should receive adequate documentation for each item on the Board agenda. The agenda and the meeting documents should be distributed at least seven calendar days (but not less than five working days before the meeting). Distribution by electronic means is considered valid. In exceptional cases, the Chairman may submit the documents with shorter notice (48 hours) or without notice when pressing considerations so require.
- 5.2. *The Board Retreat.* Once a year, the Board should go on a retreat to review and discuss the Bank strategy, the business plan of the Bank and its implementation. Key executives of the Bank and advisors may be invited to the retreat. Outside experts on specific issues might also be invited to make presentations. The Chairman, in consultation with the CEO, is responsible for the agenda of the retreat.
- 5.3. *Board Budget.* At the end of each calendar year, the Board approves a budget for the following year to support its work and that of its Committees.
- 5.3.1. The budget should have specific allocations for the Board and for each Board Committee.
  - 5.3.2. Commitments on these allocations are approved, as appropriate, by the Chairman of the Board or the Chairman of each Committee.
  - 5.3.3. The budget can be used to:
    - 5.3.3.1. engage such independent legal, financial or other advisors as the Board or its Committees deem appropriate, without consulting or obtaining the approval of any officer of the Bank, with respect to any matters subject to their respective authority.

- 5.3.3.2. support professional induction and development programs for Board members.
  - 5.3.3.3. support any other activities that are essential to the effective discharge of the responsibilities of the Board or its Committees.
  - 5.3.4. The Corporate Secretary, under the supervision of the Chairman of the Bank, is responsible for preparing the yearly Board budget proposals to the Board. He is also responsible for monitoring its implementation and submits an annual report to the Board at the beginning of each calendar year.
  - 5.4. *Board Evaluation:* The Board should conduct an annual Board performance evaluation on the basis of a methodology approved by the Board. The evaluation may be carried out by an outside consultant.
  - 5.5. *The Corporate Secretary:* The Corporate Secretary should be responsible for the effective functioning of, and support for, the Board and its Committees; for proper communication and information flow between the Board and the rest of the Bank; for ensuring that the Bank's and the Group's corporate governance is properly documented and communicated to shareholders; for organizing General Meetings of shareholders and for ensuring that shareholders are adequately informed and facilitated in the exercise of their shareholder rights. The Corporate Secretary shall report directly to the Chairman.
  - 5.6. *Non-executive session of the Board:* The Non-Executive Directors should meet at least once a year privately with the Chairman to discuss the performance of the CEO and any issues or concerns regarding the management of the Bank.
6. *Director Qualifications and Independence*
- 6.1. *Director qualifications:* In order to be considered by the Board as a candidate for the Board's proposal to the AGM, a candidate should:
    - 6.1.1. have a history that indicates he or she is committed to high ethical standards.
    - 6.1.2. have a clear sense of the balance between the legitimate interests and concerns of all of the Bank's shareholders and other stakeholders in reaching decisions, rather than advancing the interests of a particular constituency.
    - 6.1.3. have the willingness and intellectual authority to challenge management, while working constructively as part of a team in an environment of trust.
    - 6.1.4. be ready to devote sufficient time and energy to discharging his or her duties as a director.
    - 6.1.5. have skills, expertise and knowledge that complements those of the existing directors, taking into consideration the review of the Board's profile
  - 6.2. Prior to any nominations of directors being made to shareholders at the relevant Annual General Meeting, the Board should ensure that the new Board, as a collective body, would present the following profile:
    - 6.2.1. Superior knowledge of the financial industry, including individuals that have or have had leadership positions in financial institutions.

- 6.2.2. Business, governmental, non-profit or professional experience, including individuals that are serving or have served as Chairmen, Chief Executive Officers or senior managers of large organizations and have a reputation that demonstrates the ability to make the kind of important and sensitive judgments that the Board is called upon to make.
  - 6.2.3. Adequate understanding of the Bank's client universe and of the main geographic markets in which the Bank is active.
  - 6.2.4. International and regional (MENA) experience.
  - 6.2.5. Financial expertise required to provide effective oversight of a diversified financial services business.
- 6.3. *Director incompatibilities:* The following professional affiliations are incompatible with the position of a Board Director:
- 6.3.1. An executive, board member or employee or any other affiliation that implies a duty of loyalty to one of the Bank's competitors or any other institution whose interests might conflict as a matter of course with the interests of the Bank and its shareholders.
  - 6.3.2. A consultant or external advisor to the Bank or an employee or partner of a firm that is consulting or advising the Bank, including its external auditor.
- 6.4. Definition of non-executive Director: In order to be considered a non-executive director by the Board, a director should:
- 6.4.1. Not be occupying, and not have occupied over the two years preceding his appointment, an executive function in the Bank nor in any of its local or foreign consolidated branches or subsidiaries;
  - 6.4.2. Not be providing, and not have provided over the two years preceding his appointment, advisory services to the Executive Management.
- 6.5. *Definition of director independence:* In order to be considered an independent non-executive director by the Board, a director should conform to the definition of a Non-executive Director as per section 6.4 above, and should have no relationship with the Bank that would interfere with the exercise of independent judgment in carrying out responsibilities as a director. Such a relationship should be assumed to exist when a director:
- 6.5.1. Is a major shareholder (i.e. Owns, directly or indirectly, more than 5% of outstanding Audi common stock, or more than 5% of the voting rights relating to the outstanding Audi common stock), or is a relative, up to the fourth degree of kinship, of a major shareholder<sup>1</sup>.
  - 6.5.2. Has, or has had over the two years preceding his appointment, a business relationship with any of the Senior Executives or with a major shareholders of the Bank<sup>1</sup>;
  - 6.5.3. Is the beneficiary of credit facilities granted by the Bank<sup>1</sup>.

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<sup>1</sup> As per BDL circular 118;

- 6.5.4. Is him/her self or in conjunction with any of his/her affiliates a significant client of the Bank. A significant client is considered to be one who is among the top 10 clients of the Bank or any of its affiliated companies, in terms of either total value of deposits or fees paid during the previous calendar year<sup>2</sup>.
  - 6.5.5. Is him/her self or in conjunction with any of his/her affiliates a significant supplier of the Bank, having supplied to the bank services or goods worth more than LBP 2000 million over the preceding 3 calendar years<sup>2</sup>.
  - 6.5.6. He/she or his/her affiliates have been over the 3 years preceding his appointment a partner or an employee of the Bank's external auditor<sup>2</sup>.
  - 6.5.7. He/she or his/her affiliates are partners with the Bank in any joint venture or other type of partnership that represents more than 2% of either of the partners' revenues, in terms of the balance sheet value of their respective stakes<sup>2</sup>.
  - 6.5.8. For the purposes of interpreting items 6.5.4 to 6.5.7, an affiliate of a director is, as the case may be: (a) any immediate relative up to the second degree of kinship or spouse or (b) any commercial entity of which a director or its affiliates under (a) are Board members, senior executives or partners or of which they control directly or indirectly more than 10% of its decision making rights.
- 6.6. *Director orientation and continuous education:* The Bank should provide an orientation program for new Directors which should include presentations by senior management on the Bank's business plan, its significant financial, accounting and risk management issues, its compliance function, its Code of Conduct and its management structure. The orientation program may also include visits to certain of the Bank's significant branches and subsidiaries. The Bank should also make available continuing education and development programs for all members of the Board. All new Directors should participate in the orientation program.
7. *Direction Nomination and Election:* The Corporate Governance and Nomination Committee of the Board should develop and manage a process for the nomination of directors to be proposed to the General Meeting of Shareholders by the Board.
- 7.1. *Individual election of directors by the General Meeting of Shareholders:* Shareholders may freely nominate additional candidates. Directors are elected for a term of three years and can be re-elected for an indefinite number of terms.

## 8. *Directors' Rights and Duties*

### Rights

#### 8.1. *The Right to be informed:*

- 8.1.1. In addition to reviewing quarterly results before their publication, directors should receive and review on a quarterly basis a set of key performance indicators relevant to the achievement of business plan and annual budget targets. These indicators are approved by the Board at its annual strategy retreat. Directors should also receive on a quarterly basis a selection of international analyst reports covering the Bank.

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<sup>2</sup> Maintained from the previous version of the Guidelines, though not a regulatory requirement;



- 8.1.2.** In addition to information regularly received by the Board, directors should be able to access any company information, records, and books through the Chairman.
- 8.1.3.** In the course of fulfilling their duties, and in order to seek information and advice, directors should have access to any member of senior management of the Bank or the Group through the Chairman.
- 8.2.** *The right of access to the Agenda:* Any member of the Board may request that the Chairman includes one or more items on the next Board meeting Agenda.
- 8.3.** *The right to be adequately insured:* Directors should be adequately covered against legal or other risks in conjunction with their duties at Audi at the cost of the Bank.
- 8.4.** *The right to record disagreement:* Directors should have the right to express disagreement with a decision of the Board in writing and to record their opinion in the minutes.
- 8.5.** *The right to keep personal data private:* Directors should have a right to have all their disclosures to the Board, its Committees or the Bank that are not already a matter of public record remain confidential, unless the release of such information is required by law, the Bank's By-laws, these present Guidelines or specific Bank policies approved by the Board.

### Duties

- 8.6.** *Ethics and reputation:* Directors should uphold the highest ethical standards and maintain an impeccable reputation. Any issue that can impact on their reputation and trustworthiness in any country where the Bank is active should be reported to the Chairman of the Bank.
- 8.7.** *Compliance:* Directors should undertake to comply with all laws and regulations in all aspects of their public and private lives. Any ongoing litigation in which they are involved or real risk thereof should be reported to the Chairman of the Bank.
- 8.8.** *Regular Attendance:* The Chairman, through the Corporate Secretary, should monitor attendance at every meeting. Individual attendance should be noted in the minutes. All Directors should be required to attend the General Meeting of Shareholders.
- 8.9.** *Diligence and care:* Directors should apply the level of care and diligence that can reasonably be expected from a Director in this position.
- 8.10.** *Protection and use of company assets:* All directors should endeavour to protect the Bank's assets and ensure their efficient use. All company assets must be used for legitimate business purposes.
- 8.11.** *Fair dealing and equal treatment:* Directors should deal fairly with all of the Bank's employees, suppliers, clients and competitors. Directors should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice. All business relationships, lending relationships, deposit and other banking relationships between the Bank and a director or his/her affiliates should be made in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons.

- 8.12. Communications.** The Chairman, CEO and senior management should speak for the Bank. Other non executive directors may, from time to time, meet or otherwise communicate with various constituencies with the agreement of the Chairman or CEO.
- 8.13. Confidentiality:** Directors must maintain strict confidentiality of all information concerning the Bank, that has not been disclosed by the Bank, and they have the duty not to disclose any information, data, reports or background information which comes to their knowledge in the course of their duties, as long as this information has not otherwise become public. This obligation shall continue once a director has left the Board.
- 8.14. Conflicts of interest and related party transactions**
- 8.14.1.** Directors have a duty of loyalty to the Bank. They should strive to avoid conflicts of interests with the Bank. In particular:
- 8.14.1.1.** Directors should not take for themselves personally opportunities or potential opportunities that are discovered through the use of corporate property, information or position without the consent of the Board. Directors should advance the Bank's legitimate interests when the opportunity to do so arises.
- 8.14.1.2.** Directors must not during their tenure become an executive, Board member or employee or otherwise assume a position which implies a duty of loyalty to one of the Bank's competitors, or to other institutions whose interests might conflict as a matter of course with the interests of the Bank or its shareholders. If they choose to do so, they should concurrently submit their resignation from the Board.
- 8.14.1.3.** Directors or their affiliates are strictly prohibited from using any information they obtain in the course of their duties in order to trade in Audi shares.
- 8.14.2.** Directors should disclose annually to the Corporate Secretary their main professional affiliations and engagements, including responsibilities in non-profit organizations. Directors have an obligation to disclose to the Corporate Secretary on a timely basis any changes to the above as well as any other event that might put them in a conflict situation with the Bank or may alter their status as non-executive or independent directors.
- 8.14.3.** Prior to their approval by shareholders in the cases where this is required by law, all transactions between the Bank and a director or his/her affiliates that do not fall within the normal course of banking business or are substantially different from those prevailing at the time for comparable transactions with non-affiliated persons should be approved by the Board. Directors shall disclose to the Board any such transaction on a timely basis. .
- 8.14.4.** Directors have a duty to disclose in advance to the Chairman any share dealings in shares and derivatives of the Bank and its affiliates according to the provisions of the relevant legal requirements and the Bank's By-law. The Chairman has to disclose any such dealings to the Vice-Chairman.
- 8.14.5.** Directors should excuse themselves from any discussion, and should not participate in a decision, on any issue on which they have an actual or potential conflict of interest. When in doubt, they should consult with the Chairman or the Corporate Secretary.

- 8.14.6.** The Chairman may ask one or more directors to abstain from the discussion and decision if he/she considers that on there is a conflict of interest on the specific topic.
- 8.15.** *Competing engagements:* Directors should not sit on more than four other Boards of companies that are either publicly listed or are not part of the Audi Group. Private companies within the group of companies in which a non-executive director serves in an executive function are not included in the calculation of the above threshold.
- 8.16.** *Stock ownership commitment:* Directors have to hold at least the number of guarantee common shares set in the bylaws. In order to align themselves with the objective of increasing the long term value of the Bank, every individual director should commit to holding the equivalent of at least one year's remuneration in Audi stock until they retire from the Board. The Board should determine the process through which directors may be facilitated in acquiring such stock. In addition to other disclosure obligations related to the acquisition and disposal of Audi shares, directors should disclose on an annual basis the number of Audi shares they own and the number of Audi shares they acquired and sold during the preceding 12 months to the Corporate Secretary, who reports to the Board annually on individual director stock ownership and cumulative stock dealings in relation to stock ownership targets set above
- 9. Director Retirement.**
- 9.1.** *Retirement Age:* Executive and non-executive directors that reach the age of 75 will retire from the Board. There is no age limit for founding directors or honorary directors.
- 9.2.** *Executives resign upon retirement:* All executive or employee members of the Board should resign upon their retirement or departure from Bank or the Group.
- 10. Relationship with Shareholders**
- 10.1.** *Agenda:* The Board decides the issues that will be put on the agenda of the General Meeting of Shareholders. Shareholders should receive all adequate documentation and other information regarding all agenda items at the time the agenda is published.
- 10.2.** *Shareholder participation:* The Board should facilitate the participation of shareholders and ensure informed shareholder decision making at the General Meeting of Shareholders. To this effect, the Corporate Secretary develops and maintains procedures for the organization of the AGM, for the approval of the Board.
- 10.3.** *Stock-related executive remuneration:* The General meeting of Shareholders approves all stock-related executive compensation plans. The Board, assisted by its CGRC, submits a proposal to this effect. The main elements of every plan should be made available to shareholders at the time of the publication of the General Meeting agenda.
- 10.4.** *Annual Corporate Governance Report:* At the time of the publication of the agenda of the Annual General meeting, the Bank should publish an Annual Corporate Governance Report to the shareholders. The Corporate Secretary should be responsible for drafting the Report which is approved by the Board. The Report should contain the following main elements:
- 10.4.1.** The composition of the Board, highlighting changes in composition during the year
- 10.4.2.** Biographies of all Board members including their status, number of years on the Board, membership on other Boards

- 10.4.3. Membership of all Board Committees
- 10.4.4. The number of Audi shares owned by the each director
- 10.4.5. The number of meetings (including non executive director meetings) and attendance levels of the Board and its Committees
- 10.4.6. A summary of the activities of the Board and its Committees during the year
- 10.4.7. Any significant changes in the governance structure that occurred during the year
- 10.4.8. The existence and term of service contracts for executive members of the Board and members of the Group Executive Committee
- 10.4.9. Approval of any related party transactions by the Board
- 10.4.10. The names of outside advisors retained by the Board during the year

### C. Implementation and Review

1. *Senior Agreement and Letter of Appointment:* Upon their appointment, all directors receive and countersign a Service Agreement or a Letter of Appointment which highlights their responsibilities, rights and duties including their duty to follow these Guidelines.
2. *Review and amendments:* The present Guidelines are reviewed annually by the Board along with the other elements of the Bank's corporate governance framework. The Board might, at its own initiative, adopt amendments to the present Guidelines at any time.
3. *Transitional provisions:* Notwithstanding the provisions of Article 4.5 of the present Guidelines the Board may resolve, on an exceptional basis and for a specified period of time, to appoint the same person as Chair and CEO. Should the Board elect to do so, the following provisions would apply for the duration of the exception:
  - The Chair-CEO will not be a member of any of the following Committees: (i) Audit, (ii) Risk, (iii) Compliance/AML/CFT, or (iv) Remuneration;
  - The Chair-CEO will set the agenda of the Board meetings and strategic retreat in consultation with the Independent Vice-Chair, if one is appointed, or with the Independent Members of the Board;
  - The Chair-CEO will not attend the meeting of the Non-Executive Directors referred to in article 5.6 hereof.

*Adopted by the Board on April 10, 2017.*

#### Document History:

<u>Edition</u>	<u>Modification</u>	<u>Adopted by the Board on:</u>
1.0	First Edition	May 11, 2006
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