

TERMS OF REFERENCE NOMINATING, REMUNERATION AND GOVERNANCE COMMITTEE (NRGC)

NRGC Committee was established in accordance with Article 42 of the Memorandum and Articles of Association of Gulf Finance House (BSC), international best practices and the regulations of High Level Controls Module of the CBB Rulebook Volume 2 – Islamic Banks.

- Reference to the 'Board' shall mean the Board of Directors
- Reference to the 'NRGC' shall mean NOMINATING, REMUNERATION AND GOVERNANCE COMMITTEE.

1 PURPOSE

The purpose of Terms of Reference of the NRGC is to define the structure, scope, purpose, roles and responsibilities of the NRGC; enabling NRGC to perform in an efficient and effective manner.

1.1 *The Nominating, Remuneration and Governance Committee hereinafter referred to as "NRGC" of Gulf Finance House is a Board sub-committee, appointed to assist the Board in the following:*

- a. Review GFH's remuneration policies for the approved persons; which must be approved by the shareholders and be consistent with the corporate values and strategy of the GFH.

Note: 'Approved Person' (as defined in the CBB Rulebook) is an individual who undertakes a Controlled Function i.e., holds a major functional responsibility within the bank – typically the position of Director, Member of Shari'a Supervisory Board, CEO, General Manager, Senior Manager, Compliance Officer, MLRO, DMLRO and Financial Instrument Trader are considered as a Controlled Function.

- b. Make recommendations regarding remuneration policies and amounts for approved persons to the whole Board, taking account of total remuneration including salaries, fees, expenses and employee benefits; and

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- c. Recommend Board member remuneration based on their attendance and performance.
- d. Identifying persons qualified to become members of the Board of directors or Chief Executive Officer, Chief Financial Officer, Corporate Secretary and any other officers of the GFH considered appropriate by the Board, with the exception of the appointment of the internal auditor which shall be the responsibility of the Board Audit & Risk Committee.
- e. Make recommendations to the whole Board of directors including recommendations of candidates for Board membership to be included by the Board of directors on the agenda for the next annual shareholder meeting.
- f. Development of the bank's corporate governance policy framework and also recommend changes from time to time in line with the changes in the regulatory requirements.
- g. Examine and review the Board of Directors' and management's adherence to the bank's corporate governance policies.

1.2 The *NRGC* shall report its activities to the Board on regular basis.

2 COMMITTEE STRUCTURE & MEMBERSHIP

2.1 Members of the *NRGC* shall include only Independent Directors; or alternatively Non Executive Directors of whom the majority should be Independent Directors. The members shall be selected according to the identified skills, experience and independence required for the committee.

2.2 The size of the *NRGC* will be not less than three members who shall be selected by the Board. The committee shall elect one member as its 'Chairman', who should be an 'Independent Director'.

2.3 Members of the *NRGC* shall be appointed on a 3-years term.

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3. RESPONSIBILITIES OF NRCG COMMITTEE

3.1. The Committee responsibilities with respect to Board Membership::

- a) The committee shall make recommendations to the Board from time to time as to changes the committee believes to be desirable to the size of the Board or any committee of the Board;
- b) Whenever a vacancy arises (including a vacancy resulting from an increase in Board size), the committee shall recommend to the Board a person to fill the vacancy either through appointment by the Board or through shareholder election;
- c) In performing the above responsibilities, the committee shall consider any criteria approved by the Board and such other factors as it deems appropriate. These may include judgment, specific skills, experience with other comparable businesses, the relation of a candidate's experience with that of other Board members, and other factors;
- d) The committee shall also consider all candidates for Board membership recommended by the shareholders and any candidates proposed by management;
- e) The committee shall identify Board members qualified to fill vacancies on any committee of the Board and recommend to the Board that such person appoint the identified person(s) to such committee; and
- f) Assuring that plans are in place for orderly succession of senior management.

3.2. The Committee responsibilities with respect to officers:

- a) Make recommendations to the Board from time to time as to changes the committee believes to be desirable in the structure and job descriptions of the officers including the CEO, and prepare terms of reference for each vacancy stating the job responsibilities, qualifications needed and other relevant matters including integrity, technical and managerial competence, and experience;

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- b) Overseeing succession planning and replacing key executives when necessary, and ensuring appropriate resources are available, and minimizing reliance on key individuals;
 - c) Develop a plan for succession and replacement of officers including replacement in the event of an emergency or other unforeseeable vacancy; and
 - d) The committee shall develop and recommend to the Board corporate governance guidelines, and review those guidelines at least once a year.
- 3.3.** The committee shall make specific recommendations to the Board on, both *remuneration* policy and individual *remuneration* packages for the *CEO* and other senior managers. This *remuneration* policy should cover at least:
- a) The following components:
 - i. Salary;
 - ii. The specific terms of performance-related plans including any stock compensation, stock options, or other deferred-benefit compensation;
 - iii. Pension plans;
 - iv. Fringe benefits such as non-salary perks; and
 - v. Termination policies including any severance payment policies; and
 - b) Policy guidelines to be used for determining *remuneration* in individual cases, including on:
 - i. The relative importance of each component noted in a) above;
 - ii. Specific criteria to be used in evaluating a senior manager's performance.
- 3.4.** The committee shall evaluate the *CEO's* and senior management's performance (excluding – Head of Risk, Audit & Compliance) in light of the bank's corporate goals, agreed strategy, objectives and business plans.
- 3.5.** The committee should also be responsible for retaining and overseeing outside consultants or firms for the purpose of determining approved persons' remuneration, administering remuneration plans, or related matters.



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- 3.6.** The committee shall conduct periodic review and make the required changes, as deemed appropriate, in GFH's corporate governance framework.
- 3.7.** The committee shall report to the Board on regular basis (i.e. semi annually) on all matters within its duties and responsibilities.

4. SECRETARY TO THE NRGC COMMITTEE

- 4.1.** The Secretary to the Board shall act as *NRGC* Secretary.
- 4.2.** The Secretary to the *NRGC* shall fulfill the following responsibilities pertaining to the committee meetings:
- a) Prepare and obtain approval of the meeting agenda.
 - b) Issue meeting invitations and Agenda.
 - c) Prepare and submit the minutes of the meeting for approval.

5. NRGC COMMITTEE MEETINGS

- **GENERAL**

- 5.1.** The *NRGC* shall meet on a quarterly basis; however, at minimum *NRGC* must meet twice a year. Its meeting may be scheduled in conjunction with regularly scheduled meeting of the entire board.
- 5.2.** The *NRGC* will meet additionally as events and decision making require. The meeting might be conducted through conference calls/ video calls between the members of the Committee and the physical presence of the committee members is not necessary.
- 5.3.** The *dates of* the meetings for the year should be set forth and agreed at the beginning of the year. To the extent possible, meetings of the *NRGC* will be scheduled to coincide with meetings of the Board.

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- **AGENDA AND INVITATIONS**

- 5.4. Meeting invitations and Agenda will be prepared and issued by the Secretary after consultation with the Chairman of the NRGC.
- 5.5. Meeting invitations and Agenda will be issued to the committee members by mail services or fax with as much advance notice as possible.
- 5.6. Given the importance of the authorities and administrative decisions being taken by the NRGC, active participation by all NRGC members is essential. Accordingly, attendance at all meetings is strongly encouraged.
- 5.7. Recognizing that some meetings will have to be scheduled at a short notice and to permit participation by NRGC members, consultation may be undertaken by in-person visits, telephone conversations, facsimile and telex communication, or by memorandum (with courier delivery).
- 5.8. The *NRGC* will neither expect nor accept member viewpoints without proper prior briefing on each required decision.
- 5.9. Decisions based upon faxed information may be taken where rapid decision-making is required. In such instances, failure to respond to a faxed request (with receipt confirmed by telephone) for a decision within three business days will be assumed to be an affirmative vote.
- 5.10. Non-voting guests may be invited to *NRGC* meetings by the Chairman of the committee, provided their presence adds value to the decision making process.

- **QUORUM**

- 5.11. Participation by 50% of the *NRGC* members will represent a quorum. The participation might be via conference calls/video calls and the physical presence of the committee members is not mandatory to form the quorum.
- 5.12. Resolutions will be adopted by a majority vote of the members present and those voting in absentia. In the event of an equal vote, the Chairman of the Committee will cast a second, deciding vote.

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6. MINUTES

- 6.1. Copies of the resolutions will be maintained with the Corporate Secretary of GFH's Headquarters and will be circulated to the EXCOM and other senior management to take the necessary actions.
- 6.2. The NRCG will maintain written minutes of its meetings, along with a table tracking the committee's decisions which will be filed with the minutes of the meetings of the Board.

7. AUTHORITY

- 7.1. The NRCG is authorized to seek any information it requires from any employee of the Bank in order to perform its duties.
- 7.2. The NRCG is authorized to obtain any outside legal or other professional advice.
- 7.3. GFH shall cover the expenses of the NRCG

8. PERFORMANCE EVALUATION

- 8.1. The committee shall preview and review with the Board an annual performance evaluation of the committee, which shall compare the committee's performance with the above requirements and shall recommend to the Board any improvements deemed necessary or desirable to the committee's charter. The report may be in the form of a written report provided at any regularly scheduled Board meeting.
- 8.2. The Terms of Reference of the NRCG Committee shall be reviewed on an annual basis and revised as required.

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