

# The Commercial Bank (P.S.Q.C.)

## Corporate Governance Charter

01-01-CTR-002  
November 2019  
Version 5.0

COMMERCIAL  
BANK





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## Charter Revision History and Approval

| Revision History |              |   |                |                    |
|------------------|--------------|---|----------------|--------------------|
| Revision Number  | Issue Date   | Amendment Description   | Date Effective | Next Revision Date |
| 2.0              | March 2016   | General Update  |                |                    |
| 3.0              | May 2017     | Updating all relevant sections as per the amended Board and Board Committee Structure – April 2017, Amending Head of Corporate Affairs to Board Affairs Manager & Head of Corporate Affairs in the Charter, Changing whistle-blowing channels to Reporting Fraud channels in line with the revised Bank-wide Anti-Fraud Policy, Adding an item in the Guidelines for Board Remuneration section in accordance with QCB Circular 18/2014 and Amending BACC section in line with QCB CG Guidelines issued to Banks. |                |                    |
| 4.0              | October 2018 | General update on all relevant sections in line with the QFMA Governance Code for Companies & Legal entities Listed on the Main Market issued by the QFMA’s Board pursuant to Decision No. (5) of 2016, published in the Official Gazette Issue No. (6) Dated 15 May 2017.  |                | 31 October 2021    |
| 5.0              | October 2019 | Update of “Board Supervision” section in respect of Bank representatives on the board of subsidiaries in line with Article 38 of the QFMA Corporate Governance Code   |                |                    |



| <b>Review</b>   |             |                     |
|---|-------------|---------------------|
| <b>Authorised Reviewer</b>                              | <b>Date</b> | <b>Signature(s)</b> |
| Head of Corporate Affairs                               |             |                     |
| Group Chief Executive Officer                           |             |                     |
| Board Remuneration, Nomination and Governance Committee |             |                     |
| Board of Directors                                      |             |                     |

The Head of Corporate Affairs will formally review the Charter for its completeness, adequacy, and alignment to business imperatives (current and future) once in three years or on a more frequent basis if deemed necessary. Kindly refer to Section “4 – Maintenance of the Charter” for additional details.



## **I. Introduction**

### **1 Objective of the Charter**

The Commercial Bank (P.S.Q.C.) (hereinafter 'Commercial Bank' or the 'Bank') recognises that an effective corporate governance framework is vital to ensure achieving the Bank's corporate objectives and maximizing shareholder value.

The objective of this Charter is to establish the corporate governance practices and protocols that shall be observed by Commercial Bank in compliance with its Articles of Association (AOA); corporate governance regulations issued by Qatar Central Bank by virtue of circular No.68/2015 (the QCB Corporate Governance Guidelines); the Qatar Financial Markets Authority governance code for companies & legal entities listed on the main market issued by the QFMA's board pursuant to decision no. (5) of 2016, published in the Official Gazette Issue No. (6) dated 15 May 2017 (the QFMA Corporate Governance Code); other relevant laws, regulatory requirements and in line with relevant corporate governance leading practices.

This Corporate Governance Charter should be read in conjunction with the Bank's Board of Directors Charter (01-01CTR-001) and Board Committees Charter (01-01CTR-003) as they constitute an integral part of Commercial Bank's corporate governance framework.

### **2 Scope**

This Charter captures the detailed guidelines of the Bank's governance framework. It falls within the responsibilities of Commercial Bank's Board of Directors (the 'Board' or BOD) to ensure the observance of the governance guidelines set forth in this Charter. With respect to its subsidiaries, Commercial Bank's Board shall assign representatives to sit in the subsidiaries' board who shall regularly report on the activities/ operations and plans of the concerned subsidiary, including decisions taken, to Commercial Bank's Board. The custodianship and change management of this Charter resides with the Corporate Affairs Department.

### **3 Confidentiality and Distribution of the Charter**

This Charter shall be made available to the public in line with the transparency and disclosure requirements as per the Qatar Central Bank (QCB) Corporate Governance Guidelines for Banks and Financial Institutions and the Corporate Governance Code for Companies and Legal Entities Listed in the Market regulated by Qatar Financial Markets Authority (QFMA).



Commercial Bank directors and employees should read and understand the Charter so that they can comply and help others comply with the provisions established.



## 4 Maintenance of the Charter

This Charter should be reviewed at least once every three years for updates by the Head of Corporate Affairs. The Bank's Board Members, Executive Management and staff may recommend changes to the Charter by discussing the same in the relevant Board Committee or the Board (in the case of Board Members) or referring to their appropriate direct reporting line authority (in case of employees).

### Review and Update of the Charter

Revisions of this Charter are the principal ways of implementing and communicating changes that may arise in response to the changing needs and requirements of the Bank. All amendments, additions or deletions in the Charter should be properly documented and authorised/ approved prior to implementation (refer to Board Delegation of Authority (01-01-DOA-001) for DOA revision approval process.) The Head of Corporate Affairs shall be the focal point for Charter revisions to reflect applicable new (or updates in) laws and regulations (if any). Moreover, the Charter also needs to be reviewed due to internal factors that include but are not restricted to the introduction/ change/ discontinuation of new services/ operations or other organisational re-alignments. Requests for revision of this Charter shall be raised to the Head of Corporate Affairs through a Charter Revision Proposal (Appendix A).





## Revision Procedures

Upon updating the Charter, the following activities and revisions shall take place:

1. The date should be updated through the use of the Month and Year on the cover page, revision history page and header of the document.
2. The version number should be updated on the cover page, revision history page and the header of the document. The version number increases by one with every update.
3. The revision details are highlighted in the “Amendments Description” table found on the revision history page.
4. The file name should be updated in accordance to the latest date and version number.
5. The Charter is distributed to the relevant stakeholders and their acknowledgment is obtained using the form provided in Appendix B.
6. The non editable soft copy of the Charter is maintained for internal distribution. The custody of the signed hardcopy document shall be held by the Corporate Affairs Department.

## Audit

Application of the Charter is reviewed on an annual basis by the Head of Corporate Affairs, and compliance thereof shall be regularly reviewed by the Bank’s Internal Audit function. In case non-compliance has been identified, the Chief Internal Auditor shall review the reasons for such non-compliance and report them as required. Depending on the conclusions of this review, the need for a revision to the Charter may be identified. The Head of Corporate Affairs (or the CEO if required) may be asked to issue either general or specific reminders to staff regarding the provisions established in the Charter.

## 5 Policy on Non-Compliance

It is the responsibility of the Corporate Affairs Department (i.e. 'the owning entity') to report an incident of non-compliance with respect to this document in coordination with other functions (e.g. Compliance, Human Capital, Internal Audit, etc.). Incidents of non-compliance can alternatively be reported by any other Board Member or department/ unit personnel who become aware of the non-compliance.

With respect to Board Members, such non-compliance shall be reported and discussed in the Board Executive Committee for appropriate decision/ action and escalation to the Board.

Incidents of non-compliance by employees shall be reported by the concerned employee's immediate supervisor who in turn will report the matter to the Head of Corporate Affairs. In addition, Operational Risk Department will be informed and will follow applicable policy to monitor Bank wide non-compliance matters. Bank employees who fail to comply with this Charter will be subjected to disciplinary action in line with the Human Capital Delegation of Authority Manual (12-01-DOA-001). The precise action to be taken will depend upon the gravity of non-compliance and could range from issuance of warning letters to recommendation for termination of employment based on the Bank's approved penal code.

## 6 Regulatory Compliance

The Charter has been prepared with due consideration of applicable laws and regulations within the State of Qatar, including the following:

- Qatar Central Bank (QCB) Law and Regulation of Financial Institutions issued by virtue of Law No. 13 of 2012
- Qatar Central Bank (QCB) Instructions to Banks;
- QCB Corporate Governance Guidelines Circular No. 68/2015 (the QCB Corporate Governance Guidelines) ;
- Qatar Financial Market Authority (QFMA) Corporate Governance Code for Companies & Legal Entities Listed on the Main Market issued by the QFMA's board pursuant to decision no.(5) of 2016 (the QFMA Corporate Governance Code);
- Qatar Exchange (QE) Regulations;
- Commercial Companies Law No. (11) of 2015 (CCL); and
- Commercial Bank's Articles of Association (AOA).



In the event that a conflict exists between this Charter and regulatory pronouncements, the latter shall take precedence. Amendments to the Charter should then be made to ensure compliance. Moreover, the Bank shall ensure that it is in compliance with applicable laws and regulations of the countries that it operates in. If such conflicts arise, the legal SBU should be consulted.

## 7 Summaries

This Charter provides guidance over the following:

**Board of Directors:** This section describes the Board authority, roles and responsibilities, protocol on nomination and appointment of directors, guidelines on removal from office of Board Members, Board structure and composition, Board Member performance evaluation, as well as Board training and development among others.

**Board Supervision:** This section describes the responsibilities and functions that the Board may delegate to its committees, within the boundaries of applicable corporate governance regulatory provisions, with respect to the oversight on governance and Bank operations. It also captures Board's supervisory responsibility with respect to the Bank's subsidiaries and affiliates.

**Management Supervision:** The purpose of this section is to define the framework on the Board's exercise of its supervisory and oversight over the Bank's day-to-day operations.

**Succession Planning:** This section formalises the guidelines relating to Commercial Bank's succession planning framework.

**Remuneration for Board Members, Management and Staff:** This section defines the Bank's remuneration framework for its Board Members, management and staff.

**Governance Compliance and Reporting:** This provides an overview on the Bank's policy relating to compliance with and reporting of corporate governance requirements.

**Transactions with Related Party/ Subsidiaries and Associates:** This section details the steps in the identification and reporting of related parties/ subsidiaries and associates, and authorities in approving related party transactions, required documentation, among others.



**External Audit:** This section sets out the protocols to be followed in availing and appointing External Auditors and the Board's oversight over the conduct and results of their work.

**Confidentiality:** This section defines the principles and guidelines required in order to maintain the confidentiality of Bank's information.

**Conflict of Interest:** This section details the guidelines and protocols with respect to handling actual or perceived conflicts of interests arising from Commercial Bank's operations and activities.

**Whistle-blowing:** This section provides guidelines on avenues for Commercial Bank employees to report instances of actual (or perceived) misconduct in the workplace.

**Relationship with Stakeholders:** This section delineates the guidelines and standards which promote good relations through effective communication between Commercial Bank and its shareholders and other stakeholders.

**Insider Trading:** This section discusses insider trading issues and the appropriate actions that must be taken by the Bank.

**Corporate Social Responsibility:** This section describes the guidelines observed in promoting corporate social responsibility.

**Internal Control System:** This section details the internal control system employed by the Bank to ensure that the Bank's records are accurate and reliable, transactions are properly authorized, and assets are adequately safeguarded.

**Code of Ethics:** This section provides an overview on the expected standards of professional conduct for Commercial Bank directors, employees and service providers.

## 8 Reference to Related Documents

This Charter shall be in line with:

- Commercial Bank Articles of Association
- Organisational Structure
- Commercial Bank Risk Charter (14-01-CTR-001)
- Board of Directors Charter (01-01-CTR-001)
- Board Committees' Charters (01-01-CTR-003)
- Board Delegation of Authorities (01-01-DOA-001)
- Corporate Affairs Policies (01-01-POL-002)
- Human Capital Policies (12-01-POL-001)
- ERM Policy Guidelines (14-02-POL-001)
- Compliance Policies (06-02-POL-001)
- Internal Audit Policies (06-03-POL-001)
- Anti-Fraud Policies (14-04-POL-003)
- Bank-wide Code of Ethics (12-01-POL-002)
- Marketing Policies Manual (11-02-POL-001)
- Policy Development, Approval and Tracking Manual (14-01-POL-003)
- Basel Committee Papers



## II. Corporate Governance Charter

### 1 Board of Directors

#### **Purpose**

Commercial Bank recognises the Board's role in implementing high standards of corporate governance across the Bank and in promoting a work environment where such standards can thrive and operate. Accordingly, the purpose of this section is to highlight guidelines relating to the functioning and structure of the Board. It covers the guiding principles with respect to the Board's authorities and duties, appointment of Board Members, structure and composition, Board Member training and development, among others.

#### **Scope**

This section is applicable to Commercial Bank's Board, Executive Management and Bank employees. With respect to subsidiaries, the relevant subsidiary's Board shall oversee the activities/ operations and plans of the concerned subsidiary and Commercial Bank's representatives in the said subsidiary board shall report on the same to Commercial Bank's Board.

#### **Responsibility and Authority**

The overall responsibility in implementing this section falls within the jurisdiction of the Board. Roles and responsibilities mentioned within this Section shall be performed by the related functions taking into consideration Commercial Bank's Delegation of Authorities.



## **Section**

### 1.1 Board Authorities, Duties and Responsibilities

- 1.1.1 Commercial Bank shall be governed by the Board which shall be individually and collectively responsible for the proper management of the Bank in an effective and productive manner to achieve the interests of the Bank, partners, shareholders and stakeholders, and to achieve public interest and investment development in the State as well as the community (QCB Corporate Governance Guidelines, Circular 68/2015, First Principle Section and QFMA Corporate Governance Code, Article 9). It shall have the widest authority to govern the Bank as provided in the Bank's AOA, excluding authorities which have been expressly reserved for the General Assembly.
- 1.1.2 The Board shall ensure that an effective corporate governance framework is in place, thereby contributing to the achievement of the Bank's long-term corporate objectives and creating trust and engagement between the Bank and its stakeholders.
- 1.1.3 It shall have the right to appoint the CEO, senior/ executive managers and to vest on them the right to sign jointly or severally on behalf of the Bank. Such rights shall manifest themselves through the DOA approved by the Board. The Executive General Managers (EGMs) shall directly report to the CEO.
- 1.1.4 The Board shall provide Executive Management with definite strategies, policies and plans by which the objectives of Commercial Bank could be achieved. The Board shall reevaluate and develop such strategies, plans and policies on a periodic basis to ensure alignment/ consistency with the developments and changes at the local, regional, and international levels, and taking into account regulatory directives and instructions.
- 1.1.5 The Board Members shall have adequate expertise and knowledge to effectively perform their oversight functions in the best interest of the Bank and shall give sufficient time and attention to their role as Board Members. (QCB Corporate Governance Guidelines, Circular 68/2015 Second Principle Section 1.3 and QFMA Corporate Governance Code, Article 5).
- 1.1.6 The detailed key functions, tasks, roles and responsibilities of the Board as a whole and its individual Board Members in compliance with QFMA Corporate Governance Code Articles 8 to 15 are embedded in the Board of Directors Charter (01-



01-CTR-001). This Charter is being published via the Bank's official website (QFMA Corporate Governance Code, Article 8).

#### 1.1.7 Role of the Board Chairman

1.1.7.1 The Board Chairman is responsible for ensuring the proper management of the Bank in an effective and productive manner to achieve the interests of the Bank, partners, shareholders and stakeholders.

1.1.7.2 Duties and responsibilities of the Board Chairman for ensuring the proper functioning of the Board, as well as those of the other directors, are as detailed in the Board Directors Charter (01-01-CTR-001) in compliance with QFMA Corporate Governance Code, Article 11).

1.1.7.3 The Board Chairman may not be a member of the Audit and Compliance Committee; Board Remuneration, Nomination and Governance Committee; and Board Risk Committee, nor can he exercise the position of the Chief Executive Officer or any other executive position in Commercial Bank (QCB Corporate Governance Guidelines, Circular 68/2015 Fourth Principle Section 1 and QFMA Corporate Governance Code, Article 7).

1.1.7.4 The Board Chairman is prohibited to be a board chairman or a vice-chairman for more than two companies listed on the Qatar Stock Exchange which are headquartered in the State; nor a board member for more than three shareholding companies which are headquartered in the State; nor a managing director in more than one company listed on the Qatar Stock Exchange which is headquartered in the State; nor to combine two memberships of two companies exercising a homogeneous activity (QFMA Corporate Governance Code, Article 7).

1.1.7.5 The Chairman and Board Members must provide an annual acknowledgment that no one of them shall combine the positions prohibited by the QFMA Corporate Governance Code and other applicable regulatory requirements. The Secretary shall keep such acknowledgment in the file prepared for this purpose (QFMA Corporate Governance Code, Article 7).

## 1.2 Information and Professional Development





- 1.2.1 Considering the Board's oversight role in the Bank's operations, individual Board Members are expected to have a clear grasp of their role in corporate governance and possess the competencies/ qualifications required for their position. Accordingly, the Board shall establish a formal induction programme to familiarise and orient incoming Board Members with their roles and responsibilities and the Bank's operations.
- 1.2.2 Ongoing training and development of Board Members shall be implemented to improve governance practices within the Board and to enhance individual Board Members' skills and knowledge with the end view of aiding them in the satisfactory fulfillment of their role in the Board and Board Committees.
  - 1.2.2.1 The Corporate Affairs Department shall facilitate the conduct of induction training for incoming Board Members as well as regular trainings/ updates for existing Board Members. The Corporate Affairs Department shall design an induction and training program which shall be updated on a regular basis to cover any recent developments on regulatory requirements, corporate governance, Bank operations overview, and industry practices among others.
- 1.2.3 The Board shall ensure that all Board Members have access to independent professional advice at Commercial Bank's expense with the approval of the Board Chairman. However, a majority of Non-Executive Board Members may obtain consultative advice even without the required approval of the Chairman (QCB Corporate Governance Guidelines, Circular 68/2015 Third Principle Section 1.3 and QFMA Corporate Governance Code, Article12).

### 1.3 Nomination and Appointment of Directors

- 1.3.1 Appointment of Board Members shall be made according to formal, rigorous and transparent procedures and in compliance with QFMA Corporate Governance Code Articles 5 and 18.
- 1.3.2 The Board shall constitute a Board Remuneration, Nomination and Governance Committee which shall recommend Board Members' appointment and re-nomination for election at the General Assembly (QFMA Corporate Governance Code, Article 18). Refer to the role and responsibilities of Remuneration, Nomination and Governance of Board Committee's Charter for detailed discussion.
- 1.3.3 Nominations shall take into account inter alia the candidates' sufficient availability to perform their duties as Board Members, in addition to their skills, knowledge and experience as well as professional, technical, academic qualifications



and personality and should be based on the requirements for Board Members as per QFMA Corporate Governance Code Article 5.

1.3.4 Applicant/ nominees for a Board Member position must be qualified with sufficient knowledge of administrative matters and relevant experience to perform its duties effectively, and must devote enough time to do its job with integrity and transparency. Applicant/ nominees for a Board Member position shall meet the following requirements at a minimum (CCL Article 97, AOA Article 21, QFMA Corporate Governance Code, Article 5):

1.3.4.1 Shall not be less than 21 years of age with full capacity;

1.3.4.2 He shall not have been sentenced to criminal penalty, or a crime against honor or integrity, or any of the crimes stipulated in Article (40) of Law No. (8) of 2012 concerning the Qatar Financial Markets Authority, and articles (334) and (335) of Law no. (11) of 2015 Promulgating Commercial Companies Law, or by prevented from practicing any work in the entities subject to the authority's jurisdiction under Article (35 paragraph 12) of Law No. (8) of 2012 referred to, or have been bankrupted, unless been rehabilitated;

1.3.4.3 He shall own not less than 0.25% of Commercial Bank's share capital as determined by the AOA Article 21, when elected, or within thirty days from his election date. Such shares shall be deposited to the depository within sixty days from starting date of membership with prohibition from trading, mortgage or seize until the end of membership period, approved on the last budget of financial until the end of membership period, approved on the last budget of financial year of doing business. Such shares shall also be allocated to ensure the rights of Commercial Bank, shareholders, creditors and third parties are the responsibility of the Board Members. If the Board Member does not provide the guarantee as mentioned, his membership becomes invalid. Independent Board Members are exempted from this requirement.

1.3.4.4 He shall provide written acknowledgement stating he is not undertaking any legally prohibited job position to combine it with the Board membership.

1.3.5 Protocol on Election of Board Members



1.3.5.1 The Bank shall send a list of names and data for applicant/ nominees for Board Member positions with CVs and original copies of candidacy requirements to the QFMA at least two weeks before the date of specified Board elections (QFMA Corporate Governance Code, Article 5).

1.3.5.2 Members of the Board shall be elected for a period of three years, and a director may be re-elected more than once (AOA Article 22 and CCL Article 95).

1.3.5.3 The Board shall elect by secret ballot a Chairman, Vice Chairman and Managing Director for the full term of the Board. (AOA Article 24).

#### 1.3.6 Filling of Vacant Positions

1.3.6.1 Should the post of one Board Member become vacant, he shall be succeeded by whoever attained the most votes of the shareholders who did not gain membership of the Board. If an impediment arises, the one who comes next shall succeed him. The new member shall only continue the term of his predecessor (AOA Article 25).

1.3.6.2 Where the vacant positions reach one quarter of the principal position, the Board shall be obliged to invite the Ordinary General Assembly to convene within a period of two months from the date the last post became vacant, so as to elect the members who shall fill the vacant posts (AOA Article 25).

#### 1.4 Removal from Office of Board Members

1.4.1 The General Assembly may remove from office the Chairman or any of the members of the Board on a proposal passed by the absolute majority of the Board or on an application signed by a number of shareholders holding not less than one quarter of the subscribed capital. In such a case, the Chairman shall call for a meeting of the General Assembly to be convened within ten days from the date of the application for such removal; otherwise the Department of Corporate Affairs shall send the invitations for the meeting (AOA Article 31).

1.4.2 Where a Board Member absents himself for more than three consecutive meetings of the Board or four non-consecutive meetings without an excuse that has been accepted by the Board, the absenting Board Member shall be deemed to have resigned from the Board (AOA Article 28, CCL Article 105, QFMA Corporate Governance Code, Article 14).

#### 1.5 Board Structure and Composition



- 1.5.1 The Board shall be constituted as per the Bank's AOA and other pertinent regulatory directives.
- 1.5.2 The Board shall include Non-Executive and Independent Board Members so as to ensure that the Board decisions are not dominated by one individual or a small group of individuals.
- 1.5.3 At least one-third of the Board Members shall be Independent Board Members.
- 1.5.4 The majority of the Board Members shall be Non-Executive.
- 1.5.5 The Bank adopts the QFMA and QCB definitions of "Independent" Board member. In the event of conflict between QFMA and QCB definitions, the more stringent requirement shall prevail.
- 1.5.6 Independent Board Members shall notify the Board as soon as reasonably possible in the event that their circumstances change in any manner that may affect the Board's evaluation of their independence.
- 1.5.7 The Board shall be composed of nine members. They shall take charge of the management of the Bank and elected by the Ordinary General Assembly through secret ballot in accordance with the cumulative voting method (AOA Article 23, QFMA Corporate Governance Code, Article 35).
- 1.5.8 The Board number shall be revisited and amended where necessary according to the requirements of the Bank as long as it is still within the number prescribed by relevant laws and regulations.

## 1.6 Performance Evaluation

- 1.6.1 A self-assessment process shall be conducted by the Board, through the Board Remuneration, Nomination and Governance Committee, to annually assess itself and individual member's performance.
- 1.6.2 A self-assessment form shall be distributed to each Board Member for their input and discussion.
- 1.6.3 The Board shall disclose the process and results of the performance evaluation in the Annual Corporate Governance Report.

## 1.7 General Assembly



- 1.7.1 The General Assembly shall represent all the shareholders and may not be convened except in the State of Qatar (AOA Article 36). It shall be presided by the Board Chairman, or the Vice Chairman, or by a person delegated by the Board for that purpose.
- 1.7.2 Three days before the General Assembly meeting is called upon to consider the Bank's balance sheet and the Directors' report, the Board shall make available for perusal by the shareholders a detailed statement to include the following information (AOA Article 35):
- 1.7.2.1 All amounts received by the Board Chairman and every member of such Board during the financial year by way of remuneration, fees, salaries, Board meeting attendance fees, or money in lieu of expenses together with any amount which any of them has received in his capacity as a technical officer or administrative officer, or in consideration of any technical, administrative or consultative work rendered by him for the Bank.
  - 1.7.2.2 Any benefit in kind enjoyed by the Board Chairman and any member of the Board during the financial year.
  - 1.7.2.3 The Directors' remuneration proposed to be distributed among the Board Members.
  - 1.7.2.4 The amount allocated for each member of the Board and former members of the Board as salary, reserve or compensation for end of service.
  - 1.7.2.5 Any transaction in which a member of the Board or a manager has had an interest in conflict with the interest of the Bank.
  - 1.7.2.6 Amounts actually spent on any form of advertisement with details for every amount.
  - 1.7.2.7 Donations, stating the details of the recipient and reason for such donations.
- A report from the Bank's External Auditor stating that loans, credit facilities and securities that may have been granted to the Chairman and members of the Board during the financial year were made without violation of Article (110) of the CCL must be attached to these statements. The report shall be signed by the Chairman and one member of the Board. The Chairman and members of the Board shall be responsible for the implementation of these provisions, and for the accuracy of the statement in all the documents that are required to be prepared (AOA Article 35).



1.7.3 Refer to the Corporate Affairs Policies Manual (01-01-POL-002) for a detailed discussion on the protocols observed in the General Assembly.

## 1.8 Board Secretary

1.8.1 The Board shall name a Board Secretary whose appointment, tasks and duties are detailed in the Board Directors Charter (01-01-CTR-001) in compliance with QFMA Corporate Governance Code, Articles 16 and 17).

### **Related Documentation**

- QCB Corporate Governance Guidelines
- QFMA Corporate Governance Code
- CCL
- AOA
- Board of Directors Charter (01-01-CTR-001)
- Directors' Job Descriptions (Board Committees' Charter (01-01-CTR-003)
- Corporate Affairs Policies Manual (01-01-POL-002)



## 2 Board Supervision

### Purpose

The purpose of this section is to define the responsibilities and functions that the Board may delegate to its Committees within the boundaries of applicable corporate governance regulatory provisions and with respect to the Board and Committee's oversight of the Bank's governance and operations. It also captures Board's supervisory responsibility with respect to the Bank's subsidiaries and affiliates.

### Scope

This section is applicable to the Board of Directors, Executive Management and Bank employees. With respect to subsidiaries, the relevant subsidiary's board shall oversee the activities/ operations and plans of the concerned subsidiary and Commercial Bank's representatives in the said subsidiary board shall report on the same to the Commercial Bank's Board.

### Responsibility and Authority

The overall responsibility in implementing this section falls within the jurisdiction of the Board. Roles and responsibilities mentioned within this section shall be performed by the related functions taking into consideration Commercial Bank's Delegation of Authorities.

### Section

#### 2.1 Board Committees

- 2.1.1 Board Committees are established in order to carry out some of the Board's function, although ultimate responsibility for the Bank rests with the Board (QCB Corporate Governance Guidelines, Circular 68/2015 Fourth Principle; QFMA Corporate Governance Code, Article 10).



2.1.2 The Bank shall constitute following key committees in line with relevant corporate governance regulatory requirements and QFMA Corporate Governance Code, Articles 18 and 19, taking into consideration business exigencies:

2.1.2.1 Board Executive Committee

2.1.2.2 Board Audit and Compliance Committee

2.1.2.3 Board Risk Committee

2.1.2.4 Board Remuneration, Nomination and Governance Committee

2.1.3 The Board Committees detailed in 2.1.2 above shall have individual formal charters contained in the Board Committees Charter. The Board Committees Charter includes corresponding Committee duties and authorities, which are determined by the Board itself.

## 2.2 Board Responsibilities towards the Bank's Subsidiaries and Associates

2.2.1 Commercial Bank's Board shall assign representatives to sit it on the board of its subsidiaries.

2.2.2 When nominating and assigning a representative, the Board shall match the qualifications, skills and experience of the representative against the demands and expectations of the position.

2.2.3 The Board shall periodically evaluate representatives with regard to their performance on the board of its subsidiaries, as well as other learning and development requirements.

2.2.4 Commercial Bank representatives shall:

2.2.4.1 Carry out their responsibilities appropriately for the Commercial Bank Group and the Group's stakeholders;

2.2.4.2 Regularly report on the activities, plans and performance of the subsidiary, including decisions taken, to Commercial Bank's Board;





2.2.4.3 Ensure the direction of the subsidiary are in line with the overall strategy of the Commercial Bank Group.

**Related Documentation**

- QCB Corporate Governance Guidelines
- QFMA Corporate Governance Code
- AOA
- Board Committees Charter
- Human Capital Policies Manual (12-01-POL-001)



### **3 Management Supervision**

#### **Purpose**

The purpose of this section is to define the framework for the Board to exercise its supervisory and oversight role/ function over the Bank's day-to-day operations.

#### **Scope**

This section is applicable to the Commercial Bank Board, Executive Management and Bank employees. With respect to subsidiaries, the relevant subsidiary's board shall oversee the activities/ operations and plans of the concerned subsidiary and Commercial Bank's representatives in the said subsidiary board shall report on the same to Commercial Bank's Board.

#### **Responsibility and Authority**

The overall responsibility in implementing this section falls within the jurisdiction of the Board. Roles and responsibilities mentioned within this section shall be performed by the related functions taking into consideration Commercial Bank's Delegation of Authorities.

#### **Section**

##### **3.1 General**

- 3.1.1 The Board may delegate the responsibility of day-to-day operations to the Executive Management, but the Board remains accountable for making sure that operations are carried out in an effective, safe and sound manner, and in compliance with applicable internal Bank policies and procedures and external laws and regulations.
- 3.1.2 The Board shall supervise Commercial Bank's operations to ensure implementation of sound planning, effective governance of the business through comprehensive policies and procedures, and effective administration of operations by the Executive Management.



- 3.1.3 The Board must determine if the Executive Management is capable of meeting the new challenges of growth and increased complexity. The Board must also determine the effectiveness of current methods and take steps to change and improve systems when necessary.
  - 3.1.4 The Board will monitor the development of Commercial Bank's vision, mission, strategy plan, policies, code of ethics, internal control structure, DOA, and organisational structure, and will review and approve these.
  - 3.1.5 The Board must demand continual and accurate information from the Executive Management and Bank sources to properly monitor operations and assist in making sound business decisions.
- 3.2 Delegation of Authority (DOA)
- 3.2.1 The Board has vested power to delegate authority to the Bank's Executive Management; however such delegation shall not absolve the Board from any responsibility and accountability for such delegated authorities.
  - 3.2.2 The Board shall define the authorities that may be cascaded/ delegated to Executive Management and authorities that shall remain with the Board or its Committees. In delegating authorities to Executive Management, regulatory requirements as well as the Board's fiduciary and statutory responsibilities to the Bank and its stakeholders shall be taken into consideration.
  - 3.2.3 The Board may restrict or expand the scope of the authorities delegated, in accordance with the regulations, to levels below the Executive Management.
- 3.3 Organisational Structure Development
- 3.3.1 The Board will oversee the development of and will approve the Bank's organisational structure.
    - 3.3.1.1 Lines of authority will run from the shareholders through the Board, headed by the Chairman to the Executive Management.
    - 3.3.1.2 Lines of authority will also flow from the Board to the Board/ steering committee of related entities which then flow to the Executive Management and each employee or any authorised personnel/ staff.
  - 3.3.2 Further discussion on organisational structure/chart is detailed in the Bank's Human Capital Policies (12-01-POL-001)



**Related Documentation**

- AOA
- CCL
- QCB Corporate Governance Guidelines
- QFMA Corporate Governance Code



## 4 Succession Planning

### Purpose

The purpose of this section is to formalise the Bank's succession planning framework.

### Scope

This section is applicable to the Commercial Bank Board, Executive Management and Bank employees. With respect to subsidiaries, the relevant subsidiary's board shall oversee the activities/ operations and plans of the concerned subsidiary and Commercial Bank's representatives in the said subsidiary board shall report on the same to the Commercial Bank's Board.

### Responsibility and Authority

The overall responsibility in implementing this section falls within the jurisdiction of the Board. Roles and responsibilities mentioned within this section shall be performed by the related functions taking into consideration Commercial Bank's Delegation of Authorities.

### Section

- 4.1 The Board shall ensure that a succession plan is in place for the CEO and other senior executives.
- 4.2 Chain of Command
  - 4.2.1 Should the Chairman be unable to carry out his duties due to an emergency situation, the duties of the Chairman will be assumed by the Vice Chairman or another Board Member designated by the Board on a temporary basis until such time that a new Chairman is elected.
  - 4.2.2 Should the CEO be absent or unable to carry out his duties due to an emergency situation, the duties of the CEO will be assumed by the EGM nominated by the CEO, as Acting CEO.



- 4.2.3 The nominated EGM shall continue to serve in the capacity of Acting CEO until:
  - 4.2.3.1 The CEO is back to resume his duties;
  - 4.2.3.2 A new CEO is appointed by the Board; or
  - 4.2.3.3 A majority vote by the Board determines that an alternative EGM should be Acting CEO, or the individual/ Acting CEO cannot adequately perform the necessary duties.
- 4.2.4 Should the Acting CEO be absent or unable to carry out his duties due to an emergency situation, the duties of the Acting CEO will be assumed by a member of EXCO.
- 4.2.5 The member of EXCO shall continue to serve in the capacity of Acting CEO until:
  - 4.2.5.1 The CEO is back to resume his duties;
  - 4.2.5.2 A new CEO is appointed by the Board; or
  - 4.2.5.3 A majority vote by the Board determines that an alternative EGM should be Acting CEO, or the individual/ Acting CEO cannot adequately perform the necessary duties.
- 4.3 Reporting/ Disclosure
  - 4.3.1 Any changes to the Board shall be reported immediately to the Ministry of Economy and Commerce (CCL Article 2).
  - 4.3.2 Written notification of the change shall be forwarded to the appropriate individuals, groups, or companies as determined by the Board.
- 4.4 Refer to Human Capital Policies Manual (12-01-POL-001) for further discussion on the Bank's succession planning framework.

**Related Documentation**



- AOA
- CCL
- Human Capital Policies Manual (12-01-POL-001)



## 5 Remuneration for Board Members, Management and Staff

### Purpose

The purpose of the section is to set the Bank's remuneration framework for its Board Members, management and staff.

### Scope

This section is applicable to the Commercial Bank Board, Executive Management and Bank employees. With respect to subsidiaries, the relevant subsidiary's board shall oversee the activities/ operations and plans of the concerned subsidiary and Commercial Bank's representatives in the said subsidiary board shall report on the same to Commercial Bank's Board.

### Responsibility and Authority

The overall responsibility in implementing this section falls within the jurisdiction of the Board. Roles and responsibilities mentioned within this section shall be performed by the related functions taking into consideration Commercial Bank's Delegation of Authorities.

### Section

#### 5.1 General

- 5.1.1 The Board of Directors has approved specific policies/ standards providing principles and guidelines upon which the incentives and compensations to be paid to the Board, Executive Management and staff of all levels are to be based (QCB Circular 18/2014)
- 5.1.2 The Board of Directors shall oversee the system and practices for determining and paying compensation. Relevant Board Members and employees, who are tasked to oversee the compensation process, must have independence and expertise in risk management and assessment of compensation and incentives (QCB Circular 75/2011).
- 5.1.3 Board of Directors must monitor and review the compensation system to ensure that the system operates as intended and in compliance with the approved policy and procedures. The Board of Directors shall regularly evaluate and measure



risks involved in determining and paying incentives and compensations and review the policy and the system accordingly. (QCB, Circular 75/2011).

## 5.2 Guidelines for Board Remuneration

- 5.2.1 Levels of remuneration shall be sufficient to attract, retain and motivate qualified directors, but the Bank shall avoid paying more than is necessary for this purpose.
- 5.2.2 Board Members' remuneration shall be in accordance with the remuneration framework established in accordance with QCB Circular No. 18/2014 and in compliance with the CCL (Law 11 of 2015), QFMA Corporate Governance Code and the AOA. This remuneration framework shall be presented to the shareholders in the General Assembly for approval and shall be made public (QFMA Corporate Governance Code, Article 18 and QCB Corporate Governance Guidelines, Circular 68/2015, Ninth Principle Section 5.9).
- 5.2.3 Remuneration shall take into account the responsibilities and scope of the functions of the Board Members as well as the performance of the Bank. Compensation may include fixed and performance-related components, noting that such performance related components should be based on the long-term performance of the Bank. (QCB Corporate Governance Guidelines, Circular 68/2015, Ninth Principle Section 5.5 QFMA Corporate Governance Code, Article 18).
- 5.2.4 No Board Member shall participate in the setting of his own remuneration and shall not participate in the Board meeting or deliberations called for such purpose.
- 5.2.5 In accordance with QCB Circular 18/2014; AOA 32:
  - 5.2.5.1 the maximum annual remuneration of the Chairman of the Board: QAR 2,000,000;
  - 5.2.5.2 the maximum annual remuneration of a Director of the Board: QAR1,500,000;
  - 5.2.5.3 If the Board Member is a member of any of the Board Committees, the maximum additional remuneration will be QAR 500,000;
  - 5.2.5.4 The Board shall be paid if the Bank achieves net and after deduction of depreciation, transfers to reserves and distribute dividend payment equivalent to 5% of the paid-up capital of the Bank.

5.2.5.5 Any compensations or payments received by the Board Chairman or Director during the year shall be deducted from the above amounts

5.2.5.6 Such remuneration shall only be paid upon obtaining Qatar Central Bank's approval.

5.2.6 Annual remuneration received by the Board shall not exceed 5% of the Bank's annual net profit, after deduction of reserves, legal deductions and depreciation, and dividends have been distributed to shareholders as per section 5.2.5.4 above (CCL No. 11 of 2015, AOA 32, QFMA Corporate Governance Code, Article 18).

5.2.6.1 The amounts of these remunerations shall be set annually by the General Assembly, taking into consideration the Bank's profitability level.

5.2.7 The Board shall report at the Annual General Assembly Meeting all remuneration, salaries, fees (if any, including Board meeting attendance fees), wages, amounts received in their capacity or other material advantages received for work that is performed in accordance with the CCL and QCB instructions.

5.2.7.1 In accordance with Article 122 of CCL, the following remuneration disclosures should be reported to shareholders prior to the General Assembly meeting:

- a All the amounts obtained by the Chairman and every member of the Board in the fiscal year including the salaries, wages, allowances, bonuses for attending the meetings and compensation for expenses, employment and consulting services;
- b Benefits in kind enjoyed by the Chairman and each Board Member during the fiscal year;
- c Bonuses suggested for distribution to the Board Members; and
- d Amounts allotted for current and prior Board Member as pensions or compensation for termination/expiry of Member's service.

### 5.3 Guidelines for Executive Management Remuneration

5.3.1 The Board of Directors shall develop Commercial Bank's Executive Management compensation structures, ensuring that these programs are competitive relative to the market, reward performance that contributes to the Bank's growth and profitability and are consistent with Commercial Bank strategy.



- 5.3.2 The Board of Directors shall determine any incentive plans for the Executive Management including incentive and equity based compensation.
- 5.3.3 The Board of Directors shall determine the compensation of Executive Management upon the termination of contracts before their expiry.
- 5.3.4 Refer to Human Capital Policies Manual (12-01-POL-001) for further discussion on the Bank's policy in setting of compensation and benefits to employees/ staff.

**Related Documentation**

- AOA
- CCL
- QFMA Corporate Governance Code
- QCB Instructions
- QCB Circular 75/2011
- QCB Circular 18/2014
- QCB Circular 68/2015
- Human Capital Policies Manual (12-01-POL-001)



## 6 Governance Compliance and Reporting

### Purpose

The purpose of this section is to define the Bank's compliance and reporting framework for corporate governance.

### Scope

This section is applicable to the Commercial Bank Board, Executive Management and Bank employees. With respect to subsidiaries, the relevant subsidiary's board shall oversee the activities/ operations and plans of the concerned subsidiary and Commercial Bank's representatives in the said subsidiary board shall report on the same to Commercial Bank's Board.

### Responsibility and Authority

The overall responsibility in implementing this section falls within the jurisdiction of the Board. Roles and responsibilities mentioned within this section shall be performed by the related functions taking into consideration Commercial Bank's Delegation of Authorities.

### Section

#### 6.1 Governance Compliance

6.1.1 The Board shall ensure that the Bank complies with the principles set out in this section and the applicable regulatory corporate governance guidelines. The Board shall also review and update its corporate governance practices, and regularly review the same (QCB Corporate Governance Guidelines, Circular 68/2015, Eight Principle Section 1 and QFMA Corporate Governance Code, Articles 3 and 4). Commercial Bank's Board has a strong commitment in ensuring compliance with the applicable regulations and guidelines, as detailed below:

#### 6.1.2 Corporate Governance Code for Companies and Legal Entities Listed on the Main Markets Regulated by QFMA:

6.1.2.1 As a listed company on the Qatar Exchange, Commercial Bank shall, in its annual report, disclose the extent of its compliance with provisions of the QFMA Corporate Governance Code. Where there is non-compliance with any



principle or provision for reasons accepted by the QFMA, taking into account public interest, interest of the Qatar Exchange or the protection of investors, Commercial Bank shall specify the article or articles that have not been complied with as well as to mention in the Corporate Governance Report the justifications for non-compliance-as the case might be (QFMA Corporate Governance Code, Article 2).

- 6.1.2.2 Commercial Bank's Board of Directors shall commit to implement the corporate governance principles set out in the QFMA Corporate Governance Code which are justice; equality among stakeholders without discrimination among them on basis of race, gender, and religion; and transparency, disclosure and providing information to the QFMA and stakeholders at the right time and in the manner that enables them to make decisions and undertake their duties properly (QFMA Corporate Governance Code, Article 3).
- 6.1.2.3 The QFMA Corporate Governance Code's principles also include upholding the values of corporate social responsibility and acting in the public interest of Commercial Bank and stakeholders over their personal interests, as well as performing their duties, tasks and functions in good faith, integrity, honour and sincerity (QFMA Corporate Governance Code, Article 3).
- 6.1.2.4 The Board shall constantly and regularly review and update governance applications, and apply the highest principles of governance when listing or trading any securities in foreign markets, and uphold fair-trading principles among shareholders (QFMA Corporate Governance Code, Article 3).
- 6.1.2.5 The Board shall also update professional conduct rules setting forth Commercial Bank's values and shall constantly and regularly review its policies charters, and internal procedures of which shall be binding upon Commercial Bank's Board Members, Executive Management, advisors, and employees (QFMA Corporate Governance Code, Article 3).

#### 6.1.3 QCB Corporate Governance Guidelines for Banks and Financial Institutions:

- 6.1.3.1 Corporate governance regulations issued by Qatar Central Bank by virtue of circular No.68/2015 (the QCB Corporate Governance Guidelines) are part of QCB's continuous efforts to develop the regulatory tools to cope with the best international governance standards.
- 6.1.3.2 Commercial Bank shall comply with the QCB Corporate Governance Guidelines and implement the policies according to their requirements. It is, however, recognised by Commercial Bank and QCB that "in some instances, certain requirements in the Guidelines may not be applicable for all banks and all financial



institutions. In such circumstances, the bank or financial institution will be subject to the “comply or explain” principle”.

#### 6.1.4 Other Guidelines

6.1.4.1 Basel Committee on Banking Supervision published guidance on corporate governance in 1999 for the adoption of sound corporate governance practices in banks and financial institutions (revised in February 2006).

6.1.4.2 The OECD has given the intellectual lead in evolving a set of principles of corporate governance in June 1999 (revised in February 2006). The OECD Principles of Corporate Governance have been accepted as an international benchmark.

### 6.2 Governance Reporting

6.2.1 The Board shall promote proactive and transparent disclosure and engagement with the Bank’s stakeholders on matters significantly affecting the Bank.

6.2.2 Commercial Bank must comply with all disclosure requirements including financial reporting as well as disclosing shareholdings of Board Members, Executive Management and major or controlling shareholders. Commercial Bank must also disclose information about its Board Members including notably a resume of each member describing his respective education, profession, and other Board seats that they may hold (if any). Names of the members of various Committees constituted by the Board, along with the composition of the committee, shall also be disclosed (QCB Corporate Governance Guidelines, Circular 68/2015, Eleventh Principle and QFMA Corporate Governance Code, Article 25).

6.2.3 The Board shall ensure that all disclosure made by Commercial Bank provides accurate and true information which is not misleading (QCB Corporate Governance Guidelines, Circular 68/2015, Eleventh Principle and QFMA Corporate Governance Code, Article 25).

6.2.4 The Board shall provide an Annual Report to shareholders in line with QCB Corporate Governance Guidelines and make it available to interested parties on the Commercial Bank website.

#### 6.2.5 Corporate Governance Report



- 6.2.5.1 Commercial Bank shall prepare an Annual Corporate Governance Report signed by the Chairman. The Annual Corporate Governance Report shall be attached to, and an integral part of the Bank's Annual Report (QFMA Corporate Governance Code, Article 4).
- 6.2.5.2 The Annual Corporate Governance Report shall include disclosure on Commercial Bank's compliance with the provisions of the QFMA Corporate Governance Code and include all information related to the application of the Code, including but not limited to:
  - 6.2.5.2.1 The disclosure of any violations committed during the year including violations and sanctions imposed because of non-compliance with implementation of any of principles or provisions of the QFMA Corporate Governance Code, their reasons, the remedial measures taken and measures to avoid the same in the future;
  - 6.2.5.2.2 The disclosure of the information relating to Board Members and its Committees, Executive Management, their responsibilities, powers and activities during the year as well as their remunerations;
  - 6.2.5.2.3 The disclosure of the procedures of risk management and internal control of Commercial Bank including the supervision of the financial affairs, investments, and any relevant information;
  - 6.2.5.2.4 The Committees' works, including number of meetings and their recommendations;
  - 6.2.5.2.5 Disclosure of the procedures followed by Commercial Bank in determining, evaluating and managing risks, a comparative analysis of Commercial Bank's risk factors and discussion of the systems in place of confront drastic or unexpected market changes;
  - 6.2.5.2.6 Disclosure of the performance assessment of the Board, compliance of its Board Members in achieving Commercial Bank's interest, doing the Committees' works, and their attendance of the Board and Committees.
  - 6.2.5.2.7 Disclosure of the performance assessment of the Executive Management in implementing the internal controls system and risk management including identification of number of appeals, complaints, proposals, notifications, and the way used by the Board to handle the regulatory issues;
  - 6.2.5.2.8 Disclosure of the internal controls failures, wholly or partly, or weaknesses in its implementation, contingencies that have affected or may affect Commercial Bank's financial performance, and the procedures



followed by Commercial Bank in addressing internal controls failures (especially such problems as disclosed in the Commercial Bank's annual reports and financial statements);

6.2.5.2.9 Disclosure of Commercial Bank's compliance with applicable market listing and disclosure rules and requirements;

6.2.5.2.10 Disclosure of any conflict or dispute in which Commercial Bank is a party including arbitration and lawsuits;

6.2.5.2.11 Disclosure of operations and transactions entered into by Commercial Bank with any "Related Party" (as defined in the Code) (QFMA Corporate Governance Code, Article 4)

6.2.5.3 The Corporate Governance Report shall be submitted to the QFMA on an annual basis and whenever required by the QFMA.

6.2.5.4 The Annual Corporate Governance Report shall be published on the Bank's website at least one month before the annual General Assembly.

6.2.5.5 The Corporate Affairs Department shall take a lead role in the preparation of the Annual Corporate Governance Report in coordination with related business units.

### **Related Documentation**

- AOA
- CCL
- QFMA Corporate Governance Code
- QCB Corporate Governance Guidelines





- Corporate Affairs Policies Manual (01-01-POL-002)
- Compliance Policies Manual (06-02-POL-001)



## 7. Transactions with Related Party/ Subsidiaries and Associates

### Purpose

The purpose of this section is to define the guidelines that the Bank should observe in entering into transactions with Related Party/ subsidiaries and associates.

### Scope

This section is applicable to the Commercial Bank Board, Executive Management and Bank employees. With respect to subsidiaries and associates, the relevant associate/ subsidiary's board to oversee the activities/ operations and plans of the concerned subsidiary/associate and Commercial Bank's representatives in the said subsidiary/associate board shall report on the same to the Commercial Bank's Board.

### Responsibility and Authority

The overall responsibility in implementing this section falls within the jurisdiction of the Board. Roles and responsibilities mentioned within this section shall be performed by the related functions taking into consideration Commercial Bank's Delegation of Authorities.

### Section

#### 7.1 Definition and Nature

7.1.1 As per the QFMA's Corporate Governance Code, Article 1, a person, or legal entity is considered to be a "Related Party" to Commercial Bank if he/ it:

1. Is a Board Member of Commercial Bank or a board member of Commercial Bank's associates/ subsidiaries;



2. Is a member of Commercial Bank's Executive Management, or executive management of Commercial Bank's associates/ subsidiaries;
3. Owns 5% or more of the shares in Commercial Bank or Commercial Bank's associates/ subsidiaries;
4. Is a relative or partner of any of the persons mentioned above up to the second degree;
5. Is a legal person controlled by a Board Member of Commercial Bank; a board member of Commercial Bank's associates/ subsidiaries; or Executive Management, and their relatives to the second degree;
6. Is a legal person that participated in a project or a partnership of any kind with Commercial Bank or the Bank's associates/ subsidiaries.

7.1.2 Without prejudice to the provisions of the Code in this regard, for accounting purposes, the International Accounting Standard (IAS) 24 Related Party Disclosures, defines related party as:

7.1.2.1 Directly, or indirectly through one or more intermediaries, the party:

- a Controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and associates);
- b Has an interest in the entity that gives it significant influence over the entity; or
- c Has joint control over the entity.

7.1.2.2 Is an associate (as defined in IAS 28 Investments in Associates) of the entity;

7.1.2.3 Is a joint venture, where the entity is one of the participants (see IAS 31 Interests in Joint Ventures);

7.1.2.4 Is a member of the key management personnel of the entity or its parent;

7.1.2.5 Is a close member of the family of any individual referred to in 7.1.2.1 or 7.1.2.4.



7.1.2.6 Is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in 7.1.2.4 or 7.1.2.5; or

7.1.2.7 Is a post-employment benefit plan for the benefit of employee and/or service providers or of any entity that is a related party of the entity.

7.1.3 IAS 24 Related Party Disclosures further defines “close members of the family of an individual” as those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include:

7.1.3.1 The individual’s spouse/s and children;

7.1.3.2 Children of the individual’s spouse/s; and

7.1.3.3 Dependents of the individual or the individual’s spouse/s.

7.2 The following summarises the general and specific goals that pertain to related party transactions:

7.2.1 General Goals

7.2.1.1 The Board shall ensure that all transactions with, or for the benefit of, any related party are on terms and conditions that are acceptable and within safe and sound practices it has set.

7.2.1.2 The Board shall also ensure that a transparent process is in place with adequate disclosure of related party transactions to shareholders.

a The Board shall approve guidelines used in defining types of related party transactions, adequacy of documentation, and to decide on appropriate levels of approval authority.

7.2.2 Specific Goals

7.2.2.1 Specific documentation or detailed agreements covering recurring and nonrecurring related party/ affiliate transactions shall be required.



7.2.2.2 Related Party transactions shall be handled at fair market value, on an arm's length basis, be properly collateralized if required and shall not involve terms that are contrary to Commercial Bank's interest (QFMA Corporate Governance Code, Article 27).

7.2.2.3 Management fees between related party/ affiliates (if any) will be paid on a timely basis, calculated in a consistent and uniform manner, and be based on:

- a Reimbursement of cost;
- b Cost plus a reasonable profit (limited to certain types of transactions);
- c Fair market value;
- d Overall expense of inter-affiliate services, transactions, etc.; and
- e Compliance with regulatory requirements, including laws and regulations.

### 7.3 Authority

7.3.1 Transactions with Related Parties require the prior review and endorsement of the Board.

7.3.1.1 The Board shall meet and discuss the status of Related Party/ affiliate transactions and any related issues. Related Parties shall not attend the Board meeting while discussing that related party transaction or relationship in question and shall not be entitled to vote regarding these relationships or transactions (QFMA Corporate Governance Code, Article 27).

7.3.1.2 The Board must disclose in related party transactions in detail to shareholders and a summary report will be provided to the General Assembly for review and approval.

7.3.1.3 Material related party transactions shall be approved by the General Assembly (QFMA Corporate Governance Code, Article 26)

7.3.2 In considering the approval of a related party transaction, a legitimate business case must be developed including the arm's length nature of the proposed transaction and the disclosure implications of such a transaction in Commercial Bank's financial statements.



#### 7.4 Risk Management and Compliance

- 7.4.1 The Executive Management, working with the Board and risk SBU in addressing Related Party transaction activities, must have an awareness of various or different types of risks resulting from such activities, such as compliance risk and reputation risk.
- 7.4.2 Failure to adequately plan and manage related party transactions may result in problematic situations with regulatory bodies, and therefore, may impact the Bank's ability to grow or compete both in the short-term and long-term.

#### 7.5 Documentation and Reporting of Related Party Transactions

- 7.5.1 In the event that a Related Party transaction is contemplated, the transaction shall immediately be documented according to standards set in Section 7.5.2 and will be raised to the Board for review and endorsement to the General Assembly. Details of the proposed transaction to be discussed include:
  - 7.5.1.1 The identification of the Related Party and the affiliation to Commercial Bank;
  - 7.5.1.2 The nature of the proposed transaction and the estimated value of the transaction;
  - 7.5.1.3 Supporting evidence to support the arm's length nature of the proposed transaction including the terms and manner of settlement had the parties not been related; and
  - 7.5.1.4 The anticipated impact on Commercial Bank's financial statements and disclosure.
- 7.5.2 Related documentation on Related Party/ affiliate-covered transactions shall include the following, at a minimum:
  - 7.5.2.1 Date of transaction;
  - 7.5.2.2 Description of transaction;
  - 7.5.2.3 Detail of method(s) used to calculate value of transaction;
  - 7.5.2.4 Frequency of charges, if recurring;
  - 7.5.2.5 Date of approvals; and



7.5.2.6 Information regarding cost justifications, appraisals, etc., used in arriving at the value of the transaction.

7.5.3 These Related Party transactions shall be disclosed in the Bank's Annual Report (QFMA Corporate Governance Code, Article 26).

## 7.6 Board Member Related Party Transactions

7.6.1 The Chairman or Board Member shall not have a direct or indirect interest in the contracts, projects, undertakings made on account of Commercial Bank. (CCL Article 109)

7.6.2 Public contracting works and tenders in which all the competitors are allowed to participate equally are exempted from the above prohibition subject to the relationship or transactions being approved by the Board and General Assembly, respectively.

7.6.2.1 The approval needs to be renewed if the relationships are of a recurring nature.

7.6.2.2 In all cases, the individual who has interest thereof should not participate in the meetings or deliberations of the Board and General Assembly where the referred matter is discussed (QFMA Corporate Governance Code, Article 27).

7.6.3 Such Related Party transaction shall be made at market prices, on arms' length basis and shall not involve terms contrary to the interest of the Bank. These transactions shall be disclosed in the Bank's Annual Report and specifically referred to in the General Assembly following such commercial transaction.

## 7.7 Accounting Implications

7.7.1 The existence of Related Party transactions may have a significant effect on the Bank's financial statements. Accordingly, it is required that the Bank discloses significant Related Party relationships and transactions in the Bank's financial statements. This disclosure is considered significant because it provides the user of the financial statements with relevant information to interpret Commercial Bank's operating results.

## 7.8 Management Fees



- 7.8.1 Management fees paid between subsidiaries/ affiliates for services performed generally include management advice, personnel services, data processing, marketing, supply administration, strategic assistance, accounting and financial services and audit services. If fees are to be assessed, an affiliate must provide a specific, identifiable service.
- 7.8.2 A management fee is intended to offset the actual or proportionate expense incurred by the affiliate performing, or paying for, the service. Fees charged should be reasonable and justifiable and should be based on the fair market value of services provided. Where there is no market established for a particular service, management fees are based on the actual cost plus a reasonable profit.
- 7.8.3 Fees for services shall be billed and paid as they are received, just as they would be with an unaffiliated service provider. Prepayments shall not be made significantly in advance of services rendered. However, for those services provided on a continually recurring basis, monthly installments of management fees payable by affiliates are based on each entity's estimated annual management fee. Each monthly installment represents one-twelfth of the estimated annual management fee for the year. After actual expenses for the year are determined, the management fee is reallocated and settled in the appropriate fiscal year.
- 7.8.4 Where an affiliate (such as the parent company) is providing specific services to another affiliate on an ongoing basis, an agreement between the entities should be entered detailing the services provided, fees charged and how they were calculated, and the timing of payments. Management of each entity is responsible for ensuring that basic business principles common to an arm's length transaction are applied and that the actual practice between affiliates and the management fee agreement are consistent.
- 7.8.5 A management fee agreement shall be signed by an authorised representative of each participating affiliate and, at a minimum, shall include:
  - 7.8.5.1 A description of the specific services to be performed;
  - 7.8.5.2 The method of calculating the management fee for each service;
  - 7.8.5.3 The method and timing of payment for the services performed; and
  - 7.8.5.4 Provisions for any instances of reimbursement between affiliates.

## 7.9 Special Cost Allocation Considerations





7.9.1 In certain instances, costs or expenses for a series of transactions are not readily identifiable for each participating affiliate. Accordingly, methods for allocating costs shall be developed to provide reasonable compensation for respective transactions.

7.9.2 Allocation methods are based on a best estimate of cost per transaction, or on volume or asset size, among others, which represents a reasonable allocation of expense. Costs cannot be assessed on an unreasonable assignment such as the ability to pay.

#### 7.10 Compliance

7.10.1 Commercial Bank Board Members, Executive Management and employees shall disclose any possible related party transactions as soon as they are made aware of the same. Refer to Section 10: Conflict of Interest for further details.

7.10.2 Non-compliance to related party requirements of the QFMA shall be disclosed in the Bank's Corporate Governance Report.

#### **Related Documentation**

- AOA
- CCL
- QFMA Corporate Governance Code

## 8 External Audit

### Purpose

The purpose of this section is to set out the protocols to be followed in availing and appointing External Auditors and the Board's oversight over the conduct and results of their work.

### Scope

This section is applicable to the Commercial Bank Board, Executive Management and Bank employees. With respect to subsidiaries, the relevant subsidiary's board shall oversee the activities/ operations and plans of the concerned subsidiary and Commercial Bank's representatives in the said subsidiary board shall report on the same to Commercial Bank's Board.

### Responsibility and Authority

The overall responsibility in implementing this section falls within the jurisdiction of the Board. Roles and responsibilities mentioned within this section shall be performed by the related functions taking into consideration Commercial Bank's Delegation of Authorities.

### Section

#### 8.1 Roles and Services to be Provided by External Auditors

8.1.1 An External Auditor who is independent and qualified shall undertake quarterly and annually independent audit of the Bank, the purpose of which is to provide objective assurance to the Board and shareholders that the financial statements are prepared in accordance with regulatory requirements and international financial reporting standards and accurately represent the financial position of the Bank.

8.1.2 The role of the External Auditor as per Article 145 of CCL shall include the following:

8.1.2.1 Review the controls on Commercial Bank's business;



- 8.1.2.2 Verify accounts in accordance with approved auditing principles, professional requirement, and scientific and technical principles;
  - 8.1.2.3 Inspect the balance sheet and profit and loss accounts;
  - 8.1.2.4 Verify the application of the law and statutes of Commercial Bank;
  - 8.1.2.5 Inspect the financial and administrative systems of the Bank and the internal financial control systems, confirming the suitability of systems for the smooth running of the Bank and the maintenance of its properties;
  - 8.1.2.6 Verify the assets of the Bank and its ownership and confirm the legality and authenticity of the liabilities of Commercial Bank;
  - 8.1.2.7 Review the decisions of the Board and the instructions issued by the Bank; and
  - 8.1.2.8 Any other duties to be performed by the External Auditor under the CCL, related regulations and the principles followed in auditing.
- 8.1.3 The External Auditor must attend the General Assembly to deliver annual financials and answer any shareholder queries. (QFMA Corporate Governance Code, Article 24).
- 8.1.4 The External Auditor is not allowed to:
- 8.1.4.1 Participate in the establishment of the Bank (CCL Article 143);
  - 8.1.4.2 Participate or be a member of Commercial Bank's Board (CCL Article 143);
  - 8.1.4.3 Undertake any technical or administrative or consultative duty in the Bank (CCL Article 143);
  - 8.1.4.4 Be a partner or agent or employee with any of Commercial Bank's founders or any Board Member or their relatives up to fourth grade (CCL Article 143); or
  - 8.1.4.5 Render audit services to the Bank if a member of Executive Management was previously employed by the auditor or participated in the audit of the Bank in any capacity during the year prior to the date of the initiation of the audit.



- 8.1.5 The External Auditor may not be contracted to provide advice or other services other than carrying out the audit of the Bank (QFMA Corporate Governance Code, Article 23).
  - 8.1.5.1 It is the Bank's policy that consultancy and non-audit services shall only be awarded to the Bank's External Auditor under strict controls and endorsement of the Board Audit and Compliance Committee and approval of the Board.
- 8.1.6 The External Auditor is responsible for notifying QFMA and other regulatory authorities should the Board fail to take proper action concerning suspicions raised or identified by the External Auditor (QFMA Corporate Governance Code Article 24).
- 8.1.7 The functions and responsibilities of the External Auditor as per Article 24 of QFMA Corporate Governance Code shall include the following:
  - 8.1.7.1 The External Auditor shall inform the Board in writing about any risk to which Commercial Bank is exposed or expected to be exposed, and about all of the violations immediately upon identification, as well as send a copy of that notice to the QFMA.
  - 8.1.7.2 The External Auditor shall have the right to invite the General Assembly to convene, provided that they inform the QFMA.
  - 8.1.7.3 The External Auditor shall submit one report to the General Assembly and read it, as well as sending a copy to the QFMA with responsibility for the validity of data contained therein. Each shareholder of the General Assembly has the right to discuss with the External Auditor and seek clarification in any matter of the report
  - 8.1.7.4 The External Auditor's report must include whatever informs shareholders with the control works and performance assessment of Commercial Bank, especially relating to the following:
    - 8.1.7.4.1 Appropriateness and effectiveness of internal control systems implemented in Commercial Bank.
    - 8.1.7.4.2 Commercial Bank's ability in continuously engaging activities and implementation of its obligations; that is evaluated independently of what shown by the Board.
    - 8.1.7.4.3 Commercial Bank's compliance to develop all types of internal policies and procedures, and the appropriateness of them with the Commercial Bank's status, as well as its compliance with their implementation.



8.1.7.4.4 Commercial Bank's compliance with its Articles of Associations and its compliance with the provisions of the Law and the QFMA's relevant legislations, including the provisions of the Code.

8.1.7.4.5 Commercial Bank's compliance with the implementation of the best international standards in auditing and the preparation of financial reports as well as its compliance with international audit and accounting standards (IFRS / IAS) and (ISA) and their requirements.

8.1.7.4.6 Commercial Bank's cooperation with the External Auditor in providing access to the necessary information to complete its duties.

## 8.2 Appointment and Rotation Policy

8.2.1 The Board Audit and Compliance Committee shall review and consider offers of External Auditors registered in the External Auditors list of the QFMA, and then submit to the Board a recommendation with reasons to choose one offer or more for appointment of the Bank's External Auditor (QFMA Article 23).

8.2.1.1 Immediately, after the Board's approval of the recommendation, it shall be included in the Bank's General Assembly agenda.

8.2.2 Appointment of the Bank's External Auditor, including remuneration/ fees, shall be made by the General Assembly upon proposal of the Board (through the Board Audit and Compliance Committee) and in consultation with QCB. (QCB Corporate Governance Guidelines, Circular 68/2015 First Principle Section 2.9; QFMA Corporate Governance Code, Section 23). The External Auditor shall be appointed for one financial year, renewable for a similar period or other similar periods up to a maximum of five consecutive financial years, provided that the re-appointment shall not be before passing two consecutive financial years (QFMA Corporate Governance Code, Article 23).

8.2.3 The primary emphasis in choosing an External Auditor should be based on demonstrated experience, quality and depth of knowledge of all audit personnel to be assigned to the audit, specific industry expertise, the scope of work to be performed, and any inspection reports available about the audit firm.

8.2.4 Commercial Bank's External Auditor rotation policy shall be in line with the provisions set forth in the AOA and in compliance with QCB and QFMA Corporate Governance Code.

## 8.3 Board Audit and Compliance Committee Oversight on External Auditors



- 8.3.1 The External Auditor shall report directly to the Board Audit and Compliance Committee.
- 8.3.2 The Board Audit and Compliance Committee shall examine the External Auditor's policies and practices with regard to the external audit process, to ensure compliance with relevant legislation and governance leading practices.
  - 8.3.2.1 The Board Audit and Compliance Committee shall annually review the independence and objectivity of the External Auditor.
- 8.3.3 The Board Audit and Compliance Committee is responsible for making recommendations on the appointment, compensation, retention, and oversight of the Bank's External Auditors to the Board. Any recommendations on the above, particularly as regards appointment and remuneration, shall be approved by the General Assembly (CCL, Article 141).
  - 8.3.3.1 Any conflicts between the Board Audit and Compliance Committee and Board on the appointment/ reappointment of the External Auditor shall be noted in the Annual Corporate Governance Report.
- 8.3.4 The Board Audit and Compliance Committee shall discuss the audited annual financial statements and quarterly financial statements with Executive Management and the External Auditor. Additionally, the Board Audit and Compliance Committee is responsible for the resolution of any disagreement between Executive Management and the External Auditor regarding financial reporting that may arise in the conduct of issuing an audit report or related work.
- 8.3.5 The Board Audit and Compliance Committee will ensure that the External Auditor participates in sessions of the Committee to build trust and provide a forum for issues of concern to be raised.
  - 8.3.5.1 Meetings with the External Auditor shall be held as a matter of course and shall include, at a minimum, the engagement partner and other key members of the audit engagement team.
  - 8.3.5.2 Discussions with the External Auditor may include concerns about Executive Management and the internal auditors and other matters that the External Auditors may wish to discuss.
- 8.3.6 The External Auditor and its employees are prohibited to:
  - 8.3.6.1 Reveal the Bank's secrets;
  - 8.3.6.2 Combine between its assigned business, functions and duties and any other business in the Bank; and



8.3.6.3 Work at the Bank before at least one year from the date of relations end with Commercial Bank (QFMA Corporate Governance Code, Article 23).

**Related Documentation**

- AOA
- CCL
- QFMA Corporate Governance Code
- QCB Corporate Governance Guidelines

## 9 Confidentiality

### Purpose

The purpose of this section is to define the principles and guidelines required in order to maintain/ preserve confidentiality of Commercial Bank's information.

### Scope

This section is applicable to the Commercial Bank Board, Executive Management and Bank employees. With respect to subsidiaries, the relevant subsidiary's board shall oversee the activities/ operations and plans of the concerned subsidiary and Commercial Bank's representatives in the said subsidiary board shall report on the same to Commercial Bank's Board.

### Responsibility and Authority

The overall responsibility in implementing this section falls within the jurisdiction of the Board. Roles and responsibilities mentioned within this section shall be performed by the related functions taking into consideration Commercial Bank's Delegation of Authorities.

### Section

#### 9.1 General

9.1.1 Commercial Bank prohibits the public disclosure of confidential Bank information. "Confidential Information" may include, but is not limited to, any of the following:

9.1.1.1 Expected financial results/ forecasts and projections;

9.1.1.2 Technical data not published previously;

9.1.1.3 New announcements of significant investments, projects, divestures, restructuring etc.;





9.1.1.4 Marketing strategies/ campaigns;

9.1.1.5 New or extensions to key contracts;

9.1.1.6 Personnel information/ salaries;

9.1.1.7 Changes in dividend policy;

9.1.1.8 Significant litigation exposure; and

9.1.1.9 New equity or debt offerings

9.1.2 All Board Members and employees must acknowledge that all information concerning Commercial Bank or its subsidiaries, customers, and personal information is considered Confidential Information and is to be used for Commercial Bank's purposes only.

9.1.2.1 Use of Confidential Information for other than Commercial Bank's business purposes may result in disclosure of insider information. Insider information is considered as one situation where conflict of interest should be avoided. Refer to Section 10: Conflict of Interest for a detailed discussion.

9.1.3 Information regarding any business conducted cannot be disclosed to outside individuals (unless authorised by Commercial Bank or its customers, etc.) and may not be used for personal gain. The use of such information for personal or other gain is unethical under Commercial Bank's policy.

9.1.4 In addition, all published information (both for internal and external use), developed programs, manuals, equipment, etc. are the property of Commercial Bank and are reserved for use by employees of Commercial Bank. Use of this material for any other purpose may constitute copyright infringement and theft.

9.2 Classification of Confidential Information

9.2.1 Commercial Bank has established the following classification of Confidential Information as per the Information Security Management Policy:

*9.2.1.1 Commercial Bank Confidential: Internal Use Only*



Information with this classification is not highly sensitive and can be distributed within Commercial Bank without restrictions.

- Information Handling criteria
  - Secure Processing
  - Storage
  - Transmission
  - Disposal
  - Destruction
  - Chain of Custody
  - Logging

#### *9.2.1.2 Commercial Bank Confidential: Need-to-Know*

This information is more sensitive in nature than “Internal Use Only” documents. Its dissemination is limited to employee and/ or service providers who need the information to perform their work. Information in this category may include new project details and personnel information.

- Information Handling criteria
  - Secure Processing
  - Storage
  - Transmission
  - Disposal



- Destruction
- Chain of Custody
- Logging

#### *9.2.1.3 Commercial Bank Confidential: Registered*

This is the most sensitive type of information. Registered documents must be numbered and each copy assigned to a specific recipient. These documents must be kept in a secure place at all times and shall not be duplicated, except by their originator and with adequate internal approval. Information in this category may include financial forecasts, expansion plans, acquisitions, mergers and other contracts.

- Information Handling criteria
  - Secure Processing
  - Storage
  - Transmission
  - Disposal
  - Destruction
  - Chain of Custody
  - Logging

### 9.3 Conduct of Personnel

9.3.1 All Commercial Bank employees are expected to act in a professional manner and maintain confidentiality at all times in dealing with actual records, projects or conversations, and abide by the obligations of contractual confidentiality agreements. The following non-exhaustive situations shall be considered in violation of this section:



- 9.3.1.1 Allowing unauthorised access to confidential Commercial Bank information, customer information, financial data, contract details, confidential research data, or employee personal information on Commercial Bank's computers;
  - 9.3.1.2 Sharing information acquired by persons in the course of their work with others who are not authorised to receive such information;
  - 9.3.1.3 Accessing information that the individual does not have the authority to access in the course of his/ her work, or does not have a need to know to carry out his/ her job duties;
  - 9.3.1.4 Sharing of information related to confidential human capital matters;
  - 9.3.1.5 Breach of confidentiality obligations regarding the disclosure of confidential information that is subject to a duly signed confidentiality agreement/ statement; and
  - 9.3.1.6 Discarding confidential documents in an unsecure manner.
- 9.3.2 All Commercial Bank employees shall protect and maintain business partner, customer and vendor privacy and confidentiality and as such should adhere to the following, at a minimum:
- 9.3.2.1 All information related to Commercial Bank's business should be kept in the strictest confidence;
  - 9.3.2.2 Customer/ vendor/ business partner information (including the name and address of their business) should never be sold or made available to any other firms unless prior approval has been obtained;
  - 9.3.2.3 Customers/ vendors / business partner have the right to exercise control over how Commercial Bank uses the information obtained pertaining to customer/ vendor business; and
  - 9.3.2.4 Commercial Bank employee and/ or service providers must at all times respect customer/ vendor/ business partner privacy when marketing Commercial Bank's products and services.
- 9.4 Requests for Confidential Information
- 9.4.1 All requests for confidential information shall be directed to the CEO for approval.
- 9.5 Electronic Mail (E-mail)



- 9.5.1 Commercial Bank employees and/ or service providers are discouraged from forwarding or sending e-mails containing confidential information outside of Commercial Bank's network.
- 9.5.2 If there is a business need to communicate any sensitive information with someone outside the Bank, the employee and/ or service provider shall confirm with their immediate supervisor that an appropriate non-disclosure agreement has been signed prior to sending such information outside Commercial Bank network.
- 9.6 Communication with Vendors and Customers
  - 9.6.1 Employees and/ or service providers must also use caution and discretion when communicating with vendors and clients. Before disclosing information, employee and/or service providers shall consider the following:
    - 9.6.1.1 Ensure that appropriate non-disclosure agreements are in place whenever applicable;
    - 9.6.1.2 Disclose only the information necessary to complete the project or the contract;
    - 9.6.1.3 Remind the vendor/ customer of the importance of keeping Commercial Bank's information confidential; and
    - 9.6.1.4 Consult with the immediate supervisor before providing access to information to any non- Commercial Bank individuals.
- 9.7 Disclosure of Confidential Information
  - 9.7.1 Commercial Bank shall require its service providers to sign standard nondisclosure agreements to protect the Bank from unauthorised disclosure of confidential/ sensitive information.
  - 9.7.2 No article or speech by any Bank employee speaking on behalf of/ or about Commercial Bank is published without submitting it to the Executive Management for approval by the Board.
  - 9.7.3 No financial information other than that required by statutory reporting requirements may be disclosed without the prior approval of the Board.

**Related Documentation**



- QFMA Corporate Governance Code



## 10 Conflict of Interest

### Purpose

The purpose of this section is to establish guidelines and protocols with respect to handling actual or perceived conflicts of interests arising in line with Commercial Bank operations and activities.

### Scope

This section is applicable to the Commercial Bank Board, Executive Management and Bank employees. With respect to subsidiaries, the relevant subsidiaries' board shall oversee the activities/ operations and plans of the concerned subsidiary and Commercial Bank's representatives in the said subsidiary board shall report on the same to Commercial Bank's Board.

### Responsibility and Authority

The overall responsibility in implementing this section falls within the jurisdiction of the Board. Roles and responsibilities mentioned within this section shall be performed by the related functions taking into consideration Commercial Bank's Delegation of Authorities.

### Section

#### 10.1 General

10.1.1 The Bank, including its Board, Executive Management and employees, shall avoid situations that may create actual or perceived conflict of interest. They are required to act in a responsible and respectable manner and to remain free of influences that may result in the loss of objectivity on business conducted with Commercial Bank customers or with Commercial Bank itself.

10.1.2 Members of the Board and key executives are required to disclose to the Board whether they have directly, indirectly or through third parties, a material interest in any transaction or matter directly affecting Commercial Bank. Action to be



taken in this respect shall be in line with the provisions set forth in Section 7: Related Party/ Affiliate Transactions. (QCB Corporate Governance Guidelines, Circular 68/2015 Third Principle Section 2).

- 10.1.3 Whenever an issue involving a conflict of interest or any commercial transaction between the Bank and any of its Board Members or any party related to the said Board Member, is discussed in a Board meeting, the said issue shall be discussed in the absence of the concerned Board Member who may not in any way participate in the voting on the matter. In any event, such transaction shall be made at market prices and on arm's length basis and shall not involve terms that are contrary to the interests of the Bank (QCB Corporate Governance Guidelines, Circular 68/2015, Third Principle Section 2.4 and QFMA Corporate Governance Code, Article 27).
- 10.1.4 Staff members who prepare reports on conflicts of interest must be adequately protected by the Bank against any retribution made by those included in such reports (Refer to Section 11: Whistle-blowing for detailed discussion).
- 10.1.5 The Board complies with the principles of the QFMA Corporate Governance Code and with the disclosure for dealings and transactions, which Commercial Bank enters into with any "Related Party" and in which such related party has an interest that may conflict with Commercial Bank's interest (Refer to Section 7: Related Party/ Affiliate Transactions).
- 10.1.6 Prior at least a week from the date of holding the General Assembly called for considering the Company's Bank's budget and the Board's report, the Board must disclose in details for the shareholders about the abovementioned dealings and transactions in 10.1.5, and must disclose them in the Bank's Annual Report.
- 10.1.7 In all cases, the Bank must not carry out any dealing or enter into any material transaction with any "Related Party" only after the approval of the General Assembly of the Bank, and must be included in the agenda of the next General Assembly to complete the procedures, and QFMA Corporate Governance Code, Article 27).
- 10.2\_The Board is ultimately responsible in establishing policies regarding the management of conflicts of interest (actual or perceived) and in implementing appropriate standards and mechanisms to avoid, or at least limit, conflicts of interest. The following must be applied:
  - 10.2.1 Securities
    - 10.2.1.1 Commercial Bank has adopted clear rules and procedures governing the trading of Insiders in securities issued by Commercial Bank. Trading by Board Members, Executive Management, all Insiders, their spouses and





minor children in the Bank's shares and other securities shall be disclosed (QFMA Corporate Governance Code, Article 28).

10.2.1.2 Commercial Bank's Board Members and Executive Management must be prohibited from dealing in Commercial Bank shares for a certain period of time prior to the announcement of financial results or any other relevant financial information. (QCB Corporate Governance Guidelines, Circular 68/2015 Third Principle)

10.2.1.3 Refer to Section 13: Insider Trading for further discussion.

#### 10.2.2 Granting of Credits

10.2.2.1 The Board's policy with regard to granting credits to Board Members, Executive Management and other staff members shall be in line with the prevailing guidelines of the QCB.

10.2.2.2 The Board shall uphold equal treatment, according to laws and regulations, of all Bank customers. When granting credits and facilities to parties related directly or indirectly to Commercial Bank, preferential treatment shall be avoided.

10.2.2.3 Commercial Bank must not grant credits or facilities to persons or any other entity related to the External Auditor of Commercial Bank.

#### 10.2.3 Outside Employment

10.2.3.1 Commercial Bank employees shall disclose any business or consulting activity performed outside of Commercial Bank that may potentially result in conflict of interest situations.

10.2.3.2 Commercial Bank employees are prohibited from accepting simultaneous employment with a Commercial Bank supplier, client, developer, or competitor, and from taking part in any activity that directly enhances or supports a competitor's position.

#### 10.2.4 Outside Directorships



10.2.4.1 Commercial Bank Board Members shall disclose and update the Bank of its Board Membership in other companies/ organisations. These memberships should be in accordance with applicable laws and regulations.

10.2.4.2 A Commercial Bank employee shall obtain written approval from the CEO before accepting a directorship position with another organisation, and any remuneration an employee receives with such organisation shall be commensurate to his responsibilities.

#### 10.2.5 Business Interests

10.2.5.1 If a Board Member or employee is considering investing in the business interests of clients, suppliers, developers, and competitors, this employee shall ensure that these investments do not compromise his responsibilities to Commercial Bank (Refer to Section 1: Board of Directors).

10.2.5.2 Various factors shall be considered in determining whether a conflict of interest situation exists, including the size and nature of the investment; the employee's ability to influence Commercial Bank decisions; the employee's access to Commercial Bank's confidential information or of the other company; and the nature of the relationship between Commercial Bank and the other business. Typically, investments of less than 2 percent of the total outstanding shares in companies listed on a national or international securities exchange do not create a conflict.

#### 10.2.6 Related Parties

10.2.6.1 Any dealings with a Related Party shall be conducted in such a way that no preferential treatment is given to this related party that would not otherwise be given to any third party Any commercial transaction entered with a Related Party shall also strictly comply with the provisions of Section 7: Related Party/ Affiliate Transactions.

#### 10.2.7 Other Situations

10.2.7.1 In case a potential transaction/ situation raises questions or doubts with respect to possible conflicted interest, such potential transaction/ situation shall be escalated (through the relevant line management) to the CEO for approval and appropriate endorsement to the Board (where necessary) before entering into the relationship or situation in question.

#### 10.3 Solicitation



- 10.3.1 Commercial Bank employees are not to solicit gifts from prospective or current customers, vendors or any other individual or business.
- 10.3.2 Employees may occasionally be offered gifts and/ or entertainment by suppliers or customers. The general rule in this respect is that gifts and entertainment shall be refused tactfully, unless such gift is clearly of nominal value. Refer to Human Capital Policies Manual (12-01-POL-001) for further details.
- 10.3.3 Commercial Bank employees may be expected to participate in entertainment and amenities of reasonable cost to facilitate conduct of business transactions. Payment of excessive costs or travel not customary or within acceptable business practice by anyone other than Commercial Bank must not be accepted. Any questionable circumstances must be reported by the employee to his immediate supervisor.

#### 10.4 Conduct of Insiders

- 10.4.1 An “Insider” may be an officer, director, employee, or beneficial owner of Commercial Bank’s shares who is in possession of material information regarding the Bank that has not been fully disclosed to the public. Material undisclosed information about Commercial Bank’s business is defined as “inside” information and can be financial information, operational initiatives, pricing decisions, or other information that could affect the share price of Commercial Bank.
- 10.4.2 These individuals must take care that their conduct do not violate rules relating to self-dealing and personal gains. At no time are members of this group allowed to take advantage of their position in Commercial Bank for personal profit or influence over Commercial Bank operations for their business or personal interests.

10.4.3 Refer to Section 13: Insider Trading for detailed discussion.

#### 10.5 Compliance and Consequences of Non-Compliance

- 10.5.1 Failure to comply with the protocols herein described may result in appropriate sanction, which may include termination of employment. The action taken shall be commensurate with the seriousness of the conduct and an evaluation of the situation.

#### 10.6 Disclosures and Reporting of Conflict of Interest



- 10.6.1 Conflicts of Interest involving Executive Management shall be reported to the Board. All matters resulting in conflicts of interest or any commercial transactions of Executive Management/ Board Members shall be reported by the Board to shareholders during the General Assembly and comprise part of the Annual Corporate Governance Report.
- 10.6.2 In any event, such transactions shall be disclosed in the Bank's Annual Report and specifically referred to in the General Assembly following such commercial transactions. Refer also to Section 7: Related Party/ Affiliate Transactions (QCB Corporate Governance Guidelines, Circular 68/2015, Eleventh Principle and QFMA Corporate Governance Code, Article 26).
- 10.6.2.1 A Board Member, who to his knowledge is in any way beneficially interested in a contract, arrangement, transaction, or proposal with the Bank, shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract, arrangement, transaction or proposal is first considered. Such Board Member shall declare the full extent of his said interest to the Board at the first meeting, if he knows his interest then exists, or in any other case that he is or has become conflicted.
- 10.6.3 Employees shall immediately consult with their supervisor as to the required action needed in cases of conflicts of interest or solicitation. Employees are also encouraged to contact Compliance Department. Refer to Section 11: Whistle-blowing for further discussion.

### **Related Documentation**

- AOA
- CCL
- QFMA Corporate Governance Code
- Human Capital Policies Manual (12-01-POL-001)



## 11 Whistle-blowing

### Purpose

The purpose of this section is to encourage all Commercial Bank employees and/ or outsourced service providers to disclose any wrongdoing that may adversely impact the Bank, its customers, shareholders, employees or the public at large. This document advocates that an employee can report issues without fear of reprisal.

### Scope

This section is applicable to the Commercial Bank Board, Executive Management and Bank employees. With respect to subsidiaries, the relevant subsidiary's board shall oversee the activities/ operations and plans of the concerned subsidiary and Commercial Bank's representatives in the said subsidiary board shall report on the same to Commercial Bank's Board.

### Responsibility and Authority

All roles and responsibilities mentioned within this section shall be performed by the related functions taking into consideration Commercial Bank's Delegations of Authority.

### Section

#### 11.1 General

11.1.1 Commercial Bank is committed to high standards of ethical, moral and lawful business conduct and practices. In upholding such commitment, the Bank shall provide an avenue for its employees to raise concerns relating to any actual or suspected misconduct noted within the workplace.

11.1.2 Generally, misconduct committed is a violation of law, rule, and regulation and/ or relates to or is a direct threat to public interest, fraud, health, safety violations, and corruption. A few examples are given below:

- 11.1.2.1 Financial or non-financial maladministration or malpractice or impropriety;
- 11.1.2.2 Improper conduct or unethical behaviour; and
- 11.1.2.3 Any unlawful activity;
- 11.1.2.4 Any activity which is a gross violation of Bank's policies; and
- 11.1.2.5 Attempts to suppress or conceal information relating to any of the above.

## 11.2 Safeguards

### 11.2.1 Harassment or Victimisation

- 11.2.1.1 Commercial Bank recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. Commercial Bank shall not tolerate harassment or victimisation and shall take action to protect the whistle-blower who raises a concern in good faith.
- 11.2.1.2 Any employee and/ or service provider who experiences adverse employment action as a result of reporting a suspected misconduct (i.e. he was discharged, demoted, suspended, threatened, harassed, or in any other manner discriminated against in the terms and conditions of employment by his superior), shall be entitled to all relief necessary. The protection against retaliation extends to whistle-blowers whose allegations could legitimately support legal claims even if the case is never filed.
- 11.2.1.3 The Board shall not retaliate, and shall not tolerate any retaliation by Executive Management or any other person or group, directly or indirectly, against anyone who, in good faith, makes an allegation or provides assistance to the Board Audit and Compliance Committee, Executive Management or any other person or group, including any governmental, regulatory or law enforcement body, investigating an allegation.

### 11.2.2 Confidentiality

- 11.2.2.1 Commercial Bank shall exhaust all efforts to protect the identity of the whistle-blower.
- 11.2.2.2 The Board Audit and Compliance Committee shall not reveal the identity of any person who makes an accounting allegation in good faith and who requests that his identity be kept confidential. The Board Audit and



Compliance Committee shall not make any effort, or tolerate any effort made by any other person or group, to ascertain the identity of the whistle-blower who reported in good faith the accounting allegation anonymously.

### 11.2.3 Anonymous Allegations

11.2.3.1 Commercial Bank encourages the whistle-blower to disclose his name in reporting the allegation. Concerns expressed anonymously are less powerful but are nevertheless considered at the discretion of the Board Audit and Compliance Committee. In exercising the discretion, the following non-exhaustive factors may taken into account:

- a The seriousness of the issues raised;
- b The credibility of the concern; and
- c The likelihood of confirming the allegation from other sources.

### 11.2.4 Allegations Made in Bad Faith

11.2.4.1 If a whistle-blower makes an allegation in good faith, which is not confirmed/ proven by the ensuing investigation, no action shall be taken. However, where the whistle-blower makes malicious or vexatious allegations, appropriate disciplinary action shall be initiated against the concerned person.

### 11.3 Bank's Action towards Reported Allegations

11.3.1 In determining whether Executive Management or the Board Audit and Compliance Committee shall investigate an allegation of misconduct, and the procedure to be followed in this regard, the following shall be considered/ taken cognisance of:

#### 11.3.1.1 Who is the alleged wrongdoer?

If an Executive Manager, senior/ other high level Management official is alleged to have engaged in a wrongdoing, that factor alone may necessitate that the Board Audit and Compliance Committee conduct the investigation.

11.3.1.2 How serious is the alleged wrongdoing?

The more serious the alleged wrongdoing, the more appropriate it is for the Board Audit and Compliance Committee to undertake the investigation. If the alleged wrongdoing would constitute a crime involving the integrity of the financial statements of the Bank, that factor alone may give weight in favor of the Board Audit and Compliance Committee in conducting the investigation.

11.3.1.3 How credible is the allegation of wrongdoing?

The more credible the allegation, the more appropriate it is for the Board Audit and Compliance Committee to undertake the investigation. In assessing credibility, the Board Audit and Compliance Committee shall consider all facts surrounding the allegation including, but not limited to, whether similar allegations have been made in the past.

11.3.1.4 The action to be taken by the Bank depends on the nature of the concern raised. The matters raised may:

- a Be investigated internally;
- b Be referred to the local police forces;
- c Be referred to the External Auditor (expert opinion); or
- d Form the subject of an independent inquiry, like Board Audit and Compliance Committee, etc.

11.3.2 Any actual or suspected misconduct may be reported through any of the following channels of reporting fraud:

11.3.2.1 Fraud Reporting hotline;

11.3.2.2 Designated Commercial Bank e-mail address: [fraudcontrol@cbq.qa](mailto:fraudcontrol@cbq.qa); and

11.3.2.3 Designated Fax: 44490079.

11.3.3 Commercial Bank shall take steps to minimise any difficulties which the whistle-blower may experience as a result of raising a concern. For instance, if the whistle-blower is required to give evidence in criminal or disciplinary proceedings, the Legal Officer/ Legal Service Provider shall provide advice on the procedure.





11.3.4 Commercial Bank accepts that whistle-blowers need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, the whistle-blower shall receive information/ updates about the outcome of any investigation.

**Related Documentation**

- AOA
- CCL
- Human Capital Policies Manual (12-01-POL-001)
- Bank-Wide Anti-Fraud Policies Manual (14-04-POL-003)



## 12 Relationship with Stakeholders

### Purpose

The purpose of this section is to delineate guidelines and standards which promote good relations through effective communication between the Bank and its stakeholders.

### Scope

This section is applicable to the Commercial Bank Board, Executive Management and Bank employees. With respect to subsidiaries, the relevant subsidiary's board shall oversee the activities/ operations and plans of the concerned subsidiary and Commercial Bank's representatives in the said subsidiary board shall report on the same to Commercial Bank's Board.

### Responsibility and Authority

The overall responsibility in implementing this section falls within the jurisdiction of the Board. Roles and responsibilities mentioned within this section shall be performed by the related functions taking into consideration Commercial Bank's Delegation of Authorities.

### Section

12.1 Commercial Bank recognises the important role that stakeholders play towards the achievement of the Bank's long term strategy and sustained growth. The Board is committed to continually uphold the rights of its stakeholders and ensure that stakeholders' interests are adequately considered in the legal and business decisions that the Bank will take.

12.1.1 Commercial Bank has a structured process in managing its relationship with its stakeholders. Such process shall delineate the protocols that will be followed in communicating with stakeholders, level and degree of information that can be divulged, and agreed structure/ timeframe in responding to any concerns raised by stakeholders.

12.2 Dialogue/ Communication with Stakeholders



- 12.2.1 The Board as a whole has the responsibility for ensuring that a satisfactory dialogue/ communication with stakeholders, including shareholders, takes place. A hallmark of an effective and transparent communication is one which puts emphasis on the integrity, timeliness and relevance of information provided but continually mindful that the level of information disclosed does not negate the Board's duty to protect the long-term sustainability of the Bank nor provide unfair advantage to some stakeholders over the others.
- 12.2.2 The Chairman (and other Board Members as appropriate) shall maintain sufficient contact with major stakeholders to understand their issues and concerns. The Chairman shall ensure that the views of stakeholders are communicated to the Board as a whole.

Stakeholder communication shall be done through a range of channels which may include, but is not limited to, the following:

- 12.2.2.1 Commercial Bank's Annual General Assembly;
- 12.2.2.2 Annual Reports;
- 12.2.2.3 Corporate Governance reports;
- 12.2.2.4 Regular trading updates and market/ investor briefings; and
- 12.2.2.5 Commercial Bank's official website.

### 12.3 General Assembly

- 12.3.1 The Bank shall use new and modern technologies in communicating with shareholders in order to facilitate the effective participation of the greatest number of them.
- 12.3.2 The Bank shall enable shareholders to know matters listed on the agenda and provide sufficient information to enable them to make decisions.
- 12.3.3 The Bank shall disclose the results of the General Assembly immediately upon finishing and send a copy of such minutes to the QFMA immediately upon approval (QFMA Corporate Governance Code, Article 33).



12.3.4 Shareholders' rights related to attend and participate in the General Assembly are contained with the Bank's AOA's in compliance with QFMA Corporate Governance Code, Article 32.

#### 12.4 Access to Information

12.4.1 Executive Management shall ensure the timely update to Commercial Bank's website to reflect latest investor relation information including all pertinent press releases, financial reports, Board-related updates, governance aspects and other disclosures as required.

12.4.2 Executive Management shall also ensure that a direct line is provided (and included on Commercial Bank's website and press releases where applicable) to stakeholders who may have queries or require further information.

12.4.3 All information provided to stakeholders via any other form of communication must reflect publicly known information. In the provision of information, no insider information or preference to one stakeholder over another is allowed.

12.4.4 Commercial Bank must disclose its capital structure, any agreement concluded thereto, and the shareholders who own, directly or indirectly, 5% or more of the Bank's shares (QFMA Corporate Governance Code, Article 37).

12.4.5 Commercial Bank shall submit, monthly, an application to the depository to get an updated copy of the shareholders register and keep it (QFMA Corporate Governance Code, Article 30).

12.4.6 Contracts that may result in an asset or liability are confidential in nature and shall be shared only on a case by case basis and subject to relevant approval. However, Commercial Bank will disclose all assets and liabilities (including loans) as part of its financials which have been approved by the External Auditor.

12.4.7 All shareholders shall be provided with adequate information about the rights attached to all series and classes of shares before they purchase the same.

12.4.8 The Bank's Articles of Associations and by-laws include procedures of access to information that enable the shareholders to exercise full rights without prejudice to other shareholders' rights or harm the Bank's interest. The Bank shall check and update this information regularly, and shall provide shareholders with all information they deem important, and enable them to exercise their rights fully, using new and modern technologies (QFMA Corporate Governance Code, Article 31).



- 12.4.9 The Bank's shareholders shall also be provided with adequate information (e.g. qualifications, knowledge and practical experiences), and in sufficient time before the date determined for the General Assembly, relating to candidates for the Bank's Board to enable them to make an informed decision. The General Assembly shall elect the Board Members by secret ballot in accordance with the cumulative voting method (QFMA Corporate Governance Code, Article 35).
- 12.4.10 Any Commercial Bank Stakeholder (non-shareholder) may request information relating to his interest with attaching a proof of capacity, and the Bank shall provide the requested information in a timely manner and in a way that does not threaten the Stakeholder's interest or the Bank's interests (QFMA Corporate Governance Code, Article 38).

## 12.5 Shareholder Relations

### 12.5.1 Equitable Treatment of Shareholders

- 12.5.1.1 Commercial Bank shall uphold the equitable treatment of all holders of shares falling under the same class, and between holders of different classes of shares without prejudice to the rights of shareholders of those classes which have priority in ranking (QFMA Corporate Governance Code, Article 29).
- 12.5.1.2 All shareholders shall be provided with adequate information about the rights attached to all series and classes of shares before they purchase the same. They shall also be provided adequate information (e.g. qualifications, experience, etc) on candidates for the Bank's Board to enable them to have an informed decision. (QFMA Corporate Governance Code, Article 29) (AOA 40, 64 and 65).
- 12.5.1.3 Minority shareholders shall be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and shall be accorded effective means of redress. The Bank's minority shareholders shall also be adequately protected in the event of approval of major transactions that might harm their interests, prejudice the ownership of the Bank's capital, or where the said minority shareholders have voted against such major transactions (QFMA Corporate Governance Code, Article 37).
- 12.5.1.4 Minority shareholder's 'Tag Along Rights' shall be upheld where applicable. QFMA defines Tag Along Rights as "the minority shareholders' right to participate in a major sale of shares or a public offering and to sell their shares on the same terms and conditions".



12.5.1.5 Processes and procedures for general shareholder meetings shall allow for equitable treatment of all shareholders. Procedures shall not make it unduly difficult or expensive to cast votes.

#### 12.5.2 Dividends

12.5.2.1 The Board shall lay down a clear policy for the distribution of dividends, in a manner that may realize the interests of Commercial Bank and shareholders; shareholders shall be informed of that policy during the General Assembly and reference thereto shall be made in the Board report, (QFMA Corporate Governance Code, Article 36).

12.5.2.2 The dividends approved by the General Assembly for distribution, whether they be in cash or bonus shares shall be given, as of right, to shares owners who are listed in the register kept at the Depository at the end of trading session the day on which the General Assembly is convened (QFMA Corporate Governance Code, Article 36).

12.5.2.3 Commercial Bank shall build cash reserve to support bonus share to shareholders (if any) taking into consideration the dividend payout ratio.

12.5.2.4 The target payout/ dividend shall be declared as a percentage of net profit available to Commercial Bank.

12.5.2.5 Commercial Bank shall consider the following factors before presenting dividend payout plan to the Board:

- a *Cash flow constraints:* It is not obligatory on Commercial Bank to distribute full profit to the shareholders. Commercial Bank shall keep sufficient cash for its operational requirements before dividend distribution.
- b *Lenders' constraints:* Commercial Bank shall satisfy the financial requirement of lenders, if any.
- c *Legal constraints:* Any legal reserves required under the law shall be reserved before distributing the dividend.
- d *Future investment plan:* Investment plans of Commercial Bank shall be considered and sufficient cash shall be retained before dividend distribution unless it has been decided to fund the investment through additional share capital or bank financing.



**Related Documentation**

- AOA
- CCL
- QFMA Corporate Governance Code
- Corporate Affairs Policies Manual (01-01-POL-002)



## 13 Insider Trading

### Purpose

The purpose of this section is to outline guidelines and protocols as it relates to insider trading activities.

### Scope

This section is applicable to the Commercial Bank Board, Executive Management and Bank employees. With respect to subsidiaries, the relevant subsidiary's Board shall oversee the activities/ operations and plans of the concerned subsidiary and Commercial Bank's representatives in the said subsidiary Board shall report on the same to the Commercial Bank's Board.

### Responsibility and Authority

The overall responsibility in implementing this section falls within the jurisdiction of the Board. Roles and responsibilities mentioned within this section shall be performed by the related functions taking into consideration Commercial Bank's Delegation of Authorities.

### Section

#### 13.1 Guidelines on Handling Inside Information

##### 13.1.1 Commercial Bank's Board Members, Executive Management or employees shall not: (QE Bylaws, Article 172)

- 13.1.1.1 exploit inside information about the Bank for trading in its shares to seek personal benefit or benefit to other persons; nor
- 13.1.1.2 disclose information which is not yet disclosed to QE and is capable of affecting the prices of the securities or trading in QE.





- 13.1.2 Commercial Bank's Board Members, Executive Management and staff are prohibited from directly or indirectly trading on Commercial Bank shares, on their own account or on the account of others, within the 'prohibited period' as provided in the QE Bylaws.
- 13.1.3 Certain Commercial Bank employees and/ or service providers may have access to information about Commercial Bank's business which has not been disclosed to shareholders and the investing public. If an employee and/ or service provider has material inside information about Commercial Bank, the employee/ service provider may not trade in the Bank's shares from the moment the employee/ service provider receives that information until after the close of the second trading day following public disclosure of the information.
  - 13.1.3.1 Additionally, the employee/ service provider must not assist anyone else to trade in the share by improperly disclosing inside information to them.
- 13.1.4 Dealing in shares by the Board, members of Executive Management and staff must be prohibited after unexpected events affecting the activities or the financial position of Commercial Bank until the stakeholders are informed.
- 13.1.5 Trading shares on the basis of inside information, regardless of how small or large the trade, is a serious violation of the Bank's ethical standards and policies and may result to Commercial Bank instituting applicable penalty to the offender which includes termination from employment for the violating employee/ service provider, among other.

## 13.2 Prohibited Activity

### 13.2.1 Tipping Non-Insiders

The person who trades or "tips" information violates Commercial Bank's policy and ethical standards if he has a fiduciary duty or other relationship of trust and confidence not to use the information.

### 13.2.2 Using Insider Information for Personal Benefit

Trading is also prohibited when a person who receives information through a confidential relationship uses ("misappropriates") the information for his own trading or tips to others.

### 13.2.3 Controlling Persons



Corporations, brokerage firms, or other “controlling persons” who supervise a person who violates the insider trading rules may also be liable. A “controlling person” can be penalised if he knew or recklessly disregarded the fact that the controlled person was likely to engage in insider trading and failed to take steps to prevent it.

13.2.4 Directors and officers are prohibited from being involved in the investment approval process of insiders who may benefit directly or indirectly from the decision to grant a service. Relatives of the first degree may not trade in Commercial Bank shares based on insider information.

### 13.3 Personal Account Transactions

13.3.1 Commercial Bank may restrict certain employees/ service providers (investment, finance, etc) from trading in the Bank’s shares or in shares owned by Commercial Bank to prevent personnel from using the Bank’s information for personal gain. The list of employees/ service providers covered by this section will be determined by the Management and approved by the Board.

13.3.2 Commercial Bank may at any time, and without giving any reason:

- 13.3.2.1 Restrict dealings by any employee/ service provider;
- 13.3.2.2 Impose special conditions or restrictions on staff dealing; or
- 13.3.2.3 Decline to give permission to staff dealing when it is requested.

13.3.3 Commercial Bank shall ensure that restrictions with regard to personal account transactions are included in the terms of contract of the relevant employees/ service providers.

13.3.4 Commercial Bank shall maintain a list of relevant investments in relation to which Commercial Bank and its staff may have inside information and ensure that only relevant employees/service providers have access to this list. Commercial Bank employees/ service providers may not undertake personal account transactions in relation to investments on the restricted list unless:

- 13.3.4.1 The transaction is for the purposes of realising the cash value of a holding or position not related to Commercial Bank’s business; and
- 13.3.4.2 The Bank has given its express written permission for the transaction.



#### 13.4 Board Disclosures

13.4.1 In accordance with transparency requirements, all Commercial Bank Board Members' holdings (executive, independent, non-executive) shall be disclosed/ made available to the public/ stakeholders.

#### **Related Documentation**

- AOA
- CCL
- QE Bylaws
- Bank-wide Code of Ethics (12-01-POL-002)

## 14 Corporate Social Responsibility

### Purpose

The purpose of this section is to delineate guidelines and standards relating to the Bank's corporate social responsibility (CSR).

### Scope

This section is applicable to the Commercial Bank Board, Executive Management and Bank employees. With respect to subsidiaries, the relevant subsidiary's board shall oversee the activities/ operations and plans of the concerned subsidiary and Commercial Bank representatives in the said subsidiary board shall report on the same to Commercial Bank's Board.

### Responsibility and Authority

All roles and responsibilities mentioned within this section shall be performed by the related functions taking into consideration the Commercial Bank's Delegations of Authority.

### Section

14.1 The Bank, as a responsible corporate citizen, recognises its social responsibility to integrate business values and operations to meet the expectations and needs of its stakeholders. In its broadest sense, CSR includes issues related to business ethics, community investment, environment, governance, human rights, marketplace and the workplace. It is an essential tool in communicating with the community that Commercial Bank operates in and in building Commercial Bank's brand.

14.1.1 The Bank shall do its part in community development and promotion, and the environment preservation through effective and meaningful participation system of CSR (QFMA Corporate Governance Code, Article 39).

14.2 It is Commercial Bank's objective is to utilise CSR in order to achieve the following:



#### 14.2.1 Build Reputation

A coordinated CSR strategy can improve the public and stakeholder view of Commercial Bank.

#### 14.2.2 Improve Employee Engagement

A meaningful CSR strategy can increase employee/ service provider engagement, loyalty and in turn employee/ service provider retention.

#### 14.2.3 Increase Market Share

A coherent CSR strategy can highlight the attractiveness of doing business with Commercial Bank.

#### 14.2.4 Leverage Resources

A focused CSR strategy would allow Commercial Bank to use limited resources effectively to meet targeted business and community needs.

#### 14.2.5 Private Resources for Public Good

A genuine desire to make a meaningful societal contribution.

14.3 Commercial Bank shall formulate a clear strategy for CSR in line with the existing brand positioning. Commercial Bank shall implement its CSR strategy through the following channels:

14.3.1 Sponsorships;

14.3.2 Events;

14.3.3 Partnering with charitable organisations; and

14.3.4 Donations for worthwhile social causes.

14.4 The annual CSR budget should be approved by the Board as part of the annual business planning and budgeting cycle.



14.5 Refer to the Marketing Policies Manual (11-02-POL-001) for the detailed discussion of CSR.

**Related Documentation**

- Marketing Policies Manual (11-02-POL-001)



## 15 Internal Control System

### Purpose

The purpose of this section is to establish a dependable system of internal controls. These controls will ensure that Commercial Bank's accounts and records are accurate and reliable, transactions are properly authorised, and assets are adequately safeguarded.

### Scope

This section is applicable to the Commercial Bank Board, Executive Management and Bank employees. With respect to subsidiaries, the relevant subsidiary's board shall oversee the activities/ operations and plans of the concerned subsidiary and Commercial Bank's representatives in the said subsidiary board shall report on the same to Commercial Bank's Board.

### Responsibility and Authority

The overall responsibility in implementing this section falls within the jurisdiction of the Board. Roles and responsibilities mentioned within this section shall be performed by the related functions taking into consideration Commercial Bank's Delegation of Authorities.

### Section

#### 15.1 General

15.1.1 The Board shall maintain a sound system of internal control designed to safeguard shareholders' investment and the Bank's assets and to ensure the reliability of the Bank's financial recordkeeping and reporting.

15.1.2 Internal control systems shall include one or more effective and independent units for assessment and management of risk, as well as financial and operational internal audit functions in addition to external audit. The internal control system shall also ensure that all Related Party transactions are handled in accordance with the requirements related thereto



and in line with policy. It shall set clear lines of responsibility and accountability throughout the Bank. (QCB Corporate Governance Guidelines, Circular 68/2015, Seventh Principle and QFMA Corporate Governance Code, Article 21).

15.1.2.1 This unit shall be managed by one or more internal auditor(s) who has qualification and experience in financial audit, performance assessment and risk managements, and has an access to all Commercial Bank departments to follow-up the unit work.

15.1.3 Effectiveness of the Bank's internal control system shall be reviewed by the Board at least annually (QCB Corporate Governance Guidelines, Circular 68/2015 Seventh Principle). Such review shall include all material controls, including financial, operational and compliance controls and risk management systems.

15.1.4 Commercial Bank shall follow and implement the following basic control concepts:

15.1.4.1 A systematic approach to safeguard assets and the reliability of financial records;

15.1.4.2 Identification and segregation of responsibilities and duties of groups/ functions and personnel of Commercial Bank's different departments and sections;

15.1.4.3 A system for establishing, amending, and communicating approved policies and procedures;

15.1.4.4 A system for awareness and education programmes for employees about the importance of self-control and internal control;

15.1.4.5 A system of authorisation limits and recording procedures that ensures reasonable control of assets, liabilities, income, and expenses;

15.1.4.6 A plan in risk management that at least includes identifying major risks that may impact the Bank, especially those related to new technology; the Bank's ability to take risks; ability to put in risk identification mechanisms; implement risk awareness programmes, and ways to mitigate risk (QFMA Corporate Governance Code, Article 20).

## 15.2 Written Policies and Procedures





15.2.1 The Board shall establish, communicate and enforce a specific direction for the Bank, through the adoption of written policies and procedures that cover every aspect of operation and management. These policies and procedures shall establish the guidelines within which management must operate.

15.2.2 The policies and procedures shall be reviewed on an annual basis, at a minimum, by the relevant SBU Heads.

15.2.2.1 All material changes to policy shall be approved by the Board.

15.2.2.2 Approval of procedures shall be done by the SBUs.

### 15.3 Job Descriptions and Segregation of Duties

15.3.1 All Commercial Bank job positions shall have comprehensive written job descriptions.

15.3.2 The Board shall approve the organisational chart. Any major amendments in reporting lines must have the approval of the Board.

### 15.4 Internal Audit

15.4.1 The Board shall ensure that there is an effective risk-based internal audit within the Bank.

15.4.2 The Board, through the Board Audit & Compliance Committee, shall ensure that the Bank's Internal Audit Department is independent and has the necessary resources, standing and authority within the Bank to enable it to discharge its functions.

15.4.2.1 The Internal Audit Department shall report directly to the Bank's Board Audit & Compliance Committee.

15.4.2.2 The Chief Internal Auditor shall be appointed by the Board Audit and Compliance Committee in agreement with QCB.

15.4.2.2.1 Every three months, the Internal Auditor shall submit a report on the internal control achievements of the Bank to the Board Audit & Compliance Committee and/ or Board for review. These reports shall include suggested corrective actions for all problems noted during the audit (QFMA Corporate Governance Code, Article 22).



15.4.3 Based on the Board Audit & Compliance Committee's recommendation, the Board shall determine the data that the internal control report should include, which shall be at least the following:

15.4.3.1.1 Procedures of control and supervision in respect of financial affairs, investments, and risk management.

15.4.3.1.2 Review of the development of risk factors in the Bank and the appropriateness and effectiveness of the systems in the Bank to face the drastic or unexpected changes in the market.

15.4.3.1.3 A comprehensive assessment of the Bank's performance regarding its implementation of the internal control system in compliance with provisions of the QFAM Corporate Governance Code.

15.4.3.1.4 The Bank's compliance with applicable market listing and disclosure rules and requirements.

15.4.3.1.5 The Bank's compliance with internal control systems when determining and managing risks.

15.4.3.1.6 The risks faced the Bank, their types, causes and the actions taken in this regard.

15.4.3.1.7 Suggestions corrective actions for all problems noted during the audit, suggestions for addressing the violations and mitigating the risks (QFMA Corporate Governance Code, Article 22).

15.4.4 All internal audit observations/findings noted shall require a follow-up audit to determine whether adequate corrections have been made.

15.4.5 Refer to the Internal Audit Policies (06-03-POL-001) for detailed discussion.

#### 15.5 Regulatory Risk Issues

15.5.1 The Bank's Executive Management is responsible for ensuring that recordkeeping is reliable and accurate and that its activities are conducted in a safe and sound manner and in compliance with regulations.

15.5.2 Weaknesses in internal controls could make it difficult for Executive Management to determine the true condition of the Bank and jeopardise Executive Management's ability to make appropriate decisions. A lack of internal controls may also make it impossible for Bank's Executive Management to accurately detect errors in procedures; this could ultimately



affect Executive Management's ability to comply with regulations and its ability to maintain the safety and soundness of its assets.

### **Related Documentation**

- AOA
- CCL
- Policy Development and Approval Tracking Manual (14-01-POL-003)
- Internal Audit Policies (06-03-POL-001)
- Human Capital Policies (12-01-POL-001)



## 16 Code of Ethics

### Purpose

The purpose of this section is to formalise and provide an overview on expected standards of professional conduct for Commercial Bank directors and employees/ service providers.

### Scope

This section is applicable to the Commercial Bank Board, Executive Management and Bank employees. With respect to subsidiaries, the subsidiary's board shall oversee the activities/ operations and plans of the concerned subsidiary and Commercial Bank's representatives in the said subsidiary board shall report on the same to the Commercial Bank's Board.

### Responsibility and Authority

The overall responsibility in implementing this section falls within the jurisdiction of the Board. Roles and responsibilities mentioned within this section shall be performed by the related functions taking into consideration Commercial Bank's Delegation of Authorities.

### Section

- 16.1 Commercial Bank encourages its Board Members and employees to carry out their official duties for the benefit of the Bank, and the public/ society at large. It is the duty of the Board Members/ employees/ service providers to serve the Bank and the public in a selfless manner, and not use offices, titles, or official influence for any other purpose (QFMA Corporate Governance Code, Article 3).
- 16.2 The Board shall ensure that a Code of Ethics for the Bank is in place and observed. It is an obligation for every Board Member and employee to understand and comply with the Bank-wide Code of Ethics. No excuses shall be granted for failure to comply with the Code. Refer to the Bank-wide Code of Ethics (12-01-POL-002) for detailed discussion.



**Related Documentation**

- Human Capital Policies (12-01-POL-001)



## 17 Abbreviations and Definitions

|                                   |   |
|-----------------------------------|---|
| <b>AOA</b>                        | Articles of Association   |
| <b>BOD or Board</b>               | Board of Directors  |
| <b>Board Member</b>               | A member of the BOD   |
| <b>The Code</b>                   | The QFMA Governance Code for Companies & Legal entities Listed on the Main Market issued by the QFMA’s Board pursuant to Decision No. (5) Of 2016, published in the Official Gazette Issue No. (6) Dated 15 May 2017. |
| <b>Commercial Bank / The Bank</b> | The Commercial Bank (P.S.Q.C.)  |
| <b>CCL</b>                        | Commercial Companies Law  |
| <b>CSR</b>                        | Corporate Social Responsibility   |
| <b>CEO</b>                        | Group Chief Executive Officer or Chief Executive Officer  |
| <b>DOA</b>                        | Delegation of Authority   |
| <b>EGM</b>                        | Executive General Manager   |
| <b>EXCO</b>                       | Commercial Bank’s Management executive committee  |
| <b>Executive Management</b>       | The CEO, members of EXCO, and other executive managers reporting to the CEO   |
| <b>IAS</b>                        | International Accounting Standards  |
| <b>Independent Board Member</b>   | The Bank adopts the QFMA and QCB definitions of “Independent” Board member. In the event of conflict between QFMA and QCB definitions, the more stringent requirement shall prevail.                                  |
| <b>MRC</b>                        | Management Risk Committee   |
| <b>Non-Executive Board Member</b> | The Bank adopts the QFMA and QCB definitions of “Non-Executive” Board member. In the event of conflict between QFMA and QCB definitions, the more stringent requirement shall prevail.                                |
| <b>OECD</b>                       | Organisation for Economic Cooperation and Development   |
| <b>QCB</b>                        | Qatar Central Bank  |
| <b>QE</b>                         | Qatar Exchange  |
| <b>QFMA</b>                       | Qatar Financial Market Authority  |



## 18 Appendices

### Appendix A: Charter Revision Proposal Form

| Charter Revision Proposal Form   |                                     |
|--|-------------------------------------|
| Reference: 01-01-CTR-002   | Date October 2018                   |
| Originated by: Marie Therese Auger   | Position: Head of Corporate Affairs |
| Matters proposed to be revised (attach photocopies, if required)   |                                     |
| Section No.  | Section Name                        |
| 2.2: Board Responsibilities towards the Bank's Subsidiaries and Associates. Update in line with Article 38 of the QFMA Corporate Governance Code.<br><br>4.1 Deletion of requirement for succession planning for Board Members as this is not required by the QFMA Corporate Governance Code beyond the appointment and nomination process that is covered the Charter.<br><br>6.2.4.1: Deletion of QCB annual report requirements, as this refers to an old version QCB guidelines. |                                     |
| Reasons for proposed revisions   |                                     |
| Compliance with new applicable regulations (QFMA Corporate Governance Code).   |                                     |
| Other comments   |                                     |



| Approved | Signatories | Effective Date |
|----------|-------------|----------------|
|          |             |                |

**Appendix B: Charter Distribution and Acknowledgement Form**





| Charter Distribution and Acknowledgement Form |  |
|---|--|
| Charter                                       |  |
| Version Number                                |  |
| Name of the Director/ Employee                |  |
| Date of Acknowledgement                       |  |
| Director/ Employee Signature                  |  |