

# **Emirates Islamic Bank PJSC**

## **Conflict of Interest Policy**

## 1. Purpose

- 1.1 The purpose of this policy is to ensure that the Board appropriately deals with actual, potential and perceived Conflicts of Interest and that all decisions are made in the best interests of the Bank.
- 1.2 The Directors hold positions of power and control over the assets and financial interests of the Bank. Therefore, it is essential to set out the procedures which will apply to conflicts arising at Board level.
- 1.3 This policy is intended to supplement, and not replace, any applicable legal or regulatory rules or requirements governing Conflicts of Interest, including any requirements set out in the Bank's articles of association, the Companies Law and Corporate Governance Regulations.
- 1.4 This policy will help the Directors to recognize when their activities are Related Party Transactions and should have different treatment. Such treatment would include processes for decision-making and disclosures of information when necessary. This policy includes how to identify, prevent and treat any Conflict of Interest case as necessary under legal or regulatory rules or requirements governing Conflicts of Interest, including any requirements set out in the Bank's articles of association, the Companies Law and Corporate Governance Regulations.

## 2. Scope and application

This policy applies to Directors. It covers all aspects of work, transactions, activities and businesses.

## 3. Overriding Principles

- 3.1 Directors have a fiduciary obligation to act, at all times, in the best interests of the Bank. Specifically, Directors must act with integrity and exercise the Duty of Care, the Duty of Confidentiality and the Duty of Loyalty. Directors must be able to exercise sound, objective, and independent judgement about the affairs of the Bank. The Directors shall perform their duties and conduct the affairs of the Bank in a manner that inspires the confidence of the general public in the Bank.
- 3.2 Directors have a duty to avoid, to the extent possible, any activity that could create a Conflict of Interest or the appearance of a Conflict of Interest.
- 3.3 Directors must not allow their outside activities to interfere with their work for the Bank, or allow any conflict between their duties to the Bank and their outside interests to affect their ability to carry out their duties and responsibilities.
- 3.4 Directors must not use their position, or confidential information obtained by them relating to the Bank or its customers, in order to achieve a benefit for themselves or the Director's Related Parties. Under the Companies Law, improper disclosure of the Bank's information or wilful attempts to damage the Bank's activities or its reputation may lead to imprisonment or fine.
- 3.5 Directors must not use the Bank's assets and facilities for personal benefit or gain.
- 3.6 Directors must seek an approval from the Board prior to engaging in activities which may result in a Conflict of Interest, such as serving on another board of directors. A Director may:
  - (a) hold memberships in the boards of up to five Public Joint Stock Companies (PJSCs) in the UAE. This is also applicable to PJSCs inside the banking Group;
  - (b) not hold memberships in other banks in the UAE; and
  - (c) hold memberships in up to four banks outside the UAE.

- 3.7 An ex-ante review and approval process shall be completed by the Board before a Director accepts nomination to serve on another board so as to ensure that the activity will not create a Conflict of Interest. The results of the review must be documented in the Board meeting minutes.
- 3.8 Directors have a duty to abstain from voting on any matter where they may have a Conflict of Interest or where their objectivity or ability to properly fulfil their duties to the Bank may be otherwise compromised. Such instances must be recorded in the Register of Interest and the Board / Board Committee meeting minutes.
- 3.9 Directors must promptly disclose to the Board and Board Secretary any matter that may result, or has already resulted, in a Conflict of Interest.
- 3.10 Directors must not act in a manner likely to bring the Bank into disrepute or to affect its reputation.
- 3.11 Directors must be aware of potential conflicts between the Bank, its shareholders and other Bank's Related Parties and must remain aware that their overriding duty is to act in the best interests of the Bank.

#### **4. Conflicts of Interest**

- 4.1 Conflicts of Interest may arise in many circumstances, and may be actual or perceived. The following list is non exhaustive, and is provided for reference purposes only:
- (a) A Conflict of Interest may arise when a Director's outside interest or activity could influence, or appear to influence, their ability to act in the best interests of the Bank, including but not limited to holding a management position of a competitor or conducting any competing business for his or her own account.
  - (b) A Conflict of Interest shall be deemed to arise whenever a transaction is made between the Bank and a Director or the Director's Related Parties, which is not made in the ordinary course of business on arm's length terms, including obtaining loans from the Bank on favorable terms and conditions.
  - (c) A Conflict of Interest may arise, when a Director accepts gifts or hospitality from any third party which may influence, or appear to influence, their ability to make objective decisions and perform their duties and tasks.
  - (d) A Conflict of Interest may arise when a Director is subject to any undue influence from:
    - (i) other persons/business;
    - (ii) previous or current positions held;
    - (iii) personal, professional or other economic relationships with other Members of the Board or Senior Management; and/or
    - (iv) other entities within the Group.

#### **5. Loans to Directors**

- 5.1 The Bank is a financial institution which grants loans in the ordinary course of its business. Loans to Directors or to the Directors' Related Parties raise potential Conflicts of Interest. The Bank has adopted a policy whereby loans will only be granted to Directors and the Directors' Related Parties on arm's length terms.
- 5.2 Under the Central Bank's regulations regarding large exposure limits (as amended from time to time), loans to Directors must not exceed the limits set by competent authorities.

- 5.3 Any agreement that conflicts with the provisions of this paragraph 6 shall be null and void. The auditor of the Bank shall refer, in its report submitted to the general assembly of the Bank, to such loans and credits granted to the Directors and the Directors' Related Parties and the extent to which the Bank complies with the provisions of this paragraph 6.
- 5.4 Any loans or credit facilities extended to a Director must be approved by the whole Board. In all cases, the Director must abstain from voting on the approval of the credit facilities where he/she may have a related conflict of interest.

## **6. Declarations of interest**

- 6.1 Upon appointment and on a quarterly basis thereafter, Directors are required to disclose to the Bank all interests and relationships which could or might be seen to affect their ability to carry out their duties and responsibilities.
- 6.2 Specifically, Directors shall disclose (in each case, only to the extent that they are aware):
- (a) shareholdings in the Bank held by them and their First Degree Relatives;
  - (b) names of companies and public institutions they are employed by, partners of or serve as a member of the Boards of Directors (including outside the UAE);
  - (c) significant shareholdings held by them or their First Degree Relatives in any company which is a client, competitor or supplier of the Bank, or which may transact with the Bank in any other way;
  - (d) any direct or indirect work performed by them or their First Degree Relatives that constitutes a competition to the Bank;
  - (e) details of their investments in the Bank's securities before and after such trades; and
  - (f) any other interest which may reasonably be perceived to be relevant to exercise their duties as a Director.
- 6.3 Directors should confirm their understanding of relevant laws and regulations regarding insider trading and the importance of maintaining the confidentiality of the Bank's confidential information.
- 6.4 In the event of any uncertainty, guidance should be sought from the Board Secretary.
- 6.5 Any such interests declared shall be recorded by the Board Secretary in the Register of Interests, which shall be maintained by the Board Secretariat and shall include the following:
- (a) conflict of the interest identification date;
  - (b) parties involved in the conflict of interest;
  - (c) detailed description of the conflict of interest; and
  - (d) measures taken to mitigate/manage/resolve the conflict of interest.
- 6.6 Each Director shall immediately inform the Board Secretary when there are changes to their interests, and shall review the Register of Interests on a quarterly basis to verify its accuracy and completeness.
- 6.7 The [Board Nomination, HR & ESG Committee] shall review the Register of Interest on a quarterly basis.

## **7. Procedures for managing a Conflict of Interest**

- 7.1 Where a Director has a personal interest in any matter which is to be considered by the Board, the following process shall be followed:
- (a) A Director will declare a Conflict of Interest to the Board Secretary at the earliest opportunity, whether or not that interest is already set out in the Register of Interests.
  - (b) The Board Secretary will record this declaration in the Register of Interests and the minutes of the relevant Board meeting.
  - (c) At the beginning of each Board and Board Committee meeting, each Director shall declare their Conflicts of Interest.
  - (d) Other Directors present at the meeting shall evaluate the Conflict of Interest and decide whether the conflicted Director should:
    - (i) refrain from participating in the debate: the minutes of the meeting should state the reason why the Director refrained from participating in the debate; and
    - (ii) withdraw from the Boardroom during the debate and the voting: the minutes of the meeting should record why the Director left the room and at what time he/she returned to join the meeting. If a majority of Directors who do not have an interest in such a matter resolve that a disclosed Conflict of Interest should not disqualify a Director from being present while the matter is being considered, then that Director may be present during the discussion.
- 7.2 In all cases, the conflicted Director shall not be permitted to vote on the relevant resolution but may be counted in the quorum for that resolution; the prohibition on voting extends to resolutions of a Board passed via circulation.
- 7.3 The conflicted Director may not attempt to exploit their personal influence regarding the issue whether at or outside the meeting.
- 7.4 The Board Secretary shall ensure that the minutes of the meeting record the decision taken by the Directors who do not have an interest in such a matter.
- 7.5 Approvals from the Board or the Bank's general assembly may be sought as the case necessitates in accordance with applicable regulatory requirements.
- 7.6 Where a Director is uncertain as to whether an interest should be disclosed in accordance with this Conflicts of Interest Policy, the Director shall disclose the circumstances of such interest to the Chairman or the designee of the Chairman who may decide whether or not there is a conflict of interest or (upon the decision of the Chairman) obtain (at the cost of the Bank) an outside legal or other independent professional advice in such circumstances to assist the Chairman or the designee of the Chairman to take the necessary decision.
- 7.7 Each Director must confirm annually that they have sufficient time available to manage the time commitments required from the role in the Bank.
- 8. Acceptance of Gifts**
- 8.1 A Conflict of Interest may arise if a Director, when undertaking his/her duties for the Bank, accepts gifts or hospitality from any third party which may influence, or appear to influence, or was intended to influence, his/her ability to make decisions.
- 8.2 A Director may not accept hospitality and gifts from third parties if could lead to conflict of interest or duplication, in case the third party does so in circumstances wherein it may be concluded that this act was intended to influence, or may influence the Director. However, this restriction shall not prevent a

Director from accepting objects of symbolic or simple value of AED 500 or less or entertainment of symbolic or simple value which is not related to any special transaction or activity of the Bank.

- 8.3 Directors should decline hospitality or gifts in circumstances where that hospitality or gift is offered or made for the purposes of influencing, or attempting to influence, the Board's decisions.
- 8.4 The Board Secretary shall maintain and regularly update a register to record disclosures of gifts and hospitality offered to, or received by, a Director.

## 9. Non-Compliance with the Policy

- 9.1 In the event of non-compliance with this policy, the Companies Law permits the Bank or any of its shareholders to apply to the competent court to invalidate the contract of the underlying transaction and further permits the Bank to require the conflicted Director to compensate the Bank for either (a) any personal gain made by the Director or the Director's Related Parties, or (b) any damages or losses incurred to the Bank, in each case as a result of the conflict of interest.
- 9.2 In the event of a judicial judgment proving that the Chairman or a Director have concluded transactions involving conflicts of interest, they shall be dismissed from their position and shall not be nominated for chairmanship or membership of a board until the lapse of at least three years after the date of their dismissal, and Article 145 of the Companies Law on occupying the new position of the Board shall apply. In the event that the entire Board is dismissed then SCA shall invite the general assembly of the Bank to elect a new Board.

## 10. Review and Administration of the Policy

- 10.1 The Nomination and Remuneration Committee shall review this policy on a regular basis and at least once every two years and recommend the changes, if required or as deemed appropriate, to the Board for approval.

## 11. Applicable Regulatory Requirements

- 11.1 This policy has been developed based on the following regulatory requirements:
- (a) Federal Law No. 32 of 2021 concerning Commercial Companies (and its amendments from time to time)
  - (b) Corporate Governance Regulation for Banks: the regulation issued by the Central bank pursuant to circular number 83/2019 concerning Corporate Governance Regulation for Banks as amended, updated or replaced from time to time.
  - (c) The Central Bank's Corporate Governance Regulation for Banks (Circular No.:83/2019 dated July 18, 2019)
  - (d) The Central Bank's Corporate Governance Standards for Banks (Circular No.:83/2019 dated July 18, 2019)
  - (e) The Governance Guide issued pursuant to Board Resolution No. (03/R.M) of 2020 issued by the SCA concerning adopting the Corporate Governance Guide for Public Joint-Stock Companies as amended, updated or replaced from time to time.

12. **This policy document shall be revised should any of the above regulatory requirements be amended or replaced.**

## 13. Definitions

In this Policy: :

“Bank”	means Emirates Islamic PJSC;
“Board”	means the Board of Directors of the Bank;
“Central Bank”	means the Central Bank of the United Arab Emirates;
“Companies Law”	means UAE Federal Law No. 32 of 2021 concerning Commercial Companies (and its amendments from time to time);
“Controlling Shareholder”	means a shareholder who has the ability to directly or indirectly influence or control: <ul style="list-style-type: none"> <li>(a) the appointment of the majority of the Board; or</li> <li>(b) the decisions made by the Board; or</li> <li>(c) the decisions made by the general assembly of the Bank, through the ownership of a percentage of the shares or stocks or under an agreement or other arrangement providing for such influence;</li> </ul>
“Conflict of Interest”	means a situation of actual or perceived conflict between the duty and private interests of a person, which could improperly influence the performance of their duties and responsibilities;
“Corporate Governance Regulations”	means all applicable regulations and standards on corporate governance, including, but not limited to, the Central Bank’s Corporate Governance Regulations and Standards for Banks (Circular No.: 89/2019 dated July 18, 2019) and the Securities and Commodities Authority (SCA) Chairman of Authority’s Board of Directors’ Decision no. (3/Chairman) of 2020, regarding the Approval of the Public Joint-Stock Companies Governance Guide;
“Director”	means a member of the Board;
“Director’s Related Parties”	means: <ul style="list-style-type: none"> <li>(a) First Degree Relatives;</li> <li>(b) The companies in which any of the Directors or any of their First Degree Relatives holds 5% or more of its shares or voting rights; and</li> <li>(c) The companies in which any of the Directors or any of their First Degree Relatives hold a directorship or senior executive position.</li> </ul>
“Duty of Care”	means the duty to decide and act on an informed and prudent basis with respect to the Bank;
“Duty of Confidentiality”	means the duty to observe confidentiality which applies to all information of a confidential nature with which a Director is entrusted by the Bank or which is brought to his or her attention during or at any time after the carrying out of their assignment;
“Duty of Loyalty”	means the duty to act in good faith in the interest of the Bank. The duty of loyalty should prevent individual Directors from acting in their own interest, or in the interest of another individual or group, at the expense of the Bank and shareholders;



“First-Degree Relatives”	means a person’s parents, siblings, spouse <sup>1</sup> and children;
“Group”	means a group of entities which includes:  (a) the Bank;  (b) any Controlling Shareholder of the Bank;  (c) any subsidiary of the Bank; or  (d) any affiliate, sister company, or joint venture of the Bank;
Register of Interests	means the special register maintained by the Board Secretariat to record the Conflicts of Interests.
“Bank’s Related Parties”	The Bank and its Controlling Shareholder’s Members of the Board and Senior Management (and their First-Degree Relatives) and persons with control, joint control or significant influence over the Bank (and their First-Degree Relatives).
“Related Party Transactions”	Include on-balance sheet and off-balance sheet credit exposures and claims as well as dealings such as service contracts, asset purchases and sales, construction contracts, lease agreements, derivative transactions, borrowings, and write-offs. The term transaction incorporates not only transactions that are entered into with related parties but also situations in which an unrelated party (with whom a Bank has an existing exposure) subsequently becomes a related party; disclosures must reflect all related party events and transactions for the financial period.
“SCA”	means the Securities and Commodities Authority;
“Senior Management”	means the executive management of the Bank responsible and accountable to the Board for the sound and prudent day-to-day management of the Bank;
“Staff”	means all persons working for the Bank, including the members of Senior Management, except for the Board; and

<sup>1</sup> please kindly note that whilst the UAE CB Corporate Governance Regulations definition of related parties does not include spouses, our recommendation (having consulted with other departments, including GOPS) is to include spouses, particularly because we believe that this represents ‘best practice’