

POLICY FACT SHEET

Title	<i>Terms of Reference for Board of Directors</i>		
Applicability:	<i>Board of Directors (BOD)</i>	Approval Date:	<i>3-Jun-09</i>
Group Policy No.:	<i>CG.TOR.BOD.7</i>	Approved by:	<i>Board of Directors</i>
Policy Owner:	<i>Board Secretariat</i>	Corresponding Group Instructions No. (if any):	
Review / amendment frequency:	<i>Annually (or when required or upon issuance of new regulatory instructions)</i>	Revision:	<i>R.0</i>

Notes:

1. Policy number should be inserted in the footer section - left side of the page
2. Page numbers should be inserted in the footer section under the form (*Page 1 of 1*) – right side of the page
3. Corporate Secretary and Policy Owner should sign final copy of approved Policy for duly maintenance in Policy register

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Sign-off of Policy Owner

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Date

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Corporate Secretary

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Date

**BOARD OF DIRECTORS
TERMS OF REFERENCE
CG.TOR.BOD.7**

I. PURPOSE

The Qatari Commercial Companies Law No. 5 of 2002 (“CCL”) provides that the Board of Directors (“Board”) shall enjoy the widest powers necessary to carry out the activities and functions required to fulfill the objectives of the company, and may within its powers delegate one of its members to do a specific act or acts or to supervise company activities, and further that every director and officer shall act honestly and in good faith with a view to the best interests of the company; and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

As the Board has overall plenary power, these Terms of Reference are intended not to limit the powers of the Board but to assist the Board in the exercise of its powers and the fulfillment of its duties. Those TORs are written in accordance with the stipulations of QCB Instructions, QFMA Corporate Governance regulations, DSM internal regulations, Commercial Companies Law No. 5 of 2002, and other applicable laws and regulations in the State of Qatar (“The applicable regulations”).

II. CREATION

The Board of Directors of the Bank (the “Board”) of Al Khalij Commercial Bank Q.S.C. (the “Company”) (the “Board”) is appointed pursuant to Article 25 of the *al khaliji* Articles of Association (“AOA”).

III. COMPOSITION AND ELECTION OF THE BOARD OF DIRECTORS

Pursuant to Section IV of the CCL, the Board shall be formed by a minimum of five members and a maximum of eleven members elected by secret ballot by the shareholders for a maximum term

of three years. However, the al khaliji first Board was appointed by the founders for a term of five years as set forth in Article 28 of the AOA.

At the end of its term, the Board shall propose, upon recommendation by its Corporate Governance and Nominating Committee (the "CGNC"), nominees to the Board for election by shareholders at the al khaliji's annual meeting of shareholders.

The new Board shall comprise executive, non-executive and independent members in order to secure that the Board decisions are not controlled by one person or a small group of individuals.

One third of the Board members at least should be independent members and the majority of the members should be among the non-executive members.

The Board members should have appropriate experience and know-how to effectively perform its functions and maintain the company's interests. They should also give sufficient time and attach more interest to their functions as members on the Board of directors

IV. APPOINTMENT OF A BOARD CHAIR

The Board shall elect by secret ballot a Chairman for a period not exceeding 3 years as stipulated under Article 99 of the AOA. The Chairman of the first Board was appointed as stipulated under Article 28 of the AOA. The Chairman of the Board shall chair the Board meetings and in his absence, the Deputy Chairman acts as Chairperson.

V. MEETINGS OF THE BOARD OF DIRECTORS

The Board shall meet at regularly scheduled sessions, not less than six times per year. Where a Board member is absent for more than three consecutive meetings of the Board or 5 non-consecutive meetings without an excuse that has been accepted by the Board, the absenting Board member will be deemed to have resigned from the Board.

a. Quorum:

Majority of the Board of Directors present in person shall constitute a quorum for the meeting. A member may also attend by written proxy, provided, however, that proxy is issued only to an attending Board member. Such proxies shall be duly minuted and maintained by the Board Secretary.

b. Attendance:

Only Board Members, Board Secretary and the CEO shall be entitled to attend the Board meetings. By invitation from the Chairman, any of the following persons may also attend as and when appropriate:

- Internal or external auditors
- Any Managing Executive;
- Any other employee;
- Other relevant or expert persons.

VI. BOARD SECRETARY:

The Board shall appoint a Board Secretary and shall define its responsibilities and functions.

a. Notice of Meetings:

Meetings of the Board shall be summoned by the Board Secretary at the request of any of its Chairman or any of its Members. Unless otherwise agreed, invitation to each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each Member and any other person required to attend, no later than a week before the date of the meeting by registered mail, email, and/or facsimile. Information to be discussed at a meeting will, whenever possible, be distributed to Directors sufficiently in advance of the meeting date to permit Directors to prepare for a discussion of such matters. Sensitive subject matters may be discussed at meetings of the Board without written materials being distributed to Directors.

b. Minutes:

The Secretary shall minute the proceedings and resolutions of all meetings of the Board, including recording the names of those present and in attendance in person or by proxy. Attendance via teleconference or telephone shall be explicitly recorded in the Minutes. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The Minutes will be circulated via e-mail or facsimile transmission and shall be signed by the Chairman and the Secretary.

c. Decisions:

CCL & AOA provide that the Board shall ensure that minutes are kept, recording the resolutions and proceedings of all meetings. Such records shall be kept in the custody of the Corporate Secretary of the Bank and shall be registered in a special record signed by the Chairman and the Secretary.

VII. EXTERNAL ADVICE

The Board may seek appropriate independent professional advice at the Company's expenses as and when it considers it necessary.

VIII. TRAINING

The Members will be given induction and continuing training, which should cover, among other things, the role of the Board of Directors, Corporate Governance, financial and banking-related issues, etc.

IX. REMUNERATION OF DIRECTORS

Except for Directors who are also officers of the Company (if any), no Director shall receive from the Company any compensation other than the fees to which he or she is entitled as a Director of the Company or a member of a committee of the Board as stipulated in the al khakiji Remuneration Policy approved by the Annual General Assembly.

X. FUNCTIONS & RESPONSIBILITIES

Management is responsible for the management of the Company. The Board is responsible for the stewardship of the Company and for monitoring the actions of, and providing overall guidance and direction to, management. In fulfilling its duties and responsibilities, the Board shall, among other things:

Committees and Committee Terms of Reference

- a) Establish an Audit Committee (the "AC"), a Compliance & Risk Committee ("CRC"), a Remuneration Committee ("RC"), a Corporate Governance & Nomination Committee (CGNC), and an Executive Committee ("ExCo"), each comprised mainly of independent Directors, and may establish such other committees as it deems necessary or desirable, to assist it in the fulfillment of its duties and responsibilities, with such terms of reference as the Board may determine, and may delegate from time to time to such committees or other persons any of the Board's responsibilities that lawfully may be delegated. The Board shall determine whether Directors satisfy the requirements of independence for membership on each such committee;
- b) Consider recommendations of the CGNC from time to time regarding the composition and terms of reference of the committees of the Board;
- c) Establish and determine the responsibilities of any subsidiary Board of Directors;

Corporate Governance

- d) Consider recommendations of the CGNC regarding the Company's approach to governance issues and the adoption of corporate governance principles and guidelines for the Company, as well as the disclosure thereof in the Company's annual report;
- e) Consider recommendations of the CGNC regarding the adoption of:

- a code of business ethics applicable to Directors, officers and employees of the Company prescribing standards that are reasonably designed to promote integrity and honest and ethical conduct and deter wrongdoing, and
 - a code of ethics applicable providing for policies ensuring the corporation operates at all times within applicable laws and regulations and with due regard to ethical standards. This includes, as a minimum, laws relating to code of conduct, employee health and safety, human rights, environmental protection and standards relating to conflicts of interest;
 - Delegation of Authorities matrix and policy in accordance with the statutory requirements and the business size and developments;
- f)** Develop and annually review a disclosure and insider trading and reporting policy for the Company that addresses how the Company shall interact with analysts and the public; and contains measures for the Company to avoid selective disclosure;
- g)** Monitor the integrity of the Company's internal control, disclosure controls and procedures and management information systems;
- h)** Develop and periodically review policies with respect to decisions and other matters requiring Board approval;
- i)** Develop and periodically review policies and procedures for receiving feedback from shareholders with respect to the affairs of the Company;

Strategy & Financial issues

- j)** Adopt a strategic planning process and annually approve a strategic plan which takes into account, among other things, the opportunities and risk of the Company's business;
- k)** Having regard to the recommendations of the Audit and Finance Committee, the Board shall approve, if it deems to be appropriate:
- (a)** The annual audited financial statements of the Bank.
 - (b)** The accounting policies and principles

- (d) The annual audit plans and terms of engagement of the external auditors as well as the remuneration to be paid to the external auditors.
- (e) The annual budget for the Bank, and any other financial plans etc.

Audit, Finance and Risk Management

- l) Authorize the AC and CRC to assist the Board in overseeing, among others:
 - (i) the integrity and quality of the Company's financial reporting and systems of internal control and risk management,
 - (ii) the Company's compliance with legal and regulatory requirements,
 - (iii) the qualifications and independence of the Company's external auditors, and
 - (iv) the performance of the Company's internal audit function and external auditors;
- m) With the assistance of the CRC, identify the principal risks of the Company's business and ensure the implementation of appropriate risk assessment and risk management policies and processes to manage these risks, and review and provide guidance to management on any outcomes, findings and issues arising in connection with the risk assessment and risk management policies and processes;

Environmental and Safety Matters

- n) Consider reports and recommendations of the CGNC and CRC with respect to the Company's environmental and safety policies and procedures and any issues relating to environmental and safety matters and management's response thereto;

Succession Planning

- o) Develop, upon recommendation of the MRCC, and monitor a succession plan for senior officers of the Company, including appointing, training and monitoring senior management;

Oversight and Compensation of Management

- p) Consider recommendations of the RC with respect to:

- (i) the appointment and compensation of senior officers of the Company at the level of Managing Executive and above, other than the Chief Executive Officer,
 - (ii) the compensation pool and philosophy for the Company generally,
 - (iii) the adoption of any incentive compensation and equity based plans, including stock option, stock purchase or other similar plans, in which officers are or may be eligible to participate, and
 - (iv) the amendment of the Company's retirement plans;
- q) To the extent feasible, satisfy itself as to the integrity of the Chief Executive Officer and other executive officers and that the Chief Executive Officer and other executive officers create a culture of integrity throughout the organization;
- r) Communicate to management and periodically review the Board's expectations regarding management's performance and conduct of the affairs of the Company;

Directors Qualifications, Compensation, Education and Orientation

- s) Consider the advice and input of the CGNC regarding:
- (i) what competencies and skills the Board, as a whole, should possess, according to the Fit & Proper Criteria
 - (ii) what competencies, skills and personal and other qualities the existing Directors possess,
 - (iii) the development of a process to determine, in light of the opportunities and risks facing the Company, what competencies, skills and personal qualities are required for new Directors in order to add value to the Company,
 - (iv) the size of the Board, with a view to facilitating effective decision-making, and propose nominees for election as Directors;
- t) Consider recommendations of the CGNC with respect to the level and forms of compensation for Directors, which compensation shall reflect the responsibilities and risks involved in being a Director;
- u) Develop a program for the orientation and education of new Directors, and to ensure that prospective candidates for Board membership understand the role of the Board and its

committees and the contributions that individual Directors are expected to make, and develop a program of continuing education for all Directors, so that they may maintain or enhance their skills and abilities as directors and ensure that their knowledge and understanding of the Company's business remains current;

Position Descriptions

- v) Develop clear position descriptions for the Chairman of the Board and the Chairs of each of the Board Committees and, together with the Chief Executive Officer, develop a clear position description for the Chief Executive Officer which delineates management's responsibilities; and ensure segregation of authorities in all cases.

Appointment of Senior Management

- w) Pursuant to QCB Instructions, the Board appoints the senior executives, subject to QCB clearance and approval, and approves their terms of employment.
- x) Pursuant to DSM internal regulations, the Board discloses to DSM the appointment of any senior executive with direct reporting like to the CEO.

Assessment of Board and Committee Effectiveness

- y) Consider recommendations of the CGNC for the development and monitoring of processes for assessing the effectiveness of the Board, the committees of the Board and the contribution of individual Directors, which assessments shall be made annually.

Compliance with applicable regulations

- z) In general, the Board should ensure overall compliance with all applicable regulations and shall be accountable to all regulatory authorities for any violation of the applicable regulations.

XI. BOARD MEMBERS OBLIGATIONS & DUTIES

- (1) To have sufficient knowledge, skills, training and information that the Board members should be provided with in accordance with the applicable regulations;
- (2) To protect the company interest and to be loyal to the company;
- (3) To observe confidentiality, conflict of interests, transparency in dealing with the company securities;
- (4) To give an independent opinion;
- (5) To have enough time to fulfill their duties toward the company and to regularly attend the Board meetings and the general assemblies and to participate effectively in those meetings;
- (6) To maintain the company interest; the loyalty obligation and the obligation to observe the powers granted to them by the company;
- (7) The duty of the Board members is to be attentive and diligent when:
 - 7.1 Performing their tasks: each member on the Board should behave in good faith and be as diligent and attentive as any ordinary person would be with respect to its own properties under the same circumstances for the interest of the company.
 - 7.1.1 The Board member should take proper steps towards understanding all the relevant questions and matters, including the careful work, consultation of independent external experts when necessary, taking of independent and conscious decisions when voting in favor of any matters related to the company. In addition, the Board member should be fully aware of the company decisions and all related matters. He should also take proper steps towards supervising the company management and its financial position.
 - 7.1.2 Each newly elected member on the Board of directors should, upon his election, check the company structure and management in addition to any other information that enables the Board member from performing his responsibilities.
 - 7.2 Duty of remaining loyal in case of conflict of interest and related parties transactions:
 - 7.2.1 The Board members should be loyal to the company and its shareholders and this duty requires that the Board members put the company and the shareholders interests beyond their own interests and always behave in good faith.
 - 7.2.2 In addition to their observance of the procedures and the guiding principles related to the related-parties transactions, and in implementation of this duty, the Board member should abstain from:

- 1) Conclude any transaction at his own expenses when the concerned Board of directors or any member of his family or any of his partners or other parties closely related him have any financial benefit in the company;
- 2) Conduct any activities that compete with the financial interest of the company, including being involved in any competitive business. However, this does not prevent any concerned party from owning less than 10% of the shares of a company listed on the stock exchange or under the cases where the conflict is public and expressly agreed on, in accordance with the provisions of the law, rules and regulations;
- 3) Seize an opportunity that is the right of the company, unless this opportunity was offered to the company and the latter rejected it;
- 4) Apparent, potential and actual conflict of interest: in the event where conflict of interests affect the interest of a Board member; this member should disclose this conflict and abstain from voting or attending when any items related to this conflict are being submitted to the Board for voting.
- 5) Any act that leads to granting a personal preferential loan when similar loans or similar conditions are not granted to the public;
- 6) Any act that may be considered as inner transaction or any illegal disclosure of secret information related to the company;
- 7) Any act or transaction that contradicts with the relevant laws and regulations.

7.3 The duty of the Board members to observe the powers granted to them by the company

The Board members are requested to work within the framework of the powers granted to them by virtue of the memorandum of association of the company and the Board of directors directives set in accordance with the rules, the shareholder's decisions, and the relevant laws and regulations. The Board of directors who fail to observe the limit of their powers should be responsible for any losses that may be suffered by the company as a result thereof.

XII. AMENDMENTS TO TERMS OF REFERENCE

The CGNC may recommend to the Board any amendments to these Terms of Reference.