

**Policy and Instructions**

Title:	Terms of Reference for Board Remuneration Committee
Approved by:	Board of Directors
Last reviewed:	2 December 2010 (next review to be within one year of this date or whenever required for regulatory changes or urgent business requirements)
Exceptions:	Exceptions to this policy must be approved by the Board of Directors (Request for Approval must be submitted for implementation of any exceptions)

<b>SECTION 1 - INTRODUCTION</b>	<b>2</b>
PURPOSE	2
SCOPE	2
DEFINITIONS	2
LEGISLATIVE CONTEXT	2
<b>SECTION 2 - POLICY</b>	<b>3</b>
PRINCIPLES	3
POLICY	3
SUPPORTING DOCUMENTATION	7
<b>SECTION 4 - GOVERNANCE</b>	<b>8</b>
RESPONSIBILITY	8
VERSION CONTROL AND CHANGE HISTORY	8

## SECTION 1 - INTRODUCTION

### PURPOSE

The Purpose of the Remuneration Committee is to provide overall guidance with respect to the establishment, maintenance and administration of al khaliji Group compensation programs and employee benefit plans, including determining and agreeing with the Board the broad policy for the remuneration of the Board Executive Directors, the Chairman and other members of the executive management.

### SCOPE

These terms apply to al khaliji Group. They set out the formal procedures for developing policy on executive appointment and remuneration and for fixing bonus pools for staff at Group level and remuneration packages for individual directors. These terms are to be read in conjunction with al khaliji applicable policies and regulations. All subsidiaries of al khaliji Group must adopt and implement these terms taking into consideration their local corporate governance structures, organization and legal and regulatory requirements without undue delay.

### DEFINITIONS

Word/Term	Definition
ToRs/ToR	Terms of Reference
DoA	Delegation of Authority
BoD	Board of Directors
RemCo	Remuneration Committee of the Board
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CRO	Chief Risk Officer
ExCo	Senior Management Executive Committee
QCB	Qatar Central Bank
QFMA	Qatar Financial Market Authority
QE	Qatar Exchange
CG	Corporate Governance
al khaliji	Al Khalij Commercial Bank Q.S.C.
The Group / al khaliji Group	al khaliji and its subsidiaries
CCL	Qatari Commercial Companies Law No. 5 of 2002 and its amendments
Chairperson	Chairperson of RemCo appointed by the Board
Chairman	Chairman of the Board of Directors
AGM	Annual General Meeting of the shareholders

### LEGISLATIVE CONTEXT

Name	Location
QCB Instructions	As issued and amended by QCB from time to time
QFMA CG Regulations	As issued and amended by QFMA from time to time
International Standards	OECD principles on CG

## SECTION 2 - POLICY

### PRINCIPLES

1. The role of RemCo is to support and advise the Board in exercising its authority in relation to the matters set out these terms of reference. RemCo is accountable to the Board for its performance.
2. The purpose of RemCo work hereunder is derived from the Board's responsibility to shareholders to ensure that the Board is comprised of individuals who are best able to discharge the responsibilities of directors, having regard to the applicable laws and regulations and the highest standards of governance.
3. These ToRs record how RemCo will undertake its work
4. Many of the principles and procedures recorded herein are expressed in a flexible and non-exhaustive manner. The Board and RemCo believe that, having regard to the time and resources available to RemCo, it is appropriate and necessary to adopt such an approach to respond to changing business circumstances and the needs shareholders and external regulatory developments.

### POLICY

1.	<b>Constitution and Meetings</b>
1.1	<b>Appointed by:</b> The Board of Directors of al khaliji
1.2	<b>Reporting line:</b> The Committee Chairman (the "Chairman") shall report directly to the Board.
1.3	<b>Members:</b> RemCo shall comprise not less than three members. All members of RemCo shall be independent Non-Executive Directors and such initial Directors as set forth in the Articles of Association (the "Members"). The Chairman of the Board shall not be a member of the Committee. At least one member of the Committee should have significant, recent and relevant experience in the areas covered by the Committee remit of responsibility.
1.4	<b>Appointments:</b> Appointments of RemCo members shall be for a period equal to the membership term of the member on the Board, provided a Member remains an Independent Non-Executive Director during such term.
1.5	<b>Quorum:</b> Two Members shall constitute the Quorum. Attendance via participation in a teleconference or per telephone is permissible to meet the Quorum.
1.6	<b>Decision Making:</b> Majority of Quorum. In cases where only two Members are present, decisions shall be made unanimously.
1.7	<b>Independence:</b> The Board shall determine whether a Director is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's objective judgment.
1.8	<b>Chairperson:</b> RemCo's Chairperson shall be one of the members of the Committee, nominated by the Chairman of the Board and endorsed by the Board.
1.9	<b>Attendance:</b> Only the Members shall be entitled to attend RemCo's meetings. By invitation from the Chairperson, any of the following persons may also attend: <ul style="list-style-type: none"> <li>• Any Director of the Board;</li> </ul>

## Al Khalij Commercial Bank (al khaliji) Q.S.C.

	<ul style="list-style-type: none"> <li>• Group CEO</li> <li>• Group CFO</li> <li>• Group CRO</li> <li>• Group Head, Human Resources .</li> <li>• Any other member of the executive management</li> <li>• Other relevant or expert persons may attend as and when appropriate.</li> </ul>
1.10	<b>Secretary:</b> The Company Secretary or nominee shall be the Secretary of RemCo
1.11	<p><b>Meetings:</b> RemCo shall meet not less than two times each year. Additional meetings may be called, as required, at the request of:</p> <ul style="list-style-type: none"> <li>• The Chairperson;</li> <li>• Any Member;</li> <li>• The Group Chief Executive Officer;</li> <li>• The Chief Risk Officer; or</li> <li>• The Group Head of Human Resources</li> </ul>
1.12	<p><b>Notice of Meetings:</b> Meetings of the Committee shall be summoned by the Secretary whenever RemCo is duly requested to meet. Unless otherwise agreed, notice of 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 five working days before the date of the meeting. Supporting papers shall be sent to Members and to other attendees as appropriate, at the same time. Notices may be sent to Members and invited attendees by e-mail, facsimile or via the mails.</p>
1.13	<p><b>Minutes:</b> The Secretary shall minute the proceedings and resolutions of all RemCo meetings, including recording the names of those present and absent. Attendance via teleconference or telephone shall be explicitly recorded in the Minutes. Resolutions may be passed by e-mail circulation. Minutes of resolutions by circulation shall signed by the Company Secretary and endorsed at next Board or RemCo meeting. 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 Chairperson and the Secretary. The Minutes shall be reported to the Board following each meeting of the Committee by the Chairman. The Minutes shall be included in the agenda of the first meeting of the Board immediately following RemCo meeting, whether for information of or formal approval by the Board of the Decisions made by RemCo.</p>
1.14	<p><b>External Advice:</b> RemCo is authorized by the Board to seek appropriate independent professional advice at al khaliji's expenses as and when it considers it necessary.</p>
1.15	<p><b>Training:</b> The Members will be given induction and continuing training, which should cover, among other things, compensation and risk management.</p>
<b>2.</b>	<b>Responsibilities of RemCo</b>
2.1	RemCo shall determine and agree with the Board the framework and Board policy for the remuneration of the Board Executive Directors, the Chairman, the Managing Director, the Group Chief Executive Officer and other Members of the Senior Executive Management
2.2	RemCo shall approve the service contracts of each Executive Director and the CEO including termination arrangements
2.3	RemCo shall, pursuant to QCB Instructions, ratify the appointment of the Senior Management members who report directly to the CEO
2.4	RemCo shall review and approve any proposal as follows:
	2.4.1 Approve the individual remuneration packages including pension rights, long-term incentives, share options and any compensation payments and conditions of employment for the senior management

## Al Khalij Commercial Bank (al khaliji) Q.S.C.

2.4.2	Approve individual bonus awards to a member of the Group's staff in excess of an amount to be specified by RemCo from time to time
2.4.3	Review and approve the annual compensation of the executive officers of the Group, including salary, incentive compensation, equity/base plans and other benefits direct & indirect
2.4.4	Approve and review the ongoing appropriateness and relevance of the remuneration policy
2.4.5	Approve and design of, and determine targets for, performance related pay schemes operated by the Group and approve the total annual payments made under such schemes
2.4.6	Review the design of all share incentive plans for approval by the Board and shareholders and determine each year whether awards will be made and if so: <ul style="list-style-type: none"> <li>• The overall amount of such awards.</li> <li>• The individuals awards to executive directors and other senior executives.</li> <li>• The performance targets to be used; and,</li> <li>• Whether any awards formally vest.</li> </ul>
2.5	Ensure that all share plans operate within the relevant dilution limits in accordance with relevant regulatory requirements and plan rules;
2.6	Within the terms of agreed policy and, in consultation with the Board Chairman and/or Group Chief Executive Officer as appropriate, determine the total individual remuneration package of the Group Chairman, Group Chief Executive Officer and each executive director and other designated senior executives including base salary, bonuses, incentive payments and share options or other share options or other share awards. In addition, consider the cost implications associated with any changes in total compensation, especially increases in base salaries, in determining such packages and arrangements, give due regard to relevant legal and regulatory requirements;
2.7	Review and note annually the remuneration trends across the Group including relationship between executive remuneration and the remuneration of other Group employees and comparisons with other Group employees and conduct comparisons with other leading banking institutions in the region;
2.8	As required appointing and settle terms of reference for any remuneration consultants who advise RemCo and obtain reliable, up-to-date information about remuneration in other banks in the region. RemCo shall have full authority to commission any reports of surveys which it deems necessary to help it fulfill its obligations;
2.9	Report formally to the Board on its proceeding after each meeting on all matters within its duties and responsibilities;
2.10	Require the RemCo Chairperson to attend the Annual General Meeting prepared to respond to shareholder questions on the Committee's activities;
2.11	RemCo shall not deal with remuneration of non-executive directors which shall be a matter for the Group Chairman and Executive members of the Board in determining remuneration for those referred to above, the Committee shall review and agree: <ol style="list-style-type: none"> <li>a. The overall market positioning of the remuneration package;</li> <li>b. The individual base salaries and increases;</li> <li>c. The annual and long-term incentive/bonus arrangements, and</li> <li>d. Set the relevant targets for performance related schemes;</li> <li>e. The pension arrangements.</li> </ol>
<b>3.</b>	<b>Report to the Shareholders</b>
3.1	Produce an annual report of the al khaliji's remuneration policy and practices, in accordance with the Commercial Companies Law, which will form part of the Directors' Remuneration Report ("DRR") in the Group's Annual Report. The DRR, which will put to shareholders for

## Al Khalij Commercial Bank (al khaliji) Q.S.C.

	approval at the AGM each year, should be prepared so that all provisions on the disclosure of remuneration including pensions comply with relevant regulatory requirements;
<b>4.</b>	<b>Conflicts</b>
	The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly whereas no director or manager shall be involved in any decisions as to their own remuneration
<b>5.</b>	<b>Amendments to these ToRs</b>
	RemCo may recommend to the Board any amendments to these Terms of Reference.

## SUPPORTING DOCUMENTATION

### Forms and Records Management

Form	Retention Time	Retention Location
Minutes of Board of Directors	10 years	Company Secretary
Minutes of RemCo	10 years	Company Secretary

### Related Material

Name	Location	Document Type
ToRs of the Board of Directors	Policy Register	Policy
Corporate Governance Framework	Policy Register	Policy
DoA Matrix	Policy Register	Policy

## SECTION 4 - GOVERNANCE

### RESPONSIBILITY

<b>Policy Owner:</b>	Company Secretary
<b>Policy Author:</b>	Company Secretary
<b>Reviewed by:</b>	Group Head of Compliance Group Head of Internal Audit ExCo

### VERSION CONTROL AND CHANGE HISTORY

Version Number	Approval Date	Approved by	Amendment
V.0	07-Nov-07	BoD	Formation of RemCo and first issue of its ToRs
V.1	20-Jul-09	BoD	Alignment of responsibilities with QCB & QFMA regulations and with international standards
V.2	02-Feb-10	BoD	Change of titles to match new grading system  Allow the Group Head of HR or his Designated representative to be a permanent member on RemCo by invitation without the right of voting
V.3	02-Dec-10	BoD	Change Policy Format  Change minimum required number of meeting per year from 4 meeting to 2 meetings.  Defining the scope and the principles of those ToRs  Creating a "Definition" section for use in the text body