

Bank Audi sae

Corporate Governance Guidelines

(Aligned with the Group Corporate Governance Guidelines and the Corporate Governance local regulations)

Approved by the Board of Directors on 18/03/2013

Bank Audi

A. Preamble

The purpose of these Guidelines is to provide a framework for the Bank's corporate governance to be used by the Board and for the benefit of the Bank's shareholders and other stakeholders. Such a framework will promote continuity, consistency and effectiveness in the way the Board operates and governs the Bank. The Guidelines are based on international best practice and take into account, but are subordinate to, legal requirements and By-Laws of the Bank.

B. The Guidelines

1. ***The Mission of the Board:*** The responsibility of the Board is to ensure strategic direction, management supervision and adequate control of the bank, with the ultimate goal of increasing the long-term value of the Bank.
2. ***The Main Tasks of the Board:*** In fulfilling its overall mission, the Board assumes the following tasks and responsibilities consistent with those set out in the By-laws of the Bank.
 - 2.1. Review and approve the strategic directives, multi-year business plan and annual budget of the Bank. Oversee management and provide guidance on the achievement of objectives set out in the business plan and budget.
 - 2.2. Assisted by the Corporate Governance, Nomination & Remuneration committee ensure that the Board's composition, structure, policies and processes meet all relevant legal and regulatory requirements and strive to achieve global corporate governance best practice standards in the Bank. To this effect, approve and regularly review these Guidelines, Bank wide organizational chart, Chart of Authorities and Delegation of Powers to Management, Committees' charters and practices; and, when necessary, the By-laws and propose amendments to the General Meeting of Shareholders.
 - 2.3. Ensure that the spirit of these Guidelines is followed by the Bank and that appropriate policies to this effect are put in place.
 - 2.4. Assisted by the Corporate Governance, Nomination & Remuneration Committee, maintain policies to attract, retain, develop and motivate executives and employees of high caliber; develop a culture of fairly evaluating effort and rewarding performance; and develop and maintain a coherent, ethical system of values and incentives for human resource development throughout the Bank.
 - 2.5. Appoint, review the service contract and, when necessary, dismiss the Chairman.
 - 2.6. The Board, on a recommendation of the Corporate Governance, Nomination & Remuneration Committee which should follow the annual evaluation of its Executive members by the Committee and that of the Chairman by the non-executive session of the Board, should decide on the annual remuneration of its executive members for their executive functions.
 - 2.7. Assisted by the Board's Audit Committee, ensure that the Bank has an effective system of internal control, including financial control; evaluate the

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internal control system on a yearly basis; ensure effective, independent external and internal audit functions and an effective legal and regulatory compliance function.

- 2.8. Assisted by the Board's Audit Committee, acting on a recommendation from the Chairman, appoint and, when necessary, dismiss the Internal Auditor.
- 2.9. Assisted by the Board's Audit Committee, review and approve the Bank's consolidated financial statements; ensure the integrity of all financial and non-financial regular or ad hoc disclosures; and review quarterly results prior to their public disclosure.
- 2.10. Assisted by the Board's Audit Committee, ensure that the Bank has developed and maintains a high standard, functioning Code of Conduct for Bank employees.
- 2.11. Assisted by the Board's Risk Committee, review and approve the risk appetite framework expressed in a qualitative and quantitative terms as embedded in the Bank Business Plan.
- 2.12. Assisted by the Board's Risk Committee, review and approve the risk- policy related documents, including the Risk Management Policy, Credit Policy and Procedures, the Operation Risk Policy and the Market Risk Policy at least on an annual basis and align with the Group Risk Management for any proposal changes.
- 2.13. Assisted by the Board's Risk Committee, review and approve breaches or significant variations to policies, limits and delegations of authority where these have not been reviewed by the BoD or delegated to Committee by the BoD.
- 2.14. Review and approve major transactions, as defined in the Chart of Authorities and Delegation of Powers to Management, or other transactions of strategic importance that the Chairman submits for its approval. Review and approve major acquisitions by the Bank of stakes in other companies, other than for purely financial purposes.
- 2.15. Review and approve transactions between the Bank and Directors or other parties related to the Bank, according to these Guidelines, the By-laws and/or Bank's Code of Conduct and, where appropriate, seek approval from Shareholders and submit an annual report on Related Party Transactions to the Shareholders.
- 2.16. Approve the establishment and participation in charitable foundations, non-profit associations and non-profit corporations.
- 2.17. Decide on any other issue, as required by laws, regulations, and the By-laws of the Bank or considered by the Chairman of the Board to be of importance to the Bank.

C. Authority of the Board

3.1. The Chairman of the Bank represents the Bank in all instances. The Board has ultimate power to decide on all issues of management, except those areas that are reserved by law

or by the By-laws of the Bank to the authority of the Chairman of the Bank or the General Meeting of Shareholders.

3.2. The Board may decide to delegate part of its powers in specific areas to one or more of its members or to executives and staff of the Bank. It might also decide to delegate the right to the Chairman to further confer delegated authorities to the staff of the Bank.

3.3. The above delegations and authorities should be clearly outlined in a Chart of Authorities and Delegation of Powers to Management, which is maintained by the Board. The Board should also maintain a schedule of Reserved Powers over which the Board retains full decision-making authority.

D. The structure of the Board

4.1. Board size: The number of directors which shall not exceed (11), with a minimum of (3) is decided upon by the General Meeting of Shareholders. The Board might decide to fill temporary empty vacant post - after 3 months - following a resignation, death or discharge of a director provided obtaining the approval of the General Meeting of Shareholders upon their coming Meeting. At any time incase that the BoD structure become less than (3) members representing the Shareholders; relevant Authorities should be informed to call for a General Meeting of Shareholders to complete the composition of the Board.

4.2. Board composition: The Board should consist of qualified directors as defined in Section 6, distributed as follows:

4.2.1. At least half of the Board should consist of Non-Executive Directors¹, who are not employed by the Bank or it's affiliates and are not involved in its day-to-day business.

4.2.2. At least 2 members of the Board should be Independent Non-Executive Directors as defined in 6 / 4.

4.2.3. At least 2 members of the Board should be Executive Directors.

4.2.4. The Board determines the status of each one of its directors.

4.3. The role and responsibilities of the Chairman of the Bank: The Chairman shall be elected by the Board of Directors. The Chairman:

4.3.1. Is responsible for leadership of the Board, ensuring the fulfilment of all of its tasks and responsibilities, the proper planning of its agenda, the effectiveness of its meetings and the efficient use of the Board's time.

4.3.2. Calls and presides over the meetings of the Board, approves the agendas and guides the Company Secretary on all matters relevant to the Board.

4.3.3. Is responsible for ensuring that the directors receive accurate, timely and clear information.

¹ Corporate Governance regulations issued by the CBE on 23/08/2011 defined the non - executive member as the Board Member who is not a fulltime employee of the Bank , nor earning a monthly or a yearly salary from the Bank , nor providing any paid consultancy service for the Bank.

4.3.4. Facilitates the effective contribution of non-executive directors in particular.

4.3.5. Is available to shareholders as the representative of the Bank and its principal voice on all matters.

4.4. The Chairman is also the Managing Director of the Bank. He shall propose to the Board the appointment of Executive BoD members, other than himself, who will assume the responsibility of managing the business and operations of the Bank with accountability to the Board.

4.6. *Vice Chairman of the Board:* A Vice Chairman will be appointed by the directors to chair meetings of the Board in the absence of the Chairman.

4.7. *Board Committees:* The Board should establish and maintain the following regular committees:

- The Corporate Governance, Nomination & Remuneration Committee ("CGNRC")
- The Audit Committee ("AC")
- The Risk Committee ("RC")
- The Executive Committee ("ExC")

4.7.1. The members of the committees and their Chairmen should be appointed by the Board.

4.7.2. Each committee shall have its own charter, which will be approved by the Board and annexed to these Guidelines.

4.7.3. The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

5. *The functioning of the Board :*

5.1. *Meetings:-*

5.1.1. The Board shall meet once at least every two month, The Chairman may convene a meeting at his discretion. At least one third(1/3) of the Board members can request a meeting, in which case the Chairman should convene a meeting within five(5)days from the date of the request, in case of emergencies, notice period could be reduced to (48) hours.

5.1.2. The Board has the requisite quorum when one half plus one of the directors is present. Decisions are taken by majority of those participating².

² According to Article 77 from Law 159 for Y1981.

5.1.3. The proceedings and decision of the Board and its Committees are recorded in its minutes, which can be filed in an electronic form. Minutes of every meeting should be

distributed and approved at the Board's following meeting.

5.1.4. Participation at a meeting can take place by tele- or video-conference when directors participating in this manner have in parallel given general proxies to other members of the Board for voting purposes.

5.1.5. The Agenda of every Board meeting will be set by the Chairman and shall be promptly communicated to members of the Executive Committee.

5.1.6. At its first meeting of every calendar year, the Board should adopt a calendar of meetings and a rolling agenda for the next 12 months which properly fulfils its tasks and responsibilities and responding to all matters reserved for its decision.

5.1.7. Meetings shall be attended by the Company Secretary. The Chairman may invite other executives and external advisors to participate as required. The Chairman may at any time decide to close the Board meeting to any non-members.

5.1.8. Directors should receive adequate documentation for each item on the Board agenda. The agenda and the meeting documents should be distributed at least five working days before the meeting. Distribution by electronic means is considered valid.

5.2. *The Board Retreat:* Once a year, the Board may go on a retreat to review and discuss the Bank strategy, the business plan of the Bank and its implementation. Key executives of the Bank and advisors may be invited to the retreat. Outside experts on specific issues might also be invited to make presentations. The Chairman is responsible for the agenda of the retreat.

5.3. *Board Budget:* At the end of each calendar year, the Board approves a budget for the following year to support its work and that of its Committees.

5.3.1. The budget should have specific allocations for the Board and for each Board Committee.

5.3.2. Commitments on these allocations are approved, as appropriate, by the Chairman of the Board or the Chairman of each Committee.

5.3.3. The budget can be used to:

5.3.3.1. Engage such independent legal, financial or other advisors as the Board or its Committees deem appropriate, without consulting or obtaining the approval of any officer of the Bank, with respect to any matters subject to their respective authority.

5.3.3.2. Support professional induction and development programs for Board members.

5.3.3.3. Support any other activities that are essential to the effective discharge of the responsibilities of the Board or its Committees.

5.3.4. *The Company Secretary*, under the supervision of the Chairman of the Bank, is responsible for preparing the yearly Board budget proposals to the Board. He is also responsible for monitoring its implementation and submits an annual report to the Board at the beginning of each calendar year.

5.4. Board Evaluation: The Board should conduct an annual Board performance evaluation for the board and its related committees, as well as self assessment for each BoD member on the basis of a methodology approved by the Board. The evaluation may be carried out by an outside consultant.

5.5. The Company Secretary: The Company Secretary should be responsible for the effective functioning of, and support for, the Board and its Committees; for proper communication and information flow between the Board and the rest of the Bank; for ensuring that the Bank's corporate governance is properly documented and communicated to shareholders; for organizing General Meetings of shareholders and for ensuring that shareholders are adequately informed and facilitated in the exercise of their shareholder rights. The Company Secretary shall report directly to the Chairman.

5.6. The BoD session with the Senior Management: Periodically the BoD members should meet with the Senior management to discuss policies and review achievements of the bank's strategic objectives.

5.7. The BoD session with the Internal Audit: Periodically the BoD members should meet with the Internal Audit to discuss any issues regarding the internal Audit function of the Bank.

5.8. Non-executive session of the Board with the External Auditors: The Non-Executive Directors should meet at least once a year privately with the External Auditors, in the presence of the Head of Audit, and the Compliance Officer.

5.9. Non-executive session of the Board with the Chairman: The Non-Executive Directors should meet at least once a year privately with the Chairman to discuss the performance and any issues or concerns regarding the management of the Bank.

6. Director Qualifications and Independence

6.1. Director qualifications: In order to be considered by the Board as a candidate for the Board's proposal to the AGM, a candidate should:

6.1.1. Have a history that indicates he or she is committed to high ethical standards.

6.1.2. Have a clear sense of the balance between the legitimate interests and concerns of all of the Bank's shareholders and other stakeholders in reaching decisions, rather than advancing the interests of a particular constituency.

6.1.3. Have the willingness and intellectual authority to challenge management, while working constructively as part of a team in an environment of trust.

6.1.4. Be ready to devote sufficient time and energy to discharging his or her duties as a director.

6.1.5. Have skills, expertise and knowledge that complements those of the existing directors, taking into consideration the review of the Board's profile.

6.2. Prior to any nominations of directors being made to shareholders at the relevant Annual General Meeting, the Board should ensure that the new Board, as a collective body, would present the following profile:

6.2.1. Superior knowledge of the financial industry, including individuals that have or have had leadership positions in financial institutions.

6.2.2. Business, governmental, non-profit or professional experience, including individuals that are serving or have served as Chairman or Managing Director, Chief Executive Officers or senior managers of large organizations and have a reputation that demonstrates the ability to make the kind of important and sensitive judgments that the Board is called upon to make.

6.2.3. Adequate understanding of the Bank's client universe and of the main geographic markets in which the Bank is active.

6.2.4. International and regional (MENA) experience.

6.2.5. Financial expertise required to provide effective oversight of a diversified financial services business.

6.3. *Director incompatibilities:* The following professional affiliations are incompatible with the position of a Board Director:

6.3.1. An executive, board member or employee or any other affiliation that implies a duty of loyalty to one of the Bank's competitors or any other institution whose interests might conflict as a matter of course with the interests of the Bank and its shareholders.

6.3.2. A consultant or external advisor to the Bank or an employee or partner of a firm that is consulting or advising the Bank, including its external auditor.

6.4. *Definition of director independence:* In order to be considered an independent non-executive director by the Board a director should have no relationship with the Bank that would interfere with the exercise of independent judgment in carrying out responsibilities as a director. Such a relationship should be assumed to exist when a director:

6.4.1. Is him/her self or in conjunction with any of his/her affiliates a significant client of the Bank. A significant client is considered to be one who is among the top 10 clients of the Bank or any of its affiliated companies, in terms of either total value of credit outstanding, deposits or fees paid during the previous calendar year.

6.4.2. Is him/her self or in conjunction with any of his/her affiliates a significant supplier of the Bank, having supplied to the bank services or goods worth more than EGP 8MM over the preceding 3 calendar years.

6.4.3. Has been a consultant to the Bank or a partner or employee in a firm that provides consulting services to the Bank over the year preceding the appointment.

6.4.4. He/she or his/her affiliates have been over the 3 years preceding his appointment a partner or an employee of the Bank's external auditor.

6.4.5. He/she was employed for the Bank or any of its affiliates over the 3 years preceding his/her appointment.

6.4.6. He/she or his/her affiliates are partners with the Bank in any joint venture or other type of partnership that represents more than 2% of either of the partners' revenues, in terms of

the balance sheet value of their respective stakes.

6.4.7. He/she are in conjunction - up to the fourth degree - to any of the Board members, or the Bank's Senior Management and/or their related parties.

6.4.8. He/she is earning from the bank any kind of salary or fund other than his/her allowance s as a Board member.

6.4.9. He/she are BoD members for a period exceeded six consecutive years.

6.4.10. For the purposes of the present Guidelines an affiliate of a director is, as the case may be: (a) any immediate relative up to fourth degree of kinship or spouse or (b) any commercial entity of which a director or its affiliates under (a) are Board members, senior executives or partners or of which they control directly or indirectly more than 10% of its decision making rights.

6.5. *Director orientation and continuous education:* The Bank should provide an orientation program for new Directors, which should include presentations by senior management on the Bank's business plan, its significant financial, accounting and risk management issues, its compliance function, its Code of Conduct and its management structure. The orientation program may also include visits to the Group Head Office, the Bank's significant Head Office & branches. The Bank should also make available continuing education and development programs for all members of the Board. All new Directors should participate in the orientation program.

7. *Direction Nomination and Election:* The Corporate Governance, Nomination & Remuneration Committee of the Board should develop and manage a process for the nomination of directors to be proposed to the General Meeting of Shareholders by the Board.

7.1. *Individual election of directors by the General Meeting of Shareholders:* Shareholders may freely nominate additional candidates. Executive Directors are elected for a term of three years and can be re-elected for an indefinite number of terms. As for Non-executive Directors, they may be elected for two terms with a maximum of 6 years, otherwise good justification should be disclosed to the Central Bank of Egypt.

8. *Directors' Rights and Duties*

Rights

8.1. *The Right to be informed:*

8.1.1. In addition to reviewing quarterly results before their publication, directors should receive and review on a quarterly basis a set of key performance indicators relevant to the achievement of business plan and annual budget targets. These indicators are approved by the Board at its annual strategy retreat. Directors should also receive on a quarterly basis a selection of international analyst reports covering the Bank.

8.1.2. In addition to information regularly received by the Board, directors should be able to access any Bank information, records, and books through the Chairman.

8.1.3. In the course of fulfilling their duties, and in order to seek information and advice,

directors should have access to any member of senior management of the Bank through the Chairman.

8.2. *The right of access to the Agenda:* Any member of the Board may request that the Chairman includes one or more items on the next Board meeting Agenda.

8.3. *The right to be adequately insured:* Directors should be adequately covered against legal or other risks in conjunction with their duties at Bank Audi sae at the cost of the Bank.

8.4. *The right to record disagreement :* Directors should have the right to express disagreement with a decision of the Board in writing and to record their opinion in the minutes.

8.5. *The right to keep personal data private:* Directors should have a right to have all their disclosures to the Board, its Committees or the Bank that are not already a matter of public record remain confidential, unless the release of such information is required by law, the Bank's By-laws, these present Guidelines or specific Bank policies approved by the Board.

Duties

8.6. *Ethics and reputation:* Directors should uphold the highest ethical standards and maintain an impeccable reputation. Any issue that can impact on their reputation and trustworthiness in any country where the Bank is active should be reported to the Chairman of the Bank.

8.7. *Compliance:* Directors should undertake to comply with all laws and regulations in all aspects of their public and private lives. Any ongoing litigation in which they are involved or real risk thereof should be reported to the Chairman of the Bank.

8.8. *Regular Attendance:* The Chairman, through the Company Secretary, should monitor attendance at every meeting. Individual attendance should be noted in the minutes. All Directors should be required to attend the General Meeting of Shareholders. The BoD member should not be absent for more than one third (1/3) of the total BoD meetings held across the year. If happened, consequently Chairman should notify the General Assembly to take the appropriate actions.

8.9. *Diligence and care:* Directors should apply the level of care and diligence that can reasonably be expected from a Director in this position.

8.10. *Protection and use of Bank assets:* All directors should endeavour to protect the Bank's assets and ensure their efficient use. All Bank assets must be used for legitimate business purposes.

8.11. *Fair dealing and equal treatment:* Directors should deal fairly with all of the Bank's employees, suppliers, clients and competitors. Directors should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice. All business relationships, lending relationships, deposit and other banking relationships between the Bank and a director or his/her affiliates should be made in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons.

8.12. *Communications:* The Chairman and senior management should speak for the Bank. Other non-executive directors may, from time to time, meet or otherwise communicate with various constituencies with the agreement of the Chairman.

8.13. *Confidentiality:* Directors must maintain strict confidentiality of all information concerning the Bank, that has not been disclosed by the Bank, and they have the duty not to disclose any information, data, reports or background information which comes to their knowledge in the course of their duties, as long as this information has not otherwise become public. This obligation shall continue once a director has left the Board.

8.14. *Conflicts of interest and related party transactions:*

8.14.1. Directors have a duty of loyalty to the Bank. They should strive to avoid conflicts of interests with the Bank. In particular:

8.14.1.1. Directors should not take for themselves personally opportunities or potential opportunities that are discovered through the use of corporate property, information or position without the consent of the Board. Directors should advance the Bank's legitimate interests when the opportunity to do so arises.

8.14.1.2. Directors must not during their tenure become an executive, Board member or employee or otherwise assume a position which implies a duty of loyalty to one of the Bank's competitors, or to other institutions whose interests might conflict as a matter of course with the interests of the Bank or its shareholders. If they choose to do so, they should concurrently submit their resignation from the Board.

8.14.1.3. Directors or their affiliates are strictly prohibited from using any information they obtain in the course of their duties in order to trade in Audi shares.

8.14.2. Directors should disclose annually to the Company Secretary their main professional affiliations and engagements, including responsibilities in non-profit organizations. Directors have an obligation to disclose to the Company Secretary on a timely basis any changes to the above as well as any other event that might put them in a conflict situation with the Bank or may alter their status as non-executive or independent directors.

8.14.3. Prior to their approval by shareholders in the cases where this is required by law, all transactions between the Bank and a director or his/her affiliates that do not fall within the normal course of banking business or are substantially different from those prevailing at the time for comparable transactions with non-affiliated persons should be approved by the Board. Directors shall disclose to the Board any such transaction on a timely basis. .

8.14.4. Directors have a duty to disclose in advance to the Chairman any share dealings in shares and derivatives of the Bank and its affiliates according to the provisions of the relevant legal requirements and the Bank's By-law. The Chairman has to disclose any such dealings to the Vice-Chairman.

8.14.5. Directors should excuse themselves from any discussion, and should not participate in a decision, on any issue on which they have an actual or potential conflict of interest. When in doubt, they should consult with the Chairman or the Company Secretary.

8.14.6. The Chairman may ask one or more directors to abstain from the discussion and

decision if he/she considers that on there is a conflict of interest on the specific topic.

8.15. *Competing engagements:* Directors and Senior Management members must not engage with any other Bank either as a board member or as a member of it's Senior Management.

9. *Director Retirement:*

9.1. *Retirement Age:* Executive and non-executive directors that reach the age of 75 will retire form the Board.

9.2. *Executives resign upon retirement:* All executive or employee members of the Board should resign upon their retirement from Bank.

10. *Relationship with Shareholders:*

10.1. *Agenda:* The Board decides the issues that will be put on the agenda of the General Meeting of Shareholders. Shareholders should receive all adequate documentation and other information regarding all agenda items at the time the agenda is published.

10.2. *Shareholder participation:* The Board should facilitate the participation of shareholders and ensure informed shareholder decision making at the General Meeting of Shareholders. To this effect, the Company Secretary develops and maintains procedures for the organization of the AGM, for the approval of the Board.

10.3. *Stock-related executive remuneration:* The General meeting of Shareholders approves all stock- related executive compensation plans. The Board, assisted by its REMC, submits a proposal to this effect. The main elements of every plan should be made available to shareholders at the time of the publication of the General Meeting agenda.

10.4. *Annual Corporate Governance Report:* At the time of the publication of the agenda of the Annual General meeting, the Bank should publish an Annual Corporate Governance Report to the shareholders. The Company Secretary should be responsible for drafting the Report which is approved by the Board. The Report should contain the following main elements:

10.4.1. The composition of the Board, highlighting changes in composition during the year

10.4.2. Biographies of all Board members including their status, number of years on the Board, membership on other Boards.

10.4.3. Membership of all Board Committees.

10.4.4. The number of Audi shares owned by the each director (if any).

10.4.5. The number of meetings (including non executive director meetings) and attendance levels of the Board and its Committees.

10.4.6. A summary of the activities of the Board and its Committees during the year.

10.4.7. Any significant changes in the governance structure that occurred during the year.

10.4.8. The existence and term of service contracts for executive members of the Board and

members of the Bank Executive Committee.

10.4.9. Approval of any related party transactions by the Board.

10.4.10. The names of outside advisors retained by the Board during the year.

C. Implementation and Review

1. *Senior Agreement and Letter of Appointment:* Upon their appointment, all directors receive and countersign a Service Agreement or a Letter of Appointment which highlights their responsibilities, rights and duties including their duty to follow these Guidelines.

2. *Review and amendments:* The present Guidelines are reviewed annually by the Board along with the other elements of the Bank's corporate governance framework. The Board might, at its own initiative, adopt amendments to the present Guidelines at any time.

3. The guidelines will come into force upon its adoption by the Board of Directors and it can be amended at any time by a decision of the Board of Directors.