

Emirates NBD Bank PJSC

Board Profit Equalization Committee

**Terms of Reference**

## **Terms of Reference of the Board Profit Equalization Committee**

### **1. DEFINITIONS**

In these Terms of Reference, the following words and phrases shall have the meaning assigned to them below:

“Bank”	Emirates NBD Bank PJSC;
“Board”	the Board of Directors of the Bank;
“Central Bank”	the Central Bank of the United Arab Emirates;
“Corporate Governance Regulations”	all applicable regulations and standards on corporate governance, including, but not limited to, the Central Bank’s Corporate Governance Regulation and Standards for Banks and the Securities & Commodities Authority (SCA) Public- Joint-Stock Companies Governance Guide (and their amendments from time to time);
“Committee”	the Board Profit Equalization Committee;
“Chairman”	the Chairman of the Committee;
“DCR”	Displaced Commercial Risk
“Director”	a member of the Committee;
“HSA”	Higher Shariah Authority
“IAHs”	Investment Account Holders
“GCEO”	the Group Chief Executive Officer of the Bank;
“GCRO”	the Group Chief Risk Officer of the Bank;
“GCFO”	the Group Chief Financial Officer of the Bank,
“Group”	a group of entities which includes the Bank and (a) any subsidiary of the Bank, and (b) any affiliate and joint venture of the Bank;

“Independent Director”	a Director who is assessed as independent pursuant to the Corporate Governance Regulations;
“IRR”	Investment Risk Reserve
“ISSC”	Internal Shari’ah Supervision Committee
“Non-Executive Director”	a Director who does not have any management responsibility within the Bank, and may or may not qualify as an Independent Director;
“PER”	Profit Equalization Reserve;
“Profit Equalization Standards”	the Standard Regarding Profit Equalization for Islamic Banks issued by the Central Bank;
“Senior Management”	the executive management of the Bank responsible and accountable to the Board for the sound and prudent day-to-day management of the Bank.

## 2. OBJECTIVES

- 2.1. The purpose of the Committee is to enable the Board to fulfil its responsibilities in accordance with the requirements of the Profit Equalization Standards and ensure that:
  - 2.1.1 a sound monitoring function is in place to ensure that investment accounts are managed in the best interests of IAHS;
  - 2.1.2 profit equalization internal policies, procedures and controls are developed and periodically updated in order to ensure adequate and prudent profit equalization;
  - 2.1.3 the internal policies, procedures and controls are adequately and duly approved by the Banks ISSC.

## 3. MEMBERSHIP

- 3.1. The Committee shall comprise of at least three members:
  - 3.1.1 an independent non-executive director (preferably chairing the Committee);
  - 3.1.2 a member of the Board; and
  - 3.1.3 a member of the ISSC.

- 3.2. The Committee members shall be appointed by the Board, after duly considering the recommendations of the Nomination, Remuneration and ESG Committee. Any member of the Committee may be removed or replaced at any time by the Board. The appointment, removal or replacement of the member of the ISSC shall be in accordance with the Standard Re. Shari'ah Governance for Islamic Financial Institutions.
- 3.3. Any increase of membership in the Committee must be filled by independent non-executive directors.
- 3.4. The members of the Committee shall elect from among its members a Chairman who shall be an Independent Non-executive Director.
- 3.5. The Committee members shall be appointed for an initial period of three (3) years. Following expiration of that period, the Committee members may be re-appointed by the Board, provided that such appointment does not compromise the requirements of Central Bank's Profit Equalization Standards and Standard Re. Shari'ah Governance for Islamic Financial Institutions.
- 3.6. The GCEO, GCFO, GCRO, Group Head of Wholesale Banking and Group Treasurer, Head of Global Markets and Head of Islamic Window shall be the permanent invitees from Senior Management to attend the Committee's meetings. Other temporary invitees may be invited with the agreement of the Committee's Chairman.
- 3.7. Retirement/Resignation
- 3.7.1 A member of the Committee who wishes to retire or resign should provide sufficient written notice to the Committee so that a replacement may be appointed in a reasonable timeframe.
- 3.7.2 In the event of any vacancy in the Committee due to retirement or resignation, the Committee shall fill the vacancy not later than three (3) months.

#### **4. ADMINISTRATION**

##### **4.1 Meetings**

- 4.1.1 Meetings of the Committee shall be held at the head office of the Bank, by means of telephone or video-conference, or at any other place deemed appropriate by the Committee. Meetings shall take place at least every quarter. Meetings shall be convened

upon a written notice of the Chairman. Committee meetings may also be convened by the Committee's Chairman or the Secretary at the request of two members of the Committee.

4.1.2 The Committee Secretary shall send notice of any meeting of the Committee to all members of the Committee. An agenda and any available supporting papers shall be circulated to all members of the Committee at least 7 days prior to any meeting.

4.1.3 Majority of the members shall attend all meetings in person (physical attendance and by audio-visual means) and shall not be represented in the meetings by proxy from other members for constitution of quorum.

## 4.2 Resolutions

4.2.1 Resolutions of the Committee shall be adopted by a majority of votes of members present. In the event of a tie the Chairman shall have a casting vote.

4.2.2 Without prejudice to the above clause, the Committee may exceptionally take some decisions based on resolutions by circulation, provided that:

- (a) members unanimously agree that the case that necessitates a resolution by circulation is urgent;
- (b) the resolutions are delivered to the members in writing (which shall include delivery by email) and accompanied by all the supporting documents and papers as necessary for reviewing it;
- (c) any resolution by circulation must be agreed upon by the majority of the members and must be submitted to the succeeding meeting of the Committee for ratification by the Committee; and
- (d) Non-members attending the meeting will not have voting rights. Moreover, voting by proxy shall not be considered.

4.2.3 Decisions taken and resulting action points shall be promptly communicated to the relevant Executive or Senior Management stakeholders along with deadlines and reporting expectations.

## 4.3 Minutes

4.3.1 Minutes of the Committee meetings shall be recorded and signed by the members attending the meeting and the Committee's Secretary. The meeting minutes shall include details of items discussed, recommendations made, decisions taken,

dissenting opinions and the person responsible for completion of tasks discussed at the Committee meeting. In case one of the members refuses to sign, their objection shall be recorded in the minutes together with the reason(s) for their objection, if given, and a copy of the minutes.

4.3.2 Drafts of the minutes of Committee meetings shall be circulated to the members for comments, which shall be incorporated and approved by the Committee at the subsequent Committee meeting.

4.3.3 Final copies of the meeting minutes shall be:

- (a) signed by attending Committee members (digital or wet ink signature accepted);
- (b) submitted to the Board for consideration at the next Board meeting;
- (c) submitted to the Board Secretariat for filing; and
- (d) published on the Bank's Board portal.

#### 4.4 Committee Secretary

A member of the Bank's Board Secretariat department shall act as the Committee's Secretary.

### 5 REPORTING

5.1 The Committee shall report to the Board and shall provide periodic updates on matters which have been delegated to the Committee herein.

5.2 The Committee shall submit a written report to the Board specifying with absolute transparency its actions, findings and recommendations. The report shall be submitted annually or more frequently as and when requested by the Board.

5.3 The Committee shall make short presentations to the Board as and when required by the Board.

### 6 POWERS OF THE COMMITTEE

The Committee shall have the appropriate authority to discharge its duties and responsibilities as set out in these Terms of Reference and to delegate those duties and responsibilities as it considers appropriate. In addition, it is specifically empowered to appoint or retain external

independent professionals and consultants for advising or assisting the Committee on risk, legal, accounting, or other matters, to the extent it deems necessary or appropriate.

## **7 RESPONSIBILITIES**

- 7.1 The Committee shall be responsible to ensure rigorous and diligent oversight and development of policy, process, and procedures and regular review over the following:
  - 7.1.1 The financing and investment activities undertaken by the Bank using IAHS' funds;
  - 7.1.2 The fiduciary duties performed by the Bank, which must be in accordance with the terms and conditions of the Mudarabah and Wakala contracts between the Bank and its IAHS;
  - 7.1.3 ensuring that the level of reserve allocation is appropriate and fair to both existing and new IAHS;
  - 7.1.4 strategies for the investment and management of DCR;
  - 7.1.5 investments and the performance of the asset portfolio in which IAHS' funds are invested.
- 7.2 The Committee shall evaluate the disclosures made by the Bank regarding its asset allocation and investment strategies in respect of investment accounts, in order to monitor closely the performance of the Bank as managers of such accounts.
- 7.3 The Committee shall monitor and scrutinize the utilization of reserves such as PER and IRR and to make appropriate recommendations to the Board.
- 7.4 The Committee shall ensure integration of the implementation of the governance policy framework, with the primary objective of protecting the interests of stakeholders, other than the shareholders, in line with the HSA and Bank's ISSC resolutions.
- 7.5 The Committee shall ensure that the policies and strategies address, inter alia, the following areas:
  - 7.5.1 The management of DCR, including the limits to and tolerance level of DCR;
  - 7.5.2 mechanisms used in respect of the Bank forgoing its share of profits in favor of the IAH; and
  - 7.5.3 appropriations to reserves and provisioning, in accordance with the agreed contractual terms and conditions for IAHS.

- 7.6 The Committee shall approve any item pertaining to compliance with the Profit Equalization Standards and all other applicable regulatory requirements.
- 7.7 As a part of systems and controls, compliance, internal Shari'ah control, internal audit and internal Shari'ah audit functions of the Bank, the Committee shall verify the compliance of the Bank to approved policies and procedures relating to profit calculation and equalization.
- 7.8 The Committee shall on behalf of the Board share periodic reports with the ISSC and the Central Bank, which will include the current state of the reserves, amount used for the equalization of the profit and the amount allocated for investment.
- 7.9 The Committee shall review regulatory and public disclosures relating to profit equalization, prior to being publicized by the Bank.

## **8. PUBLICLY AVAILABLE INFORMATION**

- 8.1 The following information will be made publicly available, and updated as required, by posting the material on the Bank's website or inclusion in the Bank's annual report:
- 8.1.1 The Committee's Terms of Reference;
  - 8.1.2 The names and details of the qualifications of the members of the Committee;
  - 8.1.3 The number of meetings of the Committee; and
  - 8.1.4 A description of the Committee's responsibilities and how the responsibilities were fulfilled.

## **9. SELF-ASSESSMENT**

The Committee shall annually conduct an evaluation of its performance, to be conducted as prescribed by the Nomination, Remuneration and ESG Committee of the Board, and the Committee itself.

## **10. REVIEW AND ADMINISTRATION OF THE TERMS OF REFERENCE**

The Committee shall review this Terms of Reference on a regular basis and at least once every two years and amend it, if and when required.

These Terms of Reference are dated 11 December 2024 and supersede any Board Profit Equalization Committee Terms of Reference or charter previously in force.