

Corporate Governance Report

Corporate governance is a matter of vital importance and a fundamental part of the culture and business practice of the ADIB Group. The Group is committed to the adoption of global leading practices to improve transparency, enhance the management and oversight of risk management, as well as promoting the highest standards of audit and compliance accountability.

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The Group has complied with the guidelines of the UAE Central Bank, as well as the corporate governance leading practices.

Board of Directors

The Board is the principal decision-making forum for the Group. It has overall responsibility for leading and controlling the Group and is accountable to shareholders for financial and operational performance.

The Board has all the necessary powers to carry out its responsibilities, as provided by Federal Law No.8 of 1984 concerning Commercial Companies, as amended, the Memorandum of Association, the Abu Dhabi Islamic Bank's Articles of Association, resolutions of the General Assembly, or any other relevant laws or regulations.

The names, of the Directors as of 31 December 2009 were H.E. Jawaan Al Khaili (Chairman), Mr. Khaled Khouri (Vice Chairman), Mr. Juma Al Khaili, Mr. Khamis Buharoon, Mr. Ragheed Shanti, and Dr. Sami Al Amri. During the year 2009, Mr. Mehdi Dazi resigned from the Board and Dr Sami Ali Al Amri was elected as a Board member. The Directors have considerable experience across a number of industries and business sectors and provide valuable input and an external perspective to matters of business strategy. The Group has set the criteria for Independent Directors and Non-Executive Directors that have been met during 2009.

The roles of the Chairman and Chief Executive Officer are distinct and separate, with a clear division of responsibilities. The Chairman leads the Board and ensures the effective engagement and contribution of all Directors. The Chief Executive Officer has responsibility for all Group's businesses and acts in accordance with the authority delegated by the Board. Responsibility for the development of policy and strategy and operational management is delegated to the Chief Executive Officer and senior management.

All Directors participate in discussing strategy, performance and the financial and risk management of the Group. Meetings of the Board are structured to allow open discussion.

The Board establishes the rules relating to administrative, financial and employee matters of the Group, and sets out the requirements for the carrying out of Board business and meetings, and the roles and responsibilities of the Board members.

There were seven scheduled Board meetings during 2009. The Directors were supplied with comprehensive papers in advance of each Board meeting covering the Group's principal business activities. Members of management attend and make regular presentations at meetings of the Board.

Board balance and independence

In 2009 the Board comprised the Chairman, Vice Chairman and five other Board members. The Board functions effectively and efficiently and the Directors provide the Group with the knowledge, mix of skills, experience and networks of contacts required. The Board Sub-Committees comprise Directors with a variety of relevant skills and experience so that no undue reliance is placed on any individual.

Re-election of Directors

Directors may stand for re-election by Shareholders at least once every three years.

Information, induction and ongoing development

All Directors receive accurate, timely and clear information on all relevant matters, and have access to the advice and services of the Head of Legal & Corporate Secretary who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

In 2010, a formal induction process was introduced for each new Director on joining the Board, including visits to the Group's major business areas and meetings with other Directors and senior management. The Group will provide the necessary professional development that Directors consider necessary to assist them in carrying out their duties as Directors.

Performance evaluation

In 2010, a formal performance evaluation procedure was introduced in order that the Board can undertake a formal evaluation of its own performance and that of its committees and individual Directors.

Board Sub-Committees

In order to provide effective oversight and leadership, the Board has established a number of Board Sub-Committees with specific responsibilities. The Committee chairmanship and membership are reviewed on a regular basis.

Executive Committee

The Executive Committee of the Board has a term for three years and has the following mandate:

- Review and approval of strategic initiatives.
- Review and approval of credit and investment guidelines, vehicles and investment proposals.
- Review and approval of employees' compensation policy.
- Review and approval of risk policies and credit approval for exposures above AED 100 Million per obligor.

In 2010, this Committee will be discontinued and its responsibilities will be assumed by new Committees within the revised Corporate Governance structure.

Audit Committee

The Audit Committee has the following mandate:

- Overseeing the financial reporting process.
- Overseeing the Group's internal control system and risk management.
- Overseeing the internal and external audit processes and effectiveness, and assessing the effectiveness of the performance of the internal and external auditors.
- Overseeing the process for compliance with laws, regulations and codes of conduct.

In 2009, the Committee received all the information and material it required to allow it to meet its obligations in respect of the 2009 financial statements, and other mandated responsibilities.

External Auditors

The Audit Committee undertakes an annual evaluation to assess the independence and objectivity of the external auditors and the effectiveness of the external audit process. The outcome of this evaluation is considered by the Board together with the Audit Committee's recommendation on the re-appointment of the external auditor.

The Audit Committee is responsible for making recommendations to the Board, so that it can submit the Audit Committee's recommendations to shareholders for their approval at the Annual General Meeting in relation to the appointment, reappointment and removal of the external auditors. The Board has endorsed the Audit Committee's recommendation that shareholders be requested to approve the reappointment of Ernst and Young as external auditors at the Annual General Meeting in April 2010.

The Audit Committee also reviews the remuneration of the external auditors and the terms of engagement of the external auditors. The Audit Committee carries out a review of all non-audit services provided by the external auditors.

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Board meetings and attendances

	Board 7 meetings	Executive Committee 27 meetings	Audit Committee 4 meetings
H.E. Jawaan Awaidha Suhail Al Khaili	6		
Mr. Khaled Abdullah Neamat Khouri	7	24	
Mr. Khamis Buharoon	7	26	
Mr. Juma Khamis Al Khaili	5		4
Mr. Ragheed Najeeb Al Shanti	7	26	
Dr Sami Ali Al Amri	3		
Mr. Mehdi Dazi	4	10	2

Meetings

The number of scheduled meetings of the Board, Executive Committee and Audit Committees, and individual attendance by members in 2009, is shown above.

Remuneration Committee

Arising out of the corporate governance review, in 2010 the Remuneration Committee will be established with the mandate to develop and annually review the policy on remuneration, benefits, incentives and salaries of Board members and employees of the Group. The Committee consists of at least three non-executive Board members of whom at least two are independent members, and is chaired by one of the independent members.

Nomination Committee

This Committee will be established in 2010 to hold the responsibility to determine the Group's need for qualified staff at senior executive management level and the basis for their selection.

Strategy Execution Committee

Arising out of the corporate governance review, in 2010 the Strategy Execution Committee will be mandated to review and approve strategic initiatives. The Committee will review and approve investment guidelines, vehicles and investment proposals. It will also determine and approve Islamic financing guidelines, strategies, products and geographical and sector limits.

Risk Policy Committee

Arising out of the corporate governance review, in 2010, the Risk and Policy Committee will be established. The Committee will be appointed by the Board of Directors to assist them in fulfilling their oversight responsibilities with respect to the risks inherent in the businesses of the Group and related control processes.

Directors' Remuneration and Interests in the Group's Shares

Directors' remuneration is approved at the Annual General Meeting. For 2009 the amount of remuneration approved by the General Assembly of shareholders is AED 3 million. In addition Board members also receive AED 3,000 by way of an attendance fee for every Board Meeting or Board Committee meeting that they attend.

Fatwa and Shari'a Supervisory Board

The Fatwa and Shari'a Supervisory Board, whose members are not Board Directors, has a term of three years and all members are required to form a quorum, whether by principal or by proxy. It has the following mandate:

- It issues fatwas pertaining to the Group's activities at the request of the Group's executive management or Board of Directors. It also supervises and controls the validity of the Group's activities to ensure that they comply with principles and rulings of the Islamic Shari'a, and provides its recommendations.
- It has the right to submit written objections to the Board of Directors with respect to any of the Group's activities which it considers do not comply with any of the principles and rulings of the Islamic Shari'a. In addition, it reviews all forms of contracts and agreements relating to any of the Group's business to ensure their compliance with Islamic principles.
- It has the right to review, at any time, the Group's books, records and documents, and request any information it may deem necessary. In the event of its inability to discharge its duties, it will report this formally to the Board of Directors.

The members of the Fatwa & Shari'a Supervisory Board are Sheikh Mohamed Taqi Uthmani (Chairman), Dr. Abdul Sattar Abu Ghuddeh (Vice Chairman), Dr. Jassem Ali Al Shamsi (Member) and Sheikh Nizam Ya'koubi (Member).

Internal control

The Board of Directors is responsible for the Group's system of internal control and to ensure that management maintains a system of internal control that provides assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations. In devising internal controls, the Group has regard to the nature and extent of the risk, the likelihood of its occurrence and the cost of controls. A system of internal control is designed to manage, but not eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against the risk of material misstatement, fraud or losses.

The Group's system of internal control includes:

- An organisational structure with clearly-defined authority limits and reporting mechanisms to senior levels of management and to the Board
- A Risk Management function with responsibility for ensuring that risks are identified, assessed and managed throughout the Group.
- An Internal Audit function to assess compliance with policies & procedures and with legal and regulatory requirements.
- An annual budgeting and monthly financial reporting system for all Group business units which enables progress against plans to be monitored, trends to be evaluated and variances to be acted upon.
- A set of policies and guidelines relating to credit risk management, asset and liability management, compliance, operational risk management and business continuity planning.

The effectiveness of the Group's internal control system is reviewed regularly by the Board and the Audit Committee, which receive regular reports on the significant risks facing the business and how they are being controlled. In addition, the Board receives regular risk management reports.

Additional details of the Group's approach to risk management are given in the note 42 to the Financial Statements. The Board received a number of reports from Internal Audit and the Audit Committee and has received confirmation that management has taken, or is taking, the necessary action to remedy failings or weaknesses identified in these reports.

In addition, the Group's external auditors present to the Audit Committee reports that include details of any significant internal control matters which they have identified. The system of internal controls of the Group is also subject to regulatory oversight by the UAE Central Bank.

Relations with shareholders

The Group communicates with shareholders through the Annual Report and by providing information at the Annual General Meeting. Individual shareholders can raise matters relating to their shareholdings and the business of the Group at any time throughout the year. Shareholders are given the opportunity to ask questions at the Annual General Meeting. Executive management also hold regular meetings with, and make presentations to, institutional investors.

Extensive information about the Group's activities is provided in the Annual Report, which is also available on the Group's website.