



CONFLICT OF INTEREST POLICY

BANQUE MISR

2019

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Concepts and Terms

Bank: Banque Misr

Central Bank: Central Bank of Egypt

Board: Banque Misr Board of Directors

Executive Board Member: is the member of the board of directors that is fully dedicated to the bank management and is on a monthly or yearly salary from the bank.

Non-Executive Board Member: is a member of the board that does not hold an executive capacity and does not carry out any tasks in the executive management of the bank and does not get any salary from the bank (except for his compensation as a board member).

Independent Board Member¹: an independent board member has to meet the following criteria:

- Possess the necessary experience
- Has not been an employee of the bank and has not been associated with the bank in the last three years.
- Not related to any of the board members or the bank's senior management or any other related party down to the fourth degree.
- Not to have any interests that conflict with his duties as a board member, or that would affect his neutrality in deliberations and decision-making.
- Not to be on the bank's payroll or to be getting any money from the bank except for his compensation as a member of the board of the bank.
- Not to be a main shareholder in the bank or to represent another who is.
- Not to be a partner of the bank's auditor or to have been employed by the bank auditor during the past three years.
- Not to have been a member for a board for more than six consecutive years.

Stakeholders: Any person with an interest related to the bank, such as the owner/shareholders, depositors, current creditors, investors, and any other persons dealing with the bank or other related entities.

¹ Clause 3-5-2-2 of the bank governance instructions issued by the Central Bank of Egypt dated 5 July 2011.

Introduction

Banque Misr encourages the establishment of an effective transparent work environment and encourages cooperation to achieve what is in the best interest of all parties involved. The bank exerts a lot of effort to work within the framework of an ecosystem that is highly ethical in terms of integrity, efficiency, fairness and values. This is done through the adoption of rules and controls in relation to professional conduct and appropriate work ethics. Therefore, this conflict of interest policy comes to promote and protect these values and to act as the appropriate tool to avoid exploitation which may result in a conflict of interest. The policy is also in place to avoid having any personal or family interests or personal desires that may affect respective duties towards the bank; and to avoid any party of interest getting gains at the expense of another party (parties) without their consent. This in addition to increasing transparency to achieve equality and fairness and to base decision making solely on commercial viability.

Even though the bank is not interested in what people do outside work; the bank believes that personal interests of people associated with the bank, during some social, financial or political activities may interfere, directly or indirectly, with their objectivity or loyalty to the bank which may create a conflict of interest.

The bank assumes, starting with people associated with the bank, that they will perform a number of special duties including but not limited to the following:

- Act in good faith for the benefit of the bank.
- Not to abuse the bank or unilaterally benefit from proposed opportunities or policies adopted by the bank.
- Not to compete in a way that is detrimental to the interest of the bank.
- Exercise powers only for the purpose for which they were granted.

Beside the above, related parties and their dealings may still represent a conflict of interest. Thus, this policy was formulated in order to set standards to control the relationship between related parties in a way that does not affect the interest of the bank and that protects the rights of the bank's shareholders.

Conflict of Interest policy and organizing relationship between parties

Banque Misr follows a policy which reinforces a fair treatment for all parties involved, be it owners/shareholders, the board of directors, employees, suppliers, supervisory and regulatory authorities, the society, etc. The policy ensures that all appropriate actions are taken from the formation of organizational structures, devising instruction manuals and documentation, avail executive and auditory roles to define, prevent, and manage conflict of interest. The policy also guarantees that all employees have the necessary knowledge and awareness to avoid conflict of interest, including the bank's board members, senior management, and all the employees, as well as service providers, contractors that contribute to offering the bank's services to its customers; in order for the bank to achieve the above, it will do the following:

Compliance with the laws, legislations and regulations concerning conflict of interest locally and internationally.

Prevention from indulgence in any conflict of interest cases by respecting a set of rules that regulate the relationship between all related parties while performing activities.

Discovery of conflict of interest cases through indicators and by disclosure and reporting of any cases involving conflict of interest to be investigated immediately and the reasons to be identified to take the necessary procedures to prevent it from happening again.

Accountability of each related party for the consequences of rectifying the situation in a way that protects the interests of the bank and other affected parties.

Disclosure in the annual bank report of any conflict of interest cases (if any) and how the bank handled such cases.

Conflict of Interest Concept

The situation or the case in which the objectivity and decision-making neutrality of a board member or any bank employee was affected by a personal interest, be it financial or moral, that matters to the bank board member or employee himself or to one of his relatives or friends. Or, when job performance is affected by personal considerations, whether directly or indirectly, or when his external actions that are unrelated to the bank are affected by information that he knows through his job at the bank.

Policy Purpose

This policy is aimed at demonstrating the bank's approach towards regulating conflict of interest for the owners/shareholders, board of directors, bank committees, senior management, employees, and auditors, and whoever else is related to the bank. The policy also aims at clarifying conflict cases and the stages for dealing with such cases according to legal requirements and according to accountability and transparency objectives applied by the bank in its operations through the following:

- Provide examples for potential and actual conflict of interest cases.
- Provide a framework for how to deal with potential and actual conflict of interest cases.
- Protect the bank interests and all parties dealing with the bank or related to it.
- Guarantee that all decision-making is neutral and objective.
- Organize the use of the bank's resources and assets to achieve its mission and objectives.
- Protect ethical standards, fairness and integrity.
- Gain the trust of those dealing with the bank.

Conflict of Interest Policy Scope

This policy is applicable on all Banque Misr employees in its internal and external branches and affiliates as long as there is no conflict between what's included in the policy and the provisions of local laws in countries where the bank branches or affiliates are located. In case of the existence of such conflict, it needs to be reported to the compliance officer to be able to decide on the necessary course of action. This policy complements and does not replace laws and legislations of the Arab Republic of Egypt that govern conflict of interest cases, in addition to the main policy in addition to the bank's articles of association of the bank. This policy is valid on all parties that have a relation with Banque Misr including board members and outsourcing service providers.

Examples for conflict of interest cases:

The interest of any party related to the bank in a bank activity, whether directly or indirectly, does not necessarily mean the existence of a conflict of interest. However, a conflict may arise from expressing an opinion or making a decision, or acting in the bank's interest while having an interest at the same time, whether directly or indirectly; or to have a commitment towards any party other than the bank that is concerned with that opinion, decision or action. Conflict of interest cases involve a breach of confidentiality, abuse of trust, achieving personal gains, and shaking loyalty towards the bank.

And the following examples represent the most common cases of conflict of interest:

• **Personal Financial Dealings**

Each employee runs his own financial affairs in a responsible manner and with full integrity, during or after working hours, in order to avoid any situations that may reflect negatively on him especially or on the bank generally, including the following:

- Commitment to paying dues and fulfilling obligations.
- Avoiding issuing cheques or payment orders that exceed his ability and making sure of meeting their value.
- Avoiding borrowing money from others in a manner that leads to financial confusion or affects his status and prestige as a bank employee.

• **Taking a job or participating in a conflict of interest case inside the bank**

Performing two conflicting jobs at the bank is considered a form of conflict of interest, such as the following:

- The employee having a say in an evaluation of his performance in a task he previously participated in or carried out.
- The employee participating in setting standards or procedures as well as evaluation and delivery tasks at the same time.

• **Working for a different entity**

- Working for a different entity is considered a conflict of interest as the employee should dedicate his time for his work at the bank and is not allowed to commit to another job unless with a written approval from the bank, provided that the other work does not represent an actual or a potential conflict with the interests of the bank.

• **Investment**

- Doing business, establishing companies, selling and buying stocks, or entering bids and tenders, etc. even if done outside of working hours by managerial-level employees that through their jobs have access to the bank's internal information related to activities, is considered a conflict of interest unless done based on a written approval from the bank.

- **Utilizing bank assets and properties and misusing information**

- Some common conflict of interest cases are caused by utilizing the bank assets and its properties for personal purposes; or the exploitation of working hours or the efforts and expertise of subordinates or the bank facilities for purposes other than the interests of the bank.
- Misuse of information obtained by the employee through his job to achieve personal interests. Having a relationship with parties contracted by the bank

- **Having an interest with parties contracted by the bank**

The existence of a benefit between a person working for the bank and a party contracted by the bank, whether this benefit is for the interest of the person working for the bank or for his account, is generally considered a conflict of interest.

- **Loyalty to relatives**

When the person working for the bank has a role in decision-making in the bank contracting a commercial company operated by a relative of that employee, or giving an advantage in hiring or promoting one of his relatives, or contracting consultancy offices or valuation offices owned or controlled by a related party; such cases represent a conflict of interest.

- **Competition**

Doing or participating in any business or providing services to any competing bank may represent an actual or a potential case of conflict of interest.

- **Offering or guaranteeing loans**

Loans of any kind given to board members, auditors; or acting as guarantors for given loans to the aforementioned represent a gateway to conflicts of interest.

- **Gifts**

A conflict of interest may arise resulting from an employee receiving or giving a material or an in-kind gift that may represent an unusual incentive for the employee, the customer, or the supplier to achieve special objectives. Hence, it is not permitted for the employee to offer or receive any gifts, except within the set of rules of the code of conduct

- **Political Activities**

Exploiting the bank or the social status acquired by the bank employee through his employment at the bank in his capacity, grade or relationships inside the bank to promote for his ideology or political affiliations; or the exploitation of the bank's products or its assets for political influence and with no commercial purposes is considered a conflict of interest.

Avoiding Conflict of Interest

The bank works to ensure that its interests, or the interests of its customers, or owners/shareholders, or others with vested interest are not negatively impacted by conflict of interest. The bank ensures that through preventing or managing conflicts of interest through the following:

Avoiding conflict of interest with board members of the bank

- Board members of the bank and members of committees of the board at the bank and its affiliated companies, and decision makers, should avoid any decisions to enter or participate in any activity that directly or indirectly conflicts with the interests of the bank. They should also avoid even just the appearance of a conflict between their personal interest and their obligations towards performing their job duties. They bank interest should always prevail in all their decisions.
- Board members, decisions makers and any related parties should refrain from competing over any opportunity (deal / funding / investment, etc.) that is in the interest of the bank unless it was presented first to the bank and the bank has rejected it.
- In case a matter is presented that represents a conflict of interest or any commercial deal with a board member or a decision maker or any related party. That person has absolutely no right to participate in voting over that matter. The deal is to be done according to market prices and on pure commercial basis. Such deals are to be disclosed during the general meeting that follows such meetings.
- Board members and decisions makers must disclose any apparent, potential, or actual conflict of interest when it happens or when matters are presented to the board of directors that relate to such conflict in order for the board to decide the appropriate course of action and to be able to take in advance the procedures that govern this and get the necessary written approvals.
- The bank is to very carefully examine the conflict alerts presented by board members and decision makers. To do so, the bank may form special committees that include an internal bank auditor, or the bank may hire external experts for the same purpose to ensure that there is no conflict of interest.
- Financing, down payments, credit facilities, or guarantees of any kind are not permitted for the chairman, board members, their spouses, their sons and daughters, their relatives down to the second degree, or to any entity where those or their spouses or relatives down to the second degree are partners or investors with an actual control over the entity or have influence over the entity's board members in their personal capacity.

Avoiding conflict of interest with auditors

Out of the bank keenness to avoid conflict of interest with auditors, non-executive or independent board members (members of the audit committee) are to do the following:

- Propose the hiring of auditors, set their fees, and look into matters related to their resignations or firings; to ensure that the rules of law and of the Egyptian central auditing organization – Accountability State Authority – are followed.
- Banque Misr is to report to the Central Bank of Egypt, within 30 days of the hiring date, any decisions to hire auditors. The Central Bank of Egypt will in turn check that the auditors are not handling the accounts of more than two banks at the same time.
- The bank does not offer any financing, down payments, credit facilities, or guarantees of any kind to auditors or any party related to them down to the second degree.
- When the bank hires auditors to perform services “against fees” other than reviewing the financial statements, the bank shall make sure the fees correspond to the required tasks. The bank shall also ensure that such fees do not reach an amount which may violate their independence requirement, when compared to fees paid to auditors for reviewing financial statements.

Avoiding conflict of interest with bank employees

- The bank adopts a policy that regulates the hiring and employment of relatives inside the bank. The policy prevents relatives from working at the same bank branch or within the same department. The policy also governs new hires. When a new kin relationship arises and the bank officials see merit in transferring an employee, a memo is to be presented including the reasons behind the transfer decision. In all cases, it is not at all permitted for an employee to work under the direct supervision of one of his relatives down to the fourth degree within the same department.
- The bank shall not actively participate in politics. The bank employees are free to have political affiliations on personal basis, as long as such participation in political activities does not violate the rule of law and does not represent any conflict with their ability to perform their basic duties, or become a reason for confusion between their stance and the actions he personally takes.
- Before engaging in any political activity, the bank employee should discuss the appropriate procedures with the Legal Affairs Unit and submit his application to the bank’s compliance officer to avoid the risk of his personal actions getting attributed to the bank. The compliance officer will also review any other potential unintended effects this activity may have.
- The employee shall not engage in any personal political activities during working hours. The bank employee that wishes to engage in a political activity shall do so in his personal capacity, and his status as a bank employee must not be mentioned or included in any shape or form.
- If the employee wishes to participate in the management of an organization or an owner’s union or any social or service activities, the employee should submit an application to the bank’s compliance officer to ensure that there is no conflict.

- The bank has a banking code of conduct for its employees that regulates the role of employees towards avoiding conflict of interest. The code of conduct also includes definitions for the conflict of interest and the personal deals of the bank employees that are done based on internal information that they acquire or have access to through their jobs. This code of conduct document is circulated to all bank employees and signed by them.

Avoiding conflict of interest with suppliers and outsourcing providers

- The bank ensures that the service provider – if not an entity affiliated to the bank – is not owned or controlled by any of the Bank Misr board members or a member of the bank’s senior management or any of their relatives down to the second degree.
- The bank requests from suppliers and their related parties and their subcontractors to avoid having any business relationship with any of the bank employees or relative loved ones, and to avoid engaging in any dealings with a bank employee whose job is related to the service offered by the supplier, and to officially notify the bank in case of the existence of any family relationship between suppliers or their representatives and the bank employees in a way that may negatively affect the neutrality of their judgement or may potentially create a conflict of interest.

Bank tools to manage conflict of interest

The bank uses a number of means (individually or combined) to manage conflict of interest and to avoid it, including the following:

- Put in place indicators for conflicts of interest, such as:
 - Decrease in profits “Failure of projects”
 - Job failure or not selecting the right person for the right position
 - Accumulation of stock and work supplies
 - Employees income average being different from that of other banks
 - Borrowers willingness to accept or carry commissions and expenses that are higher than those of other institutions, or giving the customer a higher return rate than the rest of the customers
 - Supervisors noticing indicators of “unjustified” riches on a subordinate, etc.
- Put in place procedures, regulations and controls to manage emerging conflicts of interest and to mitigate any associated risks.
- Strictly apply the policy and take necessary corrective actions in case of non-compliance.
- The bank offers advice on matters related to conflict of interest through its compliance and governance department.
- The bank is to keep all records of conflict of interest alerts or notifications in documented archiving system.

Consequences for non-compliance to policy

This policy is an integral part of the documents that govern the relationship between the bank and any parties associated with the bank. Hence, the violation of its rules and regulations makes the violator accountable and liable as per the following:

- **Board members and members of the senior management**

- In case a board member or a member of the senior management of the bank fails to adhere to the rules of this policy, and did not report to the bank of him having interests that are linked to the interests of the bank, he shall bear alone the consequences of this violation including any fines or penalties imposed by the regulatory authorities. He shall also compensate the bank for any damages incurred. The bank reserves the right to revoke the contract related to that personal interest of the involved bank member, or to oblige him to refund any profits or benefits achieved through such contract.
- Any board or senior management member of the bank competing against any of the bank activities or trading in a bank activity gives the bank the right to claim an appropriate compensation, unless he had a prior approval from the board of directors allowing him to carry out any such activities.

- **Bank employees**

- Whenever the bank has proof that an employee has failed to disclose an actual conflict of interest or has facilitated or mediated in violation of this policy; the bank has the right to take disciplinary actions against the employee in accordance with the bank policies and regulations. The bank also has the right to take corrective actions in case of a conflict of interest.

- **Parties dealing with the bank**

- In case of violation of the rules of this policy by any of the parties dealing with the bank (customers, suppliers, etc.), that party alone shall bear the consequences of this violation including any penalty imposed by the regulatory authorities as well as compensating the bank for incurred damages.

Conflict of Interest Reporting

- It is mandatory for anyone with knowledge of the existence of a conflict of interest that may harm the interests of the bank or any related party to immediately report on that conflict of interest according to the bank policy.
- The compliance officer at the bank is responsible for receiving and investigating reports of any suspected conflict of interest covering all executive jobs within the bank. The compliance officer has the right to request any information, records, files, or to summon employees. The compliance officer is to report on any cases he deems important along with his recommendations to the chairman of the board of directors of the bank to take the necessary actions as he deems

appropriate. The compliance officer may choose to file/archive the submitted report in case he concludes that there is no conflict of interest.

- The chairman himself is responsible for receiving and investigating any reports related to the members of the board of directors, compliance, risk and internal audit officers.
- The governance committee is responsible for any reports related to the chairman of the board and shall raise a report along with its recommendations to the board of directors. The non-executive members of the board shall look into such reports.

Policy Revision

- The policy is to be updated annually upon need. The governance unit shall revise the policy and present it to the governance committee. The board of directors shall approve the policy and its updates.
- The policy is to be published on the bank website and is to be included in the annual governance report of the bank.