Corporate Governance Policy

Bahrain

Licensed by CBB as a conventional Retail Bank.

مرخص من مصرف البحرين المركزي كمصرف قطاع تجزئة تقليدي.

Responsibilities of the Board (HC – 1.1)

1.All Directors must understand the Board's role and responsibilities under the Legislative Decree No. 21 of 2001 promulgating the Commercial Companies Law, as amended (Commercial Companies Law), and the Resolution No. 6 of 2002 with respect to the Executive Regulation of the Commercial Companies Law, as amended (Executive Regulation), the CBB Rulebook, including but not limited to, the High-Level Controls Module (the HC Module), and any other laws or regulations that may govern their responsibilities from time to time. In particular:

a)The Board's role as distinct from the role of the shareholders (who elect the Board and whose interests the Board serves) and the role of officers (whom the Board appoints and oversees); and

b)The Board's fiduciary duties and other duties of care, candour, and loyalty to the Bank and its shareholders in accordance with local laws and regulations.

2.The Board's roles and responsibilities include but are not limited to:

a)The overall business performance and strategy and business plan for the Bank;

b)Actively engaging in the affairs of the Bank, keeping up with material changes in the Bank's business and external environment and acting in a timely manner to protect the long-term interests of the Bank;

c)Approving the annual and interim financial statements and causing them to be prepared accurately to disclose the Bank's financial position;

d)Establishing along with senior management and the chief risk officer of the Bank, the Bank's risk appetite, considering the Bank's strategy, competitive and regulatory landscape, the Bank's long-term interests, risk exposure and ability to manage risk effectively, and oversee the Bank's adherence to the risk appetite statement, risk policy, and risk limits;

e)Monitoring management performance;

f) Convening and preparing the agenda for shareholder meetings;

g)Monitoring conflicts of interest and preventing abusive related party transactions;

h)Assuring equitable treatment of shareholders including minority shareholders; and

i)Establishing the objectives of the Bank.

3. As a minimum, the Board must:

a) Approve and oversee the development of the Bank's strategy, business plans, and budget and monitor their implementation;

b)Adopt and review the management structure and responsibilities;

c) Approve and oversee the implementation of the Bank's governance framework, risk management framework, and all policies. The Board must also review the relevant parts of these frameworks and key controls in the event a new business activity is considered or there are material changes to the Bank's size, complexity, business strategy, markets, regulatory requirements, or occurrence of major failure of controls;

d)Ensure that adequate systems, controls, processes, and procedures are implemented by the Bank's senior management in line with the Board's approved policies;

e)Ensure that the Bank has adequate processes to ensure full compliance with the requirements of the CBB Law, other relevant laws, and the pertinent rulebooks;

f)Ensure that the Bank has a robust finance function responsible for accounting and financial data;

g)Ensure that the risk management, compliance and internal audit functions are properly positioned, staffed, and resourced to carry out their responsibilities, independently, objectively, and effectively;

h)Ensure that the senior management of the Bank maintains an effective and transparent relationship with the Central Bank of Bahrain (CBB);

i)Actively oversee, with the assistance and advice of the Nomination, Remuneration, Governance and Sustainability Committee (NRGSC), the Bank's remuneration system's design and operation for approved persons and material risk-takers, and monitor and review executive compensation and assess whether it is aligned with the Bank's remuneration policy;

j)Consider the legitimate interests of depositors, shareholders, and other stakeholders in their decision making process;

k)Set and adhere to corporate values that create expectations that the business of the Bank must be conducted in a legal, professional and ethical manner, and oversee the adherence to such values by the Directors, senior management and other staff; and

l)Promote risk awareness within a strong risk culture, convey the Board's expectation that it does not support risk-taking beyond its risk appetite and risk limits as set by the Board, and that all staff are responsible for ensuring that the Bank operates within the established risk appetite and risk limits.

4.The Directors are responsible both individually and collectively for performing the responsibilities outlined above. Although the Board may delegate certain functions to committees or management, but it may not delegate its responsibilities in order to ensure that an adequate, effective, comprehensive, and transparent corporate governance framework is in place.

5.In its strategy review process as mentioned in (3) above the Board must:

a)Review the Bank's business plans and the inherent level of risk in these plans;

b)Assess the adequacy of capital to support the business risks of the Bank;

c)Set performance objectives; and

d)Oversee major capital expenditures, divestitures, and acquisitions.

6.The Bank must submit to the CBB for its review their proposed strategy and any major changes to them.

7.The Board should have effective policies and processes in place for:

a)Approving budgets, reviewing performance against those budgets, and key performance indicators; and

b)The management of the Bank's compliance risk.

8. Board members must understand their oversight and corporate governance role and be able to exercise sound objective judgement about the affairs of the Bank.

9. The Bank must have a written appointment agreement with each Director, which provides for the Directors':

a) the Director's powers, duties, responsibilities, and accountabilities;

b) the term;

c) the time commitment envisaged;

d) the committee assignment (if any);

e) remuneration;

f) expenses reimbursement entitlements; and

g) access to independent legal or other professional advice at the expense of the Bank when needed to discharge their responsibility as a Director.

10. The Board is responsible for ensuring that the systems and controls framework, including the Board structure and organisational structure of the Bank, is appropriate for the Bank's business and associated risks. The Board must establish an adequate organisational structure that promotes accountability and transparency and facilitates effective decision-making and good governance throughout the Bank. This includes clarity on the role, authority, and responsibility of the various positions within senior management, including that of the Chief Executive Officer (CEO).

11. The Board must regularly assess the systems and controls framework of the Bank. In its assessments, the Board must demonstrate to the CBB that:

a) The Bank's operations, individually and collectively, are measured, monitored and controlled by appropriate, effective and prudent risk management systems commensurate with the scope of the Bank's activities;

b) The Bank's operations are supported by an appropriate control environment. The compliance, risk management, and financial reporting functions are adequately resourced, independent of business lines, and are run by individuals not involved with the day-to-day running of the various business areas. The Board should additionally ensure that management develops, implements, and oversees the effectiveness of comprehensive “Know Your Customer” standards, as well as on-going monitoring of accounts and transactions in keeping with the requirements of relevant law, regulations and best practice (with particular regard to anti-money laundering measures). The control environment should maintain necessary client confidentiality measures, ensure that the privacy of the Bank is not violated, and ensure that clients’ rights and assets are properly safeguarded; and

c) If the Board identifies any significant issues related to the Bank’s governance framework, appropriate and timely action will be taken to address any identified adverse deviations from this document or relevant CBB guidelines.

12. The Board must adopt a formal Board charter specifying matters reserved to it, which may include but need be limited to, the specific requirements and responsibilities of Directors set out in the HC Module and the Commercial Companies Law. A summary of responsibilities of the Board should be disclosed publicly in the annual report which is submitted to the CBB.

Decision Making Process

13.The Board must be collegial and deliberative to gain the benefit of each individual Director’s judgement and experience.

14.The Chairperson must take an active lead in promoting mutual trust, open discussion, constructive dissent, and support for decisions after they have been made.

15.The Board must meet at least four (4) times a year to enable it to discharge its responsibilities effectively, and half of all Board meetings in any financial year must be held in the Kingdom of Bahrain. All Directors must attend the meetings whenever possible.

16.Each Board member must attend at least 75% of all Board meetings in a given financial year whether in person, by tele-conference, or video conference (if needed) to enable the Board to discharge its responsibilities effectively. Voting and attendance proxies for Board meetings are prohibited at all times.

Meetings per year	75% Attendance requirement
4	3
5	4
6	5
7	5
8	6
9	7
10	8

17.The absence of Board members at Board and committee meetings must be noted in the relevant meeting minutes. In addition, Board attendance percentage must be reported during any general assembly meeting when Board members stand for re-election (e.g. Board member XYZ attended xx% of scheduled meetings this year).

18.In the event that a Board member has not attended at least 75% of Board meetings in any given financial year, the Bank must notify the CBB within one (1) month of its financial year end indicating which member has failed to satisfy this requirement, their level of attendance, and the reason for non-attendance. The CBB shall then consider the matter and determine whether enforcement action, including disqualification of that Board member pursuant to Article 65 of the CBB Law, is appropriate.

19.Non-executive Directors should have free access to the Bank's management beyond that provided in Board meetings. Such access should be through the chair of the Audit Committee or CEO. The Board should make this policy known to management to alleviate any management concerns about a Director's authority in this regard.

20.Furthermore, Board Members should step down if they are not actively participating in Board meetings. Non-attendance at Board meetings does not absolve the Board Members of their responsibilities as Directors. It is important that each individual Director should allocate adequate time and effort to discharge his responsibilities. All Directors should contribute actively to the work of the Board in order to discharge their responsibilities and should make every effort to attend Board meetings where major issues are to be discussed. Participation in Board meetings by means of video or telephone conferencing should be regarded as attendance and may be recorded as such.

21.The Board must maintain appropriate records of meeting minutes, including key points of discussions held, recommendations made, decisions taken, and dissenting opinions (if any).

22.The Bank is required to submit the year-end quarterly PIR as an attachment to the report recording the meetings during the year by their Board of Directors annually.

23.The Chairperson of the Board (the Chairperson) must:

a)Play a critical role in promoting mutual trust, efficient functioning of the Board, open discussion, constructive dissent from decisions, and constructive support for decisions after they have been made;

b)Ensure that all Directors receive an agenda, minutes of prior meetings, and adequate background information on each agenda item in writing well before each Board meeting;

c) Encourage and promote critical and objective discussion and ensure that dissenting views can be freely expressed, discussed and recorded in the minutes of the Board meeting; and

d)Ensure that Board decisions are taken on sound and well-informed bases.

24.The Board must comprise of individuals with a balance of skills, diversity, and expertise, who individually and collectively possess the necessary qualifications to commensurate with the size, complexity, and risk profile of the Bank. The Board must have a sufficient number of independent directors.

25.The representation of women should be taken into account when forming the Board. The Bank shall comply with the requirement to disclose of membership statistics classified by gender in the Board of Directors in the Bank's annual corporate governance report.

26.Potential non-executive Directors should be made aware of their duties before their nomination particularly as to the time commitment required. The NRGSC should regularly review the time commitment required from each non-executive Director and should require each non-executive Director to inform the NRGSC before he accepts any Board appointments to another company.

27.No Board member may have more than two (2) directorships of Bahraini banks. Two (2) Directorships of banks within the same category (e.g. “Retail Bank”) are not permitted by the CBB.

28.Board candidates should not hold more than three (3) directorships in public companies in Bahrain. In case such directorships exist, there must be no conflict of interest, and the Board must not propose the election or re-election of any director where such conflict of interest exists.

Independence of Judgement

29.Every Director must bring independent judgement to bear in decision-making. No individual or group of Directors should dominate the Board's decision-making and no individual or group should have unfettered powers of decision.

30.Executive Directors must provide the Board with all relevant business and financial information within their knowledge and must recognise that their role as a Director is different from their role as a member of management.

31.Non-executive Directors must be fully independent of management and must constructively scrutinise and challenge management and executive Directors.

32.Where there is the potential for conflict of interest or there is a need for impartiality, the Board must assign a sufficient number of independent Board members capable of exercising independent judgement.

33.At least half of the Board should be non-executive Directors and at least three (3) of those persons should be independent Directors. For so long as the Bank has a controller, at least one third (1/3) of the Board should be independent Directors. The Chairperson should be an independent Director.

34.The Chairperson and/or deputy Chairperson must not be the same person as the CEO.

35.The Chairperson must not be an executive Director.

36.The Board should review the independence of each Director annually in light of interests disclosed by them and their conduct. Each independent Director shall provide the Board with all necessary and updated information for this purpose.

37.If requested by an independent Director, a Board meeting may be preceded or followed by a separate session at which only the independent Directors are present.

38.Where an independent Director has served three (3) consecutive terms on the Board, such Director will lose their independence status and must not be classified as an independent Director if reappointed.

39.The CEO of the Bank who has resigned or retired, must not be appointed as an independent director of the same bank unless a period of three years has passed from the date of his/her resignation/retirement. Additionally, where a CEO is terminated from his/her position, he/she must not be appointed or retained as a Board member of the same bank.

Representation of all Shareholders

40.Each Director must consider himself as representing all shareholders and must act accordingly. If the Bank has controllers or a group of controllers acting in concert, such persons shall recognise their specific responsibility to the minority shareholders as Board members and that they have responsibilities to the Bank's overall interests, regardless of who appoints them.

Director's access to Independent Advice

41.The Board must ensure, by way of formal procedures, that individual Directors have access to independent legal or other professional advice (at the expense of the Bank) whenever they deem it necessary to discharge their responsibilities as Directors and this must be in accordance with the Bank's policy approved by the Board.

42.Individual Directors must also have access to the Bank's corporate secretary. The corporate secretary has the responsibility for reporting to the Board on procedures of the Board. Both the appointment and removal of the corporate secretary must be a matter for the Board as a whole, and not for the CEO or any other officer.

Oversight of Senior Management (HC – 1.3)

43. The Board must exercise proper oversight of senior management against formal performance and remuneration standards consistent with the long-term strategic objectives and the financial soundness of the Bank. In doing so, the Board must:

a) Meet regularly with the senior management;

b)Subject the senior management to annual performance assessment and document such assessments;

c)Ensure that the approved persons' collective knowledge and expertise remain appropriate given the Bank's nature of business and risk profile;

d)Ensure that the senior management's actions are in full compliance with applicable laws and regulations and consistent with the strategy, business plan, and policies approved by the Board, including risk appetite;

e)Question, challenge, and critically review the explanations and information provided by the senior management; and

f) Ensure that appropriate succession plans are in place for all approved persons within the senior management (provided that such plans are subject to review in case of any changes to approved persons within the senior management).

Board Committees

44.The Board must create specialised committees when and as such committees are needed. Objectivity and independence must be ensured by the selection of appropriate Board members in each committee, and members of each committee must exercise judgment free from any personal conflicts of interest or bias. In addition to the Audit Committee, the Risk Committee, and the NRGSC, the Board may include an executive committee to review and make recommendations to the whole Board on the Bank's actions.

45.The Board should establish a Corporate Governance Committee of at least three (3) independent members, which should be responsible for developing and recommending changes from time to time in the Bank corporate governance policy framework. The Corporate Governance Committee of the Bank is combined with the Nomination and Remuneration Committee forming the Nomination, Remuneration, Governance and Sustainability Committee.

46.Subject to CBB's prior approval, committees may be combined provided that no conflict of interest arises between the duties of such committees.

47.Every committee must have a formal written charter or other instrument which sets out its roles and responsibilities, how the committee will report to the Board, what is expected of the committee's members and any tenure limits for serving on the committee.

48.Each committee must:

a)Have the resources and the authority necessary to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees of external legal, accounting, or other advisors as it deems necessary;

b)Maintain appropriate records of their deliberations and decisions in their meeting minutes, including key points of discussions held, recommendations made, decisions taken (and update on their subsequent implementation), and dissenting opinions (if any); and

c)Prepare and review with the Board an annual performance evaluation of the committee and its members and must recommend to the Board any improvements deemed necessary or desirable to the committee's charter or composition. The report must be in the form of a written report presented at any regularly scheduled Board meeting;

The Board should consider occasional rotation of membership and chair of the Board committees provided that doing so does not impair the collective skills, experience and effectiveness of these committees.

Organisation and Assessment of the Board

49.The Board must:

a)Structure itself in terms of leadership, size, and the use of committees so as to effectively carry out its oversight role and other responsibilities. This includes ensuring that the Board has the time and means to cover all necessary subjects in sufficient depth and have a robust discussion of key issues; and

b)Maintain and periodically update its governance structure, organisational rules, by-laws, and other similar documents setting out its organisation, rights, responsibilities, and key activities.

c) At least annually, conduct an evaluation of its performance and the performance of each committee and each individual Director. The Bank has set up a procedure in this regard which should be followed. The evaluation process will include:

i. Assessing how the Board operates in terms of the requirements of the CBB Rulebook and the Commercial Companies Law;

ii. Evaluating the performance of each committee in light of its specific purposes and responsibilities, which shall include review of the self-evaluations undertaken by each committee;

iii. Reviewing each Director's work, their attendance at Board and committee meetings, their independence and their constructive involvement in discussions and decision making;

iv. Reviewing, based on the advice of the NRGSC, the Board's current composition against its desired composition as well as committees' structures and composition in order to maintain an appropriate balance of skills, diversity, and experience and for the purpose of planned and progressive refreshing of the Board; and

v. Recommendations for new Directors to replace long-standing members or those members whose contribution to the Board or its committees is not adequate.

50. Where the Board has serious reservations about the performance or integrity of a Board member, or he ceases to be qualified, the Board must take appropriate action and inform the CBB accordingly.

51. The Board should report to the shareholders, at each annual shareholder meeting, the evaluations that have been done and report its findings.

Governance to Group structure

52. The Board of the Bank, which acts as a parent must:

a) Have the overall responsibility for the group and exercise adequate oversight over subsidiaries and overseas branches while respecting the independent legal and governance responsibilities that might apply to subsidiary Boards;

b)Establish, subject to CBB's approval, a group structure (including the legal entity and business structure) and a group corporate governance framework with clearly defined roles and responsibilities at both the parent bank's and the subsidiaries' level as may be appropriate based on the complexity, risks and significance of the subsidiaries;

c) Set adequate and comprehensive criteria for composing Boards at subsidiaries' level;

d)Have a clear strategy and group policy for establishing new structures and legal entities, and ensure that they are consistent with the policies and interests of the group;

e)Have sufficient resources at group and subsidiaries levels to monitor risks and compliance at the level of the group and its subsidiaries;

f)Pay special attention and due care to any significant subsidiary based on its risk profile or systemic importance or due to its size relative to the parent bank;

g)Assess and discuss material risks and issues that might affect the group and its subsidiaries and overseas branches;

h)Establish effective group functions at the parent bank, including but not limited to, internal audit, compliance, risk management and financial controls to whom the relevant subsidiaries' functions must report;

i)Maintain an effective relationship, through the subsidiary Board or direct contact, with the regulators of all subsidiaries and overseas branches; and
j) ensure that:

i.The group has appropriate policies and controls to identify and address potential intragroup conflicts of interest, such as those arising from intragroup transactions;

ii.The group is governed and operating under clear group strategies, business policies and specific set of group policies on risk management, internal audit, compliance and financial controls;

iii.There are no barriers to exchanging information between the subsidiaries and the parent bank and that there are robust systems in place to facilitate the exchange of information to enable the parent bank to effectively supervise the group and manage its risks; and iv.Adequate authority is available to each subsidiary pursuant to local legislations.

53.The Board and senior management of the Bank in respect of the Group must be cognisant of the challenges arising from operating under complex or opaque structures, including special purpose vehicles, and must act to avoid or mitigate these by:

a) Avoiding setting up complicated structures that lack economic substance or business purpose;

b)Continually maintaining and reviewing appropriate policies, procedures, and processes governing the approval and maintenance of those structures or activities, including fully vetting the purpose, the associated risks, and the Bank's ability to manage those risks prior to setting up new structures and initiating associated activities;

c) Having a centralised process for approving the creation of new legal entities and subsidiaries based on established criteria, including the ability to monitor and fulfil each entity's regulatory, tax, financial reporting, governance, and other requirements, and for the dissolution of dormant subsidiaries;

d)Establishing adequate policies, procedures, and processes to identify and manage all material risks arising from these structures, including lack of management transparency, operational risks introduced by interconnected and complex funding structures, intragroup exposures, trapped collateral, and counterparty risk, etc. The bank must only approve structures if the material risks can be properly identified, quantified, monitored, and mitigated; and

e) Ensuring that the activities, controls, and structures are subject to periodic reviews by compliance, internal audit, and risk management functions as well as external audit to ensure effectiveness and consistency with Board approved strategy and policies.

Personal Accountability

54.The Bank is subject to a wide variety of laws, regulations, and codes of best practice that directly affect the conduct of business. Such laws involve the Bahraini Stock Exchange Law, the Labour Law, the Commercial Companies Law, occupational health and safety, environment and pollution laws, as well as the Law, codes of conduct, and regulations of the CBB.

55.The Board sets the “tone at the top” of the Bank, play a leading role in establishing the Bank’s corporate culture and values, and has a responsibility to oversee compliance with these various requirements. The Board should ensure that the staff conduct their affairs with a high degree of integrity, taking note of applicable laws, codes, and regulations. The Board shall also oversee management’s role in fostering and maintaining a sound corporate and risk culture.

Corporate Ethics, Conflicts of Interest and Code of Conduct (HC1.2)

56.Each Director must understand that under the Commercial Companies Law, he is personally accountable to the Bank and the shareholders if he violates his legal duty of loyalty to the Bank and that he can be personally sued by the Bank and the shareholders for violations.

57.In order to promote a sound corporate culture, the Board must establish corporate values and professional standards for approved persons and employees. This requirement should be met by way of a documented and published code of conduct or similar document. The Board must ensure that these corporate values, professional standards, and the codes of conduct it sets, together with supporting policies, are adequately communicated throughout the Bank, so that the approved persons and staff understand the importance of conducting business based on good corporate governance values and understand their accountabilities to the various stakeholders of the Bank. The Bank’s approved persons and staff must be informed of and be required to fulfil their fiduciary responsibilities to the Bank’s stakeholders. The Board must ensure that all Directors, the senior management and other staff are aware that appropriate disciplinary or other actions will follow unacceptable behaviour, practices, or transgressions.

58.An internal code of conduct is separate from the business strategy of the Bank. A code of conduct should outline the acceptable practices that approved persons and staff must follow in performing their duties as well as the unacceptable practices/conduct that must be avoided. The Bank may wish to use procedures and policies to complement its codes of conduct.

59.The CBB expects that the Board and its Directors individually and collectively to:

a)Act with honesty, integrity, and care for the best interests of the Bank, its shareholders, and other stakeholders;

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b)Act within the scope of their responsibilities and not participate in the day-to-day management of the Bank;

c) Have a proper understanding and competence to deal with the affairs and products of the Bank and devote sufficient time to their responsibilities; and

d)Independently assess and question the policies, processes, and procedures of the Bank with the intent to identify and initiate management action on issues requiring improvement.

60.The duty of loyalty mentioned in paragraph 56 above includes a duty not to use property of the Bank for his personal needs as though it was his own property, not to disclose confidential information of the Bank or use it for his personal profit, not to take business opportunities of the Bank for themselves, not to compete in business with the Bank, and to serve the Bank's interest in any transactions with a company in which he has a personal interest.

61.For the purposes of this Code, an approved person should be considered to have a "personal interest" in a transaction with a company if:

a) They themselves;

b)A member of their family (i.e. spouse, father, mother, sons, daughters, brother or sisters); or

c) Another company of which they are a Director or controller,

is a party to the transaction or has a material financial interest in the transaction or are expected to derive material personal benefit from the transaction (excluding transactions and interests which are de minimis in value).

Avoidance of Conflict of Interest

62.Each approved person must make every practicable effort to arrange his personal and business affairs to avoid a conflict of interest with the Bank.

63.The Board must establish and disseminate to its members and management, policies and procedures for the identification, reporting, disclosure, prevention, or strict limitation of potential conflicts of interest. It is senior management's responsibility to implement these policies. Rules concerning connected party transactions and potential conflicts of interest may be dealt with in the code of conduct. In particular, any decisions to enter into transactions, under which approved persons would have conflicts of interest that are material, should be formally and unanimously approved by the full Board. The policy must include:

a) An approved person's duties to:

i.Avoid, to the extent possible, activities which could create conflicts of interest or the appearance of conflicts of interest;

ii. Promptly disclose any matter that may result, or has already resulted, in a conflict of interest;

iii.Abstain from getting involved in or voting on any matter where they may have a conflict of interest or where their objectivity or ability to properly fulfil duties to the licensee may be compromised;

iv.Act with honesty, integrity, and care for the best interests of the Bank, its shareholders, and other stakeholders;

v.Not use property of the Bank for their personal needs;

vi.Not misuse or misappropriate the Bank's assets or resources;

vii.Not disclose confidential information of the Bank or use it for personal profit or interest;

viii.Make every practicable effort to arrange their personal affairs to avoid a conflict of interest with the Bank;

ix.Not take business opportunities of the Bank for themselves; and

x.Absent themselves from any discussions or decision-making that involves a subject where they are incapable of providing objective advice,. or which involves a subject or (proposed) transaction where a conflict of interest exists;

b)Examples of where conflict of interest may arise when serving as an approved person;

c) A rigorous review and approval process for approved persons to follow before they engage in certain activities (such as serving on another Board) so as to ensure that such activity will not create a conflict of interest;

d)Adequate requirements that transactions with related parties must be made on an arm's length basis;

e)Sufficient restrictions on and/or a robust and transparent process for the employment of relatives of approved persons;

f)Requirements for properly managing and disclosing conflicts of interest that cannot be prevented;

g)Requirements for all approved persons to annually declare in writing all their other interests in other enterprises or activities (whether as a shareholder of above 5% of the voting capital of a company, a manager, or other form of significant participation) to the Board or a designated Board committee; and

h)The way in which the Board will deal with any non-compliance with the policy.

64.The Bank must have in place a Board approved policy with sufficient restrictions on, and /or robust and transparent processes for, the employment of relatives of approved persons and a summary of such policy must be disclosed in the annual report of the Bank.

Disclosure of Conflicts of Interest

65.Each approved person must inform the entire Board of conflicts of interest or potential conflicts of interest in their activities with and commitments to other organisations as they arise. Board members must abstain from voting on the matter in accordance with the relevant provisions of the Commercial Companies Law. This disclosure must include all material facts in the case of a contract or transaction involving the approved person. The approved persons must understand that any approval of a conflicted transaction is effective only if all material facts are known to the authorising persons and the conflicted person did not participate in the decision. In any case, all approved persons must declare in writing all of their other interests in other enterprises or activities (whether as a shareholder of above 5% of the voting capital of a company, a manager, or other form of significant participation) to the Board (or the NRGSC or Audit Committee) on an annual basis.

66.It is not permissible for any official, nor any member of the Board, to have any personal interest (whether directly or indirectly) in contracts and transactions to which the Bank is a party, except with the approval of the Board of Directors. If a member of the Board fails to disclose to the Board the terms of the contract or the act or transaction are unfair or harmful to the interests of the shareholders, the Bank, or any of its shareholders may proceed to file its claims before the competent court to invalidate the contract or the transaction, or to compel the violating member with any profit or benefit the said member earned from such engagement.

67.The CEO or general manager of the Bank must disclose to the Board any relatives of any approved persons occupying a controlled function within the Bank on an annual basis.

68.The Bank should have a formal procedure approved by the Board approved for:
a)Periodic disclosure and updating of information by each approved person on his actual and potential conflicts of interest; and

b)Advance approval by Directors or shareholders who do not have an interest in the transactions in which Banks approved person have a personal interest. The Board should require such advance approval in every case.

Where there is a potential for conflict of interest, or there is a need for impartiality, the Board must assign a sufficient number of independent Directors capable of exercising independent judgement to address the conflict.

Disclose of Conflicts of Interest to Shareholders

69.The Bank must disclose to its shareholders in the annual report any abstention from voting motivated by a conflict of interest and must disclose to its shareholders any authorisation of a conflict of interest contract or transaction in accordance with the Commercial Companies law.

Audit Committee (HC – 3.4)

70.The Board must establish an Audit Committee including at least three (3) Directors, of which the majority must be independent and have no conflict of interest with any other duties that they have.

71.The Audit Committee must, at minimum:

a)Ensure that the Bank has effective and adequate policies covering all its business activities, internal audit, financial reporting, compliance, risk management, prevention of frauds, and cyber security breaches, etc.;

b)Oversee the financial reporting process;

c) Oversee and interact with the Bank's internal and external auditors;

d)Review the integrity of the Bank's financial statements;

e)Recommend to the Board, based on a Board approved objective criteria, the appointment, remuneration, dismissal, and rotation of external auditors;

f)Review and approve the internal and external audit scope;

g)Receive internal and external audit reports and ensure that the senior management is taking necessary corrective actions in a timely manner to address any control weaknesses, and other problems identified by auditors, and other control functions;

h)Assess once a year the extent to which the Bank's is managing its compliance risk effectively;

i)Ensure that the agenda for their meetings includes internal audit issues at least every quarter;

j)Recommend the appointment and dismissal of the head of internal audit. The Bank must also discuss the reasons for their dismissal with the CBB;

k) Make a determination, at least once a year, of the external auditor's independence;

l)Commission every five years a quality review of the effectiveness and efficiency of the internal audit and compliance functions by a third-party consultant, other than the external auditor. The results of such independent review must be provided to the CBB by 30th September of the relevant year;

m)Review and supervise the implementation and enforcement of the Bank's code of conduct, unless such mandate is delegated to another committee such as the NRGSC; and

n)Ensure that the senior management establishes and maintains an adequate and effective internal control systems, procedures and processes for the business of the Bank.

Where the Bank has a different committee overseeing and monitoring compliance issues, then all of the above compliance-related requirements can be handled by that committee instead.

72.The Bank must set up an effective and independent internal audit function, which reports directly to the Audit Committee.

73.The CEO and other members of the senior management of the Bank must not be members of the Audit Committee.

Audit Committee Charter

74.The Audit Committee must adopt a formal written charter which states the duties outlined in paragraph 71 above.

75.The members of the Audit Committee must have sufficient experience in audit practices, financial reporting, and accounting.

76.The Audit Committee shall elect one (1) member as its chair who must:

a)Be independent;

b)Not be the Chairperson of the Board, unless he is considered independent; and

c) Not be the chairperson of any other Board committee.

77.The Audit Committee must meet at least four (4) times a year.

78.The Audit Committee must meet (a) with the external auditor at least twice per year, and (b) at least once per year in the absence of any members of executive management but in the presence of the Head of Compliance, the Internal Auditor, and the Chief Risk Officer (CRO).

Whistleblowing Policy (HC 1.2)

79.Employees must be encouraged and be able to communicate confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical, or questionable practices. This must be facilitated through a well communicated and Board approved whistleblowing policy and adequate procedures and processes, consistent with applicable laws. This includes the escalation of material concerns to the CBB. In this regard, the Board must:

a) Have oversight of the whistleblowing policy mechanism and ensure that the senior management addresses legitimate issues that are raised;
b) Take responsibility for ensuring that staff who raise concerns are protected from detrimental treatment or reprisals, and that their rights are not undermined;

c) Approve and oversee how and by whom legitimate material concerns shall be investigated and addressed such as by an objective and independent internal or external body, the senior management, and/or the Board itself; and

d) Ensure that, after verifying the validity of the allegations, the person responsible for any misconduct is held accountable and is subjected to appropriate disciplinary measures.

Audit Committee Resources and Authority

80.The Audit Committee shall have the resources and authority necessary for its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees of outside legal, accounting, or other advisors as it deems necessary or appropriate, without seeking the approval of the Board or management. The Bank shall provide appropriate compensation for such advisors.

Audit Committee Performance Evaluation

81.The Audit Committee shall be responsible for the preparation and review with the Board of an annual performance evaluation of the Audit Committee, which shall compare the Audit Committee's performance with the above requirements and responsibilities and shall recommend to the Board any improvements deemed necessary or desirable to the Audit Committee's charter. The report must be in the form of a written report provided at any regularly scheduled Board meeting.

CEO and CFO Certification of Financial Statements

82.The CEO and Chief Financial Officer (CFO) must state in writing to the Audit Committee and the Board as a whole that the Bank's interim and annual financial statements present a true and fair view, in all material respects, of the Bank's financial condition and results of operations in accordance with applicable accounting standards.

Nomination, Remuneration, Governance and Sustainability Committee (HC 3.6, 3.7 and 3.8)

83.The Board has established the NRGSC to include at least three (3) Directors. Members of the NRGSC must be independent of any risk-taking function or committee. It shall meet at least twice and year and shall carry out the functions ascribed to NRGSC under its charter and the HC Module.

84.The NRGSC must include only independent Directors or alternatively only non-executive Directors of whom the majority are independent Directors.

Nomination, Remuneration, Governance and Sustainability Committee Charter

85.The NRGSC must adopt a formal written charter which states the duties outlined above and related matters included in CBB guidelines including the HC Module.

86.Please refer to the HC Module for more detail on the duties and responsibilities of the NRGSC.

Corporate Governance Officer (HC 3.8)

87.The Bank must assign to one of its senior management the role of a corporate governance officer who is responsible for the tasks of verifying the Bank's compliance with corporate governance rules and regulations. The responsibilities of the corporate governance officer may be assumed by the Bank's Head of Compliance and should include, at minimum:

a)Coordinating and following up on the Bank's compliance with corporate governance requirements;

b)Ensuring that the Bank's corporate governance policies, their implementation, and related internal controls are consistent with the regulatory and legal requirements;

c)Working closely with the Board and/or the relevant Board committee to improve the Bank's governance framework; and

d)Reviewing the annual corporate governance disclosure to ensure that its contents are in conformity with the Bank's internal policies and the CBB rulebook requirements.

Nomination, Remuneration, Governance and Sustainability Committee Performance Evaluation

88.The NRGSC shall preview and review with the Board an annual performance evaluation of the NRGSC, which shall compare the NRGSC's performance with the requirements and responsibilities referred to in the HC Module, and shall recommend to the Board any improvements deemed necessary or desirable to the NRGSC's charter. The report must be in the form of a written report provided at any regularly scheduled Board meeting.

Board nomination to shareholders

89.The Board must have a clear and rigorous process for identifying, assessing and selecting Board candidates. The Board, and not the management, must nominate the candidates for shareholders' approval. Each proposal by the Board to the shareholders for election or re-election of a Director must be accompanied by a recommendation from the Board and a summary of the advice of the NRGSC. To be eligible for membership of the Board, Board candidates must:

a) Possess the knowledge, skills, experience and, particularly in the case of non-executive directors, independence of mind necessary to discharge their responsibilities on the Board in light of the Bank's business and risk profile;

b) Have a record of integrity and good repute;

c) Have sufficient time to fully carry out their responsibilities;

d) Not have any conflicts of interest that may impede their ability to perform their duties independently and objectively and subject them to undue influence from:

i. Other approved persons, controllers, or other connected parties;

ii. Past or present positions held; or

iii. Personal, professional, or other economic relationships with other approved persons (or with other entities within the group); and

e) Not have more than two directorships of Bahraini banks, bearing in mind that two directorships of licensees within the same license category (e.g. 'Retail Bank') are not permitted

90. The Bank must provide the following information about the election or re-election of a Director on its website or send it to the shareholders personally by any approved means starting from the date of the invitation to hold the meeting of the General Assembly, and it is also obliged to include in its annual report:

a) The term to be served, which may not exceed three (3) years;

b) Biographical details and professional qualifications;

c) In the case of an independent Director, a statement that the Board has determined that the applicable rules and criteria for the independence of the Director have been met;

d) Other directorships held;

e)Particulars of other positions which involve significant time commitments;

f)Details of relationships between:

i.The candidate and the Bank, and

ii.The candidate and other approved persons of the Bank; and

g)Any other information required by the Commercial Companies Law or its Executive Regulation.

91.The Chairperson must confirm to shareholders when proposing re-election of a Director that following a formal performance evaluation, the person's performance continues to be effective and continues to demonstrate commitment to the role. Where an independent Director has served three (3) consecutive terms on the Board, such director will lose his independence status and must not be classified as an independent Director if reappointed.

Board Members' Induction (HC – 2.3)

92.The Board must ensure that:

a)Sufficient time, budget, and other resources are allocated annually for the Board members' induction programmes;

b)Each new Director receives a formal and tailored induction and has access to ongoing training on relevant issues which may involve internal or external resources to ensure their effective contribution to the Board from the beginning of their term; and

c)The induction programmes include meetings with senior management, visits to the Bank's facilities, presentations regarding strategic plans, significant financial, accounting, and risk management issues, compliance programmes, and meetings with internal and external auditors and legal counsel.

93.All continuing Directors must be invited to attend orientation meetings and all Directors must continually educate themselves as to the Bank's business and corporate governance.

Bank's Remuneration Structure and Associated Policies for Approved Persons and Material Risk-Takers (HC 6.1)

94. For detailed rules and guidance on the Bank's remuneration policies for Approved Persons and Material Risk-Takers developed under the requirements of the HC Module, please refer to the Bank's Remuneration Policy Chapter which is covered as part of the Bank's HR policy.

Establishment of Management Structure (HC – 7.1)

95.The Board is required at a minimum to approve the selection of and oversee the performance of the CEO, the CFO, and heads of the risk management, compliance, and internal audit functions. The Board must appoint senior management whose authority includes management and operation of the activities of the Bank, to report to the Board and to be under the direction and oversight of the Board.

Titles, Authorities, Duties and Responsibilities

96.Senior management must:

a) Be selected through an appropriate promotion or recruitment process which considers the qualifications and competencies required for the position in question;

b)Have the necessary experience, competencies, personal qualities and integrity to manage the businesses and employees under their supervision;

c) Be subject to regular training to maintain and enhance their competencies and stay up to date on developments relevant to their areas of responsibility;

d)Assess the training needs of staff across all levels throughout the organisation taking into account the existing skills and competencies and laws and regulations and ensure that such training is provided by competent and skilled personnel (whether internal or external);

e) Act within the scope of their responsibilities which must be clearly defined;

f) Independently assess and question the policies, processes, and procedures of the licensee, with the intent to identify and initiate management action on issues requiring improvement;

g)Not interfere in the independent duties of the risk management, compliance, and internal audit functions;

h)Carry out and manage the Bank's activities in compliance with all laws and regulations, and in a manner consistent with the business strategy, risk appetite, business plans and remuneration, and other policies approved by the Board;

i)Have a robust governance framework for all management committees;

j)Not primarily control the remuneration system in the Bank;

k)Actively communicate and consult with the control functions on management's major plans and activities so that the control functions can effectively discharge their responsibilities;

l)Provide the Board and its committees with timely, complete, accurate, and understandable information and documents so that they are equipped for upholding their responsibilities and keeping them adequately informed and updated on a timely basis about material issues including:

i.Changes in the implementation of business strategy, risk strategy, and risk appetite;

ii. The Bank's performance and financial condition;

iii.Breaches of risk limits or regulations;

iv.Internal control failures, frauds and cyber-security incidents;

v.Legal or regulatory concerns;

vi.Customer complaints; and

vii.Issues raised as a result of the Bank's whistleblowing policy.

Compliance (HC – 9.1)

97.The Board must:

a) Oversee the management of the Bank's compliance risk.

b)Establish an independent compliance function and approve an appropriate compliance framework for the Bank based on its size and complexity of its operations;

c) Set priorities for the management of its compliance risk in a way that is consistent with its risk management strategy and structures;

d)Not outsource the compliance function; and

e) Approve the Bank's compliance policy for identifying, assessing, monitoring, reporting, and advising on compliance risk.

98.The compliance function and the internal audit function must be separate.

99.The Board Compliance committee must, at minimum:

a)Receive the Bank's compliance reports and ensure senior management is taking necessary corrective action in a timely manner to address any non-compliance with policies, laws, and regulations;

b)Review and approve the bank's compliance scope;

c) Recommend the appointment and dismissal of the head of Compliance. The Bank must also discuss the reasons for their dismissal with the CBB;

d)Ensure that the agenda for the meetings of the Board Compliance committee includes compliance as a topic at least every quarter.

100.The Board Compliance committee and senior management must:

(a)Ensure that based on an agreed remedial action plan that all compliance findings are resolved within a reasonable period of time to be set based on level and magnitude of risk;

Licensed by CBB as a conventional Retail Bank.

(b)Not restrict the compliance function from reporting any irregularities or breaches that are identified as a result of its work or investigations, and must ensure that such reporting can be done without fear of retaliation or disfavour from management, board members, or other staff members;

(c)Ensure that the head of compliance and his staff are not placed in a position where there is a possible conflict of interest between their compliance responsibilities and any other responsibilities they may have;

(d)Not consider the compliance function as a cost centre instead it should be viewed as an activity that helps the licensee avoid enforcement action for non-compliance, enhances the licensee's reputation, and promotes the right environment for better financial performance; and

(e)Ensure the compliance function's right to:

i.Have unrestricted access to any records or files necessary to carry out its responsibilities, and the corresponding duty of Bank staff to co-operate in supplying this information;

ii.Conduct investigations of possible breaches of the applicable laws, regulations, and the compliance policy; and

iii.Appoint, subject to Compliance committee's approval, outside experts to perform a specific task, if appropriate.

101.The head of compliance must:

(a)Report to the Board Compliance committee, and administratively to the CEO. In the case of branches of foreign bank licensees, the reporting must be to the Group or Regional Head of Compliance and administratively to the CEO/GM of the branch;

(b)Establish the operating compliance procedures and processes for identifying, assessing, monitoring, reporting and advising on compliance risk;

(c)Establish written guidance to the licensee's staff on the appropriate implementation of laws and regulations;

(d)Conduct, under the sponsorship of the CEO, awareness sessions for the Bank's staff on compliance policy requirements and issues; and

(e)Report to the Audit Committee:

i.On a quarterly basis, the Bank's management of its compliance risk, in such a manner as to assist committee members to make an informed judgment on whether the licensee is managing its compliance risk effectively; and

ii. Immediately any material compliance failures as they arise (e.g. failures that may attract a significant risk of legal or regulatory sanctions, material financial loss, or loss of reputation).

102.Senior management is responsible for the effective management of the Bank's compliance risk.

103.Senior management is responsible for establishing the operating framework and the processes to support a permanent and an effective compliance function. It is responsible for establishing and communicating a written compliance policy through all levels of the Bank for ensuring that it is adhered to in practice. It is also responsible for approving the Bank's compliance procedures for identifying, assessing, monitoring, reporting, and advising on compliance risk.

104.The compliance policy must be approved by the Board and must address the following:

a)The role and responsibilities of the compliance function and its separation from the internal audit function;

b)Measures to ensure its independence;

c)Its relationship with other risk management functions within the bank and with the internal audit function;

d)Cases where compliance responsibilities are carried out by staff in different departments, and how these responsibilities are to be allocated among the departments;

e)Its right to obtain access to information necessary to carry out its responsibilities and the corresponding duty of bank staff to co-operate in supplying this information;

f) Its right to conduct investigations of possible breaches of the relevant laws and regulations and the compliance policy ,and to appoint outside experts to perform this task if appropriate;

g)SIts right to be able freely to express and disclose its findings to the Board or to the designated Board committee (e.g. the Audit Committee or the NRGSC of the Board); and

h)The basic principles to be followed by management and staff describing the main processes by which compliance risks are to be identified and managed through all levels of the organisation.

105.The Board must organise their compliance function and set priorities for the management of their compliance risk in a way that is consistent with their own risk management strategy and structures.

106.The compliance function must be independent and effective. It must be headed by an executive or senior staff member, the Head of Compliance, with overall responsibility for the Bank's compliance function.

107.The Head of Compliance shall operate in accordance with and comply with the responsibilities and obligations in the regulations applicable to them under the HC Module.

108.The compliance function must not be outsourced.

Internal Audit

109.The Bank must establish and implement an effective and independent internal audit function which provides an independent and objective assurance to the Board and senior management on the quality and effectiveness of the Bank's internal control, risk management, and governance systems and processes, to protect the Bank and its reputation. It shall operate and be bound by the relevant provisions of the HC Module and the IAD Charter of the Bank.

110.The internal audit function must develop an independent and informed view of the risks faced by the Bank based on its access to all Bank records and data, its enquiries, and its professional competence. The internal audit function must discuss its views, findings, and conclusions directly with the Audit Committee and with the Board at their routine quarterly meetings (if necessary).

111.The Bank must have an internal audit charter that articulates the purpose, standing, and authority of the internal audit function within the Bank in a manner that promotes an effective and independent internal audit function as described in the HC Module.

112.The internal audit charter must be drawn up and reviewed annually by the head of internal audit and approved by the Board or Audit Committee. It must be available to all internal stakeholders, and in certain circumstances, such as listed entities to external stakeholders.

113.The internal audit charter shall contain as a minimum such matters and requirements as detailed in the HC Module.

Risk Management (HC – 3.5 and 8.1)

114.The Bank must have a strong and appropriate risk management framework which complies with the requirements of the HC Module and:

a)Includes a strong risk culture, and a well-developed risk appetite articulated through the risk appetite statement (RAS);

b)Outlines actions to be taken when the stated risk limits are breached, including disciplinary actions for excessive risk-taking, escalation procedures and notification to the Board; and

c)Includes well-defined organisational responsibilities for risk management.

115.More specifically, the risk management framework should detail how the Bank will comply with the requirements in relation to risk management set out in the HC Module. It will include the key activities of the risk management function of the Bank including:

a)Implementing the enterprise-wide risk governance framework that includes appropriate policies, procedures, and limits;

b)Identifying material individual, aggregate, and emerging risks including risks arising from potential mergers and acquisitions and hard to quantify risks, such as reputational risks;

c) Regularly and on an ad-hoc basis, evaluating the risks faced by the Bank and its overall risk profile. The risk assessment process must include ongoing analysis of existing risks as well as the identification of new or emerging risks. The results of such assessments must be reported to both the Risk Committee and senior management;

d)Ongoing monitoring of the risk-taking activities and risk exposures in line with the Board-approved risk policies and appetite;

e) Establishing an early warning or trigger system for breaches of the Bank's risk appetite or limits;

f)Using risk measurement and modelling techniques in addition to qualitative risk analysis and monitoring;

g)Evaluating possible ways to mitigate risk exposures;

h)Reporting regularly to the risk committee and senior management on risks, including but not limited to, material exemptions and risk-mitigating actions;

i)Regularly comparing actual performance against risk estimates (i.e. Back testing) to assist in judging the accuracy and effectiveness of the risk management process and making necessary adjustments; and

j)Challenging decisions that give rise to material risk.

Independent Risk Management Function and Chief Risk Officer (HC 8.1)

116.The Bank shall also establish an effective and independent risk management function with sufficient stature, independence and skilled resources commensurate with the Bank's size, complexity, and risk profile and appoint a head of risk management function, referred to as the Chief Risk Officer (CRO) or any equivalent title, who shall report to the Board Risk committee and administratively to the CEO. The role of the CRO shall be independent and distinct from other executive functions and business line responsibilities and cannot be fulfilled by any person serving in any other senior management position. The CRO's performance, compensation, and budget shall be reviewed and agreed by the NRGSC. The risk management function shall be compliant with the requirements of the HC Module and undertake the key activities outlined in it.

117.Interaction between the CRO and the Board shall occur regularly. Non-executive Board members shall also have the right to meet regularly with the CRO in the absence of Executive Directors and the CEO. The CRO together with management must be actively engaged in monitoring performance relative to risk-taking and risk limit adherence.

118.The CRO has primary responsibility for overseeing the development and implementation of the Bank's enterprise-wide risk management framework, including the ongoing strengthening of risk management staff skills and enhancements to risk management systems. The CRO is also responsible for supporting the Board and the Risk Committee, as appropriate, in its engagement with and oversight of the development of the Bank's risk strategy, risk appetite statement (RAS), and for translating the risk appetite into a risk limits structure. The CRO's responsibilities also include participating in key decision-making processes (e.g. strategic planning, capital and liquidity planning, new products and services development, and compensation design and operation).

119.The risk management function must have access to all business lines that have the potential to generate material risk to the Bank as well as to relevant risk bearing subsidiaries, associated companies and overseas branches.

120.The CRO must consistently remind staff through a regular process, under the sponsorship of the CEO, of the risk management requirements and enhance a common understanding of these requirements across the Bank in order to create a culture of risk awareness.

121.The approval, dismissal, or any decision affecting the CRO position must be approved by the Board or the Risk Committee or Audit Committee. In the event the CRO is removed for any reason, the Bank must disclose this publicly and discuss the reasons for removal with the CBB.

Risk Committee (HC – 3.5)

122.The Bank must establish a Risk Committee which must have at least three (3) Directors, the majority of whom must be independent Directors. In addition, the committee members must have experience in risk management issues and practices and have no conflict of interest with any other duties they may have. The Risk Committee may not have the CEO or other members of senior management of the Bank as members and shall be chaired by an independent Director who is (i) not the Chairperson of the Board (unless they are considered independent) and (ii) not the chairperson of any other Board committee.

123.The Risk Committee must, at a minimum:

a)Recommend the appointment or removal of the CRO or equivalent;

b)Discuss all risk strategies on both an aggregated basis and by type of risk and make recommendations to the Board, and on the risk appetite;

c)Ensure that:

i.Risks are identified, measured, aggregated, controlled, mitigated, monitored, and reported on an ongoing basis across all business lines, the licensee as a whole, its subsidiaries, and overseas branches (if any);

ii. Risk identification and measurement include both quantitative and qualitative elements;

iii.Each key risk has a policy, process, and controls;

iv.The Bank has sufficient and robust management information system and policies, supported by appropriate control procedures and processes, designed to ensure that the Bank's risk identification, measurement, aggregation, controlling, mitigation, monitoring, and reporting capabilities are commensurate with the licensee's size, complexity, and risk profile. The sophistication of the Bank's risk management information system and internal control infrastructure must keep pace with changes to the Bank's risk profile, the external risk landscape, and industry practices;

v.The Bank's risk management infrastructure, including a sufficiently robust data infrastructure, data governance and architecture, and information technology infrastructure keeps pace with developments such as balance sheet and revenue growth, increasing complexity of the Bank's business, risk configuration or operating structure, geographical expansion, mergers and acquisitions, or the introduction of new products or business lines;

vi.Senior management have processes in place to promote the Bank's adherence to the approved risk policies and risk appetite;

vii. The Bank's policies must determine the key management decisions that must be taken by more than one person;

viii.The Bank has an adequate communication within the organisation about risk, both across the organisation and through reporting to the Board and senior management;

ix.The Bank has a strong risk culture that promotes risk awareness and encourages open communication and challenge about risk-taking across the organisation as well as vertically to and from the Board and senior management; and

x. The Bank has adequate escalation procedures on risks related matters.

d)Advise the Board on the Bank's risk appetite, overseeing senior management's implementation of the RAS, reporting on the state of risk culture in the Bank, and interacting with and overseeing the CRO;

e) Oversee the strategies for capital and liquidity management as well as for all relevant risks of the Bank, such as credit, market, operational, interest rate risk in the banking book and reputational risks, to ensure that they are consistent with the stated risk appetite;

f)Commission every five years a quality review of the effectiveness and efficiency of the risk management framework and function by a third-party consultant, other than the external auditor in accordance with the framework outlined in the HC Module. The results of such independent review must be provided to the CBB by 31st May of the relevant year; and

g)Receive regular reporting and communication from the CRO and other relevant functions about the Bank's current risk profile, current state of the risk culture, utilisation against the established risk appetite and limits, limit breaches and mitigation plans.

The CBB requires banks to avoid organisational silos that can impede effective sharing of risk information across the organisation and can result in decisions being taken in isolation from the rest of the Bank. Accordingly, the Board, senior management, and control functions must re-evaluate established practices in order to encourage greater communication. In addition, there must be effective communication and coordination between the Audit Committee and the Risk Committee to facilitate the exchange of information and effective coverage of all risks, including emerging risks, and any needed adjustments to the risk governance framework of the Bank.

Role of Board and Senior Management

124.The Board's role in respect of risk management is to define the Bank's risk appetite and ensure that the Bank's risk management framework is aligned with the Bank's strategic, capital strategies, financial plans, and compensation practices. This includes the preparation of a detailed policy that sets specific bank-wide prudential limits on the Bank's activities. The Bank's risk appetite must be clearly conveyed through the RAS which can be easily understood by all relevant parties, including the Board, senior management and Bank employees.

125.The Bank's RAS must specifically:

a)include both quantitative and qualitative considerations;

b)establish the individual and aggregate level and types of risk that the Bank is willing to assume;

c)define the boundaries and business considerations in accordance with which the Bank is expected to operate;

d)be aligned with the Bank's strategic, capital and financial plans, and compensation packages; and

e)be communicated effectively throughout the Bank, linking it to daily operational decision-making and establishing the means to raise risk issues and strategic concerns across the Bank on a timely and proactive basis.

126.The Board must ensure that:

a)a sound risk management culture is established throughout the Bank;

b)appropriate limits are established that are consistent with the Bank's risk appetite, risk profile, and capital strength, which are understood by and regularly communicated to the relevant staff;

c)policies and processes are developed for risk-taking that are consistent with the Risk Management Strategy and the established risk appetite;

d)uncertainties attached to risk measurement are recognised; and

e)senior management is taking all necessary steps to monitor and control all material risks consistent with the approved strategies and risk appetite.

127.The Board and senior management must possess sufficient knowledge of all major business lines to ensure that appropriate policies, controls, and risk monitoring systems are implemented effectively. The Board must ensure collectively that it has the necessary expertise to understand the activities in which the Bank is involved and the associated risks. The Board and senior management must remain informed, on an on-going basis, about these risks as financial markets, risk management practices, and the Bank's activities evolve. In addition, the Board and senior management must ensure that accountability and lines of authority are clearly delineated.

128.Before embarking on new lines of business or activities, the Board and senior management must identify and review the changes in risk profile arising from these potential new activities and ensure that the infrastructure and internal controls necessary to manage any related risks are in place.

129.Before embarking on new or complex products, senior management must identify and review the changes in the risk profile arising from these potential new products and ensure that the infrastructure and internal controls necessary to manage any related risks are in place.

130.Senior management of the Bank must understand the underlying assumptions regarding accounting treatment, business models, valuation and risk management practices. In addition, senior management must evaluate the potential risk exposure if those assumptions fail.

Policy, Procedures, Limits and Controls

131.The Bank's policy and procedures must provide specific guidance for the implementation of broad risk management strategies and must establish, where appropriate, internal limits for the various types of risk to which the Bank may be exposed. These limits must consider the Bank's role in the financial system and be defined in relation to the Bank's capital, total assets, earnings, or where adequate measures exist, its overall risk level.

132.Specifically, the Bank's policy, procedures, and limits must:

a)provide for adequate and timely identification, measurement, monitoring, control, and mitigation of all risks including the risks posed by its lending, investing, trading, securitisation, off-balance sheet, fiduciary, and other significant activities at the business line and Bank-wide levels;

b)ensure that the economic substance of a Bank's risk exposures, including reputational risk and valuation uncertainty are fully recognised and incorporated into the Bank's risk management processes;

c) be consistent with the Bank's stated goals and objectives as well as its overall financial strength;

d)clearly delineate accountability and lines of authority across the Bank's various business activities and ensure there is a clear separation between business lines and the risk management function;

e) escalate and address breaches of internal position limits;

f)provide for the review of new businesses and products by bringing together all relevant risk management, controls, and business lines to ensure that the Bank is able to manage and control the activity prior to it being initiated; and

g)include a schedule and process for reviewing the policy, procedures, and limits, and for updating them as appropriate.

Monitoring and Reporting of Risk

133.The Bank's MIS must provide the Board and senior management with timely and relevant information concerning their risk profile in a clear and concise manner. This information must include all risk exposures, including those that are off-balance sheet. Senior management must be able to understand the assumptions behind, and limitations inherent in, specific risk measures.

134.The Bank must also establish appropriate risk management methodologies, tools, models, and systems commensurate with the nature and complexity of the Bank's business.

135.If the Bank employs the use of models to measure components of risk, the Bank must establish model governance frameworks including regulatory validation and testing.

136.The information systems of the Bank must be adequate (both under normal circumstances and in periods of stress) for measuring, assessing, and reporting on the size, composition, and quality of exposures on a Bank-wide basis across all risk types, products, countries, region, etc. and counterparties. Reports generated must reflect the Bank's risk profile, capital, and liquidity needs, and must be provided on a timely basis to the Board and senior management. The MIS must be capable of capturing limit breaches, and there must be procedures in place to promptly report such breaches to senior management, as well as to ensure that the appropriate follow-up actions are taken.

Conduct of Shareholders' Meetings (HC – 4.1)

137.The Board must observe both the letter and the intent of the Commercial Companies Law's requirements and its Executive Regulation for shareholder meetings. Among other things:

a)Notices of meetings must be honest, accurate, and not misleading. They must clearly state and, where necessary, explain the nature of the business of the meeting;

b)Meetings must be held during normal business hours and at a place convenient for the greatest number of shareholders to attend;

c)Notices of meetings must encourage shareholders to attend shareholder meetings and, if not possible, to by proxy and must refer to procedures for appointing a proxy and for directing the proxy how to vote on a particular resolution. The proxy agreement must list the agenda items and must specify the vote (e.g. "yes", "no" or "abstain");

d)Meetings can be held, and shareholders can attend and vote in meetings, by way of an electronic system in compliance with the Commercial Companies Law and its Executive Regulation and the applicable laws and regulations in this connection;

e)Notices must ensure that all material information and documentation is provided to shareholders on each agenda item for any shareholder meeting including, but not limited to, any recommendations or dissents of Directors;

f)The Board must propose a separate resolution at any meeting on each substantially separate issue so that unrelated issues are not bundled together;

g)In meetings where Directors are to be elected or removed the Board must ensure that each person is voted on separately, so that the shareholders can evaluate each person individually;

h)The chairperson of the meeting must encourage questions from shareholders including questions regarding the Bank's corporate governance policy;

i)The minutes of the meeting must be made available to shareholders upon their request as soon as possible but not later than 30 days after the meeting; and

j)Disclosure of all material facts must be made to the shareholders by the Chairperson prior to any vote by the shareholders.

138.The Bank should require all Directors to attend and be available to answer questions from shareholders at any shareholder meeting, and in particular, to ensure that the chairs of the Audit Committee and the NRGSC are ready to answer appropriate questions regarding matters within their committee's responsibility (confidential and proprietary business information may be kept confidential).

139.The Bank should require its external auditor to attend the annual shareholders' meeting and be available to answer shareholders' questions concerning the conduct and conclusions of the audit.

140.In respect of any shareholders' meeting, the Bank must provide the draft agenda to the CBB, for its review and comment, at least five (5) business days, prior to communicating with the shareholders or publishing in the press.

141.The Bank must ensure that the CBB's prior approval has been obtained for any shareholder meeting agenda items, which require CBB's prior approval under relevant regulations, prior to the meeting taking place.

142.The Bank must invite a representative of the CBB to attend any shareholders' meetings taking place. The invitation must be provided to the CBB at least five (5) business days prior to the meeting taking place.

143.Within a maximum of fifteen (15) calendar days of any shareholders' meetings, the Bank must provide the CBB a copy of the minutes of the meeting.

144.The Bank should maintain a website with a dedicated section describing shareholders' rights to participate and vote at each shareholders' meeting, and should post significant documents relating to meetings including the full text of notices and minutes.

The Bank may also consider an electronic means for shareholders' communications including an appointment of proxies. For confidential information, the Bank should grant a controlled access to such information to its shareholders.

145.In notices of meetings at which Directors are to be elected or removed the Bank should ensure that:

a) Where the number of candidates exceeds the number of available seats, the notice of the meeting should explain the voting method by which the successful candidates will be selected, and the method to be used for counting of votes; and

b)The notice of the meeting should present a factual and objective view of the candidates so that shareholders may make an informed decision on any appointment of the Board.

Shareholders' Rights

146.All shares issued by the Bank shall be ordinary shares that confer equal rights and liabilities to the shareholders.

147.All rights conferred to the shareholders shall be established in accordance with the provisions of the Commercial Companies Law, and in particular the right to the following:

a) Receive entitlements of the net profits which have been distributed by way of cash or the issuance of shares;

b)Receive entitlements of the Bank's funds and assets upon its liquidation;

c) Participate in the management of the Bank's business, including attending the Bank's ordinary and extraordinary general meetings, participate in its discussions, and vote on its resolutions in accordance with the Bank's corporate documents;

d)Dispose of shares owned and to have the priority right to subscribe to new shares in accordance with the Commercial Companies Law, and any other orders and resolutions issued to regulate the procedures of takeovers, mergers, and acquisitions as issued by the concerned Minister of the commerce affairs;

e) Access the Bank's records, financial books, and documents in a manner that does not prejudice the Bank's interests or financial position, or the interest of any third party, and does not contravene with the provisions of the Commercial Companies Law and its Executive Regulation;

f) Obtain a printed information sheet which includes the Bank's budget for the financial year ended, profit and loss account, report of the Board of Directors, and auditor's report;

g) Hold the Board accountable and pursue the required legal actions and proceedings against them, and claim the annulment of any resolution issued by the Bank's general assembly or Board that is in breach of the Commercial Companies Law, or the Bank's corporate documents in accordance with the provisions of the Commercial Companies Law;

h) A shareholder who commences legal proceedings against the Bank, its Chairperson, members of the Board, or a member of its executive management before the competent court, may request to compel the defendant(s) in such proceedings with the following:

i. The provision of any information and/or documentation that the defendant(s) relied upon in their defence submitted to the court; and

ii. The provision of any information and/or documentation which evidence the facts identified in the shareholder's claim or any other information and/or documentation which may be relevant to the subject of their claim, without the need to specifically identify the information or documentation needed. The shareholder may also request to oblige third parties the submission of such information or documentation so required; and

i) Nominate members of the Board.

Disclosure under Company Law, CBB Rulebook and Listing Rules

148. In the Bank:

a) The Board must adopt a written corporate governance policy covering the matters stated in relevant CBB guidelines and other corporate governance matters deemed appropriate by the Board. Such policy must include the principles and rules of the HC Module;

b) The Bank must publish the corporate governance policy on its website;

c) At each annual shareholders' meeting, the Board must report on the Bank's compliance with its guidelines and the HC Module and explain the extent if any to which it has varied them or believes that any variance or non-compliance was justified;

d)At each annual shareholder's meeting, the Board must also report on further items listed in Public Disclosure Module (PD Module). Such information should be maintained on the Bank's website or held at the Bank premises on behalf of the shareholders; and

e) The Bank must disclose its annual corporate governance report on the Bahrain Bourse's website at least 14 days prior to the date of the annual shareholder's meeting.

Board's Responsibility for Disclosure

149.The Board must oversee the process of disclosure and communications with internal and external stakeholders. The Board must ensure that disclosures made by the Bank are fair, transparent, comprehensive, timely, and reflect the character of the Bank and the nature, complexity, and risks inherent in the Bank's business activities. Disclosure policies must be reviewed and implemented for compliance with the CBB guidelines and Bahrain Bourse Listing Rules' disclosure requirements. The Board shall encourage and be responsible for the introduction of ESG reporting by the adoption of the voluntary Bahrain Bourse ESG Reporting Guide as part of the Bank's non-financial reporting to complement the annual financial reporting.

Disclosure Requirements in the Annual Report (PD – 1.3.8)

150.The following information relating to corporate governance must be disclosed in the annual report:

a)Information about the Board structure (e.g. the size of the Board, Board committees, function of committees, and membership showing executive, non-executive and independent members, number, and names of independ ent Board members), and the basic organisational structure (e.g. lines of business structure and legal entity structure);

b)Information about the profession, business title, and experience in years of each Board member and the qualifications and experience in years of all senior managers;

c) Information about the formation of the Board, including the representation of each gender as a percentage.

d)Descriptive information on the managerial structure including: (i) committees;

(ii) segregation of duties; (iii) reporting lines; and (iv) responsibilities;

e)Descriptive information on the performance linked incentive structure for approved persons including but not limited to remuneration policies, executive compensation, and stock options;

f)Nature and extent of transactions with related parties (as defined by IFRS and see also PD Module – 1.3.23(d));

g)Approval process for related party transactions;

h)Information about any changes in the structures (as mentioned in PD Module – 1.3.8(a) to (c)) from prior periods;

i)The communications strategy approved by the Board (including the use of the Bank's website) which should undertake to perform at least the following: (i) the disclosure of all relevant information to stakeholders on a timely basis in a timely manner and (ii) the provision of at least the last five (5) years of financial data on the Bank's website;

j)Distribution of ownership of shares by nationality;

k)Directors' and senior managers' trading of the Bank's shares during the year on an individual basis;

l)Distribution of ownership of shares by Directors and senior managers on an individual basis;

m)Distribution of ownership of shares by size of shareholder;

n)Ownership of shares by Government;

o)The Board's functions – rather than a general statement (which could be disclosed simply as the Board's legal obligations under various laws) the "mandate" of the Board should be set out;

p)The types of material transactions that require Board approval;

q)Board terms and start date for each term for each Director;

r)What the Board does to induct, educate, and orient new Directors;

s)Election system for Directors and any termination arrangements;

t)Whether the Board has adopted a written code of ethical business conduct, and if so, the text of that code and a statement of how the Board monitors compliance;

u)Minimum number of Board committee meetings compared with the actual dates and number of Board and committee meetings, individual attendance of each Director, and the work of committees and any significant issues arising during the period;

v) Review of internal control processes and procedures;

w)Directors responsibility with regard to the preparation of financial statements;

x) Board of Directors – whether or not the Board, its committees, and individual Directors are regularly assessed with respect to their effectiveness and contribution;

y)The Bank must maintain a website;

z)Remuneration paid to Board members in accordance with the Commercial Companies Law and its Executive Regulation; and

aa)Key features and objectives of the remuneration policy of the Bank for approved persons and material risk-takers as well as the frequency of review of the remuneration structure and the extent to which the policy is applicable to foreign subsidiaries and branches; and

bb)Remuneration paid to senior management in accordance with the Commercial Companies Law and its Executive Regulation.

Disclosures to Shareholders (PD – 6.1.1 to 6.1.3)

151.The Bank must also disclose to their shareholders the following information:

a) Names of shareholders owning 5% or more and, if they act in concert, a description of the voting shareholders' or other agreements among them relating to acting in concert, and of any other direct and indirect relationships among them or with the Bank or other shareholders;

b)Information on the directorships held by the Directors on other boards;

c) Audit fees charged by the external auditor;

d)Non-audit services provided by the external auditor and fees;

e) Reasons for any switching of auditors and reappointing of auditors; and

f) Conflict of Interest – any issues arising must be reported, in addition describe any steps the Board takes to ensure Directors exercise independent judgement in considering transactions and agreements in respect of which a Director or executive officer has a material interest.

152.The Bank must disclose in the annual report any abstention from voting motivated by a conflict of interest and must disclose to its shareholders any authorisation of a conflict of interest contract or transaction in accordance with the Commercial Companies Law.

153.The Bank must publish a summary of their internal corporate governance policies on their website.

Principles of Business

154.The Bank strictly adheres to the 10 Principles of Business mandated by the CBB in its PB Module. These cover:

a) Integrity;

b)Conflicts of Interest;

c) Due Skill, Care, and Diligence;

d)Confidentiality;

e) Market Conduct;

f)Customer Assets;

g)Customer Interests;

h)Relations with Regulators/Supervisors;

i)Adequate Resources; and

j)Management, Systems, and Controls.

155.The Principles of Business must be covered as part of the Bank's approved persons and employee's code of conduct.

Applicability of this Corporate Governance Policy

156.The Bank must ensure that as a minimum the same or equivalent provisions set out in the HC Module apply to its subsidiaries and overseas branches, such that these are also subject to effective high-level controls. The CBB also requires that where local jurisdiction requirements are more stringent than those applicable under the HC Module, the local requirements are to be applied. Based on these requirements, this Corporate Governance Policy shall be applicable to:

a)The Bank;

b)The Bank's subsidiaries;

c)The Bank's branches in the Kingdom of Saudi Arabia to the extent they are consistent with and/or more stringent than the laws, regulations, and guidelines applicable to such branches in Saudi Arabia associated with corporate governance including, to the extent applicable, the Principles of Corporate Governance for Banks operating in Saudi Arabia published by the Saudi Arabian Monetary Agency as revised from time to time; and

d)The Bank's branches in the United Arab Emirates to the extent they are consistent with and/or more stringent than the laws, regulations and guidelines applicable to such branches in the United Arab Emirates associated with corporate governance including, to the extent applicable, the Central Bank of the United Arab Emirates' Corporate Governance Regulations and Corporate Governance Standards as may be revised from time to time.