



**AL-BARAKA ISLAMIC BANK**

**CORPORATE GOVERNANCE GUIDELINES**

## 1.1 About the Bank

Al-Baraka Islamic Bank - Bahrain (AIB) is one of the banking subsidiaries of AlBaraka Group (ABG), which was established in Bahrain, in the year 1984 as a Closed Joint-Stock Company. AIB is 92% owned by AlBaraka Group (ABG), which is a Bahraini Joint Stock Company, listed in Bahrain stock exchange.

In year 2007, AIB acquired the sister Bank Al-Amin Bank (Bahrain), which was wholly owned by the parent Al-Baraka Group B.S.C, to become a major Islamic banking institution that provides a comprehensive range of services. AIB is currently operating in Bahrain, covering Saudi Arabia, UAE, other GCC countries and with a subsidiary in Pakistan.

AIB offers a wide array of Islamic financing products; investment banking; project development; trade finance and other banking activities in conformity with Islamic principles, such as Murabaha, Ijara, Musharaka and Islamic Export Refinance, etc., catering to a diverse cross-section of the economy, including Corporate, SME and Consumer sectors. Moreover, various Shari'a compliant deposit schemes are available for customers to invest their funds in, along with a variety of other ancillary services such as online Banking, ATM/debit card, and utility bill payments etc.

## 1.2 Corporate Objective

In line with the ultimate objective of the parent group, and in accordance with Shari'a principles, the ultimate corporate objective of AIB is seeking to secure long-term profitability and enable the sustainable creation of shareholder value. In pursuing these objectives, AIB will continuously improve the business practices in an effort to improve its competitive position globally with the ultimate objective of becoming more attractive as an Islamic financial institution.

## 1.3 Vision

"We believe society needs a fair and equitable financial system: one which rewards effort and contributes to the development of the community".

## 1.4 Mission

"To meet the financial need of communities across the world by conducting business ethically in accordance with our beliefs, practicing the highest professional standards and sharing the mutual benefits with the customers, staff and shareholders who participate in our business success."

## 2. Code of Corporate Governance

The Bank has adopted a Code of Corporate Governance since 2009. The Code is generally updated every three years or whenever there is a need to update it due to changes in laws and applicable regulations. The Code provides a corporate governance structure through which the objectives of the Bank are set, and the means of attaining those objectives and monitoring performance are determined. The Code embodies the Bank's standards of business ethics and professional conduct. Directors as well as employees of the Bank must comply with the Code. This Corporate Governance Guidelines provides summary of the corporate governance structure, the general responsibilities of the Board of Directors and Management as well as a summary of the main policies of the Bank related to the corporate governance.

## 3. BOARD OF DIRECTORS

### 3.1 The Board's Primary Responsibilities

- 3.1.1 All Directors should understand the Board's role and responsibilities under the Commercial Companies Law, High Level Controls Module of the CBB Rulebook, and any other laws or regulations that may govern their responsibilities from time to time.
- 3.1.2 The Board will conduct itself in accordance with the highest standards of ethical conduct and in accordance with the law, in the best interests of the Bank's shareholders and stakeholders. The business and affairs of the Bank are subject to the general oversight of the Board.

### 3.2 The Board's Functions and Responsibilities

Directors' oversight duties and responsibilities, which, as appropriate, may be discharged through Board committees, include:

- 3.2.1 Assuring equitable treatment of shareholders including minority shareholders.
- 3.2.2 Establishing policies for Board operations, including defining the scope of responsibilities of the Board members, including the Chairman, the Deputy Chairman, the Board Secretary, and the Board Committees.

- 3.2.3 Selecting and evaluating the Chief Executive Officer and reviewing the process for the selection, evaluation, and development of other key managers (at least annually).
- 3.2.4 Determines and review the structure of the Board in terms of appropriate size, compositions, and proportion of independent directors, where appropriate, reconstitute itself and its committees by selecting new Directors to replace long-standing members or those members whose contribution to the bank or its committees is not adequate. The Chairman of the Nomination, Remuneration and Governance Committee shall lead the previously mentioned annual performance evaluation.
- 3.2.5 Ensure that the Board consists of directors with a wide range of qualifications in terms of skills, experiences, abilities and special characteristics of certain areas as well as gender and age, which are necessary for achieving the organization's main objectives and goals.
- 3.2.6 Establishing the objectives of the Bank, and re-assess them periodically.
- 3.2.7 Approves and monitor the Bank's business plans & the inherent level of risk in these plans, strategies, performance objectives & targets, policies, Assess the adequacy of capital to support the business risks of the bank, budgets, and major capital expenditures, divestitures and acquisitions as may be required by law or otherwise appropriate.
- 3.2.8 Ensure that the systems and controls framework, including the Board structure and organizational structure of the Bank, is appropriate for the Bank's business and associated risks.
- 3.2.9 Review the Bank's processes for compliance with regulatory requirements, the AOA, resolutions of shareholders' meetings, and the Code of Conduct and ethical standards in good faith and with care.
- 3.2.10 Ensure that the bank implements adequate infrastructure and controls to measure, monitor, mitigate risk effectively, and provide assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations.
- 3.2.11 Ensure that the management team effectively carries out their risk management responsibilities.
- 3.2.12 Review key risks in the Bank's businesses and operations, and overseeing the bank's management of those risks, including structures and processes designed to ensure that there are appropriate systems of risk management, and internal compliance and control.
- 3.2.13 Review and approve major transactions.

- 3.2.14 Approves every new line of business or activities of the bank (e.g., new products that are significantly different from existing ones, creation of new types of exposure, new markets, etc.) after it has:
- a) Considered all the risks involved in the new activity;
  - b) Checked the mechanisms which the bank will use to measure and control the risks;
  - c) Set quantitative limits required as a result of risks inherent in the activity; and
  - d) Ascertain that the bank has the necessary manpower, source of finance, and technological infrastructure to ensure the proper absorption and management of the activity and its consistency with the business strategy of the institution.
- 3.2.15. Monitor conflicts of interest and preventing abusive related party transactions;
- 3.2.16 Approve write-offs related to credit facilities and investments in accordance with the AIB's policies and procedures in this respect.
- 3.2.17 Periodically review the delegated authorities and monitor the exercise of such authorities to management, and approve expenditure beyond authority limits delegated to management;
- 3.2.18 Review on a regular and continuing basis the succession plan for senior and executive management.
- 3.2.19 Review and approve the AIB's periodic Financial Statements based on the recommendation from the Audit Committee of the Board. In addition, reviewing the Bank's processes for maintaining integrity in financial reporting.
- 3.2.20 Review the Bank's processes for protecting the Bank's assets and reputation.
- 3.2.21 Ensure that reliable, sufficient, and well-Integrated Information System supports the Bank's operations.
- 3.2.22 The Board shall approve Committee members, Committee Charters setting out matters relevant to their composition, responsibilities and administration, and other matters relating to such Committees as the Board may consider appropriate.
- 3.2.23 Perform any other function that are the Board responsibility under applicable laws and regulations.

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, it may not delegate its ultimate responsibility to ensure

that an adequate, effective, comprehensive and transparent corporate governance framework is in place. The Board and its Committees shall perform their duties in accordance with the Values and Strategic Vision of the Bank and with various policies, which will be set forth in writing and reviewed regularly by the Board. The Board is responsible for the administration of each of these policies and has the sole authority to amend the policies or to grant waivers of their provisions.

### 3.3 Board Composition and Related Matters

#### 3.3.1 Director's Election

- a. The Bank pursues the objective of achieving a balance of skills, knowledge, experience and perspectives among directors so that the Board works effectively to ensure the long-term safety and soundness of the Bank. To appoint the Board, AIB should seek CBB approval for all the candidates to be put forward for election/approval at a shareholder meeting, in advance of the agenda being issued to shareholders. CBB approval of the candidates does not in any way limit shareholders' rights to refuse those put forward for election/approval.
- b. Members of the AIB Board are elected by the shareholders. The names of Directors submitted for election or re-election should be accompanied by sufficient biographical details and any other relevant information to enable shareholders to take an informed decision on their election. The Board should consist of a number of directors not less than 7 (seven) and not exceeding 11 (eleven) members. However, the ordinary General Meeting may from time to time determine the number of Directors.
- c. The chairperson of the Board should confirm to shareholders when proposing reelection 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. Any term beyond six years (e.g., two three-year terms) for a director should be subject to particularly rigorous review, and should take into account the need for progressive refreshing of the Board. Serving more than six years is relevant to the determination of a non-executive director's independence.

#### 3.3.2 Term of Office

The duration of the Board membership is three years and can be renewed. The legal person who appointed one or more members in the Board may change such appointment

in writing during the same period or its end. Any Board member who joins the Board during the term of the Board shall have membership up to the end of the term. The duration of the Board membership may, upon the recommendation of the Board, be extended for a maximum of six months by a Resolution to be issued by the Minister of Commerce.

### **3.3.3 Remuneration of the Board of Directors:**

Article 39 of the Memorandum of Articles of the Bank states that the General Assembly shall specify the remuneration of the members of the Board, However, such remuneration must not exceed in total 10% of the net profits after deducting statutory reserve and the distribution of dividends of not less than 5% of the paid capital. The General Assembly may decide to pay annual bonuses to the Board members in the years when the company does not make profits or in the years when it does not distribute profits to the shareholders, subject to the approval of the Minister of Industry and Commerce.

### **3.3.4 Performance Evaluation of SSB, Board, Committees, Directors, Senior Executives**

At least annually, the Board of Directors and SSB must conduct an evaluation of their performance and the performance of each committee and each individual director. The purpose of the ongoing performance evaluations is to identify specific areas in need of improvement or strengthening and the results and any actions to be taken shall be discussed by the full Board. The evaluation shall be conducted annually. The result of the evaluation is disclosed in the Annual General meeting and the Annual Report.

### **3.3.5 Board Meetings**

The Board must meet sufficiently often to enable itself to discharge its responsibilities effectively, taking into account the bank's scale and complexity. The full Board must meet at least four times per year, once every quarter. Special meetings may be called from time to time as determined by business necessity. Directors must attend at least 75% of all Board meetings in a given financial year and expected to actively participate in all meetings of the full Board, as well as meeting of committees and sub- committees of the Board.

### **3.3.6 Induction Procedures**

When a new member is appointed, the Chairman of the Board, assisted by the Secretary of the Board, should review the Board's role and duties with that person, particularly

covering legal and regulatory requirements and this Code. This should include provision of a copy of this Corporate Governance, and information on the time commitment needed, as well as specific information about the Bank and Group. The induction procedure should also include meetings with relevant management and particularly should cover legal and regulatory requirements and Module HC of CBB Rulebook Volume2-for Islamic Financial Institutions. Similar induction procedures must also apply upon appointment of members of SSB.

### 3.3.7 Compliance

- a. The Board is responsible for overseeing the management of the bank's compliance risk and expects its business to be conducted in accordance with the laws, regulations. Senior management is responsible for establishing the operating framework and the processes to support a permanent and an effective compliance function.
- b. The Bank's Compliance function has overall oversight responsibility for the bank compliance framework and accountable for designing a compliance program that allows the bank to meet its regulatory obligations.
- c. Key principles of the Compliance Framework are to foster an integrated approach where staffs are responsible and accountable for compliance, either within their job role, or within their area of influence, and to reward correct compliance-related behavior.

### 3.3.8 Code of Conduct

- a. As part of Corporate Governance, The Bank approves Code of Conduct for the Board of Directors, Sharia Board members, and all employees, which is in line with the relevant regulatory rules and regulations, as well as other best industry practices. The Code sets out ethical standards and values to which directors are required to adhere and covers various legal, regulatory and ethical issues, such as honesty and integrity, conflicts of interest, compliance with laws and regulations, personal benefits, and outside employment.
- b. All Directors, management, and employees shall be responsible for reading, understanding, and sign on a declaration on an annual basis to certify their strict compliance with the Code.



## 4. Board Committees

The Board may delegate some responsibilities to some Committees in order to perform its duties more efficiently. Committees do not diminish the full Board's responsibility for the affairs of the Bank, and therefore, the Board will remain, overall, responsible for the conduct of the Committees.

In order to implement its functions, the Board created the following committees:

- a. **Audit Committee** - This committee comprises three members from the Board of Directors and operates under the terms of reference set forth in a formal charter. The committee assists the Board through review of the Bank's financial information, internal controls and internal audit functions. The Committee also oversees the internal audit function and evaluates the performance of the Bank's external auditors. In addition, the Committee is charged with ensuring the Bank's compliance with applicable laws and regulations.
- b. **Risk Management Committee** - This committee is responsible for overseeing, monitoring and reviewing the Bank's risk management principles and policies, strategies, processes and controls including credit, market, liquidity, balance sheet, operational risk and compliance frameworks.
- c. **Nomination, Remuneration and Governance Committee** - The main objective of this committee is to assist the Board in the effective discharge of its responsibilities in relation to the remuneration of directors and performance of the Board; and to ensure the appropriate board composition, ensure appropriate nomination of directors to the Board, and provide a formal forum for communication between the Board and the Bank's management on Human Resource issues.
- d. **Executive Committee** - Responsible for operating the Bank in an effective, ethical and legal manner designed to produce value for the Bank's shareholders consistent with the Bank's policies and standards.
- e. **Sustainability and Social Responsibility Committee**: Responsible for social responsibility of the bank and to encourage the promotion of sustainable investment and finance.
- f. **Digital and Transformation Committee**: Responsible for transforming the Bank into digital banking and other IT related matters

Each committee is empowered to seek the information it requires from management in pursuing its duties, and to obtain independent legal or other professional advice. Some issues determined by committees are submitted to the full Board as recommendations for the Board's decision.

## 5. The Sharia Supervisory Board (SSB / Known as Sharia Committee)

- a. In ensuring compliance with Sharia principles, CBB rules, and with AAOIFI's Governance Standards for Islamic Financial Institutions No.1 and No.2, the bank must establish an independent SSB consisting of at least three Sharia scholars.
- b. SSB is to be appointed by the bank's shareholder based on the Board recommendation. The Appoint or dismissal of members of SSB is also subject to the approval of CBB and any other local regulations.
- c. Members of SSB should be highly knowledgeable and proficient in sharia provisions related to financial transactions and possess sufficient expertise in banking business to be able to direct, supervise and review the business activities of AIB.
- d. The SSB - is responsible for forming and expressing an opinion on the extent to which the Bank's activities are in compliance with the Shari's, review of contracts, policies and processes, products and Bank's memorandum and articles of association to ensure they are in line with the sharia principles, monitor and review the Sharia Audit/Review Department's performance.

## 6. Annual General Meeting

- a. The Board of Directors report to the shareholders on the performance of the Bank through the Annual General Meeting. The Meeting shall be convened upon an invitation from the Chairperson of the Board and be convened during the three months following the end of the Bank's financial year. At a minimum, the Board shall report on the following to the shareholders for their approval in the Annual General Meeting:
  - Audited Financial statements of the Bank
  - Related party transactions executed
  - Corporate Governance Report
  - Performance Assessment of the Board, Committees and Sharia Supervisory Board.
  - Remuneration of the Directors and Sharia Board
- b. The Central Bank of Bahrain and the Ministry of Industry and Commerce in addition to the External Auditors and a member of the Sharia Supervisory Board shall all be invited to attend the Annual General Meeting.
- c. The Bank shall abide by the rules and procedures of the Ministry of Industry and Commerce and the Bank's Articles of Association in conducting the Annual General Meeting.
- d. Notice of meeting must clearly state and where necessary explain the nature of the business of the meeting.

- e. The Board must propose a separate resolution at any meeting on each substantially separate issue.
- f. The Chairperson must encourage questions from shareholders, including questions regarding corporate governance of the Bank.
- g. 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.
- h. Within a maximum of 15 Calendar days of any shareholders meeting the Bank must provide to the CBB a copy of the minutes of the meeting.

## 7. Management Committees

In addition to the Board Committees, the Bank has in place mainly the following Management Committees with the Chief Executive Officer functioning as the Chairman for most of these committees. The members of committees comprise the Heads of Departments who are drawn from relevant and related functions:

- **Senior Executive Management Committee**

The Senior Executive Management Committee's role is to oversee the activities of the Bank and to take key decisions. This Committee will advise the CEO and assist him in decision-making process.

- **Executive Management Committee**

The Management Committee's role is to oversee the implementation of the strategic objectives of the Bank in relation to its business direction, operations, risk, expansion plans and overall policies and procedures. The CEO is the Chairman of the committee.

- **Credit Committee**

The management of credit risk starts with experienced key personnel being appointed to the Credit Committee. The Credit Committee approves major credit decisions, guidelines and procedures to manage, control and monitor credit risk. All financing applications of significant amounts are approved at Head Office or by the Credit Committee, while experienced senior credit officers at branches are given authority to approve financing with lower risk exposure. The CEO is the Chairman of the committee.

- **Asset and Liability Committee (ALCO)**

The ALCO is the primary committee responsible for liquidity and funding risk management. The ALCO make decisions and propose guidance to force the structure of the bank's assets and liabilities, funding requirements, and liquidity management in line with the bank's overall strategic objectives. The CEO is the Chairman of the committee.

- **Special Assets Follow-up Committee**

The committee is responsible for timely monitoring and managing non-performing credit exposures, which show signs of weaknesses or default and place into question the full and timely recovery of all dues to the bank. Its responsibilities include recommendation for action plan and classification, which is to be implemented or further require approval by the Credit, Board Executive Committee, or the Board of Directors for restructuring. The CEO is the Chairman of the committee.

- **Provisioning Committee**

The committee is responsible for the implementation of the FAS 30 ECL and the Provision Policy approved by the Board of Directors. It is mainly responsible to act as decision-making and guiding force in setting of provisions to the bank's non-performing portfolio of credit facilities and investments. The CEO is the Chairman of the committee.

- **Digital & Information Technology Committee**

The committee's role is to govern the bank's short and long term information technologies strategies, investments, projects and initiatives to ensure that they are enabling the bank business objectives and aligned with the bank strategies. The CEO is the Chairman of the committee.

## **8. Key Policies of the Bank**

### **8.1 Conflict of Interest Policy**

The Board approves the policies on managing any potential conflict of interest and oversees their application to the Board, executive management, staff and any other party directly/indirectly related to AIB. These policies include, but are not limited to:

- a. Directors/senior executive officers should disclose to the Board any direct/indirect financial interest for their benefit/on behalf of third parties in relation to any transactions/actions with direct impact on the Bank.
- b. This disclosure shall include all material facts in the case of a contract or transaction involving the director or officer. The directors and officers must understand that any approval of a conflict transaction is effective only if all

material facts are known to the authorizing persons and the conflicted person did not participate in the decision.

- c. A director, in his/her personal capacity or as a representative of third parties, may neither act as a director nor engage in management or consultancy roles in another bank under CBB's supervision.
- d. The Board may not interfere in the Bank's day-to-day activities - oversight without interference.
- e. The Bank may not offer finance, advances, credit facilities or guarantees of any kind to its chairman, directors, auditors, or their spouses, sons or second-degree relatives; or to an organization in which those persons, their spouses, sons or second-degree relatives are partners or shareholders, on which they have actual control or in which they occupy the position of directors in their personal capacities. Any exception is subject to CBB approval.
- f. The Board shall approve policies ensuring equal treatment, as per the applicable regulations, of stakeholders without preferential treatment of any party directly/indirectly related to the Bank.
- g. In determining whether a conflict of interest may arise, factors that may be considered include whether:
  - i. A person has breached any fiduciary obligations to the bank or terms of employment;
  - ii. A person has undertaken actions that would be difficult to defend, when looked at objectively, as being in the interest of the bank; and
  - iii. A person has failed to declare a personal interest that has a material impact in terms of the person's relationship with the bank.
- h. AIB's operational policies, procedures and approval process, shall ensure that the Board is informed for the Bank's operation regarding related party transactions and potential conflicts of interest including use of inside information for personal gains.
- i. Board member or member of senior management must 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.

## 8.2 Whistle-blowing policy

- a. AIB is keen to provide a sound and favorable work environment based on ethical values that enhances integrity, accountability and transparency.
- b. The Board approves and maintains a detailed whistleblowing policy to enable the employee at all level to voice to raise concerns against any malpractices or irregularities in legal or financial matters. AIB whistle-blowing policy document

explains procedure for reporting any misconduct to the designated officials so that appropriate remedial action can be taken. The scope of the whistle blowing procedures covers customers' complaints and intend to make it easier for members of staff to be able to report irregularities/misconduct in good faith, including violations of the Code of Conduct and/or Code of Ethics.

- c. AIB's Whistleblowing Policy aims at providing a safe channel for the employees to eliminate their fears, and AIB assure employees that they are protected against any retaliation or harm when reporting such practices.
- d. Concerns or complaints are reported, in person or by telephone or email, to the following formal reporting channels:
  - i. Chief Risk Officer,
  - ii. Chief Internal Auditor, and
  - iii. Chief Executive Officer

### 8.3 Anti-money Laundering & Anti-Terrorism Financing Policy

- a. AIB has formulated policies and procedures for the prevention of money laundering and the financing of terrorism, which contain rules and guidelines for conducting proper customer identification, the monitoring of account activity, and the reporting of suspicious transactions.
- b. To prevent illegal use of accounts, the Legal and Compliance Division has enhanced verification procedures for the opening accounts for non-face-to-face transactions with additional customer identification procedures in order to prevent illegal use and monitors transactions, such as wire transfers and cash withdrawals, based on certain parameters.
- c. Money Laundering Reporting Officer (MLRO) takes care of the day-to-day AIB's compliance to anti-money-laundering and anti-terrorist-financing policy. Compliance Department supervise the Bank's anti-money-laundering and anti-terrorist- financing program. Human Resources and Administration Department also conducts extensive yearly training for the staff on, the bank policy and practices, to comply with high standards of anti-money laundering and counter terrorist financing practices in the jurisdictions in which the Bank operate.
- d. We comply with both the specific provisions and the spirit of all relevant laws and regulations. In any jurisdiction where local requirements are set at a lower standard than those established by our Group, our higher standards will apply where these do not contravene or conflict with local requirements.

#### 8.4 Employment of Relatives Policy:

The Bank is committed to protecting the Bank from conflict of interest that may arise from appointing relatives of employees, directors and Sharia Supervisory Board. The Board has an approved policy of the appointment of relatives and annually each employee, member of the board of directors and Sharia Supervisory Board disclose their relationship with employees and entities that provide services or goods to the Bank.

#### 8.5 Internal Control Framework

- a. The Board have the responsibility for approving and periodically reviewing the overall business strategies and significant policies of the Bank; understanding the major risks run by the Bank, setting acceptable levels for these risks and ensuring that senior management takes the steps necessary to identify, measure, monitor and control these risks; approving the organizational structure; and ensuring that senior management is monitoring the effectiveness of the internal control system. The Board of Directors is ultimately responsible for ensuring that an adequate and effective system of internal controls is established and maintained.
- b. The management is responsible to:
  - i. Adopt different strategies to ensure effective monitoring and improvement of internal control. These include internal audit, internal control, risk management & compliance, and various management committees.
  - ii. Arrange for annual review of the design and effectiveness of the system of internal control through revision of policies and control procedures.
- c. Procedures have been designed for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for the reliability of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud.

#### 8.6 Code of Conduct & Ethics ('COCE')

##### 1. Introduction

This Code of Conduct and Ethics "COCE" is a statement of the Bank's commitment to integrity and the highest standards of ethical practices. It defines the standards of conduct that is expected from all employees in performing roles and responsibilities

across various functions in the Bank. The Code is intended to be the charter for day-to-day work to enable employees to make the right decisions and, therefore, serves to (1) underline the fundamental commitment to compliance with regulatory guidelines and applicable laws, (2) set forth basic parameters of ethical behaviors.

The “COCE” summarizes the proper conduct of employees. It comprises a number of ethics related to honesty, integrity and compliance with the spirit and provisions of the Islamic Shari’a and the applicable laws. The ethics seek to avoid conflict of employees’ interests with that of the Bank and protect the reputation of the Bank by avoiding activities that may adversely affect such reputation. The “COCE” shall be applied uniformly on all staff regardless of their ranking, grades, or positions.

## **2. Purpose**

This COCE is intended to document some of the specific principles of ethics and conduct which should be followed by the Bank’s directors, officers and employees in the performance of their responsibilities related to the Bank’s business and activities. The purpose of the COCE is to promote: Compliance with applicable laws and regulations.

- Adherence to Bank’s Policies & procedures
- Integrity, honesty and ethical conduct.
- A work environment free of Conflicts of Interests.
- Fair, accurate, timely and understandable disclosure to the public.
- Respecting banking secrecy law and protecting confidential information.
- Internal reporting of violations of this Code.
- Accountability for non-compliance to this COCE

Each director, officer and employee has read and become familiar with the ethical standards described in the COCE and may be required, from time to time, to affirm his adherence to such standards by signing the attached Receipt.

## **3. Application of the Code**

3.1. The COCE apply to members of the Board and all employees irrespective of their grades or ranks.



3.2. The provisions of COCE should be read in conjunction with Central Bank of Bahrain “CBB”

Rulebook, updated Module of Business Conduct “BC” and Module HC-2.

3.3. The COCE should be distributed to all existing employees and to those who may be recruited in future. An employee shall annually sign for the receipt thereof and undertake to abide thereby.

3.4. Violations of the COCE shall be subject to appropriate disciplinary actions as per the HR Policies & Procedures.

#### **4. Honesty and Integrity**

We (Members of the Board of Directors and Employees) shall conduct business with honesty and the highest ethical standards. Customers can trust that we shall treat them with the utmost honesty and sincerity. Employees can also rest assured that they will be treated with respect and dignity.

We are committed to conducting business ethically and honestly and applying appropriate protection standards while dealing with customers. Each director, officer and employee shall at all times deal fairly with the Bank’s clients, shareholders, employees, partners and stakeholders and in accordance with this COCE and in connection with each action and decision that is or may reasonably appear to be related to his/ her employment in the Bank.

#### **5. Customer Protection Principles**

The following are the principles that are followed by while dealing with customers:

- a. **Transparency and Disclosure:** We shall deal with customers in a continuously fair, equitable and professional manner.
- b. **Suitability:** We shall gather sufficient information from the customer to ensure that the product or service meets his financial situation and needs.
- c. **Awareness and Education:** We shall provide Customers with clear information on (i) their rights and responsibilities containing clear information on complaints mechanism developed enabling customers to submit their claims and guaranteeing the fair and timely follow-up and outcome thereof; (ii) sufficient key information on the conditions, benefits and risks of products or services, as well as reference to the list of the fees and charges collected by the Bank disclosed on the bank’s website

d. Fair and Sustainable Marketing Campaigns: We shall ensure that advertisements are clear, transparent, comprehensive, and do not contain any misleading information.

e. Confidentiality (Secrecy and Data Protection): We shall protect the customers' personal and financial information in compliance with Banking Secrecy Law and without prejudice to Anti- Money Laundering and Counter Financing Terrorism Law.

## **6. Confidentiality and Banking Secrecy**

a. Directors, officers and employees are expected to treat information entrusted to them by clients and employees as restricted or highly restricted, privileged, confidential information and protected by the Central Bank of Bahrain and Financial Institutions Law 2006 and Legislative Decree No. 34 of the year 2015. This includes information contained in the Bank's books and formalities, correspondence, and in general all kind of information related to the Bank's clients (including their names, assets and properties of whatsoever nature), in addition to any information related to the Bank's scope of work, and/or computer programs (Software), and/or documents and contracts of whatsoever nature, and/or internal management, working and auditing procedures.

b. Also, the use of the Bank's computer systems provides employees access to restricted customer information based on the business/support function(s) being performed. Employees are granted access to the Bank's various computer systems to perform their job duties. Each employee is expected to protect the access granted to him and to keep any associated passwords restricted at all times.

c. Directors, officers and employees are prohibited from disclosing confidential information except in response to a valid judicial decision or court order and in strict compliance with the provisions of the aforementioned Law, while taking into consideration the compulsory disclosure according to the Bahrain laws and regulations related to anti-money laundering and counter-financing terrorism.

d. Directors, officers and employees are also prohibited from disclosing information related to the Bank's subsidiaries or affiliates until it has been published in reports or otherwise made generally available to the public.

e. The obligation to maintain the confidentiality of the information continues even after directors, officers and employees are no longer employed by the Bank. The improper or personal use of confidential information may subject directors, officers and employees to senior penalties as provided in laws and regulations

f. If we make use of the services of a third party for providing support services (outsourcing agreement), we will request the provider to handle customer's information with the same degree of confidentiality and security.

## **9. Gifts**

9.1 The acceptance of gifts is prohibited in accordance with this COCE However, to provide some flexibility in dealing with certain circumstances, it is permitted, as the only exception to this provision, to accept a gift of a nominal value only in the following cases:

i. The gift should not be accepted in return for extending or the renewal of any credit facility or for the acceptance of any documents or cheques or other similar instruments.

ii. If the direct or immediate refusal of the gift would have a negative impact upon the relationship with the customer or supplier, or if the returning of the gift is impossible indeed.

9.2 The employee must take every possible and reasonable effort to not accept and receive any gifts especially if the value of the gift exceeds 100 BHD.

9.3 An employee receiving a gift should fill in a "Gift Received" form. Such form shall be filled if the gift exceeds BD100/- in value. The Human Resources Department shall investigate the legality of the event (receipt and the value of the gift) and in the absence of any suspicions, no further action will be taken in connection with gift given to the employee.

9.4 For the purpose of his/her information, the manager of the concerned section or department should be informed verbally of the receipt of any gift of less than BD100/- in value.