



**Lasting  
Partnerships**

Corporate Governance Report  
**2020**

## Corporate Governance

ABG views a disciplined corporate governance and risk management culture as a fundamental prerequisite to effective management of the Group to achieve strong yet sustainable financial returns and build consistent shareholder value. The adoption and maintenance, through continual and vigilant review, of the highest standards of corporate governance and risk management have thus been key to building a strong, ethical, responsible organisation. This has been essential for establishing a strong governance structure under which the functions, roles and responsibilities are clearly delineated between the Board of Directors, Board Committees and Executive Management, officers and staff of the organisation.

### THE BOARD OF DIRECTORS

The Board of Directors (the "Board") is responsible for the establishment and oversight of the Group's business strategy and priorities, for setting its high-level policies and for overall management; and is accountable to the shareholders for the financial and operational performance of the Group. It is responsible for raising and allocating of capital, for monitoring of the Executive Management and its conduct of the Group's operations, for making critical business decisions and for building long-term shareholder value. The Board, through approving and monitoring the Group's risk appetite, and identifying and guarding against the longer term strategic threats to the business, ensures that the Group manages risk effectively.

The Board is also responsible, inter alia, for:

- setting and reassessing periodically the Group's corporate goals and objectives;
- establishing policies to further the achievement of the Group's corporate goals and objectives;
- establishing and regularly reviewing the management structure and responsibilities, and monitoring the effectiveness of the Executive Management, including its ability to plan and execute strategies;
- holding the Executive Management accountable for results;
- putting in place adequate policies and processes for approving budgets, and reviewing performance against those budgets and against key performance indicators;
- ensuring that an adequate, effective, comprehensive and transparent corporate governance framework is in place;
- establishing and approving policies and procedures designed to ensure ethical behaviour and compliance with laws and regulations, auditing and accounting standards and the Group's own corporate governance policy;
- ensuring that ABG and its subsidiaries' operations are supported by an appropriate control environment, i.e. that internal audit, compliance, risk management and finance and reporting functions, are well resourced and structured;
- ensuring that the Group's operations are supported by a reliable, sufficient and well-integrated information system;
- recognizing and communicating to the Executive Management the importance of the internal audit function at ABG and its

- subsidaries, periodically reviewing internal control procedures, and taking measures to enhance the function of internal audit and to act in a timely and effective manner on its findings;
- approving the writing off of credit facilities and investments where appropriate, in accordance with the Group's policies and procedures;
- ensuring that an Anti-Money Laundering framework is in place to manage money laundering risk throughout the Group;
- ensuring that the Anti-bribery and Corruption programme ("ABC Programme") is implemented throughout the Group;
- approving strategic investments by ABG and its subsidiaries;
- monitoring potential conflicts of interest and preventing abusive related party transactions;
- approving material transactions outside the normal course of business or in excess of the limits of approval authority delegated to the Executive Management;
- ensuring the preparation of financial statements which accurately disclose the Group's financial position, on a regular and consistent basis, and for reviewing and approving for dissemination its periodic financial statements and annual reports;
- approving all significant changes in the Group's accounting and reporting policies;
- ensuring compliance at all times with all relevant requirements of Shari'a ("Sharia" or "Shari'a") and Islamic Accounting Standards, issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI);
- ensuring that the Group establishes and maintains an approved employee Code of Conduct and is in compliance with it;
- ensuring that the control environment maintains necessary client confidentiality, and that clients' rights and assets are properly safeguarded;
- ensuring that the Group's Social and Sustainable Finance objectives are attained;
- convening and preparing the agenda for shareholder meetings;
- ensuring equitable treatment of all shareholders including minority shareholders; and
- performing any other functions required of the Board of Directors under applicable laws and regulations.

In its regular review of the Group's strategy, the Board reviews the Group's business plans and the inherent level of risk in those plans. It also assesses the adequacy of capital to support the business risks of the Group; sets performance objectives; and oversees major capital expenditures, divestitures and acquisitions.

The Board of Directors has overall responsibility for the Group's system of internal control and its effectiveness, and for defining and enforcing standards of accountability that enable the Executive Management to achieve the Group's corporate objectives. The Board ensures that the systems and controls framework, the Board structure and the organisational structure of the Group are appropriate for the Group's business and associated risks, and regularly assesses the systems and controls framework to

that end. There are established and ongoing procedures in place for identifying, evaluating and managing significant risks faced by the Group. These are regularly reviewed by the Board. The Group's system of internal control provides for a documented and auditable trail of accountability and applies across its operations. This system is designed to ensure effective and efficient operation and compliance with all applicable laws and regulations, and seeks to manage risk with a view to avoiding material errors, losses and fraud.

In meeting its responsibility to ensure efficient governance in all matters related to ABG, the Board has established a written compliance policy governing the Group's compliance with all laws and regulations; in particular those enunciated by the Central Bank of Bahrain (CBB) and other local regulators. The Board is also responsible for upholding the highest ethical standards in the conduct of business activities and expects all employees, directors and associated persons of the Group to abide by the policies and laws including those stipulated by the Bahrain Penal Code. The Board has delegated responsibility for monitoring compliance to the President & Chief Executive. This responsibility is carried out through a dedicated Compliance Department, with a mandate to cover all aspects of compliance including: formulation of effective policies and processes for the management of the Group's compliance risk; assisting Executive Management and staff in managing risk; advising on laws and regulations and applicable compliance standards; disseminating compliance policies and providing guidelines to ABG staff members; ensuring an effective compliance methodology; providing periodical reports to the Board in connection with compliance controls; and establishing operational controls and a robust Know Your Customer (KYC), Anti-Money Laundering (AML) and Anti-bribery and Corruption programme ("ABC Programme") frameworks. ABG is continuously enhancing its compliance framework and that of each of its subsidiaries.

In 2010, the CBB introduced new requirements to be met by all licensees under Volumes 2 and 6 of Module HC of its Rulebook, with respect to corporate governance principles. These requirements were in line with the Principles relating to the Corporate Governance Code issued by the Ministry of Industry & Commerce of the Kingdom of Bahrain, international best practice corporate governance standards set by bodies such as the Basel Committee for Banking Supervision and related high-level controls and policies. In 2014, the CBB introduced further requirements addressing the matter of remuneration of Approved Persons and Material Risk Takers (see below), which requirements were duly adopted by ABG. ABG conducts annually detailed internal assessments to ensure compliance with these requirements and, in the event that any shortfall is identified, sets specific milestones for implementation of measures to address the shortfall. The CBB, ABG's shareholders, the Board of Directors and the Executive Management are all kept fully apprised of such shortfalls, if any,

and the milestones set. In accordance with this procedure, ABG earlier applied for and received the CBB's consent to appoint Mr. Abdullah Saleh Kamel as Chairman of the Board of Directors (Non-Executive Director), although he is not an independent director as mentioned in the CBB Rulebook (as a guidance requirement not as a mandatory Rule); where all the members of the Board of Directors have approved to elect Mr. Abdullah Saleh Kamel as Chairman, in the place of the late Founder of the Group Shaikh Saleh Abdullah Kamel.

ABG continuously ensures that the Group's minority shareholders are well represented on the Board of Directors through the independent directors (who constitute the majority of the Board of Directors), who have additional responsibility for protection of the rights of minority shareholders.

The Board of Directors meets regularly (at least four times a year) and has a formal schedule of matters reserved for it, considering key aspects of the Group's affairs referred to it for decision. The Board reviews the Group's strategy and financial plans, all proposed material changes to the Group's policies, structure and organisation, reports provided to it on the operations of the Group (with emphasis on organisational, risk management and information technology development) and the performance of the Executive Management.

All Directors attend all Board meetings whenever possible and in any event not less than 75% of meetings in any year, and they maintain informal contact among themselves between meetings. The Chairman is responsible for leadership of the Board and for its efficient functioning. He ensures that all members receive an agenda, minutes of prior meetings and background information in writing before each Board meeting and between meetings when necessary. The Board and its Committees are supplied with full and timely information to enable them to discharge their responsibilities. In this respect, the Board, its Committees and all Directors individually have access to the Executive Management, external legal or other professional consultants and advisors at the Group's expense, and to the Board Secretary, who is responsible for ensuring that the Board procedures and applicable rules and regulations are observed. The Board encourages participation by members of the Executive Management at Board meetings, if appropriate, regarding matters, which the Board is considering and where the President & Chief Executive believes management should have exposure to the Board.

Under ABG's Articles of Association, the Board of Directors shall consist of no fewer than five and no more than 15 members. Members of the Board of Directors hold office for a three-year renewable term, although the term of office may be extended at the request of the Board for a period not exceeding six months with the approval of the Minister of Industry & Commerce of Bahrain.

## Corporate Governance (continued)

There is no maximum age limit at which a Director must retire from the Board of Directors. Each Director's membership of the Board shall terminate upon the expiry of his/her term, or upon the resolution of the shareholders in General Meeting, or as a result of one of a number of specified events or circumstances, including:

- the original appointment being found to be contrary to the provisions of the Commercial Companies Law (CCL) or ABG's Articles of Association;
- abuse by the individual of his/her position as Director or failure to comply with the provisions of his/her appointment or the terms of the Charter of the Board or of its Committees;
- the individual's failure to attend three consecutive Board meetings without lawful excuse notified in writing to the Board;
- the individual's formal resignation from the Board following reasonable prior notice; or
- occupation of any other remunerative office within ABG unless specifically approved by the Board of Directors.

When an announcement is made requesting nominations for the position of membership of the Board of Directors to replace those members whose three-year term is due to expire, such nominations must be submitted to the Chairman of the Board, within the time frame provided in the announcement, then to the Nomination and Remuneration Committee for it to make its recommendations to the Board. As part of the nomination process, each nomination must comply with local rules and regulations, and must be submitted for approval to the CBB in order to ensure compliance with the CBB's "Fit and Proper" criteria. The names of all nominated individuals so approved by the CBB are then submitted to the shareholders at the next AGM for consideration and election. Election of ABG Directors takes place in accordance with the rules and procedures set out in the CCL and ABG's Articles of Association.

In line with corporate governance best practice, there is a succession plan for the Executive Management. This is reviewed annually and submitted to the CBB.

Each new Director elected to the Board receives a written appointment letter, detailing the powers, duties, responsibilities and obligations of that Director, and other relevant terms and conditions of his appointment.

There are currently 12 Directors on the Board. They have varied backgrounds and experience and are, individually and collectively, responsible for performing the responsibilities of the Board, and for exercising independent and objective judgement. No individual Director or group of Directors has unfettered powers of decision making or dominates the Board's decision making. Other than the President & Chief Executive, all Directors are non-executive

and fully independent of management, and they are individually responsible for scrutinising and challenging management decisions and performance. The posts of Chairman, Vice Chairman and President & Chief Executive are held by different Directors, and the President & Chief Executive has separate, clearly defined responsibilities. The size and composition of the Board and its Committees are regularly assessed, while the effectiveness, contribution and independence of individual Directors are assessed annually in light of interests disclosed and conduct. The independence or non-independence of Directors is, likewise, reviewed annually.

All Directors are remunerated solely by means of an annual retainer fee and sitting fees paid for each meeting attended. Their travel expenses are also reimbursed as appropriate.

The Board of Directors has adopted a formal Code of Business Conduct and Ethics applicable to Directors and Executive Management, officers, employees and agents, consultants and others representing or acting for the Group. Details of the Code are provided in the Additional Public Disclosures section of this report. In line with international best practice and the CBB Rulebook, the Board has instituted corporate governance measures to ensure that the interests of the shareholders are protected, including the appointment to the Board of more than one third of Directors as independent Directors, as defined in the CBB Rulebook.

In March 2020, the shareholders' Ordinary General Meeting elected the following members of the Board for a three-year term: *(Please check the Board Composition and Member's classification as of 31st December 2020 as mentioned below page No (32))*

### Non-Executive Directors

1. Shaikh Saleh Abdullah Kamel
2. Mr. Fahad Abdulla Al Rajhi

### Independent Directors

1. Mr. Mohamed Ebrahim Alshroogi
2. Mr. Saud Saleh Al Saleh
3. Dr. Khaled Abdulla Ateeq
4. Dr. Jehad Abdul Hamid El-Nakla
5. Mrs. Dalia Hazem Khorshid
6. Mr. Naser Mohamed Al Nuwais
7. Dr. Mohamed Moncef Cheikh-Rouhou
8. Dr. Ziad Ahmed Bahaedin

### Executive Director

1. Mr. Abdullah Saleh Kamel
2. Mr. Adnan Ahmed Yousif - *President & Chief Executive*
3. Mr. Abdul Elah Abdul Rahim Sabbahi

## BOARD COMMITTEES

The Board has put in place a number of Board committees, membership of which is drawn from the Board membership and to which it has delegated specific responsibilities. The principal Board committees are: (as of 31st Dec 2020)

### Board Executive Committee

The Board Executive Committee is chaired by Mr. Abdullah Saleh Kamel (Non-Executive Director), who was nominated such on 1st July, 2020 (instead of Sh. Saleh Abdullah Kamel who passed away in May 2020), and the other members are Mr. Mohamed Ebrahim Alshroogi (Vice Chairman - nominated on 1st July, 2020, Independent Director), Mr. Adnan Ahmed Yousif, President & Chief Executive (Executive Director), Mr. Abdul Elah Abdul Rahim Sabbahi (Executive Director), Mrs. Dalia Hazem Khorshid (Independent Director) and Dr. Ziad Ahmed Bahaeldin (Independent Director). The Board Executive Committee comprises a minimum of four Directors and meets at least four times a year. The Board has delegated to the Board Executive Committee, under a formal written charter adopted by it, the responsibility to make recommendations to the Board, for the Board's approval, concerning the Group's overall strategies and business plan, or any significant change to them, or any major change to its capital or organisation structure, assets or investments.

### Board Nomination and Remuneration Committee

The Board Nomination and Remuneration Committee (*formerly Board Affairs and Remuneration Committee until 6th April, 2020*) operates in accordance with a formal written charter adopted by it. The Committee is chaired by Mr. Saud Saleh Al Saleh (Independent Director), and its other members are Mr. Fahad Abdulla Al Rajhi (Non-Executive Director) and Dr. Mohamed Moncef Cheikh-Rouhou (Independent Director). The Committee meets at least twice a year and considers all material elements relating to remuneration policy, including, inter alia, the approval of the remuneration of the Directors, based on their attendance at Board and Committee meetings. It also recommends to the Board the level of remuneration of the Executive Management members and other ABG employees under an approved performance-linked incentive structure.

The Committee conducts an annual evaluation of the performance of the Board, Board Committees and the President & Chief Executive. When an issue relating to the personal interest of a Director is discussed in the Committee, the interested Director withdraws from the meeting and abstains from voting. The Committee is responsible for identifying persons qualified to become members of the Board or the President & Chief Executive, the Chief Financial Officer, the Board Secretary and other executive officers considered appropriate (except for the Head of the Internal Audit Department), and for making recommendations accordingly. It is also responsible for inducting, educating and

orienting new Directors, and for conducting seminars and other training programmes from time to time for members of the Board.

### Board Audit Committee

The Board Audit Committee is chaired by Dr. Khaled Abdulla Ateeq (Independent Director). Other members are Mr. Fahad Abdulla Al Rajhi (Non-Executive Director), Dr. Jihad Abdul Hamid El-Nakla (Independent Director) and Mr. Naser Mohamed Al Nuwais (Independent Director). The Committee is governed by a formal written Charter, adopted by it and approved by the Board. The Committee meets formally at least four times a year. External auditors attend at least one meeting annually; moreover, external auditors have unrestricted access to the Committee and its Chairman throughout the year.

The Board of Directors has delegated to the Board Audit Committee the responsibility for ensuring that an effective internal auditing and continuous internal controls monitoring environment, and a sound system of accounting and financial control, are in place. The Committee achieves this through regular review of internal audit reporting, external auditors' management letters, central banks' inspection reports, and the Group's accounting and financial policies and practices, financial reporting and disclosure controls and procedures, and the adequacy and effectiveness of the internal control procedures at the Head Office and at ABG's subsidiaries. The Committee considers all matters relating to financial control and reporting, internal and external audits and their scope and results, risk management and compliance with regulatory and legal requirements and accounting standards. It also considers and approves the annual audit plans, ensures coordination between the internal and external auditors, monitors the independence, qualifications, effectiveness and performance of the external auditors, and makes recommendations to the Board regarding the appointment, retirement and remuneration of the external auditors and the appointment of the Head of the Group's Internal Audit Department.

The Committee reviews the Group's annual and interim financial statements to recommend their approval to the Board of Directors, the adequacy of provisions and any reports by external consultants on specific investigative or advisory engagements.

The Committee ensures that there are in place systems of control appropriate to the business of the Group and the information needs of the Board. These include systems and functions for identifying and monitoring risk, the financial position of the Group and compliance with applicable laws and regulations and best banking practice. The Committee ensures that all such information is produced on a timely basis. The various internal controls and processes are subject to independent review by the Group's Internal Audit Department, which reports directly to the Committee, as stated above, and external auditors and

## Corporate Governance (continued)

regulators as appropriate. Management letters and other issues of importance raised by external auditors, and inspection reports issued by the CBB's inspectors, or inspectors of any other applicable authorities where ABG or its subsidiaries operate, are reviewed by the Committee once issued. Acting on behalf of the Board, the Committee ensures that appropriate corrective action is taken.

The Board has adopted a 'whistleblower' programme, allowing employees confidentially to raise concerns about possible improprieties in financial or legal matters. Under the programme, concerns may be communicated directly to any member of the Board Audit Committee or, alternatively, to an identified officer or employee who, in turn, reports the matter to the Committee.

### Board Risk Committee

The Board Risk Committee is chaired by Dr. Jehad Abdul Hamid El-Nakla (Independent Director), with its other members being Dr. Khaled Abdulla Ateeq (Independent Director) and Mr. Saud Saleh Al Saleh (Independent Director). The Board Risk Committee meets formally at least twice a year but may meet more frequently at the request of the Chairman of the Committee. It can call for the attendance of the President & Chief Executive, Head of Credit and Risk Management and other senior executives of the Group at any of its meetings.

The Group's risk appetite is determined by the Board, based on the recommendations of the Board Risk Committee. The Board Risk Committee is responsible for setting acceptable levels of risks to which the Group may be exposed, for approving management's strategy for the managing of risk and for ensuring that all necessary steps are taken by management to identify, measure, monitor and control risk. The Committee's objective is to oversee the Group's risk management systems, practices and procedures, as well as to ensure effective risk identification, management and compliance with internal guidelines and external requirements. The Committee reviews issues identified by the Internal Audit and Compliance departments of ABG and/or any of its subsidiaries, such as weaknesses or breakdowns in controls.

### Board Compliance & Governance Committee

The Board Compliance & Governance Committee is chaired by Dr. Khaled Abdulla Ateeq (Independent Director) and its other members are Dr. Jehad Abdul Hamid El-Nakla (Independent Director) and Dr. Ziad Ahmed Bahaaeldin (Independent Director) in addition to Mr. Yousif Hassan Khalawi, who represents the Unified Shari'a Supervisory Board. Mr. Yousif Hassan Khalawi replaced Dr. Al Ayachi Al Saddig Fiddad on 18th May 2020. The Committee meets at least 4 times a year but may meet more frequently at the request of the Chairman.

The Committee's role is to ensure a robust compliance, AML and corporate governance framework and a strong compliance culture across the Group including ensuring efficient procedures, processes and controls for Anti-money Laundering, Countering Financing of Terrorism, International Sanctions and Foreign Account Tax Compliance Act and Common Reporting Standards. It periodically reviews the governance controls and systems to uncover any weakness, if any, which can be addressed. As the Group is present in many countries, the Committee ensures that the respective local legal legislation and regulatory norms are well-abided with so that compliance standards are maintained at a high level and are compatible with those enunciated by international standards.

### Board Social & Sustainable Finance Committee

The Board Social & Sustainable Finance Committee (*formerly Board Sustainability and Social Responsibility Committee until 8th November, 2020*) is chaired by Mr. Naser Mohamed Al Nuwais (Independent Director) and the other members are Mr. Abdul Elah Abdul Rahim Sabbahi (Executive Director) and Dr. Mohamed Moncef Cheikh-Rouhou (Independent Director). The size of the committee was reduced from 4 members to the current 3, following the passing away of Shaikh Saleh Abdullah Kamel earlier in the year.

The Committee leads the Al Baraka Social & Sustainable Finance Programme. It oversees the formulation of policies and strategies by the Executive Management, intended to make ABG and its subsidiaries a model Islamic banking group, offering banking and financial services in a sustainable and socially responsible manner and in conformity with the objectives of Shari'a.

The Committee aims to adhere to the spirit of Islamic finance that enjoins Social & Sustainable Finance as a principal feature of Islamic banking and finance. The Committee demonstrates its commitment to the spirit of Social & Sustainable Finance inherent in Islamic finance by setting various quarterly and annual targets for the Executive Management.

All minutes and reports of meetings of the Committee are disseminated to all members of the Board of Directors.

## Directors' Attendance at Meetings of the Board of Directors and its Committees In 2020

| Name of the Board/ Committees                | No. of meetings 2020 in | Dates of the meetings  | Member's name                            | No. of meetings attended |
|--|-------------------------|--|--|--------------------------|
| Board of Directors                           | 6                       | 25/03/2020<br>22/06/2020<br>10/08/2020<br>09/11/2020<br>08/12/2020<br>24/12/2020 | Sh. Saleh Abdullah Kamel, Late Chairman  | 1                        |
|  |                         |  | Mr. Abdullah Saleh Kamel, Chairman       | 6                        |
|  |                         |  | Dr. Jehad Abdul Hamid El-Nakla*          | 5                        |
|  |                         |  | Dr. Khaled Abdulla Ateeq                 | 6                        |
|  |                         |  | Mrs. Dalia Hazem Khorshid                | 6                        |
|  |                         |  | Dr. Ziad Ahmed Bahaaeldin                | 5                        |
|  |                         |  | Mr. Saud Saleh Al Saleh                  | 6                        |
|  |                         |  | Mr. Abdul Elah Abdul Rahim Sabbahi       | 6                        |
|  |                         |  | Mr. Adnan Ahmed Yousif                   | 5                        |
|  |                         |  | Mr. Fahed Abdulla Al Rajhi               | 5                        |
|  |                         |  | Mr. Mohamed Ebrahim Alshroogi            | 6                        |
|  |                         |  | Dr. Mohamed Moncef Cheikh-Rouhou         | 6                        |
|  |                         |  | Mr. Naser Mohamed Al Nuwais              | 6                        |
|  |                         |  | Board Executive Committee                | 3                        |
| Mr. Abdullah Saleh Kamel, Chairman           | 3                       |  |  |                          |
| Mrs. Dalia Hazem Khorshid                    | 3                       |  |  |                          |
| Dr. Ziad Ahmed Bahaaeldin                    | 2                       |  |  |                          |
| Mr. Abdul Elah Abdul Rahim Sabbahi           | 3                       |  |  |                          |
| Mr. Adnan Ahmed Yousif                       | 3                       |  |  |                          |
| Board Audit Committee                        | 4                       | 04/05/2020<br>15/06/2020<br>09/08/2020<br>08/11/2020                             | Dr. Khaled Abdulla Ateeq, Chairman       | 4                        |
|  |                         |  | Dr. Jehad Abdul Hamid El-Nakla           | 4                        |
|  |                         |  | Mr. Fahad Abdulla Al Rajhi               | 4                        |
|  |                         |  | Mr. Naser Mohamed Al Nuwais              | 4                        |
| Board Nomination & Remuneration Committee    | 4                       | 11/03/2020<br>14/05/2020<br>15/06/2020<br>08/11/2020                             | Mr. Saud Saleh Al Saleh, Chairman        | 4                        |
|  |                         |  | Mr. Fahad Abdulla Al Rajhi               | 3                        |
|  |                         |  | Dr. Mohamed Moncef Cheikh-Rouhou         | 3                        |
| Board Risk Committee                         | 3                       | 03/06/2020<br>18/08/2020<br>22/11/2020   | Dr. Jehad Abdul Hamid El-Nakla, Chairman | 3                        |
|  |                         |  | Dr. Khaled Abdulla Ateeq                 | 3                        |
|  |                         |  | Mr. Saud Saleh Al Saleh                  | 3                        |
| Board Social & Sustainable Finance Committee | 2                       | 27/04/2020<br>16/09/2020   | Sh. Saleh Abdullah Kamel, Late Chairman  | 1                        |
|  |                         |  | Mr. Naser Mohamed Al Nuwais, Chairman    | 2                        |
|  |                         |  | Mr. Abdul Elah Abdul Rahim Sabbahi       | 2                        |
|  |                         |  | Dr. Mohamed Moncef Cheikh-Rouhou         | 2                        |
| Board Compliance and Governance Committee    | 3                       | 31/05/2020<br>03/09/2020<br>05/11/2020   | Dr. Khaled Abdulla Ateeq, Chairman       | 3                        |
|  |                         |  | Dr. Jehad Abdul Hamid El-Nakla           | 3                        |
|  |                         |  | Dr. Ziad Ahmed Bahaaeldin                | 2                        |
|  |                         |  | Mr. Yousif Hassan Khalawi                | 3                        |

\* Dr. Jehad Abdul Hamid El-Nakla did not attend the board meeting on 25th March 2020 in compliance with CBB's request which is related to conflict of interest, as he was in an employment until 31st March 2020 that conflicted with his directorial duties.

Notes: 1. The above board members were elected in the Annual General Assembly on 23rd March 2020 for a 3-year term.

2. The meetings prior to the Annual General Assembly on 23rd March 2020 are listed in the table on page 42 of this report.

**Directors' Attendance at Meetings of the Board of Directors and its Committees In 2020 (Previous Board Term)**

| Name of the Board/ Committees                     | No. of meetings in 2020 | Dates of the meetings | Member's name                           | No. of meetings attended |
|---|-------------------------|-----------------------|---|--------------------------|
| <i>Board of Directors</i>                         | 1                       | 23/02/2020            | Shaikh Saleh Abdullah Kamel, Chairman   | 1                        |
|   |                         |                       | Mr. Abdulla A. Saudi, Vice Chairman     | 1                        |
|   |                         |                       | Mr. Abdullah Saleh Kamel, Vice Chairman | 1                        |
|   |                         |                       | Mr. Ebrahim Fayez Al Shamsi             | 1                        |
|   |                         |                       | Dr. Bassem Awadallah                    | 1                        |
|   |                         |                       | Mr. Jamal Bin Ghalaita                  | 1                        |
|   |                         |                       | Dr. Khaled Abdulla Ateeq                | 1                        |
|   |                         |                       | Mr. Saud Saleh Alsaleh                  | 1                        |
|   |                         |                       | Mr. Saleh Mohammed Al Yousef            | 1                        |
|   |                         |                       | Mr. Abdul Elah Abdul Rahim Sabbahi      | 1                        |
|   |                         |                       | Mr. Adnan Ahmed Yousif                  | 1                        |
|   |                         |                       | Mr. Mohyedin Saleh Kamel                | 1                        |
| <i>Board Executive Committee</i>                  | 1                       | 27/01/2020            | Mr. Yousef Ali Bin Fadil                | 1                        |
|   |                         |                       | Mr. Abdullah Saleh Kamel, Chairman      | 1                        |
|   |                         |                       | Mr. Saleh Mohammed Al Yousef            | 1                        |
|   |                         |                       | Mr. Abdul Elah Abdul Rahim Sabbahi      | 1                        |
| <i>Board Audit Committee</i>                      | 1                       | 12/02/2020            | Mr. Adnan Ahmed Yousif                  | 1                        |
|   |                         |                       | Mr. Ebrahim Fayez Al Shamsi, Chairman   | 1                        |
|   |                         |                       | Dr. Basem Awadallah                     | 1                        |
| <i>Board Affairs &amp; Remuneration Committee</i> | 1                       | 23/02/2020            | Mr. Mohiyeldin Saleh Kamel              | 0                        |
|   |                         |                       | Mr. Saud Saleh Alsaleh, Chairman        | 1                        |
|   |                         |                       | Mr. Ebrahim Fayez Alshamsi              | 1                        |
| <i>Board Risk Committee</i>                       | 1                       | 12/02/2020            | Mr. Yousef Ali Bin Fadil                | 1                        |
|   |                         |                       | Mr. Yousef Ali Bin Fadil, Chairman      | 1                        |
|   |                         |                       | Mr. Jamal Bin Ghalaita                  | 1                        |
|   |                         |                       | Dr. Khaled Abdulla Ateeq                | 1                        |
| <i>Board Governance and Compliance Committee</i>  | 1                       | 23/02/2020            | Mr. Saud Saleh Alsaleh                  | 1                        |
|   |                         |                       | Mr. Jamal bin Ghalita, Chairman         | 1                        |
|   |                         |                       | Dr. Bassem Awadallah                    | 1                        |
|   |                         |                       | Dr. Khaled Abdulla Ateeq                | 1                        |
|   |                         |                       | Mr. Yousef Ali Fadil Bin Fadil          | 1                        |
|   |                         |                       | Dr. Ahmed Mohiyeldin Ahmed ( Member)    | 1                        |



## Corporate Governance (continued)

### BOARD OF DIRECTORS' PROFILES

#### Mr. Abdullah Saleh Kamel

##### Chairman

Mr. Abdullah Saleh Kamel is the Chairman of Dallah Al Baraka Holding Company. He is also Chairman of Aseer Company, Umm Alqura for Development & Constructions Company, Okaz Press and Publishing Corporation, The General Council for Islamic Banks and Financial Institutions, and The Islamic Chamber of Commerce, Industry and Agriculture. Previously, Mr. Abdullah Saleh Kamel held various executive positions at Dallah Al Baraka Holding Co, leading to the position of President and Chief Executive Officer.

Mr. Abdullah Saleh Kamel has over 30 years' experience in key business positions. He is active in public and charitable activities through his membership of many organizations and associations such as the Jeddah Chamber of Commerce (he has been a Board Member for two terms), and the Friends of Saudi Arabia Association. Mr. Abdullah Saleh Kamel is a Saudi national and studied Economics at University of California, Los Angeles, USA.

#### Mr. Mohamed Ebrahim AlShroogi

##### Vice Chairman

Mr. Mohamed Ebrahim AlShroogi is a board member of Wisaya Investment Company, Aramco Pension Funds, Investcorp Financial Services, and APM Terminals which operates one of the world's most comprehensive ports. He is also a board member of Bahraini Health Insurance Fund, Chairman of Saudi joint stock company L'azurde, Chairman of the GCC Board of Directors Institute (BDI), and the National US-Arab Chamber of Commerce located in Washington, DC. He also served as the Investcorp's Co-Executive Officer. Prior to joining Investcorp, he was Division Executive for Citigroup's Middle Eastern, North African, and Pakistani region as well as the CEO for the UAE.

While serving as Division Executive, spanning 33 years, Citigroup was successful in strengthening its business in the Middle East region in corporate, investment, commercial, private and consumer banking.

He has over 40 years of experience in banking, investment, and economics in a number of different sectors. During his tenure as Investcorp's Co-Chief Executive Officer, the company transformed into the largest private equity investor in the Gulf, with assets under management increasing from US\$ 10.5 billion in 2009 to US\$ 25 billion in 2018. Mr. Mohamed Ebrahim AlShroogi also served as a member of the Bahrain Shura Council among other Board positions. He attended the Kuwait University and several different programs, including Harvard Executive Management Program.

#### Dr. Jehad Abdul Hamid El-Nakla

##### Board Member

Dr. Jehad Abdul Hamid El-Nakla is currently a Senior Advisor at Acreditus, a boutique advisory services covering risk, governance, credit ratings and Sukuk. Prior to this, he served as the General Manager at Moody's Investors Services Middle East (Moody's Credit Rating Agency) in Dubai from November 2007 until March 2020, where he was responsible for managing expansion plans,

and supervising and coordinating Moody's business and activities. He successfully positioned Moody's as the rating agency of choice in the Middle Eastern region as evident in the number of public ratings. Dr. El-Nakla served on the board of Moody's subsidiaries in Egypt, Cyprus and the UAE.

He has over thirty years of experience in mixed commercial banking and in credit rating agencies at senior levels, besides possessing strong credit, risk management and financial analysis skills. Dr. El-Nakla has a PhD degree in Numerical Analysis from Loughborough University in the UK.

#### Dr. Khaled Abdulla Ateeq

##### Board Member

Dr. Khaled Abdulla Ateeq is currently Chief Executive Officer and a Board Member of Family House in Bahrain. He earlier served as Executive Director of Banking Supervision at the Central Bank of Bahrain (CBB) where he was responsible for the licensing, inspection and supervision of financial institutions, and ensuring that all banks and financial institutions, either operating in Bahrain or incorporated in Bahrain, complied with laws and regulations issued by the CBB. In addition, he is a Director of Al Baraka Islamic Bank (Bahrain). He has held senior posts with a number of firms, including as Deputy CEO at Venture Capital Bank.

He has over 38 years of experience in banking, finance, auditing, and accounting. Before joining the CBB, Dr. Khaled Abdulla Ateeq was an Assistant Professor at the University of Bahrain. He holds a PhD in Philosophy in Accounting from Hull University, U.K.

#### Mrs. Dalia Hazem Khorshid

##### Board Member

Mrs. Dalia Hazem Khorshid is currently Chairwoman, CEO, and Founder of MASAR Financial Advisory. She previously served as Founder, Chairwoman and CEO at EAGLE Capital for Financial Investment from 2017 until 2018. She was the first and youngest female minister in the Cabinet of Ministers of the Government of Egypt from 2016 to 2017. She oversaw and managed more than 10,000 employees and also served as a public servant during the transformational year in Egypt with the launch of the Economic Reform Program.

She has over 25 years of global experience in various management capacities and in working within the investment banking and corporate finance sectors. She possesses a Bachelors of Arts degree in Business Administration and Economics and currently serves as a teaching professor for undergraduates in the Investment Analysis and Applied Banking field at The American University of Cairo from 2018.

#### Dr. Ziad Ahmed Bahaeldin

##### Board Member

Dr. Ziad Ahmed Bahaeldin is currently a member of the Board of Directors of The African Committee as well the African Team, The Arabian Cement Company in Egypt and a Non-Executive Chairman of Alexandria Bank. He is also the Managing Partner of

Thebes Consultancy and Bahaeldin Law Office in Cooperation with BonelliErede.

He was earlier Egypt's Deputy Prime Minister and Minister of International Cooperation from 2013 until 2014. Dr. Ziad Ahmed Bahaeldin was also a member of the Board of Directors of the Central Bank of Egypt and Executive Chairman of the Egyptian Financial Supervisory Authority from 2009 to 2011. In addition, he was a member of the Board of Directors of National Bank of Egypt (UK).

He has over 30 years of experience in government positions and in the private sector as well as extensive experience in financial law, banking, capital markets, investment, company laws, governance, compliance and economy legislation. From 1999 until 2004, Dr. Ziad Ahmed Bahaeldin taught Economic Legislation at the Cairo University, after successfully obtaining his PhD in Law in 1996, from London School of Economics, UK.

#### **Mr. Saud Saleh Al Saleh**

##### **Board Member**

Mr. Saud Saleh Al Saleh is currently a Board Member of Emaar Economic City. He has held various positions as the Head of the Board of Trustees of the Riyadh Economic Forum, Chairman of SAIB-BNP Paribas Assets Management Company, Chairman of MAAD International Company in Saudi Arabia, Vice Chairman of American Express (Kingdom of Saudi Arabia) Limited (ASAL), Board Member of the Saudi Arabian General Investment Authority (SAGIA), General Organization for Social Insurance (GOSI), The Higher Education Fund, in addition to his board membership in Saline Water Conversion Corporation (SWCC), Saudi Orix Leasing Company (SOLC), Boeing Industrial Technology Group L.P. (BITG), AMLAK International for Real Estate Development and Mortgage Finance and The Mediterranean & Gulf Cooperative Insurance & Reinsurance Co. (MEDGULF).

He has more than 33 years of experience in banking, during which he worked at Arab National Bank in Riyadh followed by management positions at Saudi Investment Bank in Riyadh. He advanced gradually to become General Manager of Saudi Investment Bank. Following that, he was appointed at a minister rank to the position of a General Secretary of the Supreme Economic Council of the Kingdom of Saudi Arabia. Mr. Saud Saleh Al Saleh is a Saudi national and holds a Bachelor of Science degree in Business Administration from Portland State University, Oregon, USA and an M.A. in Economics from The University of Rhode Island, USA. He has also done many advanced courses in the financial and legal fields.

#### **Mr. Abdul Elah Abdul Rahim Sabbahi**

##### **Board Member**

Mr. Abdul Elah Abdul Rahim Sabbahi is the Chief Financial Officer of Dallah Al Baraka Group, Kingdom of Saudi Arabia. He is also Chairman of Al Baraka Bank Tunisia, Chairman of Arab Leasing International Finance, Kingdom of Saudi Arabia and La Société de Promotion du Lac de Tunis, Tunisia. He is also a member of the Boards of Dallah Al Baraka Holding Co. E.C., Bahrain and a number of other international companies.

He has over 40 years' experience in international banking and business, the last three decades of which were with the Dallah Al Baraka Group in the Kingdom of Saudi Arabia. Mr. Abdul Elah Abdul Rahim Sabbahi, a Saudi national, holds a Bachelor of Science Degree in Accounting from King Abdulaziz University, Saudi Arabia.

#### **Mr. Adnan Ahmed Yousif**

##### **Board Member and President & Chief Executive**

Mr. Adnan Ahmed Yousif has led Al Baraka Banking Group (ABG) since its inception, developing the Group into one of the largest and most diversified Islamic banking groups in the world. He is the Chairman of Al Baraka Banks in Sudan, Turkey, South Africa, Algeria, Pakistan and Syria and Vice Chairman of Al Baraka Islamic Bank-Bahrain and a Board member of Al Baraka Bank Tunisia and Itqan Capital in Saudi Arabia. He is currently the Chairman of Bahrain Association of Banks. He was the Chairman of the Union of Arab Banks, Lebanon, for two consecutive terms (2007-2013). He was previously with Arab Banking Corporation (B.S.C.) for over 20 years, last serving as a Director on its Board.

He holds a Master's in Business Administration degree from University of Hull, U.K. In recognition of his outstanding contribution in the field of contemporary Islamic finance and for modernizing its theoretical fundamentals in practice, the Al Jinan University of Lebanon granted him an Honorary Doctorate of Philosophy in Business Administration. During his three decades of international banking experience, Mr. Adnan Ahmed Yousif has won several accolades and prestigious awards, internationally.

#### **Mr. Fahad Abdullah Al Rajhi**

##### **Board Member**

Mr. Fahad Abdullah Al Rajhi is currently Chairman of Fahad Abdullah Al Rajhi Holding LLC and Chairman of Abdullah Abdul Aziz Al Rajhi and Sons Holding LLC in addition to his board memberships in Deutsche Gulf Finance, in Raysut Cement Company and Najran Cement Company. Previously he served as General Manager of the Treasury and Financial Institutions Group at Al Rajhi Banking Corporation where he was responsible for investment operations, treasury and financial institutions.

Mr. Fahad Abdullah Al Rajhi has over 33 years of experience in banking, finance, investment and treasury, and holds a Bachelors' Science degree in Industrial Management from King Fahd University of Petroleum and Minerals.

## Corporate Governance (continued)

### Dr. Mohamed Moncef Chiekh-Rouhou

#### Board Member

Dr. Mohamed Moncef Chiekh- Rouhou is a professor in the Business School of Ecole Des Hautes Etudes Commerciales located in Paris, France, a position he has held since 1975. He was the founder of International Maghreb Merchant Bank and served as founder and director of Best Bank in 1995 and Mediterranean Investment Bank in 1983. The banks that he founded attracted investment and organized large national development projects in Tunisia.

He has over 44 years of professional experience in education, banking and executive positions and has studied alongside decorated and prolific professors such as Noble Peace Prize winner in Economics, Prof. George Akerlof. He obtained a PhD degree in Applied Economics in 1974 from the University of California in Berkley, United States. In 1981, Tunisia's President Habib Bourguiba requested him to establish new financial institutions and lead development projects for Tunisia.

### Mr. Naser Mohamed Ali Al Nuwais

#### Board Member

Mr. Naser Mohamed Ali Al Nuwais holds a variety of positions in several different corporations - Director General of Abu Dhabi Fund for Development, and Chairman of Rotana Hotel Management Corp. Ltd and Aswaq Management & Services, both located in Abu Dhabi, UAE. Other positions include Chairman of Arab Insurance Group in Bahrain and member of the Board of Directors of DanaGas in Sharjah, UAE from 2009 until 2019.

He has more than 40 years of experience in business, insurance, real estate development. His outstanding work as a businessperson earned him a Lifetime Achievement Award from the Arabian Hotel Investment Conference in 2011 as well as Pioneer in the Tourism Industry in the Arab World Award in 2003. Mr. Naser Mohamed Ali Al Nuwais acquired his BA degree in Business & Public Administration from New York University in 1974.

### UNIFIED SHARI'A SUPERVISORY BOARD

The Unified Shari'a Supervisory Board of Al Baraka Banking Group ("Shari'a Board" or "USSB") is elected for a three year term by the shareholders during the AGM based on recommendations from the Board of Directors. The Shari'a Board has the following responsibilities:

- Overseeing the operations and activities of the Group to ensure compliance with Islamic Shari'a principles
- Monitoring and reviewing transactions to ensure full compliance with the Board's decisions
- Reviewing files, records, and group documents at any time. The Shari'a Board can also request any information deemed necessary and approves all relevant documents relating to new products and services including contracts, agreements, marketing and promotional material, or other legal documents used in the Group's operations

The Shari'a Board operates in accordance with its internal regulations, which clarify its policies, procedures and responsibilities. In carrying out its duties, the Shari'a Board has the full right to communicate with the Board of Directors, the Executive Management, and the management and staff of the subsidiary Units. In addition to reviewing and advising on Shari'a compliance in all products and services.

### SHARI'A COMPLIANCE

ABG places great importance on Shari'a compliance, whether in the transactions of the ABG head office or of its subsidiaries. The compliance policy is in accordance with the Shari'a rules and principles stipulated in the standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the decisions of the Centralized Shari'a Supervisory Board. All Units of ABG are committed to comply with Shari'a standards issued by the AAOIFI, and fatwas and decisions circulated by the Shari'a Board to the extent that they do not conflict with local laws.

### SHARI'A BOARD'S MEETINGS

The Shari'a Board meets at least 6 times a year. An annual retainer fee is paid to the members of the Board, in addition to a sitting fee for the members of the Board for each meeting attended, with compensation for travel expenses as required. No remuneration associated with the performance of the Group shall be paid to members of the USSB.

## THE UNIFIED SHARI'A SUPERVISORY BOARD'S PROFILES

### Shaikh Abdulla Bin Sulaiman Al Mannea

#### Chairman

Shaikh Abdulla Bin Sulaiman Al Mannea holds a Master of Arts degree in Jurisprudence and Economics from the College of Finance in the Kingdom of Saudi Arabia. He is a member of the Permanent Committee for Scholarly Research and Ifta in the Kingdom of Saudi Arabia, a committee that includes prominent scholars in Kingdom. He is also a member of a number of prestigious Islamic jurisprudential councils, including the International Islamic Fiqh Academy in Jeddah and the Muslim World League Islamic Fiqh Academy in Makkah, Kingdom of Saudi Arabia. He has previously held the position of Chief Justice of the Supreme Court of Makkah, and is a member of the Shari'a Council of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in the Kingdom of Bahrain. He also holds memberships in several Shari'a councils at Islamic financial institutions in KSA and the GCC.

### Shaikh Dr. Abdullatif Mahmood Al Mahmood

#### Vice Chairman

Shaikh Dr. Abdullatif Mahmood Al Mahmood has a PhD in Islamic Jurisprudence and Shari'a from Zaytoonah University in Tunisia, an MA in Comparative Jurisprudence from Al-Azhar University, and a Diploma in Education from Ain Shams University, Cairo. Since 2001, he has served as President of the Department of Islamic Studies and Arabic Language at the University of Bahrain (UoB), and has been a teacher of Islamic studies at UoB since 1985. He also holds memberships in several Shari'a Supervisory Bodies at Islamic financial institutions including Bahrain Islamic Bank, Takaful, And the Arab Islamic Banking Association in Bahrain and London.

### Shaikh Dr. Saad bin Nasser Al Shithry

#### Member

Shaikh Dr. Saad bin Nasser Al Shithry holds a Phd. from the College of Shari'a at Imam Muhammad bin Saud Islamic University in Riyadh. He is currently a Member of the Council of Senior Scholars in the Kingdom of Saudi Arabia and advisor to the Royal Court. He held a number of different positions at the College of Shari'a at Imam Muhammad bin Saud Islamic University where he commenced as a teaching assistant and then rose to the positions of Lecturer, Assistant Professor and Associate Professor. He has written as much as 65 books on comparative jurisprudence and principles of jurisprudence, in addition to many scientific research papers.

### Shaikh Dr. Al Ayachi Al Saddig Fiddad

#### Member

Shaikh Dr. Al Ayachi Al Saddig Fiddad holds a PhD in Islamic Economics with excellent grades from Umm Al-Qura University in Makkah Al-Mukarramah, a master's degree in the same specialty from the same university, and a bachelor's degree in Islamic law - majoring in jurisprudence and fundamentals from the College of Shari'a - Umm Al-Qura University - Makkah Al-

Mukarramah. He has had a total of 25 years' experience in the Islamic Development Bank Group in Jeddah and held a number of positions in the Islamic Institute for Research and Training - the Islamic Development Bank, most recently as Acting Director of the Consulting Services Division. He was a Member of the Shari'a Council of the Accounting and Auditing Organization for Islamic Financial Institutions in Bahrain, Member of the Shari'a Council of the International Islamic Rating Agency, Member of the Shari'a Committee of the Themar Fund of United Gulf Company, and expert in the International Islamic Fiqh Academy in Jeddah. He is currently a member of the Shari'a Standards Committee of the Accounting and Auditing Organization for Islamic Financial Institutions.

### Mr. Yousif Hassan Khalawi

#### Member

Mr. Yousif Hassan Khalawi is a specialized practitioner of Shari'a, its principles and international law. He graduated from the College of Shari'a at Imam Muhammad bin Saud Islamic University with excellent grades. He holds a master's degree in the principles of jurisprudence involving specialized emphasis on comparative law, international investment, arbitration and conflict resolution. He also received legal training in more than one global legal firm in Frankfurt, Geneva and London and later established a specialized legal group in London with branches in a number of countries in the world. He has held a teaching position at the College of Shari'a at Imam Muhammad bin Saud Islamic University in Riyadh. He has established a number of Islamic portfolios and investment funds since 2000, as well as a large number of companies owned by investors in more than 70 countries around the world. He is on the boards of several companies around the world, including the Saudi Center for Commercial Arbitration, Riyadh. He is also a member of the Board of Trustees of the Accounting and Auditing Organization for Islamic Financial Institutions.

### Dr. Eltigani El Tayeb Mohammed

#### Secretary of Unified Shari'a Supervisory Board

Dr. El Tigani El Tayeb Mohammed has over 12 years' extensive experience in Islamic banking and finance, with specialization in Islamic Banking law. He joined Al Baraka Banking Group in November 2007.

Dr. Eltigani El Tayeb Mohammed is a Certified Shari'a Advisor and Auditor (CSAA) from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and received his doctorate degree in the principles of Islamic jurisprudence from University of Khartoum - Sudan, in addition to a Masters of Business Administration degree in principles of Islamic jurisprudence from Omdurman Islamic University - Sudan. He has also served as a professor at Sultan Zainal Abidin Religious College (KUSZA) and International Islamic University (HUM) in Malaysia.

## Corporate Governance (continued)

### A tribute to the Late Dr. Ahmed Mohiyeldin (1956-2020)

Dr Ahmed Mohiyeldin was born in the State of Gezira in Sudan and was considered as one of the most prominent Sudanese experts in Islamic banking. His academic and work achievements span over two decades during which he developed a wide profile as an expert in Islamic Fiqh and was an active contributor to local and international conferences. He was revered for his role in the development of Islamic banking thought and was initially the Head of Research & Development at Al Baraka Banking Group.

He earned his Bachelor of Arts degree from Omdurman Islamic University and a Master's degree in Transactional Jurisprudence

from Umm Al-Qura University in the Kingdom of Saudi Arabia. He obtained his Ph.D. from Umm Al-Qura University. He was one of the founders of the Khartoum Stock Exchange and contributed significantly to the drafting of its rules and administrative structure. He has held memberships of the Sharia Supervisory Boards of many Islamic banks, the most prominent being the Unified Sharia Supervisory Board of Al Baraka Banking Group of which he was a founding member.

He sadly passed away on 29th August 2020. May Allah have mercy upon him.

### Meeting schedule for the Unified Shari'a Supervisory Board

The Shari'a Board held 6 meetings in 2020. Below are the details of membership and the number of meetings attended:

| Name                                     | Position      | Number of meetings attended |
|--|---------------|-----------------------------|
| Shaikh Abdulla Bin Sulieman Al Mannea    | Chairman      | 6                           |
| Shaikh Dr. Abdullatif Mahmood Al Mahmood | Vice Chairman | 6                           |
| Late Dr. Ahmed Mohiyeldin Ahmed          | Member        | 3                           |
| Shaikh Dr. Saad bin Nasser Al Shithry    | Member        | 6                           |
| Shaikh Dr. Al Ayachi Al Saddig Fiddad    | Member        | 6                           |
| Mr. Yousif Hassan Khalawi                | Member        | 6                           |

### EXECUTIVE MANAGEMENT

The Board of Directors has delegated to the Group's Executive Management team the primary responsibility for implementing the strategy of the Group, identifying and evaluating significant risks to the business of the Group and for the design and operation of appropriate internal controls. Its other responsibilities include: ensuring that resolutions of the Board of Directors are carried out; ensuring that the Group operates at all times in accordance with the principles of Shari'a and that the decisions and recommendations of the Unified Shari'a Supervisory Board are carried out; providing the Board of Directors with analysis, assessments and recommendations regarding the Group's activities and supplying the CBB with all information required under the CBB Law and relevant regulations. The Executive Management disseminates to the Group Units strategic and other central decisions taken at the parent level, thus ensuring the implementation of Group wide policies and common operational processes and procedures.

As at the end of 2020, the Executive Management Team consisted of the President & Chief Executive, the Deputy Chief Executives and the Heads of: Operations and Administration, Internal Audit, Credit and Risk Management, Treasury, Investments and Financial Institutions, Finance, Compliance, Commercial Banking, Legal Affairs, IT, Strategic Planning, Social & Sustainable Finance, Shari'a Internal Audit, Shari'a Audit, Corporate Governance and Board Affairs in addition to the Shari'a Officer. All members of the Executive Management Team have been provided with a written appointment agreement specifying the rights and obligations attaching to the office of each member. Executive Management also exercises control via a number of committees with specific responsibilities, among which are:

#### Executive Management Committee

The Executive Management Committee's role is to oversee the implementation of the strategic objectives of the Group in relation to its business direction, operations, risk, expansion plans and overall policies and procedures. The Committee is chaired by the President & Chief Executive with the remaining membership comprising of the Deputy Chief Executives and Heads of: Operations and Administration, Credit and Risk Management, Treasury, Investments and Financial Institutions, Finance, Commercial Banking, Compliance, Legal Affairs, IT, Strategic Planning, Social & Sustainable Finance, Corporate Governance and Board Affairs, Secretary to the Unified Shari'a Supervisory Board; with Head of Internal Audit and Head of Shari'a Internal Audit as observers.

#### Asset and Liability Committee

The Asset and Liability Committee's mandate is to monitor the liquidity and capital adequacy of the Group and review the Group's long-term equity investments and its penetration into the different markets. The Committee reviews liquidity and cash flow of ABG and the Group Units and sets balance sheet growth targets, besides monitoring the distribution of profits to investors. The Committee is chaired by the President & Chief Executive and its remaining members are the Deputy Chief Executives and the Heads of: Operations and Administration, Credit and Risk Management, Finance, Treasury, Investments and Financial Institutions.

#### Head Office Credit Committee

The Head Office Credit Committee "HOCC" is the authority that approves credits and considers issues of Group credit policy and

Group credit exposures, problem credits and provisioning levels. The Committee is chaired by the President & Chief Executive with the remaining membership being drawn from among the Executive Management which include the Group Head of Credit and Risk Management .

#### Management Risk Committee

The Management Risk Committee's "MRC" role is to assist the Board Risk Committee in managing and controlling material risks, and to introduce and support such measures which enhance the efficiency of risk management policies, procedures, practices and controls within the Group. The committee is chaired by the President & Chief Executive, with remaining membership comprising of the Deputy Chief Executive - Head of Support (Vice Chairman) and Heads of: Credit & Risk Management, Finance, Operations & Administration as well as the Head of Enterprise Risk Management (who serves as the secretary of the committee).

#### Compliance Committee

The role of the Compliance Committee is to ensure that the bank manages its compliance risk in accordance with the tenets of zero tolerance for non-compliance and according to international best practices, and complies with the rules and regulations of the Central Bank of Bahrain and other applicable regulatory requirements. The main responsibilities of this committee are to determine the compliance risk appetite and to provide oversight, strategy, policy and guidance on compliance on matters relating to AML/CFT, International Sanctions, Foreign Account Tax Compliance Act and Common Reporting Standard ("FATCA/CRS") and Regulatory Compliance. The Compliance Committee is chaired by the President & Chief Executive with remaining memberships comprising of the Deputy Chief Executives and Heads of: Credit and Risk Management, Finance, Compliance, Corporate Governance and Board Affairs, with Internal Audit as observer.

#### IT and Digitalization Committee

The IT and Digitalization Committee's role is to draw up the Group's short and long-term IT strategy, and to oversee and monitor its implementation throughout the Group with a view to effecting standardisation in information and operation management. The Committee is chaired by the Deputy Chief Executive - Head of Support with remaining memberships comprising of the Heads of: Operations and Administration, Credit and Risk Management, IT, Finance and Strategic Planning.

#### Human Resources & Compensation Committee

The role of the Human Resources & Compensation Committee is to review the Human Resources policies, management and planning at the Group's Head Office. The Committee is chaired by the Head of Operations and Administration and the other members are the Deputy Chief Executive - Head of Support, IT and Strategic Planning.

#### Head Office Insiders Committee

The Head Office Insiders Committee was set up in accordance

with the guidelines issued by the CBB and the Bahrain Bourse (BB), for the purpose of ensuring the maintenance of a fair, orderly and transparent securities market, and enhancing and developing the practices relating to the risk management systems and internal controls within listed companies and similar institutions. The Committee is responsible for monitoring and supervising issues relating to insiders in order to regulate their dealings in the Group's securities, and to ensure that Group insiders are acquainted with and aware of the legal and administrative requirements regarding their holdings and dealings in the Group's securities. Furthermore, it is responsible for preventing the abuse of inside information by such insiders. The Committee is chaired by the President & Chief Executive and the other members are the Deputy Chief Executive - Head of Support and Heads of: Operations and Administration, Treasury, Investments and Financial Institutions and Legal Affairs, Investor Relations with the Head of Internal Audit as an observer.

#### Other Committees

The Executive Management also forms ad hoc committees, as and when required, to address specific initiatives in which the Group may be engaged from time to time.

#### EXECUTIVE MANAGERMENTS' PROFILES

##### Mr. Adnan Ahmed Yousif

##### *Board Member and President & Chief Executive*

Mr. Adnan Ahmed Yousif has led Al Baraka Banking Group (ABG) since its inception, developing the Group into one of the largest and most diversified Islamic banking groups in the world. He is the Chairman of Al Baraka Banks in Sudan, Turkey, South Africa, Algeria, Pakistan and Syria and Vice Chairman of Al Baraka Islamic Bank-Bahrain and a Board member of Al Baraka Bank Tunisia and Itqan Capital in Saudi Arabia. He is currently the Chairman of Bahrain Association of Banks. He was the Chairman of the Union of Arab Banks, Lebanon, for two consecutive terms (2007-2013). He was previously with Arab Banking Corporation (B.S.C.) for over 20 years, last serving as a Director on its Board.

He holds a Master's in Business Administration degree from University of Hull, U.K. In recognition of his outstanding contribution in the field of contemporary Islamic finance and for modernizing its theoretical fundamentals in practice, the Al Jinan University of Lebanon granted him an Honorary Doctorate of Philosophy in Business Administration. During his three decades of international banking experience, Mr. Adnan Ahmed Yousif has won several accolades and prestigious awards, internationally. Mr. Adnan Ahmed Yousif retired from ABG on 31st December, 2020.

##### Mr. Hamad Abdulla Al Oqab

##### *Deputy Chief Executive - Head of Support*

Mr. Hamad Abdulla Ali Al Oqab has over 27 years' experience in banking, finance and auditing. With effect from March 2019, he was assigned the role of Chief Executive Officer of Al Baraka Islamic Bank in addition to his current responsibility.

He is also Chairman of Al Baraka Bank Lebanon and Vice Chairman of Jordan Islamic Bank, and a Board Member of Banque Al Baraka D'Algerie and Al Baraka Bank Egypt. He serves as a member of various Board committees of these banking subsidiaries. He is

## Corporate Governance (continued)

also the Chairman of the Accounting Standards Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Prior to joining Al Baraka Banking Group in 2005, he worked in Shamil Bank (currently Ithmaar Bank), Arthur Andersen, Unilever and Bahrain Monetary Agency (currently Central Bank of Bahrain). Mr. Hamad Abdulla Ali Al Oqab holds a Bachelor of Science degree in Accounting from the University of Bahrain and is a Certified Public Accountant and Chartered Global Management Accountant.

### Mr. Housseem Ben Haj Amor

#### *Deputy Chief Executive – Head of Business Development & Investments*

Mr. Housseem Ben Haj Amor has over 20 years of experience in the Finance industry across the Middle East, Europe and North Africa. He previously served as Chief Financial Officer and Head of Strategy at Amlak Finance UAE. Earlier he was the General Manager of SHUAA Capital, a leading Investment bank in the GCC. He commenced his career with Andersen and later with the Societe Generale banking group. He has held board positions in several banks and financial institutions. He has valuable experience working with regulators across the GCC as well as operating at the board level of listed organizations across the UAE, KSA, Bahrain and Egypt. Mr. Housseem Ben Haj Amor is a Certified Public Accountant.

### Mr. Abdulrahman Shehab

#### *Executive Vice President - Head of Operations and Administration*

Mr. Abdulrahman Shehab has over 40 years' experience with international financial institutions, both Islamic and conventional. He is a Member of the boards of Banque Al Baraka D'Algerie and Al Baraka Bank (Pakistan) Ltd. Before joining ABG in May 2006, he was Assistant Chief Executive Officer – Head of Operations & Administration at Bahrain Islamic Bank from 2002 until 2006, prior to which he was with Faysal Islamic Bank of Bahrain (now Ithmaar Bank) from 1985 to 2002. Previously, he worked at Bahrain Middle East Bank and the Bahrain branches of American Express Bank, Bank of America and Chase Manhattan Bank. He commenced his career with Habib Bank Ltd. in 1973. Mr. Abdulrahman Shehab holds a Master degrees in Business Administration from Hull University, U.K. Mr. Abdulrahman Shehab retired from ABG on 31st December 2020.

### Mr. Mohammed A. El Qaq

#### *Senior Vice President - Head of Commercial Banking*

Mr. Mohammed El Qaq has over 29 years of experience in commercial banking. Before joining ABG in August 2014, he was General Manager, International Banking & Syndications at Commercial Bank of Kuwait, prior to which he was a First Vice President at Arab Banking Corporation (B.S.C.), Bahrain, and Deputy Chief Executive & Head of Corporate Banking Group at Arab Banking Corporation (Jordan). He also served as a Member of the Board of Directors of ABC Islamic Bank from 2009-2012. Having commenced his career with the Housing Bank for Trade and Finance, Jordan, in 1990, he worked with Arab Bank in Jordan and Qatar National Bank in Qatar. Mr. Mohammed El Qaq holds a Master of Business Administration degree from Howard University, U.S.A.

### Mr. Ahmed Albalooshi

#### *Senior Vice President - Head of Information Technology*

Mr. Ahmed Albalooshi has more than 20 years of experience in IT gained while working in the government and private sectors in Bahrain including banking. He commenced his career with Bahrain Islamic Bank and then moved to other government and private organizations before joining ABG in November 2008. Mr. Ahmed Albalooshi is also an advisory board member of Bahrain FinTech Bay and the Chairman of Digital and Cybersecurity Committee of Bahrain Association of Banks. He holds a Master of Business Administration degree from University of Manchester and a Bachelor degree in Information Technology from the University of Canberra in Australia. He also holds a number of additional professional qualifications in the IT sector such as Certified in the Governance of Enterprise IT (CGEIT), Certified Information Systems Auditing (CISA), Certified Information Security Management (CISM) and others.

### Mr. Azhar Aziz Dogar

#### *Senior Vice President - Chief Risk Officer & Head of Credit and Risk Management*

Mr. Azhar Aziz Dogar has over 28 years of international banking experience that includes ME&A/GCC and Asia regions with short assignments in U.K., Netherlands and U.S.A. His banking experience encompasses credit and risk management covering all business segments inclusive of corporate/investment banking, commercial/middle market and retail. Over the years, his work also involved corporate strategy and buy-side due diligence on financial sector acquisitions. He commenced his career with Citigroup in its investment banking division and later moved to ABN AMRO Bank taking on a variety of leadership roles including Deputy Regional Risk Manager for MENA and Head of Credit Portfolio Management. Within the credit and risk management area, he has held a number of senior positions including Chief Risk Officer for DIB Capital (wholly owned subsidiary/investment banking arm of Dubai Islamic Bank), Chief Risk Officer of SAMBA Capital in Saudi Arabia and Chief Risk Officer of National Bank of Abu Dhabi for its corporate and investment banking business. Prior to joining ABG group, his last role with National Bank of Abu Dhabi was as the Chief Credit Officer for Wholesale & International Banking. He has also been a board member of Dubai Islamic Bank in Pakistan. Within banking, he has worked across 3 lines of defense - i.e., risk taking, risk oversight and risk assurance. His experience entails both working for conventional and Islamic banks. Mr. Azhar Aziz Dogar is graduate of University of Pennsylvania and Brown University, USA with a Bachelors and Masters in Economics. His Masters' thesis was in Islamic Finance.

### Mr. Mohammed Al-Alawi

#### *Senior Vice President - Head of Internal Audit*

Mr. Mohammed Alawi Al-Alawi has over 22 years of external and internal audit experience, mainly in Islamic banks. He reports directly to the Audit Committee of the Board of Directors of ABG and also acts as Secretary of the Committee. He participates as an observer member in Audit Committee meetings of ABG's subsidiaries. Previously Mr. Mohammed Alawi Al-Alawi worked

as an Internal Audit manager in Ithmaar Bank prior to which he worked in leading audit firms such as PricewaterhouseCoopers and Ernst & Young. Mr. Mohammed Alawi Al-Alawi is an FCCA - Fellow of the Association of Chartered Certified Accountants, U.K. and ICAEW - member of the Institute of Chartered Accountants in England & Wales.

#### **Mr. Suhail Tohami**

##### **Senior Vice President - Head of Treasury, Investments & Financial Institutions**

Mr. Suhail Tohami has more than 23 years of experience in both conventional and Islamic banking and other diversified businesses. His most recent position was SVP - Head of Treasury & Placement at Seera Investments, Bahrain for more than 11 years having established, developed and managed the Treasury department since inception and also managing Shareholder and Investor relations. Prior to Seera, his banking experience includes more than 7 years at BBK, Bahrain with exposure to all Treasury functions including fixed income portfolio manager, FX and interest-rate trading, and heading the money market and liquidity management function. Mr. Suhail Tohami is a member of the CFA Institute and is a holder of the Chartered Financial Analyst (CFA) designation. He also holds a Certified Public Accountant (CPA) designation from University of Illinois and is a member of the American Institute of Certified Public Accountants. Mr. Suhail Tohami holds an Executive MBA Degree with distinction and first-class honors and a Bachelor's Degree in Accounting with distinction from University of Bahrain.

#### **Mr. Yaser Ismaeel Mudhafar**

##### **Senior Vice President - Head of Finance**

Mr. Yaser Ismaeel Mudhafar has over 21 years of extensive experience in the Islamic banking industry and Audit. He is Board member and Head of Board Audit Committee in Al-Baraka Bank Sudan. Prior to joining ABG, he was Assistant General Manager - Chief Financial Officer at Khaleeji Commercial Bank for more than 12 years where he established, developed and managed the Financial Control Department and Internal Control at the Bank. Prior to Khaleeji Commercial Bank, he worked at Kuwait Finance House- Bahrain in the Financial Control Department. Mr. Yaser Ismaeel Mudhafar is a member of American Institute of Certified Public Accountants (AICPA) and he holds the title of Certified Public Accountant (CPA) of the State of Michigan, USA. He is an Executive MBA graduate of the University of Bahrain and has the Certified Islamic Professional Accountant (CIPA) designation from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

#### **Mr. Nader Mahmood**

##### **Senior Vice President - Group Head of Compliance & MLRO Management**

Mr. Nader Mahmood is a banking professional with more than 32 years of experience in finance and banking and joined ABG in March 2019. Prior to that Mr. Nader Mahmood worked with Gulf International Bank (B.S.C.), Bahrain, most recently as Head of Group Compliance responsible for overseeing and coordinating

compliance functions and activities, including regulatory compliance, corporate governance, anti-money laundering and international sanctions across the network of offices worldwide. Before this appointment, he held a number of senior positions in the Compliance & AML and Internal Audit area within the banking industry. Mr. Nader Mahmood commenced his professional career with Bahrain Petroleum Company (Bapco). During his working career, he gained varied experience in compliance, audit, credit control, investment & treasury, and trade finance fields. He is a Commerce Graduate from the University of Bahrain and holds a number of certifications, including Certified Anti-Money Laundering Specialist (ACAMS), International Compliance Association (FICA), and Certified Financial Service Auditor (CFA).

#### **Dr. Adel Basha**

##### **Senior Vice President – Head of Legal Affairs**

Dr. Adel Basha has over 20 years of working experience in the Islamic Banking industry. He is also Secretary of the Board of Directors at Al Baraka Islamic Bank Bahrain and the Head of the Legal Committee in Bahrain Association of Banks. He previously served as Director of Al Baraka Bank Sudan's legal department during which he was responsible for directing and managing the department. Prior to this he worked as a lecturer and assistant professor in the faculty of law (University of Khartoum) and many other universities in Sudan for over 15 years. He was the Head of Legal Department in Al Baraka Bank (Sudan) before he joined ABG in 2007.

He also served as part time lecturer in different universities in Sudan including National Ribat University, Sudan University for Science and Technology and Sudan University College for Girls. Dr. Adel Basha delivered lectures on "The Criminal Liability of Corporate Entities" at the Faculty of Law, University of Shendi in June 2005 and wrote a book "The Law of Insurance in Sudan" which was published by the Open University of Sudan. Dr. Adel Basha gained a Ph.D. from the University of Khartoum, Sudan in 2004, with his thesis – "Automobile Accident Compensation System in Sudan".

#### **Dr. Mohammed Mustapha Khemira**

##### **Senior Vice President – Head of Strategic Planning**

Dr. Mohammed Mustapha Khemira has over 24 years of experience in Islamic banking services, management consulting and education. Prior to joining ABG in February 2017, he worked in different managerial positions with prominent global and GCC-based institutions. He served as the Head of Shari'a Structuring and Coordination as well as Head of the Shari'a Department at Emirates Islamic Bank for more than eight years. Before that, he was Chief Operating Officer and Co-Founder of Beacon Education LLC and Taaleem PJSC in Dubai for a year. Earlier he worked with McKinsey & Company for 3 years at the firm's Dubai office. Dr. Mohammed Mustapha Khemira started his career in Islamic banking with Faysal Islamic Bank of Bahrain in the late nineties where he served in various capacities, last being Vice President Corporate & Investment Banking. He commenced his career with Netbroker Inc. (Waltham, MA, USA) as a Financial Software Developer in 1996.



## Corporate Governance (continued)

Dr. Mohammed Mustapha Khemira holds a Ph.D. and an M.Sc. in Mechanical Engineering from the Massachusetts Institute of Technology (MIT) in Cambridge, MA, USA. He completed his B.Sc. in Mechanical Engineering from University of Minnesota, Minneapolis, USA. He is the recipient of scholarships for his education from the USAID Technology Transfer Program.

### Dr. Ali Adnan Ibrahim

#### *First Vice President - Head of Social & Sustainable Finance*

Dr. Ali Adnan Ibrahim has over 23 years of experience. As Head of the Group Sustainability and Social Responsibility Department, he specialises in market-based strategies for economic development, corporate sustainability, impact investing, Islamic micro-and- SME finance, mergers and acquisitions, and Shari'a-structuring. He also develops strategies and processes to ensure that Al Baraka's businesses contribute to its communities. Dr. Ali Adnan Ibrahim is co-chairman of the Sustainability Working Group of the General Council of Islamic Banks and Financial Institutions (CIBAFI) and Member of the Sustainable Finance Working Group (SFWG) managed by the International Institute of Finance. He is the Chairman of the Sustainable Development Committee of the Bahrain Association of Banks and also chairs the Global Islamic and Sustainable Fintech Centre with a mission to leverage financial technology, Islamic and sustainable finance for impact. He is an active member of various communities of the World Economic Forum including the Forum of Young Global Leaders and the Executive Working Group on Financing. He is also member of the Global Islamic Finance & SDGs Taskforce established jointly by the United Kingdom Treasury and the Islamic Finance Council, United Kingdom.

Previously, he was a counsel at Baker & McKenzie. As a Fulbright Scholar, Dr. Ali Adnan Ibrahim received his doctorate in financial regulation from the Georgetown University (with distinction). He has attended leadership programs such as "Global Leadership and Public Policy in 21st Century" at Harvard University and "Transformational Leadership" at Oxford University. He has twice served as Co-Chair of the Islamic Finance Committee of the American Bar Association.

He has been published internationally on market-based strategies for economic development, financial inclusion, Islamic finance and its regulation, Islamic microfinance, comparative corporate governance and capital markets in developing countries.

### Mr. Mohammed Abdullatif Al Mahmood

#### *First Vice President - Head of Internal Shari'a Audit*

Mr. Mohammed Abdullatif Al Mahmood has more than ten years' experience in Internal Shari'a Audit. He has been with ABG since August 2007 and was responsible for establishing the Internal Shari'a Audit function and auditing its subsidiaries. Earlier he worked as Research and Teaching Assistant in Bahrain University and also as a lawyer in a local firm where he was admitted to practice before all Bahraini courts for over four years. Mr. Mohammed Abdullatif Al Mahmood is a Certified

Shari'a Advisor and Auditor (CSAA) and holds a Master degree in Islamic Jurisprudence and Its foundations from Jordan University in addition to a Bachelor of Science degree in Shari'a and Law from Azhar University.

### Mr. Abdulmalek Mezher

#### *First Vice President - Head of Corporate Governance & Board Affairs*

Mr. Abdulmalek Mezher joined ABG in November 2019 and has over 16 years of experience in Compliance, AML/CTF, Operational Risk, Corporate Governance and Board Secretariat matters in Banking and Asset Management sectors. Prior to joining ABG, he worked for Alistithmar Capital, the subsidiary of the Saudi Investment Bank, as Head of Corporate Governance besides handling matters related to Board Affairs.

Mr. Abdulmalek Mezher holds a BA in Accounting from the University of Jordan. He has several Professional Certificates in the Compliance and AML/CTF fields. He also holds the ICGC-International Corporate Governance Certificate, and is a GRCP – Governance, Risk and Compliance Professional. He recently obtained the CSAA – Certified Shari'a Advisor & Auditor designation.

### Dr. Eltigani El Tayeb Mohammed

#### *Shari'a Officer*

Dr. El Tigani El Tayeb Mohammed has over 12 years' extensive experience in Islamic banking and finance, with specialization in Islamic Banking law. He joined Al Baraka Banking Group in November 2007.

Dr. Eltigani El Tayeb Mohammed is a Certified Shari'a Advisor and Auditor (CSAA) from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and received his doctorate degree in the principles of Islamic jurisprudence from University of Khartoum - Sudan, in addition to a Masters of Business Administration degree in principles of Islamic jurisprudence from Omdurman Islamic University - Sudan. He has also served as a professor at Sultan Zainal Abidin Religious College (KUSZA) and International Islamic University (HUM) in Malaysia.

## COMPLIANCE, POLICIES AND PROCEDURES

### Group Compliance

ABG Group is committed to complying with the ever increasing international regulatory requirements. Group Compliance supports the Group Units, updating and reviewing compliance related policies on an annual basis and formulating framework. There is a continual drive to enhance the compliance culture through investment in advanced systems, controls, developing staff skill sets and awareness. The Group has never hesitated to decline business that might risk breaching applicable laws, rules and regulatory standards.

The Group Head of Compliance & MLRO Management (GCMM) has formulated a Group compliance strategy and compliance management framework for implementation throughout the ABG Group. They reflect the following core principles and practices

which are firmly embedded in ABG and all its subsidiaries:

- comply with both the letter and the spirit of all applicable laws, rules and regulatory standards;
- conduct business strictly in accordance with all regulatory and ethical standards;
- encourage a strong compliance culture, with every individual held personally responsible for compliance; and
- maintain a robust corporate governance environment at all times.

ABG and its subsidiaries continue to enhance the compliance related policies, procedures and framework. Staff skills are upgraded by providing current and targeted training in all areas of financial crime compliance requirements. Systems and automated tools are being introduced, as required, to improve compliance standards throughout the Group.

**An Independent Function**

Group Compliance in ABG is an independent function responsible for:

- proactively identifying and evaluating compliance risks;
- developing and implementing compliance policies, programmes and plans;
- monitoring, managing, mitigating and reporting compliance risks;
- monitoring, investigating and reporting compliance breaches, incidents and risks; and
- advising management and staff on compliance and regulatory matters.

The GCMM reports to the Compliance & Governance Committee and provides independent oversight on behalf of the Board of Directors. He has access to the Board of Directors whenever deemed necessary. In addition, the GCMM has the right and the authority to contact the Central Bank of Bahrain (CBB), as and when he considers it necessary.

The GCMM is supported by dedicated compliance teams in all ABG subsidiaries. At the Group level, the GCMM is responsible for coordinating the identification and management of the ABG Group’s financial crime compliance risks, in collaboration with local Heads of Compliance in each of the subsidiaries.

Throughout its network of offices, ABG has issued written guidelines for staff, which describe the appropriate implementation of laws, regulations, rules and standards through policies and procedures, including the overarching Group Compliance Policy. This policy requires officers and staff from all subsidiaries to comply with relevant laws, rules, regulations and standards of good market practice.

In the ABG Group, compliance risks fall broadly into the following categories:

- Regulatory Compliance and Corporate Governance;
- Anti-Money Laundering and Countering Financing of Terrorism;
- International Sanctions; and
- Foreign Account Tax Compliance Act and Common Reporting

Standard (FATCA/CRS).

**Regulatory Compliance and Corporate Governance**

At the Group level, policies are continuously developed for managing compliance risks in all the above categories. These policies are systematically cascaded down to the Units, which adapt and implement them in accordance with local regulatory requirements. The ABG Group has a strict Code of Conduct in place that all employees must adhere to at all times. The Code sets out to deter wrongdoing and to promote ethical conduct and fair treatment of customers. It outlines the responsibilities of all members of the ABG Group, its officers and staff, who are expected to read, understand and uphold these standards and principles at all times.

The ABG Group also has a Whistleblowing policy in place, which provides a formal channel for staff to report any unethical conduct, gross mismanagement or corporate wrongdoing. Staff members are encouraged to report their concerns through specified secure communication channels which protect their identities, without fear of reprisal or victimization.

**Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT)**

Risks relating to financial crime are proactively managed at the Group and unit levels. The ABG Group is committed to complying with AML/CFT laws and regulations, as well as the recommendations of the Basel Committee and Financial Action Task Force. These laws, regulations and recommendations are reflected in the AML/CFT policies of ABG and each of its Units. The Group has strict Know Your Customer policies, which include detailed requirements for identifying and verifying customers. These policies preclude the operating units from establishing new business relationships until all relevant parties to the relationship have been identified and verified, and the nature of the business they expect to conduct has been clearly established.

In line with the requirements of the CBB and the Group AML Policy, suitably qualified Money Laundering Reporting Officers (MLROs) are appointed in all Units. The MLROs are responsible for ensuring compliance with all relevant laws, regulations and policies in respect of AML/CFT. They also have the responsibility of reviewing and monitoring customers and transactions, and reporting to their respective host regulators any suspicions concerning them.

At the Group level, ABG has appointed a Group MLRO, who is responsible for formulating and implementing ABG’s AML strategies and policies on an ongoing basis. The Group MLRO coordinates the activities of each subsidiary’s MLRO, overseeing appropriate AML training for all relevant staff, and reporting to the Board Compliance and Governance Committee and the Board of Directors on all critical money laundering issues.

**International Sanctions**

Owing to the raft of sanctions imposed by local and international regulatory bodies, sanctions compliance is one of the primary

## Corporate Governance (continued)

challenges faced by banks today, particularly those operating across multiple geographies. Breaches of sanctions expose banks to significant regulatory, reputational and commercial risks, including potential financial losses. As evidenced by the large number of cases reported and the very sizeable fines imposed, sanctions risk has become one of the most serious risks faced by banks worldwide.

Being mindful of such risks, ABG has formulated a strategy and policy for managing sanctions risk at the Group level and implemented across all Units. The Group is increasing staff awareness of sanctions compliance and investing in appropriate screening systems to manage and minimize sanctions risk. A Group Sanctions Policy is implemented throughout its network in order to ensure uniform standards of adherence to all relevant sanctions orders. This policy sets out various restrictions and prohibitions relating to customers and transactions subject to sanctions. These restrictions sometimes extend beyond the strict requirements of applicable laws in order to safeguard ABG's reputation and standing.

### Foreign Account Tax Compliance Act and Common Reporting Standard (FATCA/CRS)

ABG has in place a Group FATCA/CRS Policy for application throughout the Group. ABG Units have implemented their own procedures, processes and systems for FATCA in each location, subject to local regulatory requirements. ABG has made substantial investments in enhancing systems and training employees in order to ensure that a proper framework is in place. ABG has also in place a Group CRS Policy. Reporting on relevant persons is done in accordance with the established deadlines.

### Group Disclosure Policy

The Group communication strategy aims to keep the market informed of material information in a timely, accurate and balanced manner. The Group's communications with the market ensures compliance with the CBB's directives as detailed in the Public Disclosure Module of its Rulebook, Volume 2, and the CBB Disclosure Standards as specified under the CBB Capital Markets Regulations.

Material information is any information, financial or non-financial, relating to the business and affairs of ABG, or any of ABG's subsidiaries that results in, or would reasonably be expected to result in, a significant change in the market price of the ABG's shares or in the decision of a prudent investor to sell, buy or hold the ABG's shares or cause to change a prudent investor's decision to transact or refrain from transacting with the ABG or its subsidiaries. Material information consists of, but is not limited to, both material facts and material changes relating to the business and affairs of the Group and ABG's subsidiaries.

In order for the Group to comply fully with the CBB disclosure requirements as specified in the CBB Rulebook, the Group will disclose all the required information in its published quarterly reviewed financial statements, and its annual audited financial statements, and any applicable ad hoc information requirement of the CBB from time to time.

Further, as a listed company on the Bahrain Bourse (BB) and NASDAQ Dubai, ABG is committed to adhering on a timely basis to all periodic information dissemination requirements of the BB and NASDAQ Dubai, as stipulated in their respective regulations and directives.

Additionally, the Group will publicly disclose and broadly disseminate material information immediately upon becoming aware of circumstances or events that underlie such material information, or when a decision to implement a material change is made by the Board of Directors or the Executive Management. As a listed company, ABG adheres to a strict policy, which delegates to certain specific individuals the authority to issue press releases or make announcements to the public, financial or non-financial, about the Group. Only the following persons are authorised to make public information via the media:

- Chairman of the Board of Directors
- Vice-Chairman of the Board of Directors
- President & Chief Executive

In the event that any of the above mentioned persons is requested to make statements relating to the financial statements, financial indicators or general financial performance of the Group, that person will consult and/or confirm with the Head of Finance with regard to the accuracy, timeliness and reliability of the information prior to making any public announcements.

The Group distributes its Financial Statements and Prudential Returns to the CBB, BB and NASDAQ Dubai on a quarterly and an annual basis. Then the Group makes this information available on its website.

Press releases are posted on ABG's website and published in either Arabic or English. Persons authorised by the Group to make public disclosures will not make any announcement on a one-to-one basis before disseminating the information on the Group's website or in local newspapers as appropriate.

ABG has in place an effective framework for dealing with complaints received from its shareholders and other stakeholders. Different channels have been established to enable communication with investors, including through the offices of the Registrar, an online enquiry centre on ABG website and dedicated telephone and facsimile lines. All complaints received are transmitted to the concerned department, the Executive Management and the Board. In accordance with the CBB's disclosure requirements, the Group maintains at least the previous three years' financial performance information on its website.

## Regulations

ABG complies with all the regulatory requirements governing Islamic Banks issued by the CBB, which include, inter alia, regulations governing ABG's capital adequacy, asset quality and risk management, liquidity and fund management and corporate governance.

The CBB, as the home supervisor, sets and monitors ABG's capital requirements on both a consolidated and an unconsolidated basis, while ABG's banking subsidiaries are directly regulated by their local banking supervisors, which set and monitor their capital adequacy requirements.

The CBB requires each Bahrain-based bank or banking group to maintain a minimum capital adequacy ratio of 8% on a solo basis and 12.5% (including a capital conservation buffer (CCB) of 2.5%) on a consolidated basis.

By the end of 2014, the CBB had issued the final regulation to give effect to the Basel III framework, which came into effect on 1st January 2015. The Basel III framework significantly revises the definition of regulatory capital. The framework emphasises common equity as the predominant component of tier 1 capital by introducing a minimum common equity tier 1 (CET1) capital ratio. The Basel III rules also require institutions to hold capital buffers. For the purpose of calculating CET1 capital, the regulatory adjustments including amounts above the aggregate limit for significant investments in financial institutions, mortgage servicing rights, and deferred tax assets from temporary differences, will be deducted from CET1 over a phased manner to be fully deducted by 1st January 2019. The current capital position is sufficient to meet the new regulatory capital requirements.

## Related Party Transactions

Dealings with persons or entities connected with the Group (including directors and shareholders) are called "related party transactions". The Group treats all such transactions at arm's length and requires that they have the specific approval of the Board. If a director is an interested party, he is required to abstain from voting on the respective matter. The Related Party Transactions pertaining to 2020 are reflected in Note 25 to the Consolidated Financial Statements.

## Code of Business Conduct and Ethics

ABG maintains a board-approved policy on the employment of immediate family members or other relatives of employees. The policy prohibits the employment and internal transfers where applicable, of first and second-degree relatives. However, the policy permits third and fourth degree relatives to be employed in positions other than where there is an actual, potential or perceived conflict of interest, or an opportunity for collusion. The Human Resources and Internal Audit departments are responsible for examining potential applications for employment to check whether there is likely to be an actual or potential conflict of interest as defined by the Group's policies, with particular reference to the code of conduct and conflict of interest policies.

The Group has a special policy regarding the appointment of accredited employees who are related to the members of the Shari'a Board. The policy states that the appointment of any individual who is related to an accredited employee or to a member of the Shari'a Board must take place after it is declared to the Board of Directors or to the Shari'a Board, depending on the circumstances. The Shari'a Board member must refrain from participating or voting on any decision related to the accountability, judgement of behavior, appointment, or specification of the dues of an accredited employee if he is related to one of them in the first or second degree.

## Anti-bribery & Corruption ("ABC") Policy

The Group values its reputation and has a commitment to upholding the highest ethical standards in the conduct of business activities. The Group views bribery as prohibited and expects all staff, Directors and associated persons to adopt high standards of conduct and ensure compliance with this policy and the Bahrain Penal Code. These standards are the minimum requirements based on legal and regulatory rules applicable to the Group.

All employees of the Group are expected to have complete familiarity with the contents of the ABC Policy, be fully aware of their roles and responsibilities and should always act in the spirit rather than just the letter of the Policy. Any non-compliance shall trigger personal liability such as fines and imprisonment, or disciplinary action.

Units are required to develop their own ABC policies, which must incorporate the requirements of the Group ABC Policy as a minimum, adding additional requirements in accordance with local laws, regulations and practices. Wherever local regulations are higher than the requirements set in this Policy, the higher standards must be applied. If any applicable laws conflict with this Policy, the relevant unit must consult their local legal department and the Group Head of Compliance & MLRO Management to resolve the conflict and as applicable, report the same to the ABG Compliance & Governance Committee.

The Group's ABC Policy does not tolerate breaches of any of the following:

- applicable laws, rules & regulations;
- generally accepted practices and standards in relation to anti-corruption;
- fines or other enforcement actions in regard to anti-corruption.

The Group views combating bribery and corruption as an integral part of its risk management strategy, and not merely a stand-alone requirement imposed by the regulatory authorities.

## Corporate Governance (continued)

Any material or systemic breaches shall be reported to the Board's Compliance & Governance Committee. The Group ABC Policy aims to set out the basic framework to detect, prevent and suppress acts of bribery and corruption at the Group. The Board of Directors has adopted this policy which demonstrates the Group's adherence to applicable ABC legal and regulatory requirements and the highest of professional standards.

### REMUNERATION POLICY AND RELATED DISCLOSURES

The Group's total compensation approach, which includes the variable remuneration policy, sets out the Group's policy on remuneration for Directors and senior management and the key factors that are taken into account in setting the policy.

Through the remuneration framework summarised below, the Group aims to comply with the CBB's regulations concerning Sound Remuneration Practices.

#### Remuneration Strategy

It is the Group's basic compensation philosophy to provide a competitive level of total compensation to attract and retain qualified and competent employees. The Group's variable remuneration policy is driven primarily by a performance-based culture that aligns employee interests with those of the Group's shareholders. These elements support the achievement of the Group's objectives, through balancing rewards for both short-term results and long-term sustainable performance. The Group's strategy is designed to share its success, and to align employees' incentives with its risk framework and risk outcomes.

The quality and long-term commitment of all of the Group's employees is fundamental to its success. The Group therefore aims to attract, retain and motivate the very best people, who are committed to maintaining a career with the Group, and who will perform their role in the long-term interests of its shareholders. The Group's reward package is comprised of the following key elements:

1. Fixed pay;
2. Benefits;
3. Annual performance bonus; and
4. The Long-Term Performance Incentive Plan.

A robust and effective governance framework ensures that the Group operates within clear parameters of its compensation strategy and policy. All compensation matters, and overall compliance with regulatory requirements, are overseen by the Board Nomination & Remuneration Committee (BNRC) and approved by the Board of Directors thereafter.

The Group's remuneration policy, in particular, considers the role of each employee and sets guidance on whether an employee is a "Material Risk Taker" and/or an "Approved Person" in a business line, control or support function. An Approved Person is an employee whose appointment requires prior regulatory approval because of the significance of the role within the Group, while an employee is considered a Material Risk Taker if either

he/she is the head of a significant business line, or any individuals within their control have a material impact on the Group's risk profile. In order to ensure alignment between what the Group pays its people and its business strategy, the Group assesses individual performance against annual and long-term financial and nonfinancial objectives, summarised in its performance management system. This assessment also takes into account adherence to the Group's values, risks and compliance measures and, above all, acting with integrity. Altogether, performance is therefore judged not only on what is achieved over the short and the long-term but also importantly on how it is achieved, as the BNRC believes the latter contributes to the long-term sustainability of the business.

#### BNRC Role and Focus

The BNRC has oversight of all reward policies for the Group's employees. The BNRC is the supervisory and governing body for compensation policy, practices and plans. It is responsible for setting the principles and governance framework for all compensation decisions. The BNRC ensures that all persons must be remunerated fairly and responsibly. The remuneration policy is reviewed on a periodic basis to reflect changes in market practices, the business plan and risk profile of the Group.

The responsibilities of the BNRC with regard to the Group's variable remuneration policy, as stated in its mandate, include, but are not limited to:

- Approving, monitoring and reviewing the remuneration system to ensure the system operates as intended;
- Approving the remuneration policy and amounts for each Approved Person and Material Risk Taker, as well as total variable remuneration to be distributed, taking account of total remuneration including salaries, fees, expenses, bonuses and other employee benefits;
- Ensuring remuneration is adjusted for all types of risks and that the remuneration system takes into consideration employees who earn the same short-run profit but take different amounts of risk on behalf of the Group;
- Ensuring that, for Material Risk Takers variable remuneration forms a substantial part of their total remuneration;
- Reviewing the stress testing and back testing results before approving the total variable remuneration to be distributed, including salaries, fees, expenses, bonuses and other employee benefits;
- Carefully evaluating practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain; the BNRC will question pay-outs for income that cannot be realised or whose likelihood of realisation remains uncertain at the time of payment;
- Ensuring that, for approved persons in risk management, internal audit, operations, finance and compliance functions, the mix of fixed and variable remuneration is weighted in favour of fixed remuneration;
- Recommending Board members' remuneration based on their attendance and performance, and in compliance with Article 188 of the Bahrain Commercial Companies law; and

- Ensuring appropriate compliance mechanisms are in place to make sure that employees commit themselves not to use personal hedging strategies or remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

The aggregate remuneration paid to BNRC members during the year in the form of sitting fees amounted to US\$45 thousand (2019: US\$54 thousand); other details concerning BNRC membership are disclosed elsewhere in this report.

**Scope of Application of the Remuneration Policy**

The remuneration policy has been adopted on a Group-wide basis.

**Board Remuneration**

The Board of Directors’ remuneration is determined in line with the provisions of Article 188 of the Bahrain Commercial Companies law, 2001. Board remuneration is subject to approval of the shareholders in the Annual General Meeting. Remuneration of non-executive Directors does not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses or pension benefits.

**Variable Remuneration for Staff**

Variable remuneration is performance related and consists primarily of the annual performance bonus award. As a part of the staff’s variable remuneration, the annual bonus rewards delivery of operational and financial targets set each year, the individual performance of the employees in achieving those targets, and their contribution to delivering the Group’s strategic objectives. The Group has adopted a Board-approved framework to develop a transparent link between variable remuneration and performance. The framework is designed on the basis of both meeting satisfactory financial performance and the achievement of other non-financial factors that will, all other things being equal, deliver a target bonus pool for employees, prior to consideration of any allocation to business lines and employees individually. In the framework adopted for determining the variable remuneration pool, the BNRC aims to balance the distribution of the Group’s profits between shareholders and employees.

Key performance metrics at the Group level include a combination of short-term and long-term measures, and include profitability, solvency, liquidity and growth indicators. The performance management process ensures that all goals are appropriately cascaded down to respective business units and employees.

In determining the amount of variable remuneration, the Group starts from setting specific targets and other qualitative performance measures that result in a target bonus pool. The bonus pool is then adjusted to take account of risk the use of risk-adjusted measures (including forward-looking considerations).

The BNRC carefully evaluates practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. The BNRC demonstrates that its decisions are consistent with an assessment of the Group’s financial condition and future prospects.

The Group uses a formalised and transparent process to adjust the bonus pool for quality of earnings. It is the Group’s objective to pay bonuses out of realised and sustainable profits. If the quality of earnings is not strong, the profit base may be adjusted at the discretion of the BNRC.

Funding for distribution of a bonus pool is dependent on threshold financial targets being achieved by the Group. The performance measures ensure that total variable remuneration is generally considerably contracted where subdued or negative financial performance of the Group occurs. Furthermore, the target bonus pool, as determined above, is subject to risk adjustments in line with the risk assessment and linkage framework.

**Remuneration of Control Functions**

The remuneration level of staff in the control and support functions is maintained at a level, which enables the Group to attract and thus employ qualified and experienced personnel in these functions. The Group ensures that the mix of fixed and variable remuneration for control and support function personnel is weighted in favour of fixed remuneration. The variable remuneration of control functions is based on function-specific objectives and is not determined by the financial performance of the business areas they monitor.

The Group’s performance management system plays a major role in deciding the performance of the support and control units on the basis of the objectives set for them. Such objectives are more focused on non-financial targets that include risk, control, compliance and ethical considerations as well as the market and regulatory environment, apart from value-adding tasks, which are specific to each unit.

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**Variable Compensation for Business Units**

The variable remuneration of the Business Units is primarily determined by key performance objectives set through the performance management system of the Group. Such objectives contain financial and non-financial targets, including risk control,

## Corporate Governance (continued)

compliance and ethical considerations, as well as market and regulatory requirements. The consideration of risk assessments in the performance evaluation of individuals ensures that any two employees who generate the same short-run profits but take different amounts of risk on behalf of the Group are treated differently by the remuneration system.

### Risk Assessment Framework

The purpose of risk linkages is to align variable remuneration to the risk profile of the Group. In its endeavour to do so, the Group considers both quantitative measures and qualitative measures in the risk assessment process. The risk assessment process encompasses the need to ensure that the remuneration policy, by design reduces employees' incentives to take excessive and undue risks, is symmetrical with risk outcomes and delivers an appropriate mix of remuneration that is risk aligned.

The BNRC considers whether the variable remuneration policy is in line with the Group's risk profile and ensures that, through the Group's ex-ante and ex-post risk assessment framework and processes, remuneration practices where potential future revenues whose timing and likelihood remain uncertain are carefully evaluated.

Risk adjustments take into account all types of risk, including intangible and other risks such as reputation risk, liquidity risk and the cost of capital. The Group undertakes risk assessments to review financial and operational performance against business strategy and risk performance prior to distribution of the annual bonus. The Group ensures that total variable remuneration does not limit its ability to strengthen its capital base. The extent to which capital needs to be built up is a function of the Group's current capital position and its ICAAP.

The bonus pool takes into account the performance of the Group, which is considered within the context of the Group's risk management framework. This ensures that the variable pay pool is shaped by risk considerations and Group-wide notable events.

The size of the variable remuneration pool and its allocation within the Group takes into account the full range of current and potential risks, including:

- a) The cost and quantity of capital required to support the risks taken;
- b) The cost and quantity of the liquidity risk assumed in the conduct of business; and
- c) Consistency with the timing and likelihood of potential future revenues incorporated into current earnings.

The BNRC keeps itself abreast of the Group's performance against the risk management framework. The BNRC will use this information when considering remuneration to ensure that returns, risks and remuneration are aligned.

### Risk Adjustments

The Group has an ex-post risk assessment framework, which is a qualitative assessment to back-test actual performance against

prior risk assumptions. In any year where the Group suffers material losses in its financial performance, the risk adjustment framework will work as follows:

- There will be considerable contraction of the Group's total variable remuneration;
- At an individual level, poor performance by the Group will mean individual KPIs are not met and hence employee performance ratings will be lower;
- Reduction in the value of deferred shares or awards;
- Possible changes in vesting periods and additional deferral applied to unvested rewards;
- Lastly, if the qualitative and quantitative impact of a loss incident is considered significant, a malus or clawback of previous variable awards may be considered.

The BNRC, with the Board's approval, can rationalise and make the following discretionary decisions:

- Increase/reduce the ex-post adjustment;
- Consider additional deferrals or increase in the quantum of non-cash awards;
- Recovery through malus and clawback arrangements.

### Malus and Clawback Framework

The Group's malus and clawback provisions allow the Board of Directors to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited/adjusted or the delivered variable remuneration recovered in certain situations. The intention is to allow the Group to respond appropriately if the performance factors on which reward decisions were based turn out not to reflect the corresponding performance in the longer term. All deferred compensation awards contain provisions that enable the Group to reduce or cancel the awards of employees whose individual behaviour has had a materially detrimental impact on the Group during the relevant performance year.

Any decision to take back an individual's award can only be made by the Board of Directors.

The Group's malus and clawback provisions allow the Board to determine that, if appropriate, vested/unvested elements under the deferred bonus plan can be adjusted/cancelled in certain situations. These events include the following:

- Reasonable evidence of willful misbehaviour, material error, negligence or incompetence of the employee causing the Group/employee's business unit to suffer material loss in its financial performance, material misstatement of the Group's financial statements, material risk management failure or reputational loss or risk due to such employee's actions, negligence, misbehaviour or incompetence during the relevant performance year.
- The employee deliberately misleads the market and/or shareholders in relation to the financial performance of the Group during the relevant performance year.
- Clawback can be used if the malus adjustment on the unvested portion is insufficient given the nature and magnitude of the issue.

## Components of Variable Remuneration

Variable remuneration has the following main components:

|                      |   |
|----------------------|---|
| Upfront cash         | The portion of the variable compensation that is awarded and paid out in cash on conclusion of the performance evaluation process for each year         |
| Deferred cash        | The portion of variable compensation that is awarded and paid in cash on a pro-rata basis over a period of 3 years                                      |
| Upfront share awards | The portion of variable compensation that is awarded and issued in the form of shares on conclusion of the performance evaluation process for each year |
| Deferred shares      | The portion of variable compensation that is awarded and paid in the form of shares on a pro-rata basis over a period of 3 years                        |

All deferred awards are subject to malus provisions. All share awards are released to the benefit of the employee after a six-month retention period from the date of vesting. The number of equity share awards is linked to the Group's share price as per the rules of the Group's Share Incentive Scheme. Any dividend on these shares is released to the employee along with the shares (i.e. after the retention period).

## Deferred Compensation

All employees earning over BHD100 thousand or equivalent, in total compensation shall be subject to deferral of variable remuneration as follows:

| Element of variable remuneration | Deferral | Deferral period | Retention | Malus | Clawback |
|----------------------------------|----------|-----------------|-----------|-------|----------|
| Upfront cash                     | 40%      | Immediate       | -         | -     | Yes      |
| Upfront shares                   | -        | Immediate       | 6 months  | Yes   | Yes      |
| Deferred cash                    | 0%       | Over 3 years    | -         | Yes   | Yes      |
| Deferred share awards            | 60%      | After 3 years   | 6 months  | Yes   | Yes      |

The BARC, based on its assessment of role profile and risk taken by an employee, may increase the coverage of employees that are subject to deferral arrangements.

## Details of remuneration paid

### a) Board of Directors

|               | US\$ '000 |       |
|---------------|-----------|-------|
|               | 2020*     | 2019  |
| Sitting Fees  | 524       | 591   |
| Remuneration* | 1,500     | 1,500 |
| Other         | 41        | 243   |

The category 'Other' includes the reimbursement of air fares and payment of per diem allowances for attending Board of Directors and Board Committees' meetings.

\* Subject to approval by AGM in March 2021.

### b) Unified Shari'a Supervisory Board

|              | US\$ '000 |      |
|--------------|-----------|------|
|              | 2020      | 2019 |
| Sitting Fees | 97        | 96   |
| Remuneration | 145       | 145  |
| Other        | 15        | 35   |

The category 'Other' includes the reimbursement of air fares and payment of per diem allowances for attending Unified Shari'a Supervisory Board's meetings.



## Corporate Governance (continued)

### c) Employee Remuneration

Total fixed remuneration for Approved Persons and Material Risk Takers affected by the policy amounted to US\$8,025 thousand (2019: US\$7,765 thousand) and the number of persons affected: 18 (2019:17).

The total variable remuneration for 2020 was US\$ Nil (2020: US\$6,028 thousand).

### d) Deferred Awards

Selected members of management in ABG's subsidiaries are entitled to deferred variable remuneration under a Management Incentive Programme based on pre-defined objectives and thresholds of performance. Annual amounts of such variable remuneration, in accordance with the said programme, are used to purchase shares in ABG, which purchases are deferred over a three-year period, with annual vesting. Total amounts of deferred variable remuneration amounted to US\$ Nil (2019: US\$3,598 thousand).

### e) Severance Pay – Nil (2020-2019)

#### (1) Approved Employees Remuneration

##### Details of Remuneration Paid for the Financial Year Ended 2020 for Head Office only

| Categories of Employees   | No.       | Fixed Remuneration (US\$ '000) |                             |              | Variable Remuneration (US\$ '000) |                                 |                                     |  |          |          | Total (US\$ '000) |
|---|-----------|--------------------------------|-----------------------------|--------------|-----------------------------------|---------------------------------|-------------------------------------|--|----------|----------|-------------------|
|   |           | Salaries and Wages             | Other Benefits & Allowances | Total        | Performance Bonuses (in Cash)     | Performance Bonuses (in Shares) | Other Performance Linked Incentives | Deferred Compensation paid during the period | Others   | Total    |                   |
| Employees engaged in risk taking activities (business areas)  | 5         | 3,226                          | 1,386                       | 4,612        | 0                                 | 0                               | 0                                   | 0  | 0        | 0        | 4,612             |
| Approved persons in risk management, internal audit, operations, finance, AML and compliance functions. | 8         | 1,422                          | 383                         | 1,805        | 0                                 | 0                               | 0                                   | 0  | 0        | 0        | 1,805             |
| Employees, other than approved persons, engaged in functions under 2.                                   | 5         | 1,244                          | 364                         | 1,608        | 0                                 | 0                               | 0                                   | 0  | 0        | 0        | 1,608             |
| <b>Total</b>  | <b>18</b> | <b>5,892</b>                   | <b>2,133</b>                | <b>8,025</b> | <b>0</b>                          | <b>0</b>                        | <b>0</b>                            | <b>0</b>                                     | <b>0</b> | <b>0</b> | <b>8,025</b>      |

##### Details of Remuneration Paid For the Financial Year Ended 2019

| Categories of Employees   | No.       | Fixed Remuneration (US\$ '000) |                             |              | Variable Remuneration (US\$ '000) |                                 |                                     |  |          |              | Total (US\$ '000) |
|---|-----------|--------------------------------|-----------------------------|--------------|-----------------------------------|---------------------------------|-------------------------------------|--|----------|--------------|-------------------|
|   |           | Salaries and Wages             | Other Benefits & Allowances | Total        | Performance Bonuses (in Cash)     | Performance Bonuses (in Shares) | Other Performance Linked Incentives | Deferred Compensation paid during the period | Others   | Total        |                   |
| Employees engaged in risk taking activities (business areas)  | 4         | 2,711                          | 1,316                       | 4,027        | 2,048                             | 3,072                           | 0                                   | 0  | 0        | 5,120        | 9,147             |
| Approved persons in risk management, internal audit, operations, finance, AML and compliance functions. | 7         | 1,271                          | 515                         | 1,786        | 159                               | 194                             | 0                                   | 0  | 0        | 353          | 2,139             |
| Employees, other than approved persons, engaged in functions under 2.                                   | 6         | 1,395                          | 557                         | 1,952        | 223                               | 332                             | 0                                   | 0  | 0        | 555          | 2,507             |
| <b>Total</b>  | <b>17</b> | <b>5,377</b>                   | <b>2,388</b>                | <b>7,765</b> | <b>2,430</b>                      | <b>3,598</b>                    | <b>0</b>                            | <b>0</b>                                     | <b>0</b> | <b>6,028</b> | <b>13,793</b>     |

**(2) Deferred Awards**

|  | 2020             |               |              |                    |                   |
|--|------------------|---------------|--------------|--------------------|-------------------|
|  | Cash (US\$ '000) | Shares        |              |                    | Total (US\$ '000) |
|  |                  | Number ('000) | (US\$ '000)  | Others (US\$ '000) |                   |
| Opening balance                          | 0                | 42,176        | 13,486       | 0                  | 13,486            |
| Awarded during the period                | 0                | 0             | 0            | 0                  | 0                 |
| Lapse                                    | 0                | (8,119)       | (3,678)      | 0                  | (3,678)           |
| Service in value unvested opening awards | 0                | 0             | 0            | 0                  | 0                 |
| <b>Closing balance</b>                   | <b>0</b>         | <b>34,057</b> | <b>9,808</b> | <b>0</b>           | <b>9,808</b>      |

  

|  | 2019             |               |               |                    |                   |
|--|------------------|---------------|---------------|--------------------|-------------------|
|  | Cash (US\$ '000) | Shares        |               |                    | Total (US\$ '000) |
|  |                  | Number ('000) | (US\$ '000)   | Others (US\$ '000) |                   |
| Opening balance                          | 0                | 36,785        | 13,212        | 0                  | 13,212            |
| Awarded during the period                | 0                | 12,307        | 3,815         | 0                  | 3,815             |
| Lapse                                    | 0                | (6,916)       | (3,541)       | 0                  | (3,541)           |
| Service in value unvested opening awards | 0                | 0             | 0             | 0                  | 0                 |
| <b>Closing balance</b>                   | <b>0</b>         | <b>42,176</b> | <b>13,486</b> | <b>0</b>           | <b>13,486</b>     |

**RISK MANAGEMENT**

The Group is committed to complying with internationally established principles and policies in relation to risk management. In particular, the Group fully subscribes to the guiding principles of risk management for Islamic financial services institutions set down by the Islamic Financial Services Board and the need for a comprehensive risk management and reporting process. Risk management is an integral part of the Group's decision making process. The Board of Directors, acting on recommendations made by the Board Risk Committee defines and sets the Group's overall risk strategy, risk appetite, risk diversification and asset allocation strategies. This includes the policies regarding credit, market, liquidity and operational risks amongst others. It also decides on any related party transactions, their reporting and approval. The Management Risk Committee, Asset Liability Committee, Credit Committee and other executive committees guide and assist with management of the Group's balance sheet risks. The Group manages exposure by setting limits approved by the Board of Directors or under delegated authorities by committees of the management. Risk policies and processes to mitigate the risks are regularly reviewed on an ongoing basis.

To ensure the effectiveness of the ABG's Risk Management Framework, the Board and Senior Management need to be able to rely on adequate line functions – including monitoring and assurance functions – within ABG. Therefore, as part of its overall governance and risk management structure, ABG Group endorses the "Three Lines of Defence (LOD)" model as a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

**1- The first line of defence (Risk Taking):** Functions that own and manage risk. Under this line of defence business management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks. These primarily include functions or departments engaged in front

office / client facing roles responsible for risk taking activities like financing (e.g., Corporate Banking).

**2- The second line of defence (Risk Oversight):** Functions that oversee or specialise in risk management and compliance. This line of defence consists of activities covered by several components of the internal governance framework (Compliance, Risk Management, Finance, Legal, Operations, Internal Controls, Human Resources, Information Technology and other such departments). Furthermore, it monitors and facilitates the implementation of effective risk management practices by operational management and assists the risk owners in reporting adequate risk related information within ABG. The Shari'a coordination and implementation function ensures all products, transactions and activities undertaken by ABG are in line with Islamic principles.

**3- The third line of defence (Risk Assurance):** Functions that provide independent assurance i.e. internal audit. Internal Audit forms the third line of defence. An independent internal audit function will, through a risk-based approach to its work, provide assurance to the bank's Board of Directors and Senior Management. This assurance covers how effectively the bank assesses and manages its risks and includes assurance on the effectiveness of the first and second lines of defence. It encompasses all elements of the bank's risk management framework (from risk identification, risk assessment and response, to communication of risk-related information) and all categories of organisational objectives: strategic, ethical, operational, reporting and compliance. In addition, an Independent Shari'a Internal Audit Department is an important pillar of the third line of defence.

In combination, this approach permits ABG to grow its business without taking undue risks that could impact its capital adequacy, shareholder returns and ultimately its brand and reputation. In

## Corporate Governance (continued)

combination, this approach permits ABG to grow its business without taking undue risks that could impact its capital adequacy, shareholder returns and ultimately its brand and reputation.

Roles and Responsibilities of ABG's Group Risk Management include the following:

- To develop and implement Group risk framework, policies and procedures aligned with regulatory directives.
- To ensure (in line with ABG's decentralized structure/governance model) that the risk management function is sufficiently equipped with systems, processes, methodologies and expertise for identification, measurement, control, reporting and monitoring of risk adequately and efficiently at the Head Office level. Primary responsibilities however rests with the individual subsidiaries and their boards per se.
- To develop ABG's Risk Appetite Statement as well as Risk Management Guidelines for ABG Units/Subsidiaries.
- To regularly review, monitor and report consolidated risk limits (as defined in the Group Risk Appetite Policy) as well as ensure adherence to them.
- To develop and maintain ABG ICAAP framework and conduct periodical ABG ICAAP and stress-testing exercises in line with regulatory requirements.
- To provide oversight on ABG Units' risk management framework and take into consideration the statutory, legal and governance requirements that apply to the Units individually as well as their adherence to the Group's decentralized structure/governance model.
- To monitor exposures both at the head office and consolidated Group levels in terms of risk concentrations, imbalances and vulnerabilities and recommend remedial action where appropriate.
- To review and analyse the Group's credit portfolio to detect risk and concentrations and alert and advise ABG Executive Management and/or Board Risk Committee accordingly.
- To advise the Units (in collaboration with ABG Finance department) on the use of credit risk parameters (e.g. Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default/Credit Conversion Factor (EAD/CCF)) for credit pricing, provisioning and portfolio monitoring as necessary.
- To the extent possible and within the existing governance framework of the Group, to promote a robust risk culture (including risk training and development) within the Group even though the incidence of risk metrics is primarily at the unit level.

ABG Units are governed by their respective Boards of Directors. The Units follow documented credit and risk policies and procedures which reflect Group-wide policies and thereby ensure that sound risk management is in place.

A consolidation process for the calculation of capital adequacy, taking into account credit, market and operational risk, all in accordance with Basel III requirements and Central Bank of Bahrain, is in operation. Furthermore, operational risk systems in each Subsidiary ensure a consistent approach to operational risk. The Group has continued to maintain momentum towards achieving optimal risk management policies, practices and procedures, pursuing five key objectives:

- Continuous improvement in credit and risk management practices and intensified efforts on collections, recoveries and settlement of outstanding debts to ensure resilient asset quality in the face of increased challenges in some of the Group's markets.
- To ensure that all unit NPA provisioning policies are in line with both Group policies and local regulatory requirements.
- To ensure that Units strive for a high degree of cooperation between their business arms and risk management departments. Hiring and training of credit and risk management staff is an ongoing priority at each unit.
- To ensure that each subsidiary has an approved Credit and Risk Management Manual covering all relevant risks which is consistent with the Group policies and procedures.
- To ensure that all subsidiaries submit timely monthly and quarterly risk management reports to the Head Office, which fully meet regulatory requirements. The contents of these reports are continuously enhanced in order to provide the Head Office with comprehensive data.

A standard risk management framework has been established across the Group, reflected in operational manuals that closely adhere to the Group policy regarding all the major categories of risk that the Group faces when carrying out its business. These are: Credit, Liquidity, Market (including Equity Price, Profit Rate and Foreign Exchange risk), Operational (including Fraud Risk and Information Security Risk) and Shari'a Compliance risks. Each of these major risks are discussed below.

### Credit Risk

Credit risk is the risk that one party to a financial contract fails to discharge an obligation and causes the other party to incur a financial loss. It applies to the Group in its management of the financing exposures arising out of receivables and leases (for example, Murabaha and Ijarah) and working capital and other financing transactions (Salam, Istisna'a, Musharaka or Mudaraba). Each Group subsidiary has in place a framework for credit risk management that includes identification, measurement, monitoring, reporting and control of credit risks. Each subsidiary controls credit risk through the process of initial approval and granting of credit, subsequent monitoring of counterparty creditworthiness and the active portfolio management of credit exposures. Authority to approve credits is delegated by the subsidiary's Board committees entrusted with the task of credit assessment and evaluation, under specific credit policies and operational procedures in place in that subsidiary. Mitigation of credit risk is primarily achieved through (a) customer's financial and credit due diligence including willingness and ability/capacity to repay, (b) appropriate structuring of credit facilities and its pricing and (c) obtaining various forms of collateral as necessary.

Each subsidiary maintains an internal audit department responsible for carrying out reviews of credit exposures to counterparties, and assessing their quality and adherence to laid down approval procedures. It also maintains policies and procedures covering "single obligor large exposures" and case-by-case approvals of "related party transactions".

During the year 2017 ABG and its subsidiaries made all necessary preparations including acquiring credit rating and other systems

and revising credit policies and procedures for introduction of the new FAS 30 Accounting Standard of AAOIFI on 1st January, 2018.

#### Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal or stressed circumstances.

ABG and its subsidiaries each has in place a liquidity management framework, taking into account its liquidity exposures in respect of its current and savings accounts, deposits from banks and other financial institutions, and its restricted and unrestricted investment accounts. This ensures that it maintains liquid assets at prudential levels so that cash can quickly be made available to honour all its obligations. Liquidity management also recognises the impact of potential cash outflows arising from irrevocable commitments to fund new assets, as well as the potential risk impact of withdrawals by large single depositors, ensuring that ABG does not rely excessively on one customer or small group of customers. In addition to its own internal liquidity management policies, each subsidiary is further required to maintain cash deposits with its respective central bank equal to a percentage of its deposits as directed by that central bank - in most cases 20%. ABG additionally holds liquid funds which are earmarked and available for its subsidiaries in the unlikely event that they should require assistance. Liquidity management reporting conforms to all local regulations.

#### Equity Price Risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks.

Each Group subsidiary has in place appropriate strategies, risk management and reporting processes with respect to the risk characteristics of equity investments, including Mudaraba, Musharaka and other investments. Based on the Group policies, each subsidiary ensures that its valuation methodologies are appropriate and consistent, and assesses the potential impact of its methods on profit calculations and allocations mutually agreed between that subsidiary and its partners. Further, each subsidiary has defined and established appropriate exit strategies and risk management and reporting processes in respect of its equity investment activities.

#### Profit Rate Risk or Rate of Return Risk

Profit rate risk or rate of return risk is the risk that the Group will incur a financial loss as a result of a mismatch in the profit rate on the Group's assets and unrestricted investment accounts. The Group is not liable to pay any predetermined returns to investment account holders, although it does apply appropriate income smoothing techniques to ensure that profits are fairly distributed to the investment account holders.

#### Foreign Exchange Risk

Foreign exchange rate risk arises from the movement of currency exchange rates over a period of time, leading to an adverse impact on the Group's earnings or shareholders' equity. The Group is exposed to foreign exchange rate risk in that the value of a financial instrument, or its net investment in its foreign

subsidiaries, may fluctuate due to changes in foreign exchange rates. The Group's significant net foreign currency exposures as at 31st December 2020 are detailed in Note 28 to the Financial Statements.

#### Operational Risk

Operational risk is the risk of financial loss or damage resulting from inadequate or failed internal processes, people and systems or from external events.

Management of risk associated with carrying out the Group's operations is through internal procedures and monitoring and control mechanisms, while management of legal risk is through effective consultation with internal and external legal counsel. Other kinds of operational risk are managed by ensuring that trained and competent people - and appropriate infrastructure, processes, controls and systems - are in place to ensure the identification, assessment and management of all substantial risks.

The Group is also exposed to risks relating to its fiduciary responsibilities towards fund providers. Fiduciary risk arises from the failure to perform in accordance with explicit and implicit standards applicable to an Islamic bank's fiduciary responsibilities, leading to losses in investments or failure to safeguard the interests of the investment account holders. Group subsidiaries have in place appropriate mechanisms to safeguard the interests of all fund providers. Where investment account holders' funds are commingled with an ABG subsidiary's own funds, the respective subsidiary ensures that the basis for asset, revenue, expense and profit allocations are established, applied and reported in a manner consistent with the Group's fiduciary responsibilities.

As mentioned above, Group policy dictates that the operational functions of booking, recording and monitoring transactions are carried out by staff independent of the staff initiating the transactions. Group subsidiaries have primary responsibility for identifying and managing their own operational risks. Each subsidiary is guided by policies, procedures and controls that are relevant for each function. Internal control policies and procedures dictate the segregation of duties, delegation of authorities, exceptions reporting, exposures management and reporting, and reconciliations, and are based on the submission of timely and reliable management reporting.

Separate and independent Internal Control units carry out ongoing monitoring of day-to-day procedures and ensure adherence to key control functions.

#### Information Security (Cyber Security) Risk

The Group continued to enhance its management of information security (cyber security) risk on an ongoing basis in 2019. It has assessed the risks, identified controls and is implementing solutions. The Group already has comprehensive IT security policy and procedures, which are in line with leading industry practices. The Information Security Risk Management Committee at the Head Office meets regularly and has implemented a new Information Risk Management Framework and Group Policy and Guidance.

## Corporate Governance (continued)

### Compliance Risk

Compliance risk is defined as the risk of legal or regulatory sanctions, material or financial loss or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, reporting requirements, codes of conduct and standards. The landscape for compliance has changed substantially in recent years. As a result, ABG and its subsidiaries are continuously enhancing their compliance risk management framework. Please refer to separate section on Group Compliance function.

### Shari'a Compliance Risk

Shari'a compliance risk arises from the failure to comply with the rules and principles of Shari'a and, in this respect, is akin to reputation risk. It also includes the risk of legal or regulatory sanctions that the Group or its subsidiaries may suffer as a result of failure to comply with laws and regulations. As mentioned above, the Group has in place a Compliance Policy that provides for the assessment of compliance risks, the implementation of appropriate controls, monitoring of effectiveness, and correction and eradication of exceptions. Group subsidiaries have in place systems and controls, including their respective Shari'a Supervisory Boards, to ensure compliance with all Shari'a rules and principles. In accordance with CBB regulations and AAOIFI Standards, the Group has, been certified by the Unified Shari'a Supervisory Board to be in compliance with Shari'a Standards and Principles.

### CAPITAL MANAGEMENT/CAPITAL ADEQUACY

Capital is managed at ABG with a view to meeting the capital maintenance requirements directed by the CBB and achieving optimum utilisation in the course of carrying out its business, in accordance with its predetermined risk appetite and intended risk profile, and with the ultimate aim of maximising shareholders' returns. Capital management includes pro-actively making appropriate and necessary adjustments to reflect changes in the economic environment or in the degree or nature of risk associated with the Group's activities, including adjustment to its dividend policy, issue of Tier 1 or Tier 2 securities by way of public issue or private placement, etc.

Optimum capital management, therefore, addresses such crucial issues as:

- ensuring that adequate capital is held at all times to meet unexpected calls occasioned by such events as sudden withdrawals by depositors, earlier than expected drawdown of facilities, or unexpected losses;
- achieving the Group's return on capital objectives;
- meeting capital adequacy ratio targets and regulatory imperatives; and
- maintaining the Group's strong credit rating.

The Group's capital adequacy ratio as at 31st December 2020 was 16.0%, comfortably above the CBB's minimum regulatory requirement of 12.5% (including CCB of 2.5%).

Each of ABG's banking subsidiaries is directly regulated by its own home regulator, which stipulates a minimum capital adequacy ratio for that subsidiary. ABG ensures that each subsidiary adheres to these local capital adequacy requirements.

### DIGITAL TRANSFORMATION & INFORMATION TECHNOLOGY

The Digitalization and IT Steering Committee governs and supports Digital Transformation strategies, IT strategies, policies, projects and initiatives across all ABG subsidiaries, and ensures that they are consistent with the Group's strategic aims as well as each subsidiary's local strategy. The Group periodically reviews Digital Transformation and IT strategies across all ABG subsidiaries to ensure that they enable the Group business strategy and strategic objectives.

Several subsidiaries are in the final stages of replacing their legacy core banking systems with new modern core banking systems. The subsidiaries are now introducing new solutions in areas such as digital banking, compliance, risk management, and cyber security as well as exploring new technologies related to Artificial Intelligence and Robotic Process Automation. Digital Banking, Digital Transformation and FinTech are major areas where the Group is actively setting strategies to ensure that it leverages opportunities and overcomes challenges associated with disruption.

Each subsidiary has a Business Continuity Plan and Disaster Recovery centers that are up to date and regular audited and testing.

### COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS OF CBB UNDER HC MODULE

As per the independent Compliance assessment undertaken to cover the year 2019, the Al Baraka Banking Group (ABG) is in full compliance with the Corporate Governance requirements outlined under Central Bank of Bahrain's HC Module, in its Rulebook, with the exception of the following:

|  |  |
|--|--|
| To facilitate free and open communication among independent directors, each Board meeting should be preceded or followed with a session at which only independent directors are present, except as may otherwise be determined by the independent directors themselves.  | There was no organized sessions were booked prior or post the board meetings, but all independent directors have direct communications with each other's on regular basis or when there is a need. |
| Islamic bank licensees that conduct business through a branch or subsidiary in other jurisdictions must through the Group Compliance Function: (c) conduct annual compliance testing on overseas operations whose total revenue represents 20% or more of the Group's total revenue and on every two years' basis for other overseas operations. | Due to COVID-19 situation and curfews in most of the jurisdictions we operate, overseas visits to conduct annual compliance test on overseas operations were postponed during 2020.                |

## Social & Sustainable Finance

As an Islamic bank, ABG conducts all its business in a sustainable and socially responsible manner. Making a positive, sustainable impact is part of the Group's philosophy and a strategic business goal.

The concept of social and sustainable finance (SSF) fits naturally with the business ethics of Islam and, therefore, with ABG's foundation philosophy and vision.

### Islam and SSF

Our philosophy is that Allah grants mankind the capacity to inherit the land on this earth and, therefore, mankind is not the owner of wealth but is entrusted with it. As the purpose of mankind is to construct, embellish and build on this earth, we are therefore ordained to create opportunities for others. Thus, the wealth bestowed upon us must be invested in creating the wealth and opportunities in society.

As members of a banking group founded on Islamic principles and values, we believe that we have an obligation to society, through patronage and sponsorship of a wide range of social projects, to enhance the living conditions and quality of life of needful individuals in the local communities where we operate. In making this commitment to society we strive to apply one of the important philosophical pillars of Islamic banking: the concept of E'mar Al Ardh– construction, or development, of land – which means adding tangible value to assets (whether natural or human).

This concept has a direct relevance to the development of society and its social and economic progress. The Group seeks to apply it through active investment mediation, which complements real and value-added production, and through the exchange of commodities and services, which enables us to offer practical alternatives to those financial intermediaries that provide no benefit to society at large.

SSF is fundamental to the Group's business model in all the countries where it operates. All the subsidiaries embrace Islamic ethical principles and apply them to their banking operations and services.

### Three Guiding Principles

These principles may be summarised as:

1. Investments may only be made in sectors and industries that meet ethical standards. The moral values of Islam dictate that Muslims must only invest in the production of, and trade in, useful and beneficial goods. They, therefore, forbid investment activities such as the production of alcoholic beverages, tobacco or weapons; or those associated in any way with gambling, pornography or the abuse of children, women and minorities; or any other morally questionable practices.
2. All Islamic banks and financial institutions eschew the payment of interest to depositors, consumers and businesses, as Islam prohibits the paying or charging of interest. Instead, ABG's subsidiaries, like all Islamic banks, accept deposits on an investment basis whereby depositors share with the bank in the actual results of the realisation of their investments.

Financing is provided to businesses in turn mainly based on instalment sale, leasing or equity participation. In this way, ABG's subsidiaries and their depositors share financial risk with entrepreneurs and, together, they reap the benefits of the investments. The essential difference in Islam is that the practice of profit sharing is such that wealth creation is the result of a partnership between investors and entrepreneurs. Both the risks and the rewards are shared: returns on invested capital are based on profits actually generated rather than predetermined interest rates.

3. All contracts entered into by ABG's banking subsidiaries, and all their relations with businesses and depositors, must comply with the ethical standards of the Shari'a.

### The Al Baraka Social & Sustainable Finance Programme

In 2012, ABG established the "Al Baraka Social Responsibility Programme", the first such programme to be introduced by any Islamic banking and financial services institution. The programme has since been renamed "Al Baraka Social & Sustainable Finance Programme".

The programme includes the following activities:

1. Assessing the social impact of ABG's business at the local and transactional levels.
2. Investing in and supporting socially responsible and sustainable businesses.
3. Supervising and monitoring the development of the Al Baraka Microfinance Programme.
4. Supporting local economies.
5. Supporting healthcare projects and education.
6. Promoting Islamic classical arts and literature.
7. Promoting scholarly works of Islamic banking and finance.
8. Investing in people.
9. Nurturing and encouraging local talent.
10. Promoting programmes that protect the environment by adopting various conservation strategies, such as carbon mitigation, reduction of paper usage, energy and water conservation.

### Activities

The Al Baraka Social & Sustainable Finance Programme is based on the following four pillars:

1. Al Baraka Philanthropic Programme: covering the promotion and funding of a broad spectrum of activities including the arts, literature and culture, scholarly and literary works, and activities aimed at aiding people with special needs and facilitating them in their own efforts through vocational training.
2. Al Baraka Economic Opportunities & Social Investments Programme: covering community development including financing and investments in projects supporting affordable housing and a spectrum of healthcare and related activities, micro, small and medium-sized enterprises, local and other industries.
3. Al Baraka Qard-Hassan Programme: covering benevolent loans extended on a charitable basis.

## Social & Sustainable Finance (continued)

4. Al Baraka Time Commitment Programme: ABG subsidiaries commit a certain number of hours of their officers' time to social and educational contributions to the local community.

The Group's target is to make all its businesses sustainable and socially responsible. As far as possible, we measure our progress. However, in some areas we are still developing the right tools to do so. Based on the existing measurement tools, the Group's overall Social & Sustainable Finance Programme contributed US\$ 3.4 billion in 2019 to communities (primarily with the financing operations).

### Al Baraka Goals 2016-2020

The Group decided in 2015 to take our Social & Sustainable Finance Programme to yet another level. The Group integrated specific targets and priorities for the next five years. Accordingly, by 2020 we would like to impact the communities we operate in by:

- Creating 51,000 jobs across the countries where the Group operates as a result of financing new and existing customers' operations.
- Financing and supporting over US\$191 million in educational projects.
- Financing and supporting over US\$434 million of healthcare projects.
- Financing US\$197 million to sustainable energy projects.

The Al Baraka Goals are directly linked with the UN Global Goals for Sustainable Development ("SDGs"). In particular, our targets are focused on the following SDGs: no poverty (SDG 1), good health and well-being (SDG 3), quality education (SDG 4), gender equality (SDG 5), affordable and clean energy (SDG 7), decent work and economic growth (SDG 8), industry innovation and infrastructure (SDG 9).

In total, the Group pledged to contribute over US\$822 million over the five years towards the Al Baraka Goals (2016-2020). It plans to do so through job creation, healthcare financing and donations, education financing and donations, and financing sustainable energy projects.

During 2020, the Group carried out a full impact assessment of the progress in 2019 against the 2016-2020 goals. The Group has exceeded most of the 2019 targets of Al Baraka Goals (reporting lags by a year due to the time taken to collect qualitative data). In 2019, the Group achieved the following:

- Helped to create 10,570 jobs, 104% of the 2019 target of 10,207 jobs.
- Helped achieve US\$ 27,782,000 in education funding / financing, 73% of the 2019 target of US\$38,200,000.
- Helped achieve US\$125,079,000 of healthcare funding/ financing, 144% of the 2019 target of US\$86,800,000.
- Helped achieve US\$195,762,000 to finance sustainable energy, 231% of the 2019 targets of US\$84,851,000.

### Credit approval process and Social & Sustainable Finance

We have developed an internal mechanism to ensure that our entire business model remains sustainable and socially responsible. We have added new procedures to our credit approval

process as a result of which we will not only encourage our existing customers to adopt the Al Baraka Social & Sustainable Finance Priorities, but we will also aim to give preference to working with such new customers who are equally committed to consistently adding more value to their respective communities.

### Governance and Reporting

A Board Committee for Social & Sustainable Finance oversees the Al Baraka Social & Sustainable Finance Programme and the Department of Social & Sustainable Finance, which is also overseen by the President & Chief Executive. The Department's role is to:

1. Maintain the continuity of the Al Baraka Social & Sustainable Finance Programme, and update it with the most recent international research and popular strategies to enhance Shari'a objectives.
2. Manage and supervise the Group's implementation of the programme.
3. Ensure that the programme continues to set best practices within the Islamic banking and finance industry, by conducting Shari'a and economic analysis on the subject.
4. Provide appropriate guidance for the programme's implementation.
5. Compile, consolidate and publish annual and periodic social responsibility reports.
6. Develop and update procedures that may result in enhancing the adequacy and effectiveness of the programme at the Group level.
7. Exercise all powers needed to achieve the programme's objectives and to remain consistent with the Committee's rationale.
8. Coordinate with other local and international Social & Sustainable Finance programmes.

A detailed report of the Group's activities and progress in the area of Social & Sustainable Finance is posted on the ABG website. Furthermore, a report covering progress is available annually on that website. Each of ABG's subsidiaries will also produce an annual report of its activities in this area, which will similarly be available on their individual websites.

### The Future

When ABG signed up to the UN Global Compact in 2016, it set out a path for the future in line with the Al Baraka Goals 2016-2020. Given that our business model is uniquely tailored around adding economic value to the communities that we serve, our contribution (and as a result our economic value-added contribution to society) will increase in line with our growth. We hope that our example will kick-start a trend in the Islamic banking industry.

In addition to signing an MOU with United Nations Development Program (UNDP) in 2018, ABG also signed an MOU with the United Nations Environment Program (UNEP). Both of these MOUs are aimed at collaborating with the UN agencies with regard to the Al Baraka Goals 2016-2020. In 2019, ABG also adopted the Principles of Responsible Banking (launched by UNEP Finance Initiative), which are already reflected in the Al Baraka Goals (2016-2020), and ABG overall governance and other business practices.

# Board of Directors & Unified Shari'a Supervisory Board

## BOARD OF DIRECTORS

Elected in the Annual General Assembly on 23rd March 2020 for a 3-year term.

**Mr. Abdullah Saleh Kamel** ▲  
Chairman - Non-Executive Director

**Mr. Mohamed Ebrahim Alshroogi** ■ ●  
Vice Chairman

**Dr. Jehad Abdul Hamid El-Nakla** ■ ▲ ● ●  
Board Member

**Dr. Khaled Abdulla Ateeq** ■ ▲ ▲ ●  
Board Member

**Mrs. Dalia Hazem Khorshid** ■ ●  
Board Member

**Dr. Ziad Ahmed Bahaeldin** ■ ● ●  
Board Member

**Mr. Saud Saleh Al Saleh** ■ ▲ ●  
Board Member

**Mr. Abdul Elah Abdul Rahim Sabbahi** ● ●  
Board Member - Executive Director

**Mr. Adnan Ahmed Yousif** ●  
Board Member and President & Chief Executive

**Mr. Fahad Abdullah Al Rajhi** ● ●  
Board Member - Non-Executive Director

**Dr. Mohamed Moncef Chiekh-Rouhou** ■ ● ●  
Board Member

**Mr. Naser Mohamed Al Nuwais** ■ ▲ ●  
Board Member

**Mr. Abdulmalek Mezher**  
Secretary to the Board

## UNIFIED SHARI'A SUPERVISORY BOARD

**Shaikh Abdulla Bin Sulieman Al Mannea**  
Chairman

**Shaikh Dr. Abdullatif Al Mahmood**  
Vice Chairman

**Shaikh Dr. Al Ayachi Al Saddig Fiddad**  
Member

**Shaikh Dr. Saad Bin Nasser Al Shithry**  
Member

**Mr. Yousif Hassan Khalawi** ●  
Member

**Dr. Eltigani El Tayeb Mohammed**  
Secretary of the Unified Shari'a Board and Shari'a Officer

### NOTES:

1. Shaikh Saleh Abdullah Kamel passed away on 18th May 2020 and in his stead Mr. Abdullah Saleh Kamel was appointed Chairman effective 4th June 2020.
2. Mr. Mohamed Ebrahim Alshroogi was appointed Vice Chairman on 25th March 2020.
3. The following board members held office until 22nd March, 2020:
  - Mr. Abdulla A. Saudi – Vice Chairman
  - Mr. Saleh Mohammed Al Yousef
  - Mr. Ebrahim Fayez Al Shamsi
  - Mr. Jamal Bin Ghalaïta
  - Mr. Yousef Ali Fadil Bin Fadil
  - Dr. Bassem Awadallah
  - Mr. Mohyedin Saleh Kamel
4. Dr. Ahmed Mohyeldin Ahmed, Member of the Unified Shari'a Supervisory Board passed away on 29th August, 2020.
5. Mr. Adnan Ahmed Yousif retired on December 31st, 2020. Mr. Mazin Manna was appointed Board Member effective January 1st, 2021

| COMMITTEE NAME                               | CHAIRMAN OF THE COMMITTEE | MEMBER OF THE COMMITTEE |
|--|---------------------------|-------------------------|
| Board Executive Committee                    | ▲                         | ●                       |
| Board Audit Committee                        | ▲                         | ●                       |
| Board Nomination & Remuneration Committee    | ▲                         | ●                       |
| Board Risk Committee                         | ▲                         | ●                       |
| Board Social & Sustainable Finance Committee | ▲                         | ●                       |
| Board Compliance and Governance Committee    | ▲                         | ●                       |
| Independent Director                         |                           | ■                       |