

# Corporate Governance Review

## Corporate Governance Framework

Bahrain Islamic Bank B.S.C. ("BisB" or the "Bank") is committed to upholding the highest standards of corporate governance by way of balancing entrepreneurship, regulatory compliance, and industry best practices, while creating value for all stakeholders. It also involves having the right checks and balances in place throughout the organization to ensure that the Bank's processes are within an adequate, efficient and robust internal control and governance framework.

## Statement of Responsibility

The Board is ultimately accountable to the shareholders for the creation and delivery of strong sustainable financial performance and long-term shareholder value through strategic initiatives. The Chairman is responsible for leading the Board, ensuring its effectiveness, monitoring the performance of the Executive Management, and maintaining a dialogue with the Bank's shareholders. The Board has established the following Committees to assist it in carrying out its responsibilities:

1. Board Credit Committee ("BCC");
2. Audit, Compliance & Governance Committee ("ACGC");
3. Nomination & Remuneration Committee ("NRC"); and
4. Board Risk Committee ("BRC").

The Board's Executive Committee has been renamed to BCC during 2019. Moreover, an independent BRC has been established. That, in addition to the establishment of a Board Independent Committee as per Central Bank of Bahrain's (CBB) requirements stipulated in Takeovers, Mergers & Acquisitions Module of Volume 6, following National Bank of Bahrain's (NBB) offer to further raise their shareholding in BisB.

BisB's corporate governance framework is built on a code of business conduct, policies, procedures, internal controls, risk management, Shari'a review and audit, internal and external audit and compliance functions. The framework is based on effective communications, transparent disclosures, performance measurement and accountability. An independent Internal Audit function is established within the Bank that reports directly functionally to the ACGC.

## Code of Business Conduct

BisB conducts its business in accordance with the highest standards of ethical behavior. A Code of Business Conduct has been developed, based on the CBB's Principles of Business regulations, to govern the personal and professional conduct of the directors and employees of the Bank. The code is based on the following principles:

1. Integrity
2. Conflicts of Interest
3. Due Skill, Care and Diligence
4. Confidentiality
5. Market Conduct
6. Customer Assets
7. Customer Interest
8. Relations with Regulators
9. Adequate Resources
10. Management, System & Controls

# Corporate Governance Review (Cont'd)

The requirements under each of the above principles are made available to the Board and employees of the Bank. The Board monitors any exceptions to the above principles by way of reviewing formal reports issued to the Board's ACGC.

### Compliance

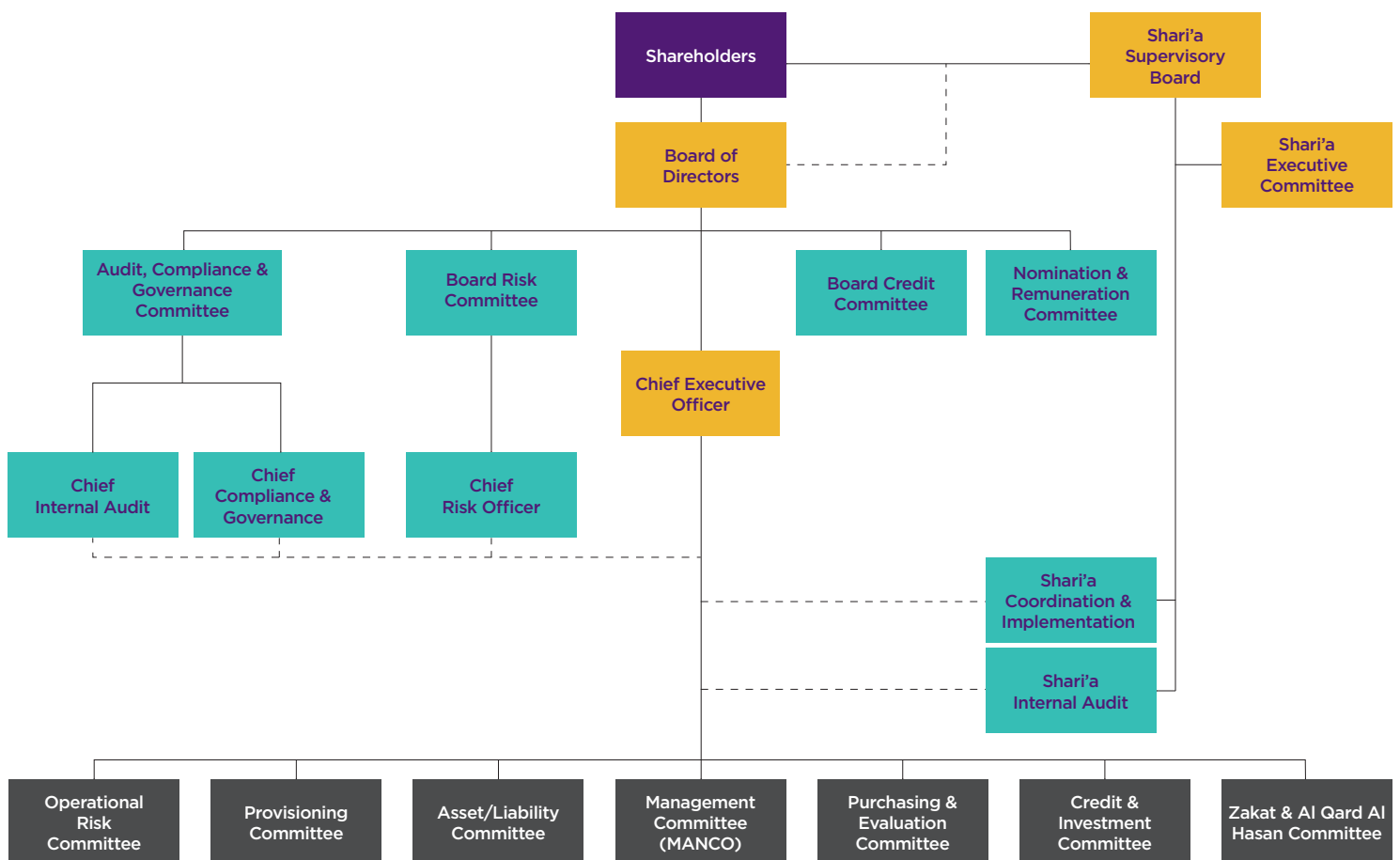
Compliance is an independent function that reports to the ACGC. The Compliance function, guided by the Board approved Policies, works with various business and controlled functions of the Bank to ensure compliance with the applicable rules and regulations of the CBB.

Given the digital business strategy of the Bank, as well as the expanding regulatory scrutiny and enforcement, the Compliance & Governance Department of the Bank is keeping up with the digital advancements by also taking on an active role in directly participating in the risk management process.

### Communications

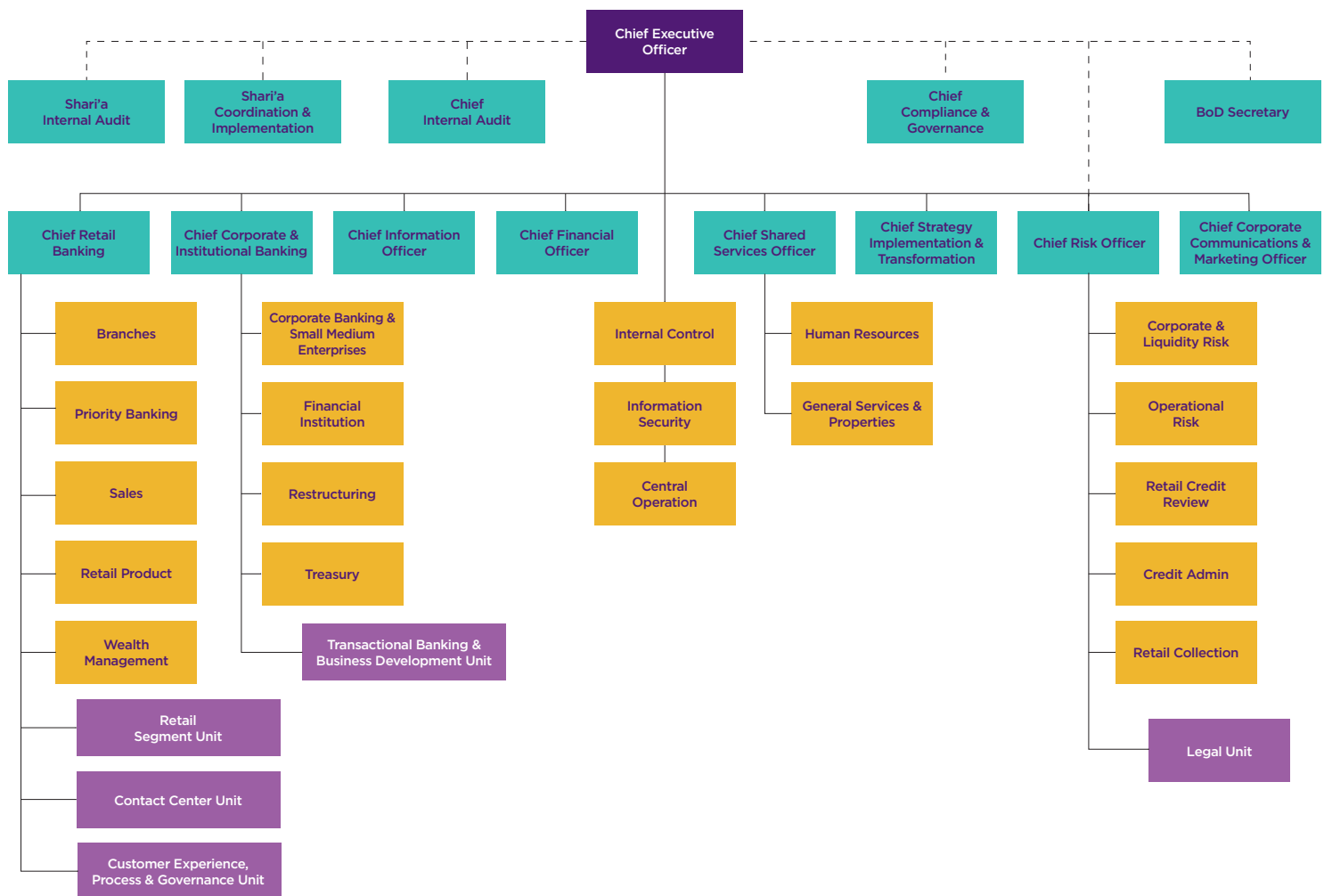
BisB conducts all communications with its stakeholders in a professional, honest, transparent, understandable, accurate and timely manner. Main communication channels include the annual report, website and regular announcements in the appropriate local media.

## Governance Structure



# Corporate Governance Review (Cont'd)

## Bank's Structure



# Corporate Governance Review (Cont'd)

## Board of Directors

### Composition

No.	Director	Designation	Start Date	Term
1	Dr. Esam Abdulla Fakhro	Non-Executive & Non-Independent	23rd March 2016	Second
2	Gen. Ebrahim Abdulla Al Mahmood (Until 27 <sup>th</sup> January 2020)	Non-Executive & Non-Independent	28th May 2017	Second
3	Mr. Khaled Yusuf AbdulRahman	Non-Executive & Non-Independent	23rd March 2016	Second
4	Mr. Talal Ali Al Zain (Until 21 <sup>st</sup> March 2019)	Non-Executive & Independent	23rd March 2016	-
5	Mr. Khalil Ebrahim Nooruddin (Until 21 <sup>st</sup> March 2019)	Non-Executive & Independent	23rd March 2016	-
6	Mr. Ebrahim Husain Ebrahim Aljassmi (Until 21 <sup>st</sup> March 2019)	Non-Executive & Independent	23rd March 2016	-
7	Mr. Othman Ebrahim Naser Al Askar (Until 21 <sup>st</sup> March 2019)	Non-Executive & Independent	23rd March 2016	-
8	Mr. Muhammad Zarrug Rajab (Until 30 <sup>th</sup> January 2020)	Non-Executive & Non-Independent	23rd March 2016	Third
9	Mr. Khalid Abdulaziz Al Jassim	Non-Executive & Independent	21st March 2019	First
10	Mr. Mohammed Abdulla Al Jalahama	Non-Executive & Independent	21st March 2019	First
11	Mr. Abdulla Ahmed Kamal (Until 27 <sup>th</sup> January 2020)	Non-Executive & Non-Independent	21st March 2019	First
12	Mr. Marwan Khaled Tabbara	Non-Executive & Independent	21st March 2019	First
13	Mr. Mohammed Abdulla Nooruddin	Non-Executive & Independent	21st March 2019	First

The detailed profiles of the Board members are available on the Bank's website.

### Board of Directors' Responsibilities

The primary responsibility of the Board of Directors is to provide effective governance over the Bank's affairs for the benefit of its stakeholders, and to balance the interests of its diverse constituencies, including associated concerns, employees and other stakeholders. In all actions taken by the Board, the Directors are expected to exercise their business judgement in what they reasonably believe to be in the best interests of the Bank.

The Board will approve and oversee the implementation of the Bank's strategies and will review and approve the Bank's strategic plan. As part of its strategic review process, the Board will review major action and business plans, set performance objectives and oversee major investments, divestitures and acquisitions. The Board is also ultimately responsible to ensure effective risk management function, regulatory compliance, adequate internal controls as well as compliance with Shari'a rulings. Every year, at an annual Board strategy session, the Board will formally reassess the Bank's objectives, strategies and plans.

One of the Board's most important responsibilities is identifying, evaluating and selecting candidates for the Board of Directors. The Board will seek members from diverse professional backgrounds who combine

a broad spectrum of experience and expertise with a reputation for integrity. Directors should have had experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are affiliated and be selected based upon the contributions they can make to the Board.

The Board may not necessarily carry out all these responsibilities but should ensure that these have been delegated to various board committees or executive management committees to act on their behalf and communicate periodic reports to the Board for their review.

### Induction of New Directors

The Bank provides an orientation program for new Directors which shall include presentations by senior management on the Bank's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its operations, its Code of Conduct, its management structure and executive officers and its internal and external auditors.

# Corporate Governance Review (Cont'd)

## Code of Conduct

The Bank adopts a Code of Conduct and other internal policies and guidelines to comply with the laws, rules and regulations that govern the Bank's business operations. The Code of Conduct applies to all employees of the Bank as well as to Directors.

## Review of Internal Control Processes and Procedures

Audit, Compliance & Governance Committee assists the Board in fulfilling its oversight responsibility relating to the performance of the internal audit function, which regularly reviews and ensures adherence to internal control processes and procedures.

## Board Membership

The Board of Directors' membership term is three years, subject to renewal. Shareholders owning 10% or more of the share capital can nominate a representative on the Board of Directors in proportion to the number of Board members. A secret ballot is held at the Ordinary General Meeting for the remaining Board members. The Board of Directors elect, by a secret ballot, a Chairman and Vice Chairman for a renewable term of three years.

## Board Meetings and Attendance

Minimum Number of Meetings Required = 4

Members	24-Feb	25-Feb	28-Apr	04-May	08-Aug	04-Nov	07-Nov	09-Dec
Dr. Esam Abdulla Fakhro	✓	✓	✓	✓	✓	✓	✓	✓
Gen. Ebrahim Abdulla Al Mahmood	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Talal Ali Al Zain (Until 21st March 2019)	✓	✓	-	-	-	-	-	-
Mr. Khalil Ebrahim Nooruddin (Until 21st March 2019)	✓	✓	-	-	-	-	-	-
Mr. Ebrahim Husain Ebrahim Aljassmi (Until 21st March 2019)	✓	✓	-	-	-	-	-	-
Mr. Othman Ebrahim Naser Al Askar (Until 21st March 2019)	✓	✓	-	-	-	-	-	-
Mr. Khalid Yousif Abdul Rahman	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Muhammad Zarruq Rajab	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Abdulla Ahmed Kamal	-	-	✓	✓	✓	✓	✓	✓
Mr. Mohamed Abdulla Nooruddin	-	-	✓	✓	✓	✓	✓	✓
Mr. Khalid Abdulaziz Al Jassim	-	-	✓	✓	✓	✓	✓	✓
Mr. Mohammed Abdulla Al Jalahma	-	-	✓	✓	✓	✓	✓	✓
Mr. Marwan Khaled Tabbara	-	-	✓	✓	✓	✓	✓	✓

✓ Participated via phone/video link

Membership of the Board of Directors can be terminated in the following cases:

- If a member fails to attend at-least 75% of the meetings without a reasonable excuse;
- If he/she tenders his/her resignation in writing;
- If he/she fails to fulfill any related conditions referred to the Bank's Memorandum of Association;
- If he/she is appointed or elected in violation of the provisions of the CBB Law and/or Bahrain Commercial Companies Law;
- If he/she abuses his/her membership for carrying on other business that competes with or is detrimental to the company's business; or
- If the shareholder who nominates him/her applied for his/her removal.

# Corporate Governance Review (Cont'd)

## Board Committees' Members

Board Committee	Members	Objectives
Board Credit Committee (BCC)	<p><b>Gen. Ebrahim Abdulla Al Mahmood</b> Chairman</p> <p>Members</p> <ul style="list-style-type: none"> <li>• Khalid Yousif Abdul Rahman</li> <li>• Muhammad Zarrug Rajab</li> </ul>	The BCC reviews and approves/recommends Credit Proposals to the Board for approval.
Audit, Compliance and Governance Committee (ACGC)	<p><b>Khalid Abdulaziz Al Jassim</b> Chairman</p> <p>Members</p> <ul style="list-style-type: none"> <li>• Mohammed Abdulla Al Jalahma</li> <li>• Abdulla Ahmed Kamal</li> </ul>	The ACGC oversees the integrity and reporting of the Bank's quarterly and annual financial statements. It also covers review of audit findings, provisions and impairments as well as compliance with legal and regulatory requirements.
Nomination and Remuneration Committee (NRC)	<p><b>Dr. Esam Abdulla Fakhro</b> Chairman</p> <p>Members</p> <ul style="list-style-type: none"> <li>• Mohamed Abdulla Nooruddin</li> <li>• Marwan Khaled Tabbara</li> </ul>	The NRC is responsible for developing and recommending changes from time to time in the Bank's nomination and remuneration policy, including the variable payment policy. It is also entrusted to identify and recommend persons occupying senior positions including board members.
Board Risk Committee (BRC)	<p><b>Marwan Khaled Tabbara</b> Chairman</p> <p>Members</p> <ul style="list-style-type: none"> <li>• Mohamed Abdulla Nooruddin</li> <li>• Khalid Abdulaziz Al Jassim</li> </ul>	The BRC is formed to assist the Board of Directors in overseeing the risk management framework of the Bank.

## Board Credit Committee Meetings and Attendance

Minimum Number of Meetings Required = 4

Members	24-Jan	17-Mar	07-Aug	03-Nov
Gen. Ebrahim Abdulla Al Mahmood	✓	✓	✓	✓
Khaled Yusuf Abdul Rahman	✓	✓	✓	✓
Khalil Ebrahim Nooruddin (Until 21st March 2019)	✓	✓	-	-
Muhammad Zarrug Rajab	-	-	✓	✓
Hassan Jarrar	✓	✓	✓	✓

✓ Participated via phone/video link

# Corporate Governance Review (Cont'd)

## Audit, Compliance & Corporate Governance Committee Meetings and Attendance

Minimum Number of Meetings Required = 4

Members	07-Feb	04-May	20-Jun	07-Aug	29-Sep	03-Nov	08-Dec
Ebrahim Husain Ebrahim Aljassmi (Until 21st March 2019)	✓	-	-	-	-	-	-
Othman Ebrahim Naser Al Askar (Until 21st March 2019)	✓	-	-	-	-	-	-
Muhammad Zarrug Rajab	✓	-	-	-	-	-	-
Khalid Abdulaziz Al Jassim	-	✓	✓	✓	✓	✓	✓
Mohammed Abdulla Al Jalahma	-	✓	✓	✓	✓	✓	✓
Abdulla Ahmed Kamal	-	✓	✓	✓	✓	✓	✓

✓ Participated via phone/video link

## Nomination & Remuneration Committee Meetings and Attendance

Minimum Number of Meetings Required = 2

Members	06-Feb	26-Jun	25-Sep	02-Dec
Dr. Esam Abdulla Fakhro	✓	✓	✓	✓
Talal Ali Al Zain (Until 21st March 2019)	✓	-	-	-
Ebrahim Husain Ebrahim Aljassmi (Until 21st March 2019)	✓	-	-	-
Mohamed Abdulla Nooruddin	-	✓	✓	✓
Marwan Khaled Tabbara	-	✓	✓	✓

## Board Risk Committee Meetings and Attendance

Minimum Number of Meetings Required = 2

Members	20-May	16-Jun	03-Jul	04-Sep	03-Oct	13-Nov	28-Nov	04-Dec
Marwan Khaled Tabbara	✓	✓	✓	✓	✓	✓	✓	✓
Mohamed Abdulla Nooruddin	✓	✓	✓	✓	✓	✓	✓	✓
Khalid Abdulaziz Al Jassim	✓	✓	✓	✓	✓	✓	✓	✓

✓ Participated via phone/video link

## Board Independent Committee Meetings and Attendance

Minimum Number of Meetings Required = N/A

Members	01 Aug	19 Aug	05 Sep	12 Sep	26 Sep	03 Oct	15 Oct	21 Oct	31 Oct	06 Nov	18 Nov	28 Nov	04 Dec	26 Dec
Marwan Khaled Tabbara	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mohamed Abdulla Nooruddin	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Khalid Abdulaziz Al Jassim	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

✓ Participated via phone/video link

# Corporate Governance Review (Cont'd)

## Evaluation of the Board and Each Committee

The Nomination and Remuneration Committee carried out an evaluation of the Board and its Committees through the distribution of questionnaires to each Board member, followed by an assessment of the Committees and Members. The Committee expressed its satisfaction with the positive results.

## Board of Directors' Remuneration and Sitting Fees

The Board of Directors are paid an annual remuneration as approved by the shareholders at the Ordinary General Meeting. While the amount of the remuneration is not directly linked to the performance of the Bank, factors such as the Bank's performance, industry comparison and the time and effort committed by the Directors to the Bank, are considered for determining the total remuneration. In addition, Directors are paid sitting fees for attending the various subcommittees of the Board of Directors. Non-resident Directors are also entitled to travel expenses. Further details on the remunerations paid to Board as well as Senior Management are available under the remuneration disclosures of the annual report.

## Shari'a Supervisory Board

### Objective

The main objective of Shari'a Supervisory Board is to advise the Bank on any Shari'a matter and to ensure compliance with the Shari'a tenets and requirements in their operations. The Shari'a Supervisory Board is entrusted with the duty of directing, reviewing and supervising the activities of the Bank in order to ensure that the Bank is in compliance with Shari'a rules and AAOIFI. The profiles of the Shari'a Supervisory Board are listed on page 16 of this annual report.

The Shari'a Supervisory Board has established a Shari'a Coordination & Implementation function to assist the Bank in its day to day management of business. The Shari'a Supervisory Board has also established an independent Internal Shari'a Audit function that reports any exceptions to the Shari'a fatwas and guidelines.

## Shari'a Supervisory Board Meetings

Members	20-Mar	16-Jun	15-Sep	09-Dec	12-Dec
Sh. Dr. Abdul Latif Al Mahmood	✓	✓	✓	✓	✓
Sh. Mohammed Al Juffairi	✓	✓	✓	✓	✓
Sh. Adnan Al Qattan	✓	✓	✓	✓	✓
Sh. Dr. Nedham Yacoubi	✓	✓	✓	x	✓
Sh. Dr. Essam Al Enizi	✓	✓	✓	x	✓

## Executive Management

The management structure that clearly defines roles, responsibilities and reporting lines, is available in the annual report of the Bank. Within the management structure there are separate committees responsible to meet on a regular basis to discuss and decide on the various strategic and tactical issues within their respective areas.

Name & Designation	Profession	Experience in years	Qualification
<b>Hassan Amin Jarrar</b> Chief Executive Officer	Banking	31	BSc in Finance from California State University, San Jose.
<b>Wesam A.Aziz Baqer</b> Chief Corporate & Institutional Banking	Banking	18	MSc (Economics) in Finance and Investment Management from the University of Aberdeen, Scotland. BSc in Business Administration from the University of Bahrain Certified Financial Adviser (CeFA).
<b>Dalal Ahmed Al Qais</b> Chief Retail Banking	Banking	18	MBA in Finance from AMA University. BSc in Business Management from the University of Bahrain.
<b>Ameer Abdul Ghani Dairi</b> Chief Financial Officer	Accounting	19	CPA from New Hampshire Board of Accountancy. Certified Management Accountant (CMA) licensed by the Chartered Institute of Management Accountants, USA. BSc in Accounting from University of Bahrain.



# Corporate Governance Review (Cont'd)

## Executive Management (Cont'd)

Name & Designation	Profession	Experience in years	Qualification
<b>Fahim Ahmed Shafiqi</b> Chief Risk Officer	Banking	21	MBA from University of Warwick, UK. Diploma in Islamic Finance (CDIF).
<b>Eman Ali Abdulla Ebrahim</b> Head of Central Operations	Banking	23	Associate Diploma in Accounting, University of Bahrain.
<b>Hussain Ebrahim Al Banna</b> Head of Treasury	Banking	16	BSc in Banking & Finance from the University of Bahrain. Treasury & Capital Markets Diploma, BIBF.
<b>Dawood Khalil Al Ashhab</b> Chief Shared Services Officer	Human Resources	20	BS in Public Administration. Certified coach from the Gallup University, UK.
<b>Mahmood Gannati</b> Chief Marketing & Corporate Communication	Marketing	19	MSc in Computer Based Information Systems from the University of Sunderland. BSc in Marketing from the University of Bahrain.
<b>Osama Ali Nasr</b> Chief Information Officer	Information Technology	22	MSc in Information Systems Management from the University of Liverpool. BSc in Computer Science from Al-Isra University, Jordan.
<b>Mazar Rashed Jalal</b> Chief Compliance & Governance	Banking	19	BSc in Accounting from the University of Bahrain. International Compliance Associate Diploma from UK. Diploma in Islamic Banking and Insurance from UK, Wales.
<b>Mohammed Ayada Mattar</b> Money Laundering Reporting Officer	Banking	15	Masters in Finance from AMA International University. Certified Anti-Money Laundering Specialist. Diploma in Governance, Risk & Compliance from International Compliance Association.
<b>Maisa Jawdat Shunnar</b> Chief Strategy Implementation & Transformation	Strategy Implementation & Transformation	20	Masters of Business Communication & Leadership, Jones International University, Colorado, USA. BSc in Business Administration majoring in Computer Information Systems from University of Houston (Texas, USA).
<b>Hamad Farooq Al- Shaikh</b> Head of Shari'a Coordination & Implementation	Banking	15	Master degree of Shari'a At ALEmam ALAwzaie University in Lebanon. Chartered Islamic Finance Professional. Advanced Diploma in Islamic Commercial Jurisprudence. Bachelor Degree in Law and Shari'a from Qatar University.
<b>Eman Mohammed AlBinghadeer</b> Head of Internal Shari'a Audit	Banking	15	Professional Diploma in Shari'a Auditing - CIBAFI. CSIA - Certified Specialist in Islamic Accounting - CIBAFI. CIB - Certified Islamic Banker - CIBAFI. CSAA - Certified Shari'a Adviser and Auditor - AAOIFI. Diploma in Computing and Business Studies - Bournemouth University and Technology Centre - UK.
<b>Khaled Waheeb Al Naser</b> Chief Internal Audit	Auditing & Banking	13	Certified Public Accountant - CPA. Certified Internal Auditor - CIA. Certified Islamic Professional Accountant - CIPA. BSC Managerial Accounting - NYIT. CGMA - AICPA/ CIMA. COSO Internal Control - COSO.

# Corporate Governance Review (Cont'd)

## Management Committees

Committee(s)	Members	Objectives
Management Committee (MANCO)	<p><b>Hassan Amin Jarrar</b> Chairman</p> <p>Members</p> <ul style="list-style-type: none"> <li>• Wesam A.Aziz Baqer</li> <li>• Dalal Ahmed Al Qais</li> <li>• Ameer Abdul Ghani Dairi</li> <li>• Fahim Ahmed Shafiqi</li> <li>• Eman Ali Abdulla Ebrahim</li> <li>• Dawood Khalil Al Ashhab</li> <li>• Osama Ali Nasr</li> <li>• Mazar Rashed Jalal</li> <li>• Maisa Jawdat Shunnar</li> <li>• Mahmood Qannati</li> </ul>	MANCO is the highest management body that reviews the Bank's strategy implementation. In addition, the committee also plays a significant role in establishing the policies, procedures and frameworks covering risk management, compliance, retail and corporate banking. The Committee also monitors the performance of business, support and control functions of the Bank.
Asset & Liability Committee (ALCO)	<p><b>Ameer Abdul Ghani Dairi</b> Chairman</p> <p>Members</p> <ul style="list-style-type: none"> <li>• Hassan Amin Jarrar</li> <li>• Dalal Ahmed Al Qais</li> <li>• Fahim Ahmed Shafiqi</li> <li>• Hussain Ebrahim Al Banna</li> <li>• Wesam A.Aziz Baqer</li> </ul>	The purpose of Asset & Liability Committee is to act as a decision making body and guiding force responsible for balance sheet planning from risk return perspective, including strategic management of yield and liquidity risks.
Credit & Investment Committee (C&IC)	<p><b>Hassan Amin Jarrar</b> Chairman</p> <p>Members</p> <ul style="list-style-type: none"> <li>• Wesam A.Aziz Baqer</li> <li>• Dalal Ahmed Al Qais</li> <li>• Fahim Ahmed Shafiqi (Dissenting Vote)</li> <li>• Ameer Abdul Ghani Dairi</li> </ul>	C&IC determines the Credit & Investment Policy of the Bank and identifies possible risks assumed by the Bank for different types of transactions. The C&IC has the authority to make a decision on approval or rejection or proposed transactions within its authority as well as to monitor the performance and quality of the Bank's credit & Investment portfolios.
Qard Al Hassan, Donation & Zakah Committee	<p><b>Hamad Farooq AlShaikh</b> Chairman</p> <p>Members</p> <ul style="list-style-type: none"> <li>• Khaled Waheeb AlNasser (Until October)</li> <li>• Nada Ishaq Abdul Karim</li> <li>• Hamad Al Bassam</li> <li>• Nayef Nasser Al Nasser (From September)</li> <li>• Aysha Ali Al Nasser (From October)</li> </ul>	The main objective of Qard Al Hassan, Donation and Zakah Committee is to discharge the Group's social responsibilities toward its society through distributing zakah, charity funds, donations & good faith Qard for marriage, medical treatments, etc.
Provisioning Committee (PC)	<p><b>Ameer Abdul Ghani Dairi</b> Chairman</p> <p>Members</p> <ul style="list-style-type: none"> <li>• Fahim Ahmed Shafiqi</li> <li>• Khalid Mahmood (Observer - until June)</li> <li>• Khaled Waheeb Al Naser (Observer - from June)</li> <li>• Salah Yaseen (Voting member)</li> </ul>	Provisioning Committee reviews the Bank's provisions as well as formulates policies with a view to maintain the strategic risk level objectives.
Operational Risk Committee (ORC)	<p><b>Fahim Ahmed Shafiqi</b> Chairman</p> <p>Members</p> <ul style="list-style-type: none"> <li>• Sohail Kabeer</li> <li>• Wesam A.Aziz Baqer</li> <li>• Dalal Ahmed Al Qais</li> <li>• Ameer Abdul Ghani Dairi</li> <li>• Eman Ali Abdulla Ebrahim</li> <li>• Dawood Khalil Al Ashhab</li> <li>• Osama Ali Nasr</li> <li>• Mazar Rashed Jalal</li> </ul>	The purpose of the Operational Risk Committee is to: a) Oversee and review the Bank's operational risk framework. b) Assist the management in fulfilling its operational risk management responsibilities as defined by applicable laws and regulations.
Purchasing & Evaluation Committee*	<p><b>Hamad Mohammed Al Bassam</b> Chairman</p> <p>Members</p> <ul style="list-style-type: none"> <li>• Maitha Abdulla Saad Faraj</li> <li>• Aysha Ali AlNasser</li> </ul>	The Bank has formed a Purchasing & Evaluation Committee that independently oversees the vendor management and procurement process.

\*Established in 2019.

# Corporate Governance Review (Cont'd)

## Succession Planning

Succession planning in the Bank is driven by our Business strategy and forward looking approach. The primary objective of the plan is to develop people to meet future demands of the Bank. On an annual basis, the Human Resources Department of the Bank reviews and consults the Board's Nomination & Remuneration Committee to ensure availability of a practical and executable succession plan.

## Related Party Transactions and Conflict of Interest

Under the Bahrain Commercial Companies Law and CBB's regulations, the Bank is required to disclose potential conflicts as well as refrain from participating in any conflicted decisions. This includes potential conflicts that may arise when a Director takes up a position with another company or has any material transactions with the Bank. In addition, exposures to major shareholder, directors and senior management are governed by the regulations of the CBB.

Related party transactions are entered into in compliance with Article 189 of the Commercial Companies Law. All material service providers are selected following a satisfactory tendering process which is governed by the vendor management policy of the Bank. Any director or member of the senior management conflicted is excluded throughout the decision making process. Details of related party transactions, carried out at arm's length, are disclosed in Note 26 of the financial statements.

## Material Transactions Requiring Board Approval

The Board has delegated certain authorities to the Executive Management to ensure smooth and effective day to day management, however, all material financing transactions, as provided in the delegation of authority matrix of the Bank, are subject to Board approval. Furthermore, major decisions such as change in strategy, changes in the organization structure, capital expenditures, amending policies and hiring executive management is subject to either Board or relevant Board committees.

## Exceptions to CBB's Corporate Governance Regulations

Banks are required to comply with the High Level Controls (HC) Module of the CBB Rulebook. The HC Module contains both Rules and Guidance; Rules must be complied with, but Guidance may either be complied with or non-compliance explained to the shareholders and to the CBB. Exceptions to guidance are explained as follows:

Reference	Explanation
HC-1.3.13	HC-1.3.13 states that no one person should hold more than three directorships in public companies in the Kingdom of Bahrain, with the provision that no conflict of interest may exist. Dr. Esam Abdulla Fakhro, the Chairman of the Board, holds more than three directorships in public companies in the Kingdom of Bahrain. The Board is of the opinion that this does not impact the effectiveness and efficiency of the Board of Directors, as he provides adequate attention to his responsibilities and there is no conflict of interest between his other directorships and that of the Bank.

HC-1.4.6	HC-1.4.6 states that the Chairman of the Board of Directors should be an independent director. The Bank's Chairman, Dr. Esam Abdulla Fakhro is nominated by the NBB which is a Controller of the Bank. Accordingly, Dr. Fakhro is reported as a Non-Independent Director. The Board is of the view since BisB has no business transactions with NBB, there exist no conflict of interest and therefore, the chairmanship of Dr. Fakhro is appropriate.
HC-1.8.2	HC-1.8.2 states that the Board should establish a Corporate Governance Committee of at least three independent members and HC-1.8.5 allows combination of committees. The Bank has combined the responsibility of the Corporate Governance Committee with that of the Audit Committee. The Board is of the view that this does not compromise the high standards of corporate governance as the Audit Committee has sufficient resources and time to discharge its duties and holds sufficient number of meetings to fulfil its responsibilities.
HC-5.3.2	HC-5.3.2 states that the Remuneration Committee should include only independent directors or, alternatively, only non-executive directors of whom a majority are independent directors and the chairman is an independent director. The Remuneration Committee of the Bank is combined with the Nomination Committee as allowed under HC-1.8.5. The Chairman of the Nomination & Remuneration Committee, Dr. Esam Abdulla Fakhro, is treated as Non-Independent on the basis that his nomination is through NBB, a Controller of the Bank. The Board is of the view that since the remuneration of the Board is governed by the Bahrain Commercial Company Law, there exist no conflict of interest in Dr. Fakhro being the Chairman of the NRC.

## Employments of Relatives

The Bank has a policy in place on employment of relatives to prevent the potential conflict of interest. As a matter of policy, employment of relatives is not allowed, however, in case of any exception, the approval of the Board's Nomination & Remuneration Committee is sought.

## Remuneration of the External Auditors

KPMG Fakhro was the Bank's external auditors for the financial year ended 31 December 2019. The details of the audit fee paid to the auditors during the year 2019 as well as the details of non-audit services and fees paid are held at the Bank's premises, which is available to eligible shareholders upon specific request.

# Corporate Governance Review (Cont'd)

## Information on Products & Services & Availability of Financial Information

New product information, announcements and information related to all stakeholders are made available in a timely manner through various channels of communication which may include publications, website, direct mailers, electronic mail and local media. In addition, the Consolidated Financial Statements of at least past 5 years in addition to all supplementary disclosures required by CBB regulations, are available in the Bank's website.

## Customer Complaints

The Quality Assurance Department is responsible for managing customer complaints. BisB customers may use the Bank's website or the call center for lodging a complaint. All complaints are logged, monitored and reported to the CBB. A user friendly guide is made available to customers by way of a conspicuous notice and Bank's website.

## Whistleblower Policy

The Board has adopted a Whistleblower Policy which provides all employees an opportunity to raise any observation regarding unethical and improper practices or any other wrongful conduct of a financial or legal nature in the Bank and to prohibit managerial personnel from taking any adverse action against employees for doing so.

## Major Shareholders Ownership (5% and above)

Shareholder	Nationality	Number of Shares	Percentage	Type of Ownership
NBB	Bahraini	309,206,266	29.06%	Majority Sovereign
Social Insurance Organization - Military Pension Fund	Bahraini	154,604,587	14.53%	Sovereign
Social Insurance Organization	Bahraini	154,604,585	14.53%	Sovereign
Islamic Development Bank	Saudi	153,423,081	14.42%	Sovereign
General Council of Kuwaiti Awqaf	Kuwaiti	76,366,321	7.18%	Sovereign

## Distribution of Ownership of Shares by Nationality

Country	Percentage	Number of Shares
Kingdom of Bahrain	72.76%	774,240,213
Kingdom of Saudi Arabia	15.29%	162,712,541
Kuwait	8.73%	92,853,697
United Arab Emirates	2.95%	31,373,681
Qatar	0.13%	1,381,185
Others	0.14%	1,497,270
<b>Total</b>	<b>100.00%</b>	<b>1,064,058,587</b>

# Corporate Governance Review (Cont'd)

## Changes in Distribution of Ownership shares of Directors, Shari'a Members and Approved Persons

Directors	Shares as of 31st December 2018	Sold During 2019	Acquired During 2019	Shares as of 31st December 2019
Dr. Esam Abdulla Fakhro	52,500	-	300,000	352,500
Muhammad Zarrug Rajab*	140,943	-	-	140,943
Khalid Yousif Abdulrahman**	-	-	-	-
Mohammed Abdulla Al Jalahma	-	-	-	-
Abdulla Ahmed Kamal	-	-	-	-
Marwan Khaled Tabbara	-	-	-	-
Khalid AbdulAziz Al Jassim	-	-	-	-
Mohamed Abdulla Nooruddin	-	-	-	-
Gen. Ebrahim Abdulla Al Mahmood	-	-	-	-
Talal Ali Al Zain (Until 21st March 2019)	-	-	-	-
Khalil Ebrahim Nooruddin (Until 21st March 2019)	-	-	-	-
Ebrahim Husain AlJassmi (Until 21st March 2019)	201,646	-	-	201,646
Othman Ebrahim Al Askar (Until 21st March 2019)	92,496	92,496	-	-
<p>*Muhammad Zarrug Rajab owns 140,943 nominee shares of BisB on behalf of IDB  **Khalid Yousif Abdulrahman owns 32.5% of shares in Yusuf A.Rahman Engineer(Holding) Co.WLL which owns 536,020 number of shares in BisB</p>				
Shari'a Supervisory Board	Shares as of 31st December 2018	Sold During 2019	Acquired During 2019	Shares as of 31st December 2019
Shaikh Dr. Abdul Latif Mahmood Al Mahmood	177,580	3,154	-	174,426
Shaikh Dr. Nedham Mohamed Saleh Yacoubi	13,237	-	-	13,237
Shaikh Mohammed Jaffar Al Juffairi	-	-	-	-
Shaikh Adnan Abdulla Al Qattan	-	-	-	-
Shaikh Dr. Essam Khalaf Al Enizi	-	-	-	-

# Corporate Governance Review (Cont'd)

## Changes in Distribution of Ownership shares of Directors, Shari'a Members and Approved Persons (Cont'd)

Approved Persons	Shares as of 31st December 2018	Sold During 2019	Acquired During 2019	Shares as of 31st December 2019
Hassan Amin Jarrar Chief Executive Officer	827,057	100,000	216,901	943,958
Wesam A.Aziz Baqer Chief Corporate & Institutional Banking	156,528	-	11,992	168,520
Dalal Ahmed Al Qais Chief Retail Banking	-	-	-	-
Ameer Abdul Ghani Dairi Chief Financial Officer	-	-	-	-
Fahim Ahmed Shafiqi Chief Risk Officer	65,936	65,936	-	-
Dawood Khalil Al Ashhab Chief Shared Services Officer	-	-	-	-
Eman Ali Abdulla Head of Central Operations	-	-	-	-
Hamad Farooq AlShaikh Head of Shari'a Coordination & Implementation	-	-	-	-
Eman Mohammed AlBinghadeer Head of Shari'a Internal Audit	-	-	-	-
Mahmood Qannati Chief Marketing & Corporate Communications	4,500	-	-	4,500
Hussain Ebrahim Al Banna Head of Treasury	-	-	-	-
Osama Ali Nasr Chief Information Officer	12,675	-	-	12,675
Maisa Jawdat Shunnar Chief Strategy Implementation & Transformation	-	-	-	-
Khaled Waheeb AlNasser Chief Internal Audit	-	-	-	-
Nayef Naser Yusuf Acting Head of Special Assets	14,383	-	-	14,383
Mazar Jalal Chief Compliance & Governance	-	-	-	-
Mohammed Ayada Matar Money Laundering Reporting Officer	-	-	-	-
Hamad Hussain Al Qattan Deputy Money Laundering Reporting Officer	-	-	-	-

# Corporate Governance Review (Cont'd)

## Changes in Distribution of Ownership shares of Directors, Shari'a Members and Approved Persons (Cont'd)

Mohamed Jamal Aish Deputy Money Laundering Reporting Officer	-	-	-	-
Salman Mazen Matar Head of Internal Control	-	-	-	-
Ali Yousif Al Aradi Head of Branches	-	-	-	-
Ammar Fuad Alsabab Head of Financial Institution	-	-	-	-
Faisal Al Abdulla Head of Priority Banking	-	-	-	-
Hussain Ali Bahram Head of Wealth Management	-	-	-	-
Mohammed Shawqi Albinmohammed Head of Sales	-	-	-	-
Mohammed A.Rahman Alabbasi Head of Retail Collection	-	-	-	-
Sohail Kabiruddin Head of Operational Risk	-	-	-	-
Siddharth Kumar Head of Corporate & Liquidity Risk	-	-	-	-
Salah Dawood Alansari Head of Credit Administration	-	-	-	-
Saleh Isa Almhri Head of Retail Credit Review	-	-	-	-
Afnan Ahmed Saleh Head of Human Resources	-	-	-	-
Mohammed Isa Hammad Head of Information Security	-	-	-	-
Hamad Mohamed Albassam Head of General Services	-	-	-	-

As of 31st December 2019, the total number of shares held by Board of Directors, Shari'a Supervisory Board members and the Approved Persons of the Bank are 1,825,142 which represents 0.17% of the total issued shares of the Bank. The shares held by the Approved Persons includes shares granted by the Bank under the Share Incentive Scheme.