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# Corporate Governance



# Corporate Governance

## Overview of Policies and Controls

Ithmaar Holding follows the Central Bank of Bahrain's (CBB) requirements stipulated under the High Level Controls (HC) Module of the Rulebook issued by the CBB as well as the Corporate Governance Code of the Ministry of Industry and Commerce, Ithmaar Holding's Articles and Memorandum of Association, the Bahrain Commercial Companies Law, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and international best practices, where applicable, as well as the regulatory requirements of Bahrain Bourse and Dubai Financial Market.

Ithmaar Holding follows the Group's internal policies on corporate governance. This Policy provides guidance on engaging with stakeholder groups.

Recognising its fundamental stewardship role towards shareholders, it is the Group's policy to treat shareholders, major and minor, equally and fairly in line with the governing laws and regulatory guidelines. The overarching goal is to ensure sustainable growth with due consideration to both current and future risks, and thereby generate optimum value to shareholders over the long-term. The Group adheres to Sharia principles in striking a balance between the interests of its various stakeholders.

Ithmaar Holding adheres to a business approach that is transparent, honest and fair. It has established various written policies such as the Code of Ethics and Business Conduct and Anti Money Laundering and Whistle-Blowing Policy for strict adherence by Directors, executives and employees at all levels. These are distributed as guidelines through multiple internal communication channels.

The Board's adherence to corporate governance practices is underlined by various principles, such as integrity, transparency, independence, accountability, responsibility, fairness, Sharia principles and social responsibility.

Moreover, the Group's corporate governance policies are designed to lay a solid foundation for the executive management and the Board of Directors in managing the Group, as well as to promote ethical and responsible decision-making, safeguard integrity in financial reporting, make timely disclosures, respect the rights of shareholders, recognise and manage risk, encourage enhanced performance, remunerate fairly and responsibly, and recognise the legitimate interest of stakeholders.

## The "Comply or Explain" Principle

The CBB Rulebook requirements in the High-Level Controls (HC) Module specify that the Company must comply with the Guidelines of the HC Module, or explain its non-compliance in the Annual Report. As part of its commitment to adherence with CBB regulations, Ithmaar Holding wishes to explain the following:

The Chairman is a non-executive director but not an independent director, as defined by the CBB, due to his position as the Chairman of the Board of Supervisors of Dar Al-Maal Al-Islami Trust (DMIT), the Company's controller.

## Developments in Regulations

On an ongoing basis, Ithmaar Holding monitors updates to CBB requirements, including those stipulated under the HC Module, and implements the necessary updates to its processes and procedures in response to those regulatory changes. The amendments made by the CBB to the HC Module during the year have been duly complied with.

## Corporate Governance Continued

### Board of Directors

The Board of Directors (the **Board**) of Ithmaar Holding comprised of six (6) members, of whom three (3) are independent. Independence is determined based on the Central Bank of Bahrain (CBB) definition of "Independent Director", which is stipulated in the Glossary section of the CBB Rulebook.

The Board is committed to the roles and responsibilities prescribed by the Commercial Companies Law of 2001 (as amended), which are reflected in the Company's Board of Directors Charter and constitutive documents.

The Board's role and responsibilities include, but are not limited to, the overall business performance and strategy for the Company; causing financial statements to be prepared which accurately disclose Ithmaar Holding's financial position; monitoring management's performance; monitoring conflicts of interest and preventing abusive related-party transactions; and assuring equitable treatment of shareholders, including minority shareholders. In particular, the Board, among other things, ensures that Ithmaar Holding's goals are clearly established, and that strategies are put in place towards achieving those goals.

Members of the Board are responsible, both individually and collectively, for performing these responsibilities, including the following:

- Setting Ithmaar Holding's strategic direction;
- Maintaining overall responsibility for the performance of the Company;
- Selecting, appointing and evaluating the performance of the management;
- Reviewing the performance and compensation of the management;
- Reviewing the structure and succession planning of the management;
- Advising and counselling the management;
- Monitoring and managing potential conflicts of interest;
- Ensuring the integrity of the financial information;
- Monitoring the effectiveness of the governance and compliance practices;
- Ensuring compliance with the listing requirements;
- Ensuring timely and adequate legal and regulatory disclosures;
- Ensuring effective internal controls;
- Arranging the shareholders' annual, ordinary and extraordinary general meetings; and
- Ensuring equitable treatment of minority shareholders.

Some of the responsibilities of the Board are delegated to the Board committees.

The Board has drawn a 'Business Discretionary Powers' policy which outlines authorities and approval powers for the Board and the Executive Management. In general, all business decisions relating to strategic investments, financings exceeding certain limits, and business relationships with connected counterparties, require the Board's approval. All transactions that require Board approval have been approved by the Board as per the applicable regulations.

The Board's functions, mandate, appointment, responsibilities and terminations are governed by the Company's Articles of Association and the Board of Directors Charter, both of which comply with applicable statutory and regulatory rules. Board members serve three-year terms, extendable by up to six months subject to the CBB's approval. At the end of each term, a new Board is to be elected (or appointed, as applicable) at the Company's annual general meeting.

The next election of the Board of Directors shall take place during 2025.

### Structure and Composition of the Board

The Company is managed at the high level by the Board. The size of the Board is subject to Ithmaar Holding's Articles of Association, the Board of Directors Charter and the rules and regulations decreed by the Ministry of Industry and Commerce and the Central Bank of Bahrain.

Diversity has always been at the forefront of the Company's vision, and this starts at the top. Evidently, the Board consists of four (4) men and two (2) women, representing 66.7 percent and 33.3 percent, respectively.

### Duties of Board Members

The Board members, individually and collectively, are bound by distinct fiduciary duties to the Company and its shareholders. The Board members owe their fiduciary duty to Ithmaar as a corporate entity in its own right and not just individual shareholders and/or groups of shareholders. These duties apply to all the Board members whether they are appointed or elected.

The main duties owed by the Board members to the Company are the duty of obedience, the duty of care and the duty of loyalty.

Ithmaar provides insurance to indemnify the Board members for negligence, default, breach of duty or breach of trust, provided that the Board member was acting in good faith.

## Corporate Governance *Continued*

### Board of Directors (Continued)

The below duties are detailed in the Board of Directors Charter and Code of Ethics and Business Conduct, which is approved by the Board.

#### Duty of Obedience

The Board members are required to act in accordance with the Company's rules and policies to further its goals and objectives. In addition, the Board members must comply with all relevant laws and regulations. The duty of obedience forbids the Board members from acting outside the scope of the Company's internal authorities and policies.

#### Duty of Care

The Board members are under duty to exercise, in carrying out their responsibilities in good faith, the same level of care, skill and diligence that an ordinary, prudent person would exercise in the same position or under similar circumstances. Accordingly, the Board members must act in a manner that they reasonably believe is in the best interest of Ithmaar.

#### Duty of Loyalty

This duty requires the Board members to act in good faith, solely and collectively, in the best interest of the Company. The Board members should not act out of expedience, avarice or self-interest. The Board members are barred from using the Company's properties and assets for their personal needs or seeking business opportunities for personal benefit. This duty also requires the Board members to retain the confidentiality of information that is explicitly deemed confidential by the Company, as well as information that appears to be confidential from its nature or matter.

#### Board Members' Election and Evaluation System

Any shareholder who owns ten percent or more of the issued share capital of Ithmaar Holding (rounded up to the nearest integer) shall have the right to appoint a representative on the Board, being one representative for each ten (10) percent owned. However, if a shareholder exercises this right, they shall lose their right to vote in the annual general meeting Board elections for the percentage of which they used to appoint a Board member.

Subject to the foregoing, the shareholders shall elect members of the Board by a secret cumulative ballot in the annual general meeting.

A cumulative ballot means each shareholder has one vote for each share held. The shareholders can use their shares to vote for a single Board member, or divide their shares to vote for multiple members.

All appointments to the Board are governed by and subject to Ithmaar Holding's Memorandum of Association, Articles of Association, the Board of Directors Charter and the laws, rules, regulations, policies and charters in place, as amended from time to time.

The Audit, Governance, Risk, Nomination and Remuneration Committee reviews the composition and performance of the Board annually. The Audit, Governance, Risk, Nomination and Remuneration Committee's duties in relation to the composition and performance of the Board include, among other things, assessing the skills required for the Board members to competently perform their responsibilities and meet their objectives as well as developing and implementing a plan to identify, assess and enhance the Board members' competencies.

The arrangements for the termination of membership in the Board of Directors are stipulated in the Company's Articles of Association. In the event of a vacancy, termination or resignation on the Board of Directors, the Audit, Governance, Risk, Nomination and Remuneration Committee shall make recommendations to the Board for the appointment of a new director, which recommendation shall be made pursuant and subject to the legal and regulatory requirements in place.

All Board members receive a letter of appointment signed by the Chairman in which relevant information, including responsibilities, are described.

Board members also receive a copy of the Code of Ethics and Business Conduct.

The Board, its committees and individual members are regularly assessed with respect to their effectiveness and contribution.

#### Board Induction and Development Programme

Ithmaar Holding prepares an all-day induction programme for newly appointed and elected Board members, which starts with a welcome note from the Chief Executive Officer.

Thereafter, members of the Executive Management of the Company and Ithmaar Bank introduce Ithmaar in detail, covering the Company's history, structure, subsidiaries, strategy, financial performance and organisational chart. This is followed with presentations from the heads of various departments in respect of their role and function within the Company and Ithmaar Bank.

The Company also arranges training sessions throughout the year for Board members and the Executive Management, to keep them abreast with recent developments (legal, regulatory, market, technology and others) in the banking and investment sectors.

## Corporate Governance Continued

### Board Members' Conflict

When the Board deliberates an agenda item wherein a conflict of interest arises, the conflicted Board member declares his or her conflict and abstains from voting on the agenda item. Article 189 of the Commercial Companies Law of 2001 (as amended) requires that members of the Board and Management should not have a direct or indirect personal interest in transactions and contracts concluded by the Company, without the authorisation of the General Assembly, otherwise such transaction or contract shall be deemed null and void.

Interested members have a duty to inform the Board of any matter which presents a conflict and are then restricted from voting on the matter. Such declaration is to be recorded in the meeting minutes.

The Chairman shall inform the General Assembly of the results of such contracts in the annual general meeting following execution of the transactions and such notification is to be accompanied by a special report of an external auditor in respect of the nature and details of the matter, and the extent of interest of the respective member. Violating this Article 189 shall render the Board member and the Board jointly liable for compensation for any damage caused by the breach.

This provision is reflected in the Company's Articles of Association which specify that directors shall not have any direct or indirect interest in any transaction or contract relating to Ithmaar without the approval of the General Assembly. Any transaction or contract contrary to the above is deemed null and void, unless later confirmed by a majority vote of disinterested directors, subject to CBB approval. The Company's Articles of Association specify that violations of such restriction shall permit the shareholders to claim compensation from the conflicted Board member for damage caused to the Company or profit realised by the conflicted Board member.

### Board Members Sitting Fees

The Board members' sitting fees for Board and Board committees' meetings in 2022 amounted to US\$ 349,000 (2021: US\$ 390,000). Sharia Supervisory Board sitting fees for 2022 was US\$ 16,000 (2021: US\$ 16,000).

### Remuneration Strategy

The Variable Remuneration Policy is not applicable to investment companies and hence, post the reorganisation, Ithmaar Holding is not subject to any Remuneration Strategy and the Remuneration Balances were transferred, as part of the reorganisation, to Ithmaar Bank.

### Employment of Relatives of Approved Persons

The Human Resources Policy indicates that any employee who is a first degree relative of an existing Approved Person is required to declare the relationship in writing to the Human Resources Department.

### Board Committees

In accordance with regulatory requirements and best practices, the Board has established the following committees and has adopted charters setting out the matters relevant to their composition, responsibilities and administration.

### Audit, Governance, Risk, Nomination and Remuneration Committee (constituted effective 8 November 2022)

The Audit, Governance, Risk, Nomination and Remuneration Committee (AGRNRC) is appointed by the Board to assist in reviewing the selection and application of the accounting and financial policies, reviewing the integrity of the accounting and financial reporting systems, reviewing the effectiveness of the internal controls framework, monitoring the activities and performance of the internal audit function and external auditors, coordinating the implementation of the Corporate Governance Policy framework, and acting as a formal forum for communication between the Board and Management on human resource issues.

The AGRNRC reviews and, as appropriate, approves and recommends for the approval of the Board, among other things: the interim and annual consolidated financial results; status updates on compliance with various regulatory requirements; implementation of various regulatory reports; internal and external audit reports and the status of their implementation (as appropriate); and new accounting and regulatory pronouncements and their implications. Furthermore, the AGRNRC proposes candidates for Board election; appointment of new senior management executives; and the remuneration policies as well as guidelines for increments and promotions.

The objectives of the AGRNRC include making recommendations to the Board in relation to the overall risk appetite and tolerances and the risk policies within which to manage them. These policies cover credit risk, market risk, operational risk, liquidity risk and profit rate, in addition to any other risk categories the Company faces in carrying out its activities.

## Corporate Governance Continued

### Board Committees (Continued)

#### Audit, Governance, Risk, Nomination and Remuneration Committee (constituted effective 8 November 2022) (continued)

The AGRNRC also recommends and monitors the overall risk management framework in line with the regulatory guidelines which involves all business activities and operations policies, internal controls, methods of risk management and risk reporting to the Board.

The AGRNRC also ensure that the information security and the business continuity management framework of the Company are in line with regulatory guidelines and commensurate to the scale of business operations of the Company.

The AGRNRC is chaired by an Independent Director and comprise of:

- Elham Ebrahim Abdulla Hassan – Chairperson
- Tunku Yaacob Khyra - Member
- Mohammed A. Rahman Bucheeri – Member
- Dr. Amani Khaled Bouresli – Member
- Sheikh Dr. Osama Bahar – Member\*

\* Sheikh Dr. Osama Bahar is a member of the Sharia Supervisory Board with voting rights in respect of the agenda items relating to Sharia governance issues.

The AGRNRC meets a minimum of four (4) times in a year.

The key matters reviewed and, as appropriate, approved and/or recommended for the approval of the Board of Directors during the year include:

- Reviewing the consolidated financial statements and recommending them to the Board for approval;
- Reviewing and approving the proposed annual Internal Audit plan and strategy and all reports issued by the Internal Audit Department;
- Providing oversight of the Corporate Governance, Compliance and Regulatory requirements;
- Updating and aligning all risk and information security policies in line with changes in the regulatory requirements;
- Reviewing of existing risk limits and establishing new risk limits for better control of credit, market, operational, liquidity, profit rate risk and concentration risks;
- The Internal Capital Adequacy Assessment Process (ICAAP) report for review;
- Reviewing the Expected Credit Losses as per the FAS 30 standards;
- Identify Board and executive management candidates;

- Evaluate the sitting fees and/or remuneration of directors, the chief executive officer or other approved persons;
- Recommending the organisation chart and succession plan; and
- Recommending the composition, quantum and structure of remuneration for the members of the Sharia Supervisory Board.

The AGRNRC received an aggregate sitting fees of US\$ 21,000 for the year 2022 (2021: Nil), and have met two (2) times.

#### Audit, Governance and Risk Management Committee (discontinued effective 28 September 2022)

During 2019-2022, the Audit, Governance and Risk Management Committee (AGRMC) assisted the Board in fulfilling its responsibility, particularly (a) overseeing and monitoring the implementation of a robust audit, risk and compliance frameworks by working together with the Management and the Sharia Supervisory Board, and (b) providing the Board with reports and recommendations based on its findings in the exercise of its function.

The AGRMC was appointed by the Board and comprised of the following Directors:

- Elham Ebrahim Abdulla Hassan – Chairperson
- Abdullellah Ebrahim Al-Qassimi – Member
- Dr. Amani Khaled Bouresli – Member
- Sheikh Dr. Osama Bahar – Member\*

\* Sheikh Dr. Osama Bahar is a member of the Sharia Supervisory Board with voting rights in respect of the agenda items relating to Sharia governance issues.

The AGRMC received an aggregate sitting fees of US\$ 33,000 for the year 2022 (2021: US\$ 72,000), and have met four (4) times.

#### Remuneration and Nomination Committee (discontinued effective 28 September 2022)

During 2019-2022, the Remuneration and Nomination Committee (RNC) fulfilled its responsibility in acting as the formal forum for communication between the Board and Management on human resource issues.

The RNC was appointed by the Board and comprised of the following Directors:

- Abdullellah Ebrahim Al-Qassimi - Chairman
- Sheikh Zamil Abdullah Al-Zamil - Member
- Tunku Yaacob Khyra - Member

The RNC received an aggregate sitting fees of US\$ 9,000 for the year 2022 (2021: US\$ 18,000), and have met one (1) time.

There were no significant issues that arised during the year.

## Corporate Governance Continued

### Attendance

#### 2022 Board of Directors / Board Committees Meetings Attendance

	Board of Directors		Audit, Governance & Risk Management Committee		Remuneration & Nomination Committee		Audit, Governance, Risk, Nomination & Remuneration Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
HRH Prince Amr Mohammed Al Faisal	6	6	-	-	-	-	-	-
Tunku Yaacob Khyra	6	6	-	-	1	1	2	1
Abdelhamid Mohamed Aboumoussa <i>(resigned effective 28 September 2022)</i>	5	5	-	-	-	-	-	-
Sheikh Zamil Abdullah Al-Zamil <i>(resigned effective 28 September 2022)</i>	5	5	-	-	1	1	-	-
Mohammed A. Rahman Bucheeri	6	6	-	-	-	-	2	2
Abdullellah Ebrahim Al-Qassimi <i>(resigned effective 28 September 2022)</i>	5	5	4	3	1	1	-	-
Dr. Amani Khaled Bouresli	6	6	4	4	-	-	2	2
Sheikh Mohamed Abdullah Abdulkarim Elkhareiji	6	6	-	-	-	-	-	-
Elham Ebrahim Abdulla Hassan	6	6	4	4	-	-	2	2
Omar Abdi Ali <i>(resigned effective 28 September 2022)</i>	5	4	-	-	-	-	-	-
Dates of meeting during 2022								
	19 January		6 February		13 February		9 November	
	25 January		28 April		-		22 November	
	14 February		11 May		-		-	
	6 June		22 August		-		-	
	28 August		-		-		-	
	13 November		-		-		-	

#### Notes:

- Sheikh Dr. Osama Bahar, a member of the Sharia Supervisory Board, is also a member of the Audit, Governance, Risk, Nomination and Remuneration Committee. He attended one (1) meeting. The other meeting Sheikh Dr. Osama Bahar did not attend as it did not include any Sharia governance items.
- Sheikh Dr. Osama Bahar, a member of the Sharia Supervisory Board, was also a member of the Audit, Governance and Risk Management Committee (before its discontinuation). He attended three meetings. The other meeting Sheikh Dr. Osama Bahar did not attend as it did not include any Sharia governance items.
- In accordance with the Central Bank of Bahrain requirements and Ithmaar Holding's Articles of Association, the Board of Directors shall meet at least four (4) times a year and each Board member is required to attend at least 75 percent of all Board meetings in a financial year.
- All Board members satisfied the minimum attendance percentage required.

## Corporate Governance Continued

### Sharia Supervisory Board

The Sharia Supervisory Board (SSB) is an independent board of specialised scholars in Sharia and Fiqh of financial transactions according to Sharia requirements. The SSB contributes in the guidance and development of Ithmaar Holding's activities and monitors its business to ensure it is compliant with Islamic Sharia principles.

The SSB is appointed, in compliance with licensing requirements of the Central Bank of Bahrain and Ithmaar Holding's Memorandum and Articles of Association, by the shareholders at the General Meeting based on recommendations of the Board of Directors through the Nomination and Remuneration Committee (NRC). The SSB serves a three-year term.

The SSB has full authority to achieve its goals and responsibilities. It is also allowed to view all records and transactions from any sources without restrictions including access to the Board and to management personnel, professional and legal consultants and employees.

The SSB operates within its own charter which sets forth its policies, procedures, meeting operations and responsibilities in addition to the qualifications for membership. This charter was developed in coordination with the Board and is disclosed on the website.

SSB members are entitled to remuneration comprising sitting fees paid per meeting attended.

This remuneration is recommended by the Nomination and Remuneration Committee (NRC), the structure of which is approved by the shareholders.

Currently, Ithmaar Holding does not pay any performance related remuneration to SSB members. If any, this will be structured in accordance with the Memorandum and Articles of Association and subject to shareholder approval.

The profiles of all SSB members are included in the Sharia Supervisory Board section.

All SSB members receive a letter of appointment signed by the Chairman in which relevant information, including responsibilities, are described.

SSB members also receive a copy of the Code of Ethics and Business Conduct.

### Communications with Stakeholders

The Board acknowledges the importance of regular communication with stakeholders and particularly investors through a number of means to promote greater understanding and dialogue.

Measures adopted include Annual General Meetings, annual reports, quarterly disclosures of financial reports and various announcements made during the year on the Bahrain Bourse and Dubai Financial Market as well as on the Ithmaar Holding website, through which stakeholders have an overview of Ithmaar Holding's performance and operations.

The Chairman of the Board (or any other Director if delegated by the Chairman) maintains continuing personal contact with major shareholders to solicit their views. The Chairman discusses the views of the major shareholders with the Board of Directors.

### Interests of Directors and Executive Management

The interests of Directors and Executive Management in the shares of Ithmaar Holding are disclosed in the Report of the Directors and Share Information respectively.

### Share Information

Information on the distribution of share ownership together with key statistics on the performance of Ithmaar Holding's shares on the Bahrain Bourse and Dubai Financial Market are disclosed in the section on Share Information of the annual report.



### Shareholders' Rights

All shares issued have equal rights. Recognising the importance of shareholders, it is Ithmaar Holding's policy to treat its shareholders equally and fairly in line with the laws of regulatory agencies. Basic legitimate rights of the shareholders include the right to participate in shareholder meetings, the right to appoint other persons as a proxy for participating in and voting at meetings, and the right to participate in the election or disqualification of a Director, individually. Their rights also include voting on the appointments of Boards of Directors, the appointments of independent auditors, voting for other businesses of Ithmaar, such as increases in, or reductions of capital, and the right to receive dividend payments, as well as the right to give opinions and the right to enquire during shareholder meetings.

### Rights of Minority Shareholders

The Board of Directors is structured to include Independent Directors with the additional responsibilities of protecting minority shareholders' rights. This is also in accordance with regulatory directives.

As additional measures to protect minority interests, Ithmaar subscribes to the following guidelines:

- Mandatory shareholder approval of major transactions such as change in capital or transfer of business (as per limits prescribed by the Central Bank of Bahrain);
- Mandatory disclosures of transactions by substantial shareholders;
- Pre-emptive rights on issuance of new shares;
- Limitations on business transactions with Directors, controllers, and related parties as per the rules of the Central Bank of Bahrain;
- Exercising of rights to elect Independent Directors;
- Penalties for insider trading; and
- Necessary provisions on takeovers, mergers, and acquisitions.

### Services Provided by External Auditors

PricewaterhouseCoopers M.E Limited (PwC) were the external auditors for the financial year ended 31 December 2022. Fees paid to PwC during the year 2022 amounted to \$108,951 out of which \$80,419 was for audit services and \$28,532 was for CBB mandatory review requirements under the Agreed Upon Procedures.

### Code of Ethics and Business Conduct

Ithmaar Holding's Code of Ethics and Business Conduct applies to members of the Board, as well as executive management, officers, employees, agents, consultants, and others, when they are representing or acting for the Company.

The Board expects all Directors, as well as officers and employees, to act ethically at all times and to acknowledge their adherence to Ithmaar Holding's policies. Any waiver of the Code of Ethics and Business Conduct for a Director or executive officer may be granted only by the Board of Directors.

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## Risk Management

### Compliance, Anti Money Laundering and Internal Controls

# Risk Management

The Risk Management activities of Ithmaar Holding are outsourced to Ithmaar Bank. Ithmaar Bank has a robust risk management framework detailed in the Risk Charter. The risk management framework includes comprehensive risk policies for various risk silos addressing all material risks from an enterprise risk management perspective. The policies address the risk appetite and risk management guidelines for each of the risk silos. The policies are further supported by risk measurement models and methodologies which measure the risks in line with regulatory guidelines. The risk management policies of Ithmaar Bank, along with the latest amendments, are adopted by Ithmaar Holding.

All investments of Ithmaar Holding are monitored on an active basis and representatives from Ithmaar Holding are appointed to the Boards of the major investments to monitor the investments.

Further, any proposals to exit investments or any major developments in the investments are reviewed by the Risk Management Department and submitted to the approving authority as mentioned in the risk policies. The Board-approved Business Discretionary Powers policy establishes the approval authorities for investments based on their value.

## Declarations of Interest

On taking office, Members of the Board of Directors of Ithmaar Holding are required to disclose to the Company all interests and relationships which could or might be seen to affect their ability to perform their duties as Board members. Any such interests declared shall be recorded in the Board of Directors' register of interests. This declaration of interest is updated on an annual basis.

## Approval of Related Party Transactions

All related party transactions are approved by the Board of Directors.

Where applicable, persons who have interests in the transaction under discussion abstain from voting on the approval of the proposed related party transaction, except where the transaction is required as part of the reorganisation.

Approval of a transaction shall be considered irrespective of the settlement method, whether settled in cash or otherwise.

Certain related party transactions may require advance notice to and approval by the CBB and/or any other applicable regulatory authority as per the CBB rulebook.

In particular, the Board members of Ithmaar Holding disclose all relevant information which might give rise to a conflict of interest, or a perceived conflict of interest. Each Board member informs the Company when there are changes in his/her interests, and the register of interests is updated at least on an annual basis.

During 2022, Board members having conflict of interests in the transaction under discussion abstained from voting on the approval of the proposed related party transaction, except where the transaction is required as part of the reorganisation.

## Compliance, Anti Money Laundering and Internal Controls

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation a company may suffer as a result of its failure to comply with laws, regulations, directives, directions, reporting requirements and codes of conduct, including the internal code of conduct.

The Compliance Management Policy sets the compliance framework for managing compliance risks within Ithmaar through setting the roles and responsibilities of the Board of Directors, the Senior Management and the Compliance function staff, as well as formalising the independence and effectiveness of the Compliance function and the reporting line of the Compliance Officer. The compliance function follows a risk-based approach to compliance Risk Management, in accordance with the Compliance plan approved by the Audit, Governance, Risk, Nomination and Remuneration Committee of the Board.

The Company's management ensures that business is conducted in conformity with high ethical standards and is in compliance with all applicable laws and regulations. The Compliance Officer has the duty of promoting a sound compliance culture across the organisation through effective training, supported by periodic compliance testing to identify areas of improvement.

Furthermore, the Compliance function communicates matters of interest from a compliance perspective across the organisation in order to ensure that Senior Management and other personnel are aware of the applicable regulatory requirements, and implications thereof, in order to achieve a consistently high level of compliance across the Company's operations.

Ithmaar Holding complies with Bahrain's relevant legislations on AML/CFT, CBB rules and the guidance of the Financial Crime Module which is based on the principles of the Financial Action Task Force's (FATF) 40 recommendations and the Basel Committee on Banking Supervision Paper.

### Evaluation of the Board of Directors, Board Committees and the Sharia Supervisory Board

During the year, performance evaluations were conducted for the Board of Directors, Board Committees, and the Sharia Supervisory Board. The results of the performance evaluations are summarised in the following table.

<b>Committee Name</b>	<b>Date of Evaluation</b>	<b>Level of Evaluation</b>	<b>Results of Evaluation</b>
<b>Board of Directors</b>	30 January 2023	<ul style="list-style-type: none"><li>• Board level</li><li>• Individual directors' level</li></ul>	Satisfactory
<b>AGRMC</b>	16 January 2023	<ul style="list-style-type: none"><li>• Committee level</li><li>• Individual directors' level</li></ul>	Satisfactory
<b>RNC</b>	30 January 2023	<ul style="list-style-type: none"><li>• Committee level</li><li>• Individual directors' level</li></ul>	Satisfactory
<b>SSB</b>	12 December 2022	<ul style="list-style-type: none"><li>• Supervisory Board level</li><li>• Individual directors' level</li></ul>	Satisfactory