CORPORATE GOVERNANCE

Bahrain Commercial Facilities Company BSC (BCFC) is licensed by CBB as a 'financing company' regulated under Rule Book Volume 5 'specialized licenses' category. BCFC is also a listed company on Bahrain Bourse and the provisions of rule book Volume 6 apply to as a capital market participant. The corporate governance provisions relate to the HC modules of the respective rule books.

Bahrain Commercial Facilities Company BSC is committed to best practices of corporate governance in line with legal and regulatory requirements. Maintenance of high standards in corporate governance is an intrinsic part of the Company's pursuit of its business activities. These Guidelines highlight the areas the Company has to comply in relation to the corporate governance and disclosure requirements, particularly with reference to Corporate Governance Code of the Ministry of Industry, Commerce and Tourism, applicable regulatory requirements under HC modules of rule books 5 and 6 and the Memorandum and Articles of association of the Company.

A. Shareholder Information

Details of the Company's capital, shareholders and distribution of equity shares are disclosed under Note 16 to the Consolidated Financial Statements for the year ended 31 December 2021.

B. Board of Directors

The Board is constituted of ten directors, divided into independent, non-executive and executive members. The members are appointed and elected for a three-year term and terminated as per the Company's Memorandum and Articles of Association and the Board of Directors Charter. The Board represents a mix of high-caliber professional skills and expertise. Any newly appointed/elected director undergoes a comprehensive, formal and tailored induction to ensure the director's fiduciary responsibilities are well understood and appreciated. In this regard, it is worth mentioning that training of the Board Members, as approved persons holding controlled functions in the company, has always been at the forefront of the responsibilities of the Company, which ensures proper Continuous Professional Development ("CPD") Training is extended to all Directors as per the CBB Training and Competency Module. To fulfill some of its responsibilities, the Board has in place an Executive Committee, a Board Audit Committee, a Nomination and Remuneration Committee and a Corporate Governance, Risk and Compliance Committee, whose compositions consist of members with adequate professional background and experience. The Board annually reviews its own composition and Charter and conducts an evaluation of its performance, the performances and contributions of all Committees vis-à-vis their respective charters and the performance, effectiveness and contribution of each board member. The performance appraisals are in the form of written forms or reports made at the last scheduled meeting of the calendar year. The final performance appraisal report is recommended by the Nomination and Remuneration Committee and approved by the BCFC Board of Directors at the first meeting of the calendar year where the Company's year-end results are approved for publication. The overall rating of the Boards, Board Committees and Boards of the portfolio companies and the Executive Committees of the Automotive Companies was 3.90 out 4.

The Board is responsible for the preparation and fair representation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal controls as the Board determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors of Bahrain Commercial Facilities Company BSC exercises their individual and collective business judgment objectively, transparently and in good faith in what they reasonably believe to be in the best interest of the Company, its shareholders and stakeholders. The Board of Directors oversees the process of disclosure and communications to internal and external stakeholders. The Board of Directors ensures that disclosure is fair, transparent, and comprehensive; and reflects the character of the Company and the nature and complexity of risks inherent in the business activities of the Company. The Board of Directors and senior management oversee and ensure that information and cyber security controls are periodically evaluated for adequacy.

In compliance with the local statutory requirements, the Board of Directors oversees the exercise of corporate powers and ensures that the Company's business and affairs are well managed to meet its stated goals and objectives. Maintenance of the highest standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards, receives considerable attention by the Board of Directors.

The types of material transactions that require the Board of Directors approval cover a wide area ranging from credit approvals, approval of policies, strategies, donations to signing and investment authorities.

CORPORATE GOVERNANCE

The Company strives to promote the highest standard of professional ethical norms and values towards its stakeholders (i.e. customers, employees, regulators and the community). The Board has approved a Code of Conduct that applies to the Directors and another one dedicated for the Executive Management and staff that includes "whistle-blowing" procedures. It is in the best interest of the company and shareholders to bind all the concerned to the highest standards of professionalism and due diligence in discharging their duties. The codes include areas pertaining to conflict of interest, related parties' transactions, obligations of integrity and loyalty, confidentiality and the responsibilities of all those concerned to adhere to best practices and high standards in ethical norms and values.

Furthermore, directors as approved persons abide by their fiduciary duties of care and owe loyalty not to use property of the Company for their personal needs as though it was their own property, not to disclose confidential information or use it for their personal profit, not to take business opportunities for themselves that constitute direct and material conflicts of interest, not to compete in business with the Company; and to serve the Company's interest in any transaction with a company in which they have personal interests.

In compliance with the regulatory requirements, below is the number of shares held by the Company's directors, in their capacity as approved persons, and the connected persons as at 31st December 2021 as follows:

Directors *	Type of Shares	31 December 2021	31 December 2020
AbdulRahman Yusuf Fakhro	Ordinary	945,449	801,718
Dr. AbdulRahman Ali Saif	Ordinary	Nil	Nil
Reyadh Yusuf Hasan Sater	Ordinary	Nil	Nil
Nader Karim Al-Maskati	Ordinary	Nil	Nil
Ebrahim Abdulla Buhindi	Ordinary	Nil	Nil
AbdulAziz Abdulla Al-Ahmed	Ordinary	Nil	Nil
Abdulla Mohamed Al Mahmood	Ordinary	Nil	Nil
Mohamed Abdulla Isa	Ordinary	Nil	Nil
Mohamed Jehad Hasan Bukamal	Ordinary	Nil	Nil
Yusuf Saleh Khalaf	Ordinary	Nil	Nil

* The Board of Directors and their connected persons, with the exception of Mr. AbdulRahman Yusuf Fakhro, did not trade in the shares of the Company during the financial year ended 31st December 2021

Annual confirmations regarding the profiles, directorships, conflicts and personal interests of the Board of Directors (as defined below) are sought from the Board of Directors. The process of declaration of interests takes place on an annual basis and as part of the public disclosure requirements in the Company's Annual Report. The Board Secretary writes to all the Directors, requesting them to confirm and/or update their existing directorships and profiles. Upon receiving their responses, the profiles, directorships, conflicts and personal interests of the Board of Directors are disclosed in the annual report at the end of each financial year. Similar confirmations and declarations are also applied at the time of election and nomination of a new Board of Directors, when candidates fill in and submit the CBB forms together with their declarations of their interest in other enterprises and these declarations are refreshed thereafter with necessary information on an annual and regular basis to fully adhere to the applicable CBB Rulebook provisions.

The Board of Directors meets at least four times in each financial year upon the summons of the Chairman of the Board or his Deputy (in case of absence or disability) or at least two of its members. A quorum shall be attained if one half plus one of the members are present. In 2021, the Board of Directors convened five ordinary meetings and two unscheduled meetings. The meetings were attended as follows:

Board of Directors	26 Jan. <1>	28 Feb.	30 Mar.	8 Aug.	10 Aug. <2>	26 Oct.	15 Dec.	Total	Attendance Percentage
AbdulRahman Yusuf Fakhro, Chairman	✓	✓	✗	✓	Virtual	✓	✓	6	86%
Dr. AbdulRahman Ali Saif, Vice Chairman	✓	Virtual	✓	Virtual	Virtual	✓	Virtual	7	100%
Reyadh Yusuf Hasan Sater, Director	✓	✓	✓	✓	Virtual	✓	✓	7	100%
Nader Karim Al-Maskati, Director	✓	✓	✓	✓	Virtual	✓	Virtual	7	100%
Ebrahim Abdulla Buhindi, Director	✓	✓	✓	✓	Virtual	✓	✓	7	100%
AbdulAziz Abdulla Al-Ahmed, Director	✓	✓	✓	✓	Virtual	✓	Virtual	7	100%
Abdulla Mohamed Al-Mahmood, Director	✓	Virtual	✓	Virtual	Virtual	✓	✓	7	100%
Mohamed Abdulla Isa, Director	✓	Virtual	Virtual	Virtual	Virtual	✓	Virtual	7	100%
Mohamed Jehad Hasan Bukamal, Director	✓	✓	✓	✓	Virtual	✓	✓	7	100%
Yusuf Saleh Khalaf, Director	✓	Virtual	Virtual	Virtual	Virtual	✓	✓	7	100%

1. To discuss different agenda items.
2. To discuss the approval of the half year financials and Press Release.

Additionally, where there is a need for impartiality in relation to a subject or proposed transaction where a conflict of interest exists, the Board shall form ad hoc Board sub-committees, comprising of a sufficient number of non-banking Board members capable of exercising independent, objective judgment. This is to ensure that the Board members discharge their duties with a high degree of integrity and loyalty, taking into account applicable laws, codes and regulations. In 2021, the Board formed three different Board ad hoc committees to review and consider different matters. The Board ad hoc committees convened and the meetings were attended as follows:

Board Sub-committee	17 March
Dr. AbdulRahman Ali Saif, Chairman	Virtual
Reyadh Yusuf Hasan Sater, Member	✓
Ebrahim Abdulla Buhindi, Member	✓
Yusuf Saleh Khalaf, Member	✓
Nader Karim Al Maskati, Member	Virtual
Mohmed Abdulla, Member	Virtual

Board Sub-committee	22 March
AbdulRahman Yusuf Fakhro, Chairman	✓
Dr. AbdulRahman Ali Saif, Vice Chairman	Virtual
Reyadh Yusuf Hasan Sater, Member	✓
AbdulAziz Abdulla Al-Ahmed, Member	Virtual
Nader Karim Al Maskati, Member	Virtual
Mohmed Abdulla, Member	Virtual

CORPORATE GOVERNANCE

Board Sub-committee	5 September
AbdulRahman Yusuf Fakhro, Chairman	✓
Dr. AbdulRahman Ali Saif, Vice Chairman	✓
Reyadh Yusuf Hasan Sater, Member	✓
AbdulAziz Abdulla Al-Ahmed, Member	✓

C. Key Persons Dealing Policy

The Company has in place a Key Persons Dealing Policy to ensure that insiders are fully aware of the regulatory requirements regarding dealing with BCFC shares, with the objective of preventing abuse of inside information. A Key Person is defined as a natural person or a juristic person that possesses or has access to price-sensitive information, from time to time, by nature of their duties performed. Key persons are Board of Directors, senior management and other persons or third parties as decided by the Company's Board. The Group's Head of Compliance maintains at all times an updated Register of Key Persons and makes immediate notification to Bahrain Bourse of their dealings in the Company's shares.

D. Board of Directors Committees

1. Executive Committee

In accordance with Article (19) and (20) of the Company's Articles of Association and Article (1.6) Paragraph (1) of the Board of Directors Charter, the Executive Committee is delegated with a defined scope of duties and authorities in relation to Bahrain Credit, TRESCO and TISCO and to review and make recommendations to the whole Board on pre-defined matters as per the Executive Committee Charter.

The Committee is comprised of a minimum of three members, who are not members of the Board Audit Committee, appointed by the Board of Directors for a three-year term. At least one member shall be independent. In accordance with its charter, the Executive Committee has the role of reviewing reports and activities, taking decisions on issues within its defined authorities and recommending to the Board of Directors on other issues that are above its authorities, where applicable. These responsibilities and authorities cover a wide area ranging from credit approvals, write-offs, strategy, business planning, donations, signing and investment authorities.

To ensure full discharge of duties, the Executive Committee shall convene its meetings regularly as required, but with a minimum of four meetings per annum. In 2021, the Executive Committee held six ordinary meetings and one unscheduled meeting. The meetings were attended as follows:

Committee Member	20 Jan.	30 Mar.	28 Apr.	8 Jun. <1>	29 Jun.	29 Sept.	23 Nov.	Total	Attendance Percentage
Dr. AbdulRahman Ali Saif, Chairman	✓	✓	✓	Virtual	Virtual	✓	✓	7	100%
Reyadh Yusuf Hasan Sater, Vice Chairman	✓	✓	✓	✓	✓	✓	Virtual	7	100%
AbdulAziz Abdulla Al-Ahmed, Member	✓	✓	Virtual	Virtual	Virtual	✓	Virtual	7	100%
Mohamed Jehad Hasan Bukamal, Member	✓	✓	✓	✓	✓	Virtual	✓	7	100%

1. To discuss different agenda items.

2. Board Audit Committee

The Board Audit Committee assists the Board of Directors, as per its charter, in overseeing the responsibilities for the financial reporting process, the system of internal control and the audit process, Consistent with this function, the Committee encourages continuous improvement of, and fosters adherence to, the Company's policies, procedures and sound practices at all levels.

The Board Audit Committee consists of at least three members appointed by the Board of Directors for a three-year term. The majority of the Committee members, including the Chairman, will be independent directors under the criteria stated in the Corporate Governance Code. All the members are financially literate and independent of the management and free of any business or other relationships (including, without limitations, day to day involvement in the management of the business) which could interfere with the exercise of their independent judgment. The Committee directs the role and assesses the performance of the Internal Audit Department.

The Board Audit Committee has the authority to conduct or authorize investigations into any matters within its scope of responsibility and has full access to all information required to discharge its functions.

The Committee shall hold a minimum of four meetings a year, with authority to convene additional meetings, as circumstances require. On each occasion, the Board Audit Committee will meet on a quarterly basis with the External Auditor in the presence of members of management of the parent company and its subsidiaries, Internal Auditors or others, as necessary. During 2021, the Board Audit Committee held seven ordinary meetings and six unscheduled meetings. The meetings were attended as follows:

Committee Member	11 Feb. <1>	21 Feb.	25 Apr.	30 Jun. <1>	28 Jul.	22 Aug.	22 Sep. <1>	05 Oct. <1>	19 Oct. <1>	25 Oct.	07 Nov.	24 Nov. <2>	14 Dec.	Total	Attendance Percentage
Nader Karim Al-Maskati, Chairman	✓	✓	✓	Virt.	✓	✓	Virt.	Virt.	Virt.	✓	✓	Virt.	✓	13	100%
Mohamed Abdulla Isa, Vice Chairman	Virt.	Virt.	Virt.	Virt.	Virt.	Virt.	Virt.	Virt.	Virt.	Virt.	Virt.	Virt.	Virt.	13	100%
AbdulRahman Yusuf Fakhro, Member	✓	✓	✓	✓	✓	✓	✓	×	✓	✓	✓	Virt.	✓	12	92%

1. To discuss different agenda items.
2. Joint Corporate Governance, Risk & Compliance Committee & Board Audit Committee Meeting to discuss the CBB Examination Report of AML and Combating the Finance of Terrorism

Additionally, the Chief Executive Officer and Group Head of Finance shall certify in writing to the Audit Committee and the Board as a whole the Company's interim and annual financial information / statements.

At the proposal of some shareholders in one of the previous General Meetings to consider the possibility of changing the external auditor, who spent many years auditing the company's accounts and in line with best accounting practices and sound corporate governance, the Board reviewed this matter through the Audit Committee, which made a request for proposal from a number of audit firms and received their offers. After full consideration, the Audit Committee gave its final recommendation to the Board and then to the Ordinary General Meeting, which in turn approved the appointment of Ernst & Young as external auditor for 2021 and authorized the Board of Directors to determine their remuneration, subject to the approval of the Central Bank of Bahrain on this appointment.

3. Nomination and Remuneration Committee

Comprised of at least three directors, appointed by the Board for a three-year term, the Nomination and Remuneration Committee provides advice and makes recommendations to the Board on matters related to the nomination and appointment of Directors, memberships to all Committees of the Board, Directors to the Boards and Executive Committees of the Company's subsidiaries, the Chief Executive Officer or his Delegate and controlled functions under Bahrain Credit, the General Managers or their Delegates of all the

CORPORATE GOVERNANCE

subsidiaries of the Group and the Secretary to the Board. The Committee's composition is partially compliant as it currently has in place one independent member and two executive members. The latter represent major shareholders, of whom are the Chairman and Vice Chairman of the Committee based on the CBB's approval.

The Committee reviews and makes recommendations to the Board on all matters of remuneration and compensation of Directors and the remuneration of the Chief Executive Officer or his Delegate, General Managers or their Delegates of the subsidiaries and the Secretary to the Board, the bonus, share option, redundancy and termination payment policies of the Company. The Committee assesses the roles of the Chief Executive Officer or his Delegate, all the General Managers or their Delegates of the subsidiaries, and Secretary to the Board. Moreover, the Committee reviews and approves the salary and bonus payments for the CEO's Direct Reports. The Committee also ensures that failure is not rewarded and that the duty to mitigate loss is fully recognized. Additionally, the Committee determines the policy for the disclosure of Directors and Executive Management's remuneration.

The Committee shall meet as necessary to ensure full discharge of duties based upon a request of the Chairman, Vice-Chairman or the Chief Executive Officer. The Committee shall convene not less than two meetings each year. The Nomination and Remuneration Committee convened two ordinary meetings and four unscheduled meetings during 2021. The meetings were attended as follows:

Committee Member	25 Jan. <1>	23 Feb	23 Mar. <1>	27 Jun. <2>	19 Jul. <2>	13 Dec.	Total	Attendance Percentage
AbdulAziz Abdulla Al-Ahmed, Chairman	✓	✓	Virtual	✓	Virtual	✓	6	100%
Dr. AbdulRahman Ali Saif, Vice Chairman	✓	✓	Virtual	✓	Virtual	Virtual	6	100%
Ebrahim Abdulla Buhindi, Member	✓	✓	✓	✓	✓	✓	6	100%

1. To discuss matters related to the appointment of a new CEO and other agenda items.
2. To review different agenda items.

4. Corporate Governance, Risk and Compliance Committee (CGRC)

In accordance with Article (19) and (20) of the Company's Articles of Association, and with the objective of assisting the Board of Directors (the Board) in fulfilling its responsibilities and duties, the Corporate Governance, Risk and Compliance Committee (CGRC) is delegated with defined scope of roles and authorities related to corporate governance matters, review of policies and procedures, monitoring compliances with the Group's risk management policies and procedures, and the process for monitoring compliance with laws and regulations and the Company's code of conduct.

The Committee is comprised of a minimum of three members appointed by the Board for a three-year term. The majority of the Committee members, including the Chairman, will be independent directors under the criteria stated in the Corporate Governance Code. However, the Committee's composition is partially compliant with this guidance as it currently has in place one independent member, one non-executive member and one executive member. The latter represents a major shareholder and chairs the Committee based on the CBB's approval.

The Committee directs the role and assesses the performance of the Risk Management, Compliance and Anti-Money Laundering Departments and is responsible for developing and recommending to the Board corporate governance guidelines and the company risk management framework reviewing those guidelines at least once a year in compliance with the regulatory requirements. The Committee reviews and recommends any amendments to the Company's policies after balancing risks management, rewards, practical efficiencies and compliance with regulatory rules if applicable. The Committee reviews and recommends any amendments to the Company's Memorandum and Articles of Association in consultation with a legal counsel.

The Committee is authorized by the Board to seek appropriate professional advice inside and outside of the Company as and when it considers this necessary at the Company's expense.

To ensure full discharge of duties, the Committee shall convene its meetings regularly as required, but with a minimum of four meetings per annum. During 2021, the Corporate Governance, Risk and Compliance Committee held four ordinary meetings and two unscheduled meetings. The meetings were attended as follows:

Committee Member	10 Feb.	6 May	25 Jul. <1>	5 Aug.	24 Nov. <2>	7 Dec.	Total	Attendance Percentage
Mohamed Abdulla Isa, Chairman	Virtual	Virtual	Virtual	Virtual	Virtual	Virtual	6	100%
Yusuf Saleh Khalaf, Vice Chairman	Virtual	Virtual	Virtual	Virtual	Virtual	✓	6	100%
Abdulla Mohamed Al-Mahmood, Member	Virtual	Virtual	Virtual	Virtual	Virtual	Virtual	6	100%

1. To review the Company's Policies.
2. Joint Corporate Governance, Risk & Compliance Committee & Board Audit Committee Meeting to discuss the CBB Examination Report of AML and Combating the Finance of Terrorism.

E. Risk Management

Bahrain Commercial Facilities Company BSC is fully aware of its responsibilities toward implementing the international best practices on risk management as reflected by the regulatory requirements of the Central Bank of Bahrain. The overall responsibility for risk management in the Group remains with the Board of Directors. The Board approves appropriate credit, liquidity, market, and operational risk policies based on the advice of the Board Corporate Governance, Risk and Compliance Committee.

The Company has a Head of Risk Management which is independent of business lines and the day-to-day running of the various business areas and are separate from the Internal Audit function.

The Head of Risk Management Department reports directly to the Board Corporate Governance, Risk and Compliance Committee and administratively to the Chief Executive Officer. The Group's risk management policies are in place to identify and analyze risks, to establish appropriate limits and controls, and to monitor risk and compliance with limits. Risk management policies are reviewed on a regular basis to ensure they remain relevant in light of changing market conditions and the Group's activities. The Group strives to create a disciplined and constructive control environment in which all employees understand their roles and responsibilities through its training and management standards and procedures.

F. Compliance and Anti-Money Laundering

Bahrain Commercial Facilities Company BSC is fully aware of its responsibilities in observing all regulatory provisions and best international practices in relation to its functioning. It is committed to complying with international best practices on compliance and anti-money laundering as reflected by the regulatory requirements of the Central Bank of Bahrain.
The Company has a Head of Compliance and Money Laundering Reporting Officer (MLRO). These functions are independent of business lines and the day-to-day running of the various business areas and are separate from the Internal Audit function. In addition, the Head of Compliance and Money Laundering Reporting Officer reports administratively to the Chief Executive Officer and directly to the CGRC Committee and has full access to the Board of Directors.

The Company has in place clear strategies, frameworks and risk-based plan for compliance to identify, monitor and test compliance and money laundering risks, and put right controls on a regular and in an ongoing basis. The Company also retains an approved Compliance and Anti-Money Laundering Policies, which contain Customer Due Diligence measures, procedures for identifying and reporting suspicious transactions, an annual awareness programme for staff training, record keeping requirements and documentation, which are reviewed annually and approved by the Board of Directors.

The Group Compliance and MLRO ensures implementation of applicable regulatory requirements on a group-wide level to the subsidiaries and branches.

The Compliance and AML function is subject to periodic independent review and examination by External Audit/ independent third party, Internal Audit, and Central Bank of Bahrain.

G. Management Committees:

a. **The Assets and Liabilities Committee ("ALCO")** shall be comprised of at least three members, headed by the Chief Executive Officer, CFO and Head of Risk Management as permanent members. CEO may appoint any other member as needed. The Head of Compliance and Money Laundering Reporting Officer (MLRO) and Head of Internal Audit shall attend ALCO meetings as observer. ALCO is mandated to fulfill oversight responsibilities for the Group with regard to (1) asset

CORPORATE GOVERNANCE

and liability management; (2) capital planning; (3) liquidity adequacy; and (4) contingency planning and (5) approving product programmes (which shall form part of consumer finance and mortgage loans & corporate finance policy framework) with respect to the foregoing. It is also mandated to fix and review the overall portfolio yield, periodically review the provisioning and write off policies, reviews and take appropriate action with regard to the CBB consultation papers, guidelines and new rules and follow up on all matters reported in regulatory inspection reports, review and approve rates, administration charges, business terms, and acceptance criteria of existing and new loan products. ALCO shall meet at least once a Quarter or more frequently as circumstances dictate. A resolution is deemed passed if more than half the members present at the meeting vote "for" such a resolution. The Management Secretary will take minutes of ALCO meetings. The Committee periodically reviews its own composition and Charter and conducts an evaluation of its performance and the performances of its members.

b. The Credit Committee is set up with the objective of overseeing all aspects of credit exposures within its limits or above so as to ensure that proper due diligence is established before sanctioning any credit exposure and that credit risk arising from a credit exposure is closely monitored throughout the tenor. To fulfill this objective, the Credit Committee is delegated with a defined scope of responsibilities and authorities, as per the charter. To ensure that the Credit Committee possesses the right skills and expertise to professionally discharge its responsibilities, membership to this Committee is not appointed based on seniority but exclusively based on the skills of the appointed member. The credit approval authorities of the Credit Committee are arranged into two tiers, each of which is delegated with a definite credit authority level. The members of Tier 1 and Tier 2 of the Credit Committee are appointed by the BCFC Board upon the recommendation of the Chief Executive Officer. The details including the members and their approval authorities are given in the policy manual approved by the Board.

c. The Risk Management Committee is an integral part of the Company's strategic directions to drive efforts of enhancing the risk management culture and to provide oversight across the company for all categories of risk in order to ensure that proper practices are in place to manage priority risks for Bahrain Credit, TISCO and TRESCO. The main responsibilities of the Committee are to institutionalize the good practices of risk management across all the levels of the Companies, oversee all the Companies' efforts, decision and actions that will have implication on the Companies' risk management culture, align the Companies' business objectives with the sound practices of risk management as per the CBB guidelines and rules, and to review departmental compliance with risk management framework. The Committee shall be chaired by the CEO, the Vice Chairman shall be elected by the Chairman, the membership of the Risk Management Committee shall include the Chief Executive Officer, Head of Credit and Marketing, Head of Risk Management, Head of Operation & Human Resources, Head of Finance, Head of Information Business Technology, and Head of Compliance & MLRO. The Committee shall meet at least quarterly or more frequently as circumstances dictate.

H. Remuneration Policy:

a. Board Remuneration:

The Company's remuneration practices are aligned with the guidelines and rules of the CBB High-Level Controls, HC-5 Remuneration of Approved Person and Material Risk Takers duly prescribed under Volume 1: Conventional Banks.

The Company has in place policies and guidelines for the attendance and sitting fees payable to all the Directors in consideration of attending one or more of Board and Committee meetings in a financial year. The Policy reflects the Company's commitment to best practices of corporate governance in line with the legal and regulatory requirements and is intended to remunerate its Board and Committee members fairly and responsibly. The Policy ensures that the remuneration of Board and Committee members are sufficient to attract, retain and motivate persons of the quality and desired competencies needed to run the Company successfully.

The Remuneration Policy of the Company applies to all the Boards of Directors of the Parent Company, its Committees, the Boards of its Subsidiaries and any other Committee of a subsidiary formed from time to time.

The structure and level of the compensation for the Board and Committee Members are as follows:

- A fixed amount representing an annual remuneration fee approved by the Shareholders at the AGM; and
- Attendance fees payable to members attending different Board-related committees' meetings.

b. CEO and Management Remuneration:

The performance and remuneration of the CEO is reviewed by the Nomination and Remuneration Committee and approved by the Board. The remuneration of the Chief Executive Officer's direct reports is reviewed and approved by the Nomination and Remuneration Committee. Furthermore, the Board takes into consideration the following dimensions to remunerate the CEO:

1. The bonus is discretionary and decided by the board depending on the profitability of the Company, i.e. the bottom line not the top line.
2. The strength of internal controls and risk management practices.
3. Lending growth in each product.
4. Meeting all the funding requirement needed to ensure the growth of the Company.
5. Quality of loan portfolio and levels of non-performing loans.
6. Meeting agreed upon strategic objectives both financial objectives and non-financial objectives.

I. Related Party Policy

The Company has in place a policy which is set out to define the related parties, related transactions and how the Company discloses information related to conflict of interest, loans and credit facilities. The policy applies to the Directors, Key Management Personnel and Approved Persons and Staff. It also covers within its scope credit facilities granted to, purchases made from, joint ventures and business agreements.

J. Communication Strategy/Policy:

The Company has a clear policy in relation to communication with its stakeholders, shareholders, and employees, customers, Government bodies, Regulator and society and has approved Corporate Communication Policy Guidelines. Shareholders are invited by the Chairman of the Board to attend the Annual General Meeting in the presence of the Chairman and other directors including the Executive Committee Chairman, the Audit Committee Chairman, the Nomination and Remuneration Chairman, Corporate Governance, Risk and Compliance Committee Chairman, the Chairmen of subsidiaries' boards and the External Auditors, who are available to answer any questions raised by shareholders or media representatives with regard to the operations and performance of the Company. Additionally, the Company is cognizant and fully aware of its regulatory and statutory obligations regarding dissemination of information to its stakeholders. Without prejudice to the disclosure standards, guidelines on key persons and other requirements of the relevant statutory bodies, financial and non-financial corporate information is provided by the Company on all events that merit announcement, either on its website: www.bahraincredit.com.bh or through local newspapers, Bahrain Bourse website or other means of communication. The financials and annual reports of the Company; the Charters of the Board and its Committees are made available on the Company's website. The website features a specific section that is related to investors' and shareholders' relations in general and describes shareholders' rights to participate and vote at each shareholders' meeting that include documents relating to meetings with full text of notices and minutes. Internally, electronic mail and departmental portals are used for communicating with the Company's staff on general matters and sharing information of common interest and concern. At board level, there is an easy-to-use electronic web-based portal that is aimed at automating all board works and providing Board Members with secure, real-time access to the Board's and Committees' materials and archive.

K. Approved Persons Policy

The Company adheres to all the CBB requirements regarding the "approved persons'" "fit and proper" conditions. Approval of the CBB is obtained prior to the appointment for controlled functions. Controlled functions (i.e Approved Persons) are those of:

1. Board Member
2. Chief Executive Officer or General Manager;
3. Head of Function;
4. Compliance Officer; and
5. Money Laundering Reporting Officer.

a. Employment of Relatives

The Company has in place a board approved policy on the employment of relatives of approved persons that are embedded in various policies. The Chief Executive Officer of the company shall disclose to the Board of Directors, on an annual basis, relatives of any approved persons occupying controlled functions within the company, if any.

L. Code of Conduct

BCFC strives to promote the highest standard of professional ethical norms and values towards its stakeholders (i.e. customers, employees, regulators and the community) including 10 Principles of Business detailed in Volume 5 of CBB Rule book. Such ethical values include but are not limited to:

1. Maintaining an open and cooperative relationship with the CBB and other regulatory bodies and taking reasonable care to ensure that activities comply with all applicable laws and regulations

CORPORATE GOVERNANCE

2. Maintaining adequate resources, whether human, financial or otherwise, sufficient to run the business in an orderly manner.
3. Taking reasonable care to ensure that affairs are managed effectively and responsibly, with appropriate Management, Systems and Controls in relation to the size and complexity of operations.
4. deal, written contracts and agreements should be provided to all parties involved.
5. BCFC should ensure that all approved persons submit their conflict of interest declarations on an annual basis. Further, the annual declarations by the approved person pertaining to conflict of interest other than dealing in shares must be updated in the Code of Conduct.
6. Observing proper standards of Market Conduct and avoiding action that would generally be viewed as improper.
7. Taking reasonable care to safeguard the Assets of Customers.
8. Paying due regard to the legitimate Interests of Customers and communicating with them in a fair and transparent manner and, when dealing with customers who are entitled to rely on advice or discretionary decisions, taking reasonable care to ensure the suitability of such advice or decisions.
9. Committed to achieve customer excellence. Complaint handling procedures are in place and the results are continuously reviewed.
10. Maintaining an open and cooperative relationship with the CBB and other regulatory bodies and taking reasonable care to ensure that activities comply with all applicable laws and regulations.
11. Maintaining adequate resources, whether human, financial or otherwise, sufficient to run the business in an orderly manner.
12. Taking reasonable care to ensure that affairs are managed effectively and responsibly, with appropriate Management, Systems and Controls in relation to the size and complexity of operations.
13. For the protection of all parties with whom the company deal, written contracts and agreements should be provided to all parties involved.
14. BCFC should ensure that all approved persons submit their conflict of interest declarations on an annual basis. Further, the annual declarations by the approved person pertaining to conflict of interest other than dealing in shares must be updated in the Code of Conduct.

M. Whistleblowing Policy

This Policy details the procedures for a whistleblower to escalate a complaint to the designated authority and procedures that are to be followed by the Audit Committee to ensure that a valid whistleblowing complaint is investigated properly, and action taken appropriately, while protecting the whistleblower from any adverse reaction due to their complaint.

N. General Guidlines

a. Business Plans

The strategic planning exercise for the Company is conducted every three years. Operating plans are created on an annual basis. The strategic plan is approved by the BCFC Board and the operating plans are reviewed by the Executive Committee/subsidiary Boards and approved by the BCFC Board the strategy to be reviewed by the Board on an annual basis.

b. Board Members

The Board and its members shall continually educate themselves as to the Company's business and corporate governance. At a minimum, they individually and collectively should:

1. Act with honesty, integrity and in good faith, with due diligence and care, with a view to the best interest of the Company and its shareholders and other stakeholders;
2. Act within the scope of their responsibilities and not participate in the day-to-day management of the Company;
3. Have a proper understanding of, and competence to deal with the affairs and products of the Company and devote sufficient time to their responsibilities; and
4. To independently assess and question the policies, processes and procedures of the Company, with the intent to identify and initiate management action on issues requiring improvement. (i.e. to act as checks and balances on management).

c. Maintenance of the Guidelines

The Board shall annually review, approve and amend, if it sees necessary as part of the regulatory requirements, its Corporate Governance Guidelines at the first scheduled meeting of the new calendar year.

d. Controllers

The Company shall obtain prior approval from the CBB in respect of any changes in the Company's controllers as defined by the CBB's guidelines.

e. Financial Penalties

Any financial penalty resulted from violating any of the CBB rules and regulations or as part of the rulebook shall be duly disclosed in the annual report in line with the regulatory requirements.

f. Disclosure of Write off

Any written-off exposures equal to or in excess of BHD 100,000 should be notified to the CBB as per the specified rules and regulations.

g. Remuneration of Board Members, Senior Management and Fees Paid to External Auditors

The detailed remuneration paid to the Board Members individually and aggregate remuneration paid to top six senior management personnel are disclosed in the Chairman's Report which is also published on the website of Bahrain Bourse. Ernest & Young was the Company's external auditor for the financial year ended 31 December 2021. Details of the audit fee paid to the auditor during the year 2021 as well as the details of non-audit services and fees paid are held at the Company's premises, which are available to eligible shareholders upon a specific request.

h. Others

1. Besides fulfilling the compliance/licensing requirements, the Company strives to adopt related best practice standards issued by the Central Bank of Bahrain, local and/or international organizations.
2. A summary of the Guidelines shall be produced by the Board and incorporated in the Company's annual report.