



2025 Corporate Governance Policy

Corporate Governance

KHALEEJI BANK

2025



Volume Corporate Governance Framework

Chapter Corporate Governance Policy

Version History

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1. BANK OVERVIEW

Khaleeji Bank BSC (“KHALEEJI”) an Islamic bank, operates under a Retail Islamic Banking license granted by the Central Bank of Bahrain (CBB). It is a Public Bahraini Shareholding Company listed on the Bahrain Bourse. KHALEEJI offers a comprehensive range of innovative banking and Investment products and services to individuals, corporate entities, and financial institutions. These include commercial and corporate banking, wealth management, structured investment products and project financing facilities. The Bank seeks to expand its network of strategic alliances with other financial institutions and business partners to source new and mutually beneficial investment and financing opportunities.

In addition, the Bank actively provides financing opportunities for property developers, landowners and property investors. The Bank seeks to develop alliances with other Islamic banks, property developers, prominent regional investment groups and others in the region to source investment and financing opportunities. The Bank also offers a range of structured investment products to its clients and prospective clients, including funds, repackaged products and structured restricted Mudarabas. In order to offer diversity to clients, these products range in nature from capital growth products to income producing products. The Bank expects that going forward it will continue to leverage its relationship with its strategic partners as it participates in the economic and social development of Bahrain, the GCC and other identified regions.

2. KHALEEJI’S CORPORATE GOVERNANCE POLICY

Corporate Governance is about maintaining the highest standards of integrity, transparency and accountability. We maximize shareholder value while safeguarding and promoting the interests of other stakeholders and maintaining a steadfast commitment to ethics and code of conduct.

In KHALEEJI, Corporate Governance philosophy stems from our belief that Corporate Governance is a key element to improve efficiency and growth as well as to enhance the confidence of the investors. We believe that retaining and enhancing stakeholder trust is essential for sustained corporate growth.

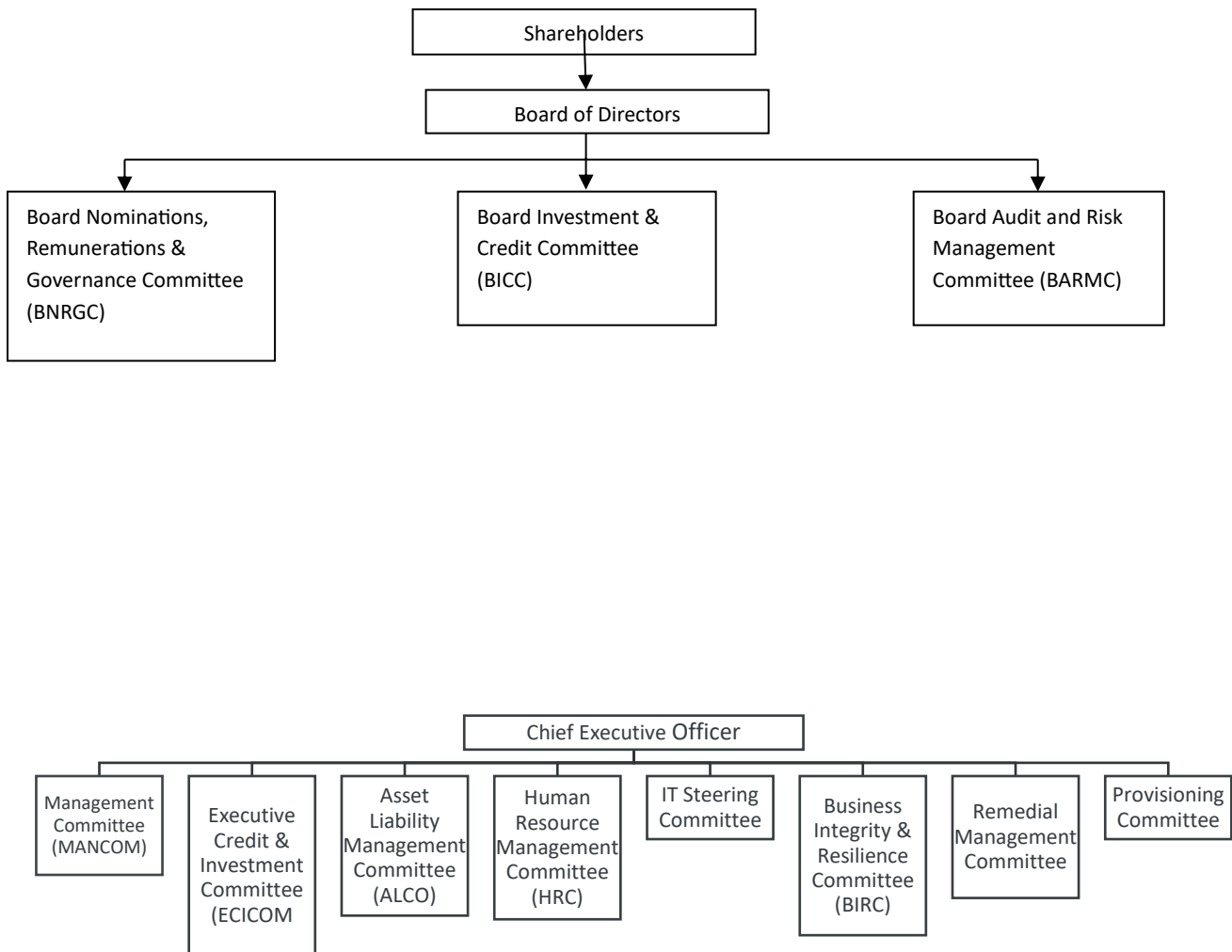
We have engrained into our culture and into each associate the values of honesty and fairness. For us, adherence to Corporate Governance stems not only from the letter of law but also from our inherent belief in doing business the right way. Our corporate structure, business and disclosure practices have been aligned to our Corporate Governance Philosophy.

We have tried to blend growth and efficiency with governance and ethics. Our Board of Directors, guided by the mission statement, formulate strategies and policies by focusing on optimizing value for various stakeholders.

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3. CORPORATE GOVERNANCE STRUCTURE



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The following elements work together to form the Corporate Governance structure/ Handbook of the Bank.

Board Operations, Matters Reserved For the Board and Delegation of Authority

- Board of Directors Charter – Details the broad guidelines for Board operations and matters reserved for the Board

Board Committees Structure, Composition & Terms of Reference

- Board Investment & Credit Committee - Terms of Reference
- Board Nominations, Remunerations & Governance Committee - Terms of Reference
- Board Audit and Risk Management Committee – Terms of Reference

Managing Register of Directors' Interest

- Policy - Directors' Conflict of Interest.

Key Executive (Management-Level) Committees Structure, Composition & Terms of Reference

- Management Committee -Terms of References
- Executive Credit & Investment Committee - Terms of References
- Asset & Liability Management Committee - Terms of References
- Executive Risk Management Committee - Terms of References
- Human Resources Committee - Terms of References
- IT Steering Committee – Terms of Reference
- Business Integrity and Resilience Committee (BIRC) – Terms of Reference
- Provisioning Committee – Terms of Reference
- Remedial Management Committee – Terms of Reference

Along with the Board and committees Charter, Management Committee Charters, the Corporate Governance Handbook includes the Board and Management Code of Conduct, Conflict of Interest Policy, Whistle Blowing Policy, Social Responsibility, Directors' Appointment Agreement, Board and Directors' Evaluation, and a Key Persons' Dealing Policy.

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4. THE BOARD

The influence of a business's approach to governance is evident in organizational ethics, brand loyalty and employee retention. It can impact the amount an organization pays to borrow money; influence the quality of its suppliers, business partners and employees; affect the premium investors will pay for its shares; and be reflected in an organization's reputation in the marketplace and with its regulators. Ultimately, given that businesses exist to create value (financial and otherwise) for their stakeholders, the values embodied in governance practices affect the value of the organization.

Fundamental to good corporate governance practices is the two-fold issue of the effectiveness and accountability of the Board of Directors:

- The effectiveness of the Board and therefore the quality of leadership and direction they provide are measured by performance, which in turn will be translated into enhanced shareholder value.
- Accountability – including all the issues surrounding disclosure and transparency – is what provides legitimacy to the classic model public company. Shareholders elect directors to run companies on their behalf and in consequence, boards are accountable to shareholders for their actions.

The Bank is subject to compliance with the following regulations:

- a. Bahrain Stock Exchange Law;
- b. Central Board of Bahrain (CBB) Rulebook;
- c. Bahrain Commercial Companies Law (BCCL) 2001; and
- d. Labour Law.

The Board reserves a formal schedule of matters for its decision to ensure that the direction and control of the Company rests with the Board. This includes approving the Company's strategic and planning issues; reviewing Management's performance vis-a-vis Company's targets; approving material acquisition and disposal of assets and capital expenditure; determining authority levels; approving risk management policies; and reviewing the adequacy and integrity of internal controls.

The Board is also responsible for recommending appointments of auditors and reviewing the Company's financial statements; and approving the financing and borrowing activities including annual operating plan and budget.

It is also responsible for ensuring that the Bank is compliant with all related laws and regulations; and protect the Bank from illegal, abusive or inappropriate actions and practices. Should the Articles of Association not contain an express provision, the provisions of the Commercial Companies Law Decree no. (21) of 2001 shall apply.

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In addition to the responsibilities stated above the Board is responsible for:

- Strategic and Operational Considerations
- Structure, Capital and Financial Considerations
- Responsibility of approval of expenditure
- Responsibilities regarding Board Membership, Board Committees and Management
- Corporate Governance, Compliance and Internal Control Matters
- Remuneration for Board of Directors, CEO, CFO and Corporate Secretary on the recommendations of BNRGC
- Communications of resolutions and information
- Annual General Meetings
- Delegation of Authority
- Evaluating the performances of executive management
- External Service Providers
- Reporting to Shareholders
- Litigation
- Insurance

The above responsibilities are detailed in the Board Charter.

5. BOARD COMMITTEES

- **Board Nominations, Remunerations & Governance Committee**

The Board Nomination, Remuneration and Governance Committee (BNRGC) of the Bank is a Board sub-committee appointed to assist the Board in formulating and reviewing the related bank's policies and rules including the administrative policy. The BNRGC will handle the nomination and remuneration process including nomination, remuneration and compensation of the Board and Executive Management. The Committee will regularly review the Bank's succession plan as modified from time to time as well as ensure that a sound corporate governance framework is in place. The BNRGC shall report its activities to the Board on a regular basis.

- **Board Investment & Credit Committee**

It is the policy of the Bank to maintain a highly efficient and responsible investment and credit decision-making process. The Board Investment & Credit Committee (BICC) is a sub-committee of the Board of Directors appointed to assist the Board in formulating the Bank's investment and credit policies and making investment and credit transaction decisions.

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The BICC shall report its activities to the Board of Directors on a regular basis. It establishes operating guidelines and reviews and endorses the CEO's recommendations for investment strategies, products and services. Its actions are in accordance with the investment policies adopted by the Board of Directors. In addition, one of the primary tasks of BICC is to make investment and credit transaction decisions within the authority delegated by the Board of Directors.

BICC reviews and monitors investment, financing and trading decisions taken by the CEO and refers investment and credit decisions in excess of its own authority with their recommendations, to the Board of Directors. BICC also evaluates investment, credit, financing and trading performance and recommends enhancements, proposed by the ECICOM. In addition, it also reviews and approves investment and credit policies and plans.

The BICC approves banking relationships and placement arrangements as recommended by the CEO. It is also responsible for oversight of SPVs/ Off Balance Sheet entities or any other matters delegated by the Board.

- **Board Audit and Risk Management Committee**

The Audit and Risk Management Committee of Khaleeji Commercial Bank is a sub-committee of the Board of Directors. The primary roles of the Audit and Risk Management Committee (BARMC) Committee are to:

- Assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the financial information, which are provided to the shareholders and others, the systems of internal controls which was established by Management and approved by the Board of Directors.
- Provide an open avenue of communication between the Board of Directors, Management, the Internal Auditors, and the External Auditors.
- Confirm and ensure independency of both Internal and External Auditors; and supervise their functions.
- To ensure that the Bank's overall risk management framework is effective and that key risks are managed cost effectively and to an acceptable level.
- To consider matters relating to control and regulatory / compliance issues as well as key market, credit, investment, liquidity and operation risk exposures of the Bank.
- To make recommendations to the Board in relation to the Bank's overall risk appetite and tolerances; and to set policies, procedures within which to manage these.

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6. KEY EXECUTIVE/MANAGEMENT COMMITTEES

- **Management Committee**

MANCOM is the principal management committee which is responsible for the general oversight of the Bank's business (budgetary / strategy / investment / personnel / audit issues / compliance / others).

The committee shall:

- Ensure preparation and updation of the Bank's strategy and business plans
- Review Business Plans and recommend amendments thereto in consideration of revised market conditions, actual performance, potential opportunities, etc.
- Ensure that the business plan of the Bank is implemented.
- Regularly review, approve & ensure implementation of strategic management plans, resource allocation decisions, policies and procedures.
- Review and approve policies and procedures as per the committee's approval authority as well as recommend appropriate policies which should be in place.
- Ensure that appropriate Disaster Recovery and Business Continuity Plans are developed, maintained and tested.
- Together with the Bank's Legal Counsel discuss and review any legal matter that could have a significant or potentially significant impact on the Bank.
- Review annually the schedule of authority for current relevance and applicability and, recommend to the Board for approval for changes, if any.
- Provide a general forum for aggregating ideas and interests regarding the operations.
- Review the safeguarding of Bank's assets and premises.
- Review any significant incidents or events.
- Review the results of major inspections and evaluations by external oversight bodies.
- Appoint other committees composed of the management of the Bank as and when necessary.

- **Asset Liability Management Committee**

The primary role of the Asset & Liability Management Committee (ALCO) is to manage the Bank's balance sheet profile and to derive the most appropriate strategy for the Bank in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of profit-rate movements, liquidity constraints, foreign exchange exposure and capital adequacy.

The Committee shall:

- Review the Bank's results to determine if the targets set as the previous ALCO meeting were achieved from an asset and liability management point of view.

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- Assess the Bank's current balance sheet position from an asset and liability management point of view.
- Review the appropriateness of the existing strategies (including liquidity, profit rate, foreign exchange, investment, and derivative strategies, objectives, policies and limits)
- Project exogenous factors
- Develop asset and liability strategies
- Simulate the asset and liability strategies over time
- Determine the most appropriate asset and liability strategy
- Set measurable targets to achieve the asset and liability strategy
- Communicate the targets to the functions (operations and treasury)
- Monitor actions regularly to ensure compliance with the strategies decided on
- Evaluate the success of the current strategy
- Given environmental volatility, reevaluate the current strategy on a regular basis to determine its appropriateness
- Communicate the approved strategies and policies throughout the Bank
- Review and approve budgets.
- Receive and review budget variances.
- Recommend the Bank's insurance coverage.

- **Executive Credit & Investment Committee**

ECICOM is the principal management committee which reviews and recommends investment proposals, credit proposals and exit proposals as per their defined authority in the relevant policies. Also, it is responsible to develop and recommend the appropriate Investment policy for approval by the Board Investment & Credit Committee (BICC).

The Committee shall:

- Receive and review investment and credit proposals.
- Receive and review proposals for sale/ exit from investments.
- Monitoring investments and receive information periodically, the reports issued by Executive Risk Management Committee on the Bank's investment portfolio including adherence to established investment limits.

- **Executive Risk Management Committee**

The Executive Risk Management Committee (ERMC) ERMC is a senior management committee responsible for reviewing and managing the risk management framework of the Bank and will report to the Board Audit and Risk Management Committee ("BARMC").

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The principal functions of the ERM are:

- Receive and review risk reports on Operational, Market, Credit, Investment, and Liquidity Risk from the Risk Management Division;
- Review and approve all risk and compliance policies before forwarding them to the BARMC and the Board of Directors for approval with their recommendations;
- Review and approve relevant risk management procedures and methodologies;
- Review and approve all new product categories and key strategic projects before forwarding to final approval authority;
- Review / consider any reports sent to the committee to action or reference (e.g. by other Committees);
- Review the provisioning and impairment policies of the Bank and ensure that adequate provisioning has been done at the end of each quarter and annually;
- Approve quarterly and annual provisions before forwarding to final approval authority;
- Review and approve the quarterly provisions/ECL;
- Monitor internal capital requirement and pro-actively ensure adequacy with them;
- Review and monitor actual risk limits against the risk appetite and review policy/limit breaches and the corrective plans where applicable;
- Review and manage any risk management gap assessments and required actions with regulatory changes;
- Receive and review the Bank's compliance with the risk policies and tolerances agreed by the Board and review and report on any risk management issues;
- Review and approve the operational risk profile / framework and operational risk strategy of the Bank;
- Review issues raised in regulatory reports as well as in internal and external audit reports and follow up on any management action that may be necessary;
- Review compliance monitoring plans and results;
- Review of major reports of regulators on the operations of the organization;
- Oversee compliance by the organization with applicable laws, regulations and regulatory requirements

- **Human Resources Committee**

The Human Resources Committee (HRC) has been established to provide a forum for consultation, exchange of ideas and decision making on all matters relating to the planning and management of KHALEEJI's Human Resources in addition to establish the guidelines and policies which will enable KHALEEJI to develop and maintain the workforce required to achieve the KHALEEJI's short and long term business objectives.

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The HRC will be responsible to:

- Oversee the overall human resources strategy for the Bank.
- Design a level and composition of reward and recognition for employees.
- Oversee the annual talent review process for senior management and the development of succession plans for senior management to foster an appropriate balance of skills, experience, and expertise and ensure the ongoing successful management of KHALEEJI.
- Oversee KHALEEJI's recruitment, retention and termination policies and procedures in order to ensure a market-aligned approach to these components.
- Review regularly and recommend to the Board Nomination, Remuneration, and Governance Committee (BNRGC) for approval the remuneration strategy and framework of KHALEEJI, including the applicable short and long term incentive arrangements (including robust performance measures and targets).
- Monitor the effectiveness of the Bank's overall remuneration framework in achieving its objectives.
- Oversee the Performance Management System of KHALEEJI and ensure that the objectives that are set are aligned to the overall strategic and operational plans of the KHALEEJI.
- Act as the review body with regard to decisions relating to the career progression of staff and ensure that appropriate succession planning is in place.
- Report through its Chairman, at least annually, to the BNRGC on the status of its work and its plan for the following twelve months.
- Act as a sounding board to consider recommendations to be made to the BNRGC.
- Evaluate the financial and administrative impact of new laws and regulations and ensure timely implementations of regulations.
- The HRC is also responsible for reviewing the following matters:
 - Staff resources trends and Human Resources metrics; and
 - Other relevant matters identified from time to time, or requested by the BNRGC.

- **IT Steering Committee**

IT steering committee is established to work as a governance body that reviews, monitors and prioritizes major IT projects from a cross-functional perspective. The Committee sets the tone and direction for the Bank's use of IT. The Committee approves the IT strategic plan, and other IT-related policies.

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- **Business Integrity and Resilience Committee (BIRC)**

The Business Integrity & Resilience Committee (BIRC) is a senior management governance body established to oversee and align the Bank's strategic and operational efforts across Information Security, Data Privacy, Business Continuity & Disaster Recovery, ESG, and Fraud Risk Management. The BIRC ensures integrated risk management, regulatory compliance, and organizational resilience.

This Committee replaces and assumes the strategic governance role of prior domain-specific committees (e.g., InfoSec, BCP, Data Privacy, Fraud, ESG), ensuring cohesive oversight under a unified governance body.

The responsibility of BIRC is as follows:

- Endorse integrated risk strategies across the five domains.
- Ensure strategic alignment of investments, risk mitigation, and compliance programs.
- Approve cross-functional policies and review implementation effectiveness.
- Oversee reporting to Board-level Committees on domain-specific matters.
- Review and endorse policies related to the five domains prior to elevation to relevant Board-level committees.
- Approve the Information Security Strategy and risk framework (ISMS)
- Review cyber risk metrics, incident response performance, and threat intelligence
- Ensure compliance with PDPL/GDPR and internal privacy policy governance.
- Monitor personal data breach handling, audits, and designated DC & DPG reporting.
- Approve and test BCP/DRP; review crisis simulations and update plans.
- Review fraud incidents and regulatory audit findings.
- Endorse fraud detection enhancements and investigative oversight. Approve ESG strategy, targets, and reporting (e.g., Annual Sustainability Report), and review stakeholder disclosures and climate/social risk integration.
- Coordinate with BNRGC for ESG matters related to sustainability governance and long-term corporate responsibility.
- Any new business product, service, or initiative that affects customer data, digital channels, operations, or public exposure must be reviewed by the relevant Taskforce(s).
- All new business products must first receive conceptual approval from ALCO. Once approved at ALCO level, the product proposal will be forwarded to the relevant Taskforces for risk, compliance, and operational readiness assessment.

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- **Provisioning Committee**

The Provisioning Committee is a senior management committee responsible for reviewing provisions against defaulting financing facilities and proposing and approving an appropriate course of action. The committee is responsible for the following:

- Review provisioning levels against defaulting financing facilities;
- Review status of account staging and approve potential account upgrades after completion of cooling off period; and
- Review and approve recommendations from the Remedial Management Committee of action plans and provisioning levels for defaulting financing facilities.

- **Remedial Management Committee**

The Remedial Management Committee is a senior management committee responsible for reviewing material financings facilities with a high possibility of defaulting and proposing and approving an appropriate course of action. The committee responsible for the following:

- Review and assess the repayment capabilities of defaulting clients and accordingly take appropriate remedial actions;
- Assess and approve the best foreseeable outcome of the options available in handling defaulted cases;
- Review and monitor repayment progress relating to defaulted and irregular clients;
- Review the status of legal cases relating to defaulted parties and provide appropriate direction to the business units, legal, collection and remedial departments;
- Review and when required, refer restructuring cases to ECICOM of the Bank;

7. INSIDER TRADING

Insiders should be well aware of the legal and administrative requirements regarding the holding and trading of the Bank's securities. You may not engage in insider trading in securities, this means not dealing, or advising or arranging anyone else to deal, in any shares or other listed or traded securities if you have information which you know or believe is confidential relating to those securities or the company concerned. This covers: buying/selling for yourself, relatives, friends, and others or giving advice or information to a third party to buy or sell. Price sensitive information is that which, if it were generally known, would be likely to affect the price of securities.

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8. MONEY LAUNDERING

KHALEEJI is committed to identifying money laundering transactions and all employees are required to strictly follow the Bank's detailed guidelines. It is essential that all staff is familiar with these guidelines and any extra obligations imposed by local laws.

9. WHISTLE BLOWING

All employees are encouraged to raise genuine concerns about possible improprieties in matter of financial reporting and other malpractices at the earliest opportunity, and in an appropriate way.

This policy is designed to:

- Support Khaleeji Commercial Bank values
- Ensure employees can raise concerns without fear of suffering retribution; and
- Provide a transparent and confidential process for dealing with concerns.

This policy not only covers possible improprieties in matters of financial reporting, but also:

- Fraud;
- Corruption, bribery or blackmail;
- Criminal offences;
- Failure to comply with a legal or regulatory obligation;
- Miscarriage of justice;
- Coercion, harassment or discrimination by, or affecting, any member of the Bank;
- Endangering the health and safety of an individual; and
- Concealment of any of the above.

10. KHALEEJI'S SHAREHOLDERS' RIGHTS

Basic KHALEEJI's shareholders rights include but are not limited to:

- a) Secure methods of ownership registration;
- b) The transfer of shares;
- c) Obtaining relevant and material information on the corporation on a timely and regular basis;
- d) Participating and voting in general shareholder meetings;
- e) Electing and removing members of the board;
- f) Sharing in the profits of the corporation;
- g) Presentations by independent advisers; and
- h) Participating in corporate events.

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Shareholders must have the right to participate in, and to be sufficiently informed on decisions concerning fundamental corporate changes, such as:

- a) Amendments to the statutes, or articles of incorporation or similar governing documents of the company;
- b) The authorization and approval of additional or new shares or securities; and
- c) Extraordinary transactions, including the transfer of all or substantially all assets that in effect result in the sale of the company, including but not limited to transactions falling under Module Take-overs, Mergers and Acquisitions of the CBB Rulebook.