



بنك الإسكان

ESKAN BANK

Key Resources

Collaboration

Eskan Bank works very closely with the Ministry of Housing by empowering citizens with access to more social housing loans, helping them find the right home.

Partnerships

Eskan Bank believes in strong partnerships connecting financiers, landlords, developers and homebuyers in an innovative and comprehensive ecosystem.

Assets

Eskan Bank has invested in resources, people and technologies that help transform processes into assets that yield considerable returns for all stakeholders.

Financial stability

Eskan Bank is backed by strong fundamentals that have sustained

CORPORATE GOVERNANCE POLICY PILLARS

MARCH 2024

CONTENTS

Policy Overview	3
Objective	3
Scope	3
Corporate Governance Code Principles	4
Board of Directors	4
Corporate Secretary	5
Compliance Role	5
Social Housing Services	5
Social Housing Units Development	5
Islamic Banking	5
Sharia Supervisory Board overseeing Islamic Banking	5
Board Level Committees	6
Management Level Committees	7
Transparency and Disclosure	7
The Confidentiality of Information	8
Conflicts of Interest	8
The Formal Board Charter	8

1. Policy overview:

Eskan Bank has adopted a strong corporate governance framework which covers establishing standards for defining and monitoring corporate governance in order to ensure consistency and transparency across business and stakeholders.

The purpose of this policy is to ensure sound corporate governance framework for Eskan Bank, which shall be implemented in accordance with the regulatory guidelines.

The Corporate Governance Framework is outlined with the purpose to promote transparent and efficient dealings and be consistent with the applicable rules and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities. The Corporate Governance Framework is developed with a view to have impact on overall economic performance, and the promotion of transparent and efficient markets, in line with the adopted guiding principles for corporate governance policy.

2. Objective:

The Corporate Governance at Eskan Bank will help guide the Bank in its businesses and affairs in the following areas:

- Set corporate objectives.
- Consider the interests of stakeholders.
- Align corporate activities and behavior with the expectation that Bank will operate in a safe and sound manner, and in compliance with applicable laws and regulations.
- Protect the interest of depositors.
- Develop a well-articulated corporate strategy against which the success of the overall enterprise and the contribution of individuals to the Board of Directors can be gauged.
- Ensure clear assignment of responsibilities and decision-making authorities, incorporating a hierarchy of required approvals from individuals to the Board of Directors.
- Establish a mechanism for the interaction and cooperation among the Board of Directors, senior management and the auditors.
- Establish strong internal control systems, including internal and external audit functions, risk management functions independent of business lines, and other checks and balances.
- Facilitate in special monitoring of risk exposures where conflicts of interest are likely to be particularly great, including business relationships with borrowers affiliated with the Bank, large shareholders, senior management, or key decisions-makers with the firm (e.g. traders).
- Ensures that appropriate information flows internally and to the public.
- The ethical aspects of corporate governance are covered in Bank's Code of Ethics and this policy should be read in conjunction with it as regards ethical issues (refer to Annexure 2 for details).

3. Scope

The Corporate Governance policy aims at the following:

- To develop a comprehensive and sound framework for Corporate Governance
- Ensure clear assignment of Roles and Responsibilities
- Ensure transparency across business units
- Ensure that the disclosure are timely and in line with the regulations by CBB

4. Corporate Governance Code Principles

Principle One: The Bank must be headed by an effective, collegial and informed Board

Principle Two: The Members and officers shall have full loyalty to the Bank

Principle Three: The Board shall have rigorous controls for financial audit, internal control and compliance with law

Principle Four: The Bank shall have rigorous procedures for appointment, training and evaluation of the Board.

Principle Five: The Bank shall remunerate Members and officers fairly and responsibly

Principle Six: The Board shall establish clear and efficient management structure

Principle Seven: The Board shall communicate with shareholders and encourage their participation

Principle Eight: The Bank shall disclose its corporate governance

Principle Nine: Companies which refer to themselves as "Islamic" must follow the principles of Islamic Sharia

5. Board of Directors

5.1 Structure

The Board of Directors shall be composed of members as per Article 11 of Legislative Decree No. 4 of 1979:

One (1) Chairman (Minister of Housing)

One (1) Deputy Chairman

Other members shall be appointed by virtue of an Order issued by the Council of Ministers. (Hereinafter referred to as the "Board Members" or the "Members".)

5.2 Meetings

The Board must meet at least four times in a year. At least half the Board meetings of the Bank in any twelve-month period must be held in the Kingdom of Bahrain.

5.3 Attendance

Individual Board members should attend at least %75 of all Board meetings in a given year to enable the Board to discharge its responsibilities effectively.

5.4 Evaluation of the Board and Each Committee

At least annually, the Board must conduct an evaluation of its performance and the performance of each committee and each individual director in the form of a written report.

5.5 Remuneration

The Board Directors' remuneration (excluding His Excellency the Chairman being a minister) has been determined based on the following:

- Decree No. 19 for the year 2014 with regards to the Remuneration of the Chairpersons and Members of Government Boards and Committees.
- Cabinet Decree No. 25 for the Year 2015 promulgating the Criteria and Guidelines of Disbursing the Remuneration of Chairpersons and Members of Government Boards and Committees.

6. Corporate Secretary

The Corporate Secretary is a senior executive member with Legal professional experience (i.e. Head of Legal Affairs and corporate secretary). The corporate secretary is considered to be the Corporate Governance Officer within the Bank in addition to its legal responsibilities which varies according to the needs of the Bank and should be given general responsibility for reviewing and developing the corporate governance policies and procedure, advising the Board directly on such matters of law and governance, and to administer the affairs of the Bank and manage the business of the Board. The Corporate Secretary reports to the Chairman of the Board and the General Manager of the Bank.

7. Compliance Role

The Compliance Officer of the Bank shall coordinate and follow up on the compliance with corporate governance, and ensure that corporate governance policies and their implementation are consistent with regulatory requirements, policies and the CBB rulebook requirements.

8. Social Housing Services

The Ministry of Housing has mandated Eskan Bank to manage activities pertaining to certain Social Housing Services adopted by the Ministry.

9. Social Housing Units Development

The Bank shall endeavor to develop social housing units in collaboration with the Ministry of Housing in line with the Government of Bahrain's social housing strategy, in accordance with the provisions stipulated in the Cooperation Agreement executed between the Ministry of Housing and the Bank.

10. Islamic Banking

Islamic products offered by the Bank are extended through Islamic window and that they comply with Sharia principles (as per the Sharia Supervisory Board) & CBB regulations.

11. Sharia Supervisory Board overseeing Islamic Banking

The Board aims to enable the Bank to provide Islamic banking services that are in accordance with the Islamic Sharia principles, and to establish the rules and regulations governing Islamic banking and financial transactions within the Bank, and to supervise and monitor their implementation to the fullest extent.

The Bank has adopted an Internal Regulations of the Sharia Supervisory Board of Eskan Bank, which shall govern the SSB roles, scope, and corporate issues of managing and attending their meetings and decisions, which shall enjoy full independence. It shall consist of three members, including the Chairman of the Supervisory Board, and shall have the powers and jurisdiction set forth in this regulations and shall be subject to the supervision of the Council of Ministers.

The Board aims to enable the Bank to provide Islamic banking services that are in accordance with the Islamic Sharia, and to establish the rules and regulations governing Islamic banking and financial transactions of the Bank, and to supervise and monitor their implementation to the fullest extent.

12. Board Level Committees

The Board of Directors has constituted various Committees to assist it in the discharge of its functions. Presently, the Board Committees are: Executive Committee, Audit, Risk and Compliance Committee and Remuneration, Nomination and Corporate Governance Committee. These Committees will, unless specified otherwise have a common structure and administrative procedure for handling meetings.

12.1 Executive Committee

Eskan Bank should have an Executive Committee to ensure smoothness in business continuity and to assist the Board in the discharge of its functions. Consequently, the Committee is empowered to exercise such powers of the Board of Directors as are delegated to it under these Terms of Reference or from time to time. The detailed roles and responsibilities of the Executive Committee shall be framed by the relevant Committee and approved by the Board of Directors. Subsequently, the Terms of Reference are to be reviewed, as and when the need arises or on an annual basis.

12.2 Audit, Risk and Compliance Committee

Eskan Bank should have an Audit, Risk and Compliance Committee. The committee members must have sufficient technical expertise to enable the committee to perform its functions effectively. There should be at least one qualified and appropriately experienced accountant in the committee. All members of the committee must be financially literate. The detailed roles and responsibilities of the Audit, Risk and Compliance Committee shall be framed by the relevant Committee and approved by the Board of Directors. Subsequently, the Terms of Reference are to be reviewed, as and when the need arises or on an annual basis.

12.3 Remuneration, Nomination and Corporate Governance Committee

The Eskan Bank should have a Remuneration, Nomination and Corporate Governance Committee to consider the human resources policies and procedure for the Bank and the remuneration policy for senior executives whose appointment requires Board approval. However the nomination/appointment process of the Board Directors on the Board of subsidiaries, associates and affiliate companies shall be covered under the Corporate Governance Policy of subsidiaries, associates & affiliates. The detailed roles and responsibilities of the Remuneration, Nomination & Corporate Governance Committee shall be framed by the relevant Committee and approved by the Board of Directors. Subsequently, the Terms of Reference are to be reviewed, as and when the need arises or on an annual basis.

13. Management Level Committees

The Bank has established a various Management Level Committees to assist the Board and the GM to oversee various functions and monitoring and oversee the bank's business and the proper functioning of the business and support functions of the Bank, following is the list of such committees; The General Manager shall appoint the members of these Committee from time to time.

- Management Committee.
- Risk Management Committee
- Assets and Liability Management Committee (ALCO)
- IT Steering Committee
- Human Resources Committee
- New Product Committee
- Investment & Credit Committee
- Internal Tender Committee:
- Remedial Credit Committee
- IFRS 9 Steering Committee
- Environmental, Social, and Governance Committee

14. Transparency and Disclosure

14.1 Boards Responsibility for Disclosure

The Board should oversee the process of disclosure and communications with internal and external stakeholders. Disclosure policies must be reviewed for compliance with disclosure requirements in line with CBB rulebook.

14.2 Notification and Reporting

Eskan Bank must obtain CBB's prior written approval for all major proposed changes to the strategy and/or corporate plan of the Bank prior to implementation.

14.3 Changes of Activities

Eskan bank should obtain CBB prior specific written approval before establishing any subsidiaries. In order to avoid any delays or disruption in implementation of the Bank's plan in this context, the CBB should be approached as soon as possible, even at a very preliminary stage.

14.4 Meeting Report

The Bank is required to submit, on an annual basis, as attachment to the year-end quarterly PIR, a report recording the meetings during the year by their Board Directors.

14.5 Special Purpose Vehicles ("SPV")

Eskan bank must notify obtain the CBB prior written approval if it intends to act as sponsor or manager of a special purpose vehicle, or it intends to participate in the creation of an SPV, or if they intend to acquire shares in an SPV. The Bank must notify also obtain CBB prior written approval if they are appointed as nominee shareholders of SPVs or hold votes by proxy arrangement in SPVs on behalf of other investors. In all cases listed above, the Bank must notify the CBB on a quarterly basis of any new arrangements in addition to arrangement when the SPV is a subsidiary.

15. The Confidentiality of Information

The Board materials, and discussions at the Board meetings – must be strictly maintained, including after members have left the Board. Members shall also avoid any situation where they might be perceived as having acted with the benefit of knowledge not available to the general market place.

16. Conflicts of Interest

The bank has adopted a conflict of interest policy to protect the bank interest and control such transaction, as whether of an actual or potential nature, and whether involving a member's personal or business affairs, shall be promptly and fully disclosed in writing which should be updated renewed on an Annual Basis in writing. In the event that a member becomes aware of a conflict of interest associated with a particular issue facing the Board, the Member must immediately disclose it to the Board, as required. Members considering taking on a material interest which might present, or might be perceived as presenting, some risk of conflict with their role as a Board member shall consult the Chairman before committing themselves and should be formally and unanimously approved by the full Board. Any Board member with a conflict of interest shall absent themselves from any discussion or decision making that involves a subject where they are incapable of providing objective advice, or which involves a subject or proposed transaction.

17. The Formal Board Charter

All Board Members must understand the Board's roles and responsibilities under the Commercial Companies Law, Eskan Bank Corporate Governance Policy and any other laws or regulations that may govern their responsibilities from time to time. In particular:

- The board's role as distinct from the role of the officers (whom the board appoints and oversees); and
- The board's fiduciary duties of care and loyalty to the Bank

The board's role and responsibilities include but are not limited to:

- The overall business performance and strategy for the Bank
- Causing financial statements to be prepared which accurately disclose the Bank's financial position;
- Monitoring management performance;
- Monitoring conflicts of interest and preventing abusive related party transactions;
- Assuring equitable treatment of shareholders including minority shareholders; and
- Establishing the objectives of the Bank.

The Chairman is responsible for the leadership of the Board, and for the efficient functioning of the Board. However, as a minimum, the Board must establish and maintain a statement of its responsibilities for:

- The adoption and annual review of strategy;
- The adoption and review of management structure and responsibilities;
- The adoption and review of the systems and controls framework; and
- Monitoring the implementation of strategy by management.

The Board Members' are responsible both individually and collectively for performing the responsibilities outlined above. Although the Board may delegate certain functions to committees or management, it may not delegate its ultimate responsibility to ensure that an adequate, effective, comprehensive and transparent corporate governance framework is in place.



Tel: 17567777

Fax: 17564114

Halaeskan@eskanbank.com

Al Moayyed Tower, Ground Floor, Kingdom of Bahrain

Restricted Conventional Retail Bank Licensed and Regulated by the Central Bank of Bahrain