GFH Financial Group B.S.C. Corporate Governance Report FY-2022

GFH Financial Group BSC ("GFH" or the "Bank") is an Islamic Wholesale bank that was established in 1999 in the Kingdom of Bahrain. GFH's business activities are carried in accordance with the principles of Islamic Sharia which includes financial services, investment and commercial transactions, negotiable financial instruments, in addition to structured finance, securities and liquidity management designed to achieve profitable returns for investors.

In 2004, GFH Financial Group was converted from a closed shareholding company to a public shareholding company. Its shares are currently listed on the Bahrain Bourse, Boursa Kuwait, Dubai Financial Market, and Abu Dhabi Securities Exchange. Furthermore, in 2020 GFH issued Sukuk of up to US$ 500 million which are listed on London Stock Exchange and NASDEQ Dubai.

As a Public Shareholding Company, GFH's corporate governance framework is based on the guidelines issued by Ministry of Industry, Commerce (MOIC) under the Commercial Companies Law promulgated by Decree No. (21) for the year 2001 ("Companies Law") and the amendments thereto, the regulations of MOIC's Corporate Governance Code of 2018 promulgated by Decree No. (19) for 2018, the High-Level Controls Module ("HC Module") issued by the Central Bank of Bahrain (CBB) under its Rulebook - Volumes 2 and 6 and the amendments thereto and the Listing Rules approved by the Board of Directors of Bahrain Bourse in its meeting (4/2019) dated 08/10/2019 and the amendments thereto.

GFH's Corporate Governance Philosophy

The corporate governance framework is focused on assisting GFH to successfully meet its strategic objectives and maintain steady growth whilst remaining fully cognisant of our clients' and shareholders' interests.

GFH believes that compliance with corporate governance principles enhances its value through providing a suitable framework for the Board, Board Committees and Management to perform their duties in a manner that serves the interests of the bank and its shareholders. For this reason, GFH strives to achieve the highest levels of transparency and accountability by adopting and executing strategies, goals and policies which are aimed to comply with the regulatory requirements.

The Board of Directors are accountable to shareholders for the creation and delivery of strong sustainable financial performance and long-term shareholder value. To achieve this, the Board implement and monitors the Bank's strategy and performance, within a framework of sound corporate governance. The Chairman of the Board is responsible for leading the Board, ensuring its effectiveness, monitoring the performance of the CEO and maintaining a dialogue with the bank's stakeholders. The control functions such as Internal Audit, Risk Management and Compliance & AML report directly to the Board Audit and Risk Committee ("ARC").

Compliance with Regulations (High Level Control Module – CBB Rulebook, Volume 2)

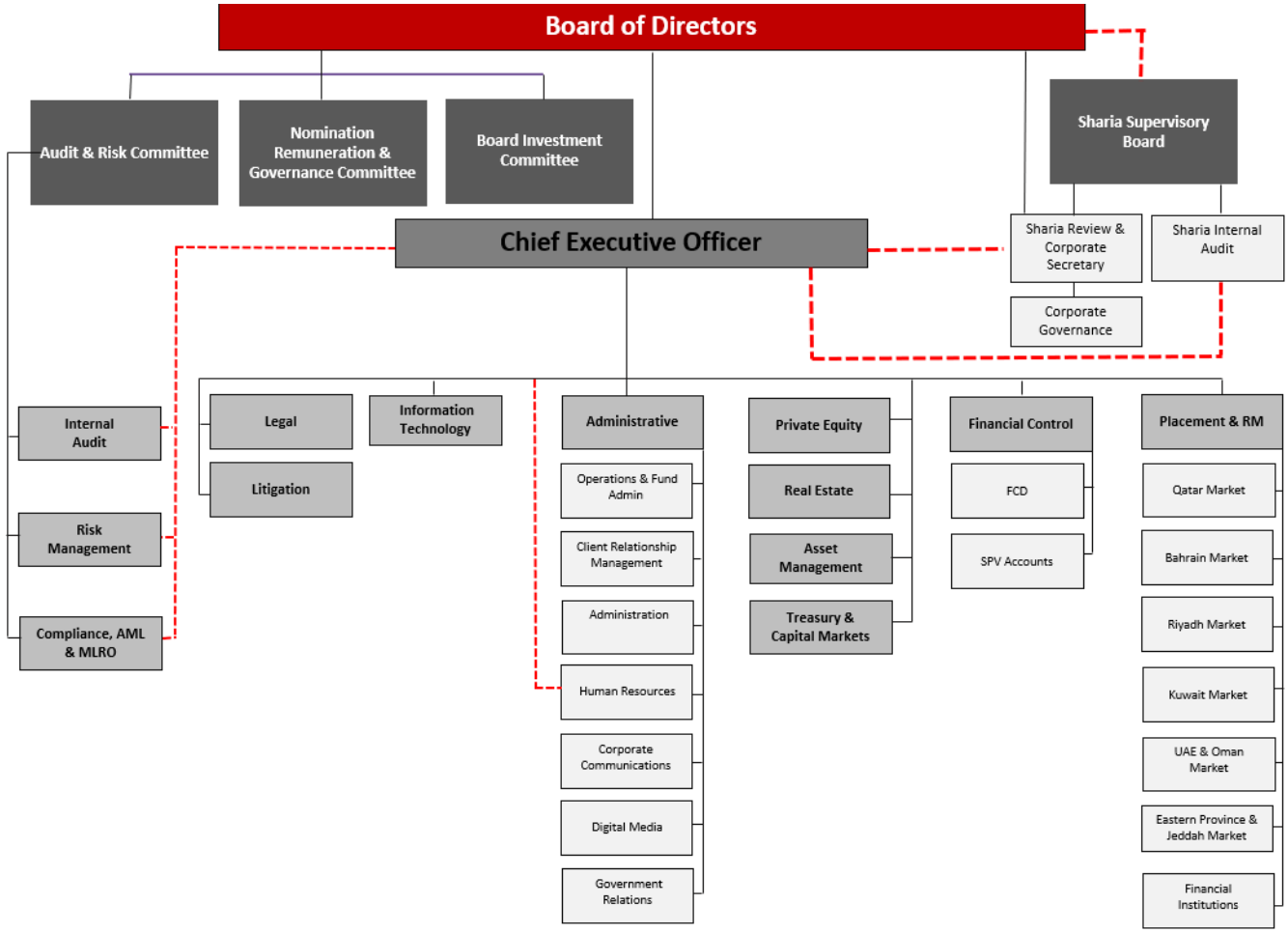
In 2022, GFH continued the implementation of the Corporate Governance rules and the requirements of 'High Level Control Module of the CBB Rulebook Volume 2 (HC Module)'.

As per rule HC-A.1.8 and HC-8.2.1 (c) of the HC Module with reference to the disclosure of the non-compliance events (Comply or Explain Principle), which stipulates the need to elucidate the non-compliance cases and provide clarification on the same in event non-compliance with the rules and guidelines of the HC Module, GFH wishes to clarify the following:

- The NRGC committee does not include a Sharia Scholar (a member of Sharia Supervisory Board) as recommended under guidance note HC-9.2.4 (b).
- Contrary to guidance note HC-7.2.2 which recommends all Board Members to attend the shareholders' meeting, the shareholders' meetings held on 3 April 2022 were attended by three Board Members.
- ARC has been dissolved following the resignation of Ms. Alia Al Falasi on 9 November 2022, with the number of remaining committee members short of the quorum required by the ARC charter.

Organizational Structure

As of 31st December 2022



GFH's Corporate Governance framework:

GFH's Corporate Governance framework remains in line with the applicable regulatory requirements and is comprised of GFH's Board of Directors' Charter, Code of Conduct for the Directors, Conflict of Interest Policy, Gift Policy, Whistle Blowing Policy, Public Disclosures & Communication Policy, Client Charter, and Code of Business Ethics & Conduct for the Management & staff members.

Furthermore, the Mechanism of Performance Evaluation of Board of Directors, Board Committees and Individual Board members, as well as the other internal policies of the Bank are in line with the regulations and guidelines issued by the CBB and international best practices.

As part of the disclosure requirements indicated in HC Module, GFH presents the following facts:

A. Ownership of shares

A.1. Distribution of shareholdings according to nationality

As at 31st December 2022, the shareholders Register shows that there are 8,323 shareholders who own 3,832,593,838 shares at a nominal value of US$ 0.265 per share, as follows:

Nationality	No. of Shareholders	No. of Shares	% of outstanding shares
Kuwaiti	4,149	1,485,582,452	37.36%
Emirati	1,967	1,003,208,850	24.98%

Bahraini	686	655,321,488	16.97%
Saudi	274	204,950,865	5.34%
American	30	138,546,301	3.60%
Cayman Islander	2	111,333,507	2.90%
Qatari	74	54,891,175	1.42%
Jordanian	265	38,006,103	0.84%
Others	876	140,753,097	6.59%
Total	**8,323**	**3,832,593,838**	**100%**

A.2. Distribution of ownership according to the percentage of shareholding

The below table shows the distribution of ownership according to the percentage of shareholding as at 31st December 2022:

Particulars	No. of Shareholders	No. of Shares	% of outstanding shares
Less than 1%	8,305	2,260,705,577	58.986%
1% to less than 5%	16	1,142,821,485	29.818%
5% to less than 10%	2	429,066,776	11.195%
10% to less than 20%	0	0	0%
20% to less than 50%	0	0	0%
Total	**8,323**	**3,832,593,838**	**100%**

A.3. Names of shareholders who own 5% or more

As of 31st December 2022, the following shareholders owned more than 5% of the Group's shares:

1. Al Raghad and Al Manar Real Estate Company
2. GFH Employee Benefit Trust

B. GFH Board of Directors and the Executive Management

B.1. Formation of the Board of Directors

The Board of GFH is composed of eight (8) members as at 31st December 2022. The current Board of GFH will complete its term in September 2023.

i. Mr. Ghazi Al Hajeri	Chairman (Independent Director)
ii. Mr. Edris Alrafi	Vice Chairman (Independent Director)
iii. Mr. Hisham Ahmed Alrayes	Member (Executive Director)
iv. Mr. Rashid Al Kaabi	Member (Non-Executive Director)
v. Mr. Ali Murad	Member (Independent Director)
vi. Mr. Fawaz Al Tamimi	Member (Independent Director)
vii. Mr. Darwish Al Ketbi	Member (Independent Director) appointed 3 April 2022
viii. Mr. Yusuf Taqi	Member (Independent Director) appointed 19 June 2022

The following members have resigned prior to year-end:

i. Mr. Jassim Mohammed AlSeddiqi	Resigned effective 4 April 2022
ii. Mr. Ahmed Al Ahmadi	Resigned effective 7 June 2022
iii. Ms. Alia Al Falasi	Resigned effective 9 November 2022

In compliance with the CBB requirements, which mandates at least one third of the members of the Board of Directors to be Independent Directors; as of 31st December 2022 the Board was comprised of six Independent Directors which includes the

Chairman of the Audit and Risk Committee and the Chairman of the Nomination, Remuneration and Governance Committee.

B.2. Separation between the position of Chairman/Deputy Chairman and Chief Executive Officer

In compliance with the CBB requirements, the position of the Chairman/Deputy Chairman and that of the Chief Executive Officer are segregated and there is no amalgamation of responsibilities in these two positions.

B.3. Function of BOD and responsibilities of the Board Members

The Articles of Association of GFH Financial Group stipulate the responsibilities of the Chairman and members of the BOD as well as the guidelines of corporate governance with respect to the distribution of responsibilities between the Board of Directors and executive management. The BOD oversees all the business activities in consultation with the executive management team. The BOD also discusses and agrees GFH Financial Group's business strategy. Additionally, the BOD is responsible for risk management and the preparation of consolidated financial statements in accordance with AAOIFI standards as modified by the CBB and corporate governance issues. The matters which require the approval of the Board includes long term strategic and annual business plan, matters pertaining to corporate governance, acquisition and disposal of investments, exit of projects. This is along with the main role of the Board which is to ensure adherence to the values of GFH Financial Group, including the values set forth in its internal regulations.

When appointed, Board members are provided with the necessary detailed information to enable them to effectively perform their main role of overseeing the strategic, operational, financial, and compliance affairs as well as corporate governance controls in GFH Financial Group. The corporate governance framework allows a member of the BOD to seek independent advice when necessary.

With respect to the channels of communication between the BOD and executive management, the Board members can contact and request information from the executive management at all times.

B.4. Independence of Board Members

Independent members represent the majority of board members. To ensure independence of members, all Board members are required to inform the Board of Directors about any changes or additions that occur on their positions and executive functions that may affect the assessment of their independence by the BOD. They should also ensure that their membership of the Board of Directors is not in conflict with any of their other interests and enable them to devote time and attention to the BOD. Before starting any Board meeting, the Chairman of the BOD instructs the Board members not to participate in the vote on the resolutions that may involve a conflict of interest; this is in addition to the annual disclosure submitted by the Board members in compliance with the conflict of interest policy.

The Nomination, Remuneration and Governance Committee of the BOD is responsible, along with its role in the identification, assessment and selection of candidates for membership of the Board of Directors, for the verification of the independence of members through the controls established by the regulations in this regard. In the selection process, the Committee ensures that the executive and non-executive candidates have a wide expertise in different fields of business and support services. Independent members are chosen from different sectors to ensure diversity of views and experiences in the BOD, as the current independent members come from financial, commercial and government sectors.

The following table shows the classification of members of the BOD as at 31st December 2022:

Classification of members	No.	% of Representation
Independent	6	75%
Non-Executive	1	12.5%
Executive	1	12.5%
Total	**8**	**100%**

The following table shows the percentage of women and men on the Board during the year in compliance with CBB Rulebook Volume 6 HC-8.3.3:

Representation	No. (as of 1 January 2022)	% of Representation (as of 1 January 2022)	No. (as of 31st December 2022)	% of Representation (as of 31st December 2022)
Women	1	11.11%	0*	0%
Men	8	88.89%	8	100%
Total	**9**	**100%**	8	100%

*Resigned on 9 November 2022

B.5. Letter of Appointment of Board Members

Upon appointment, the Board Members are required to sign a written agreement (letter of appointment) with GFH. The agreement contains details of the responsibilities and powers of the member as well as the information required by the regulations. Upon appointment, Board members are presented with a comprehensive official introduction specifically designed for this purpose. It includes, among other things, review of the BOD's role in general and the duties and roles of the Board members in particular, in addition to meeting with the executive management, presentation of GFH's strategy, financial performance, risks and legal issues and other related matters.

During the term of membership, a member of the BOD must be fully aware of all aspects of the business, including the Bank's policies relating to corporate governance.

B.6. The Right of Shareholders to appoint Members of the Board

Under Article 175 of the Commercial Companies Law of 2001 (CCL-2001) and the amendments thereto and Article 27 of GFH's Amended and Restated Articles of Association ('AOA') of the Bank, each shareholder who owns 10% or more of the capital is entitled to appoint his representative in the BOD in proportion to the number of members of the BOD.

B.7. System for Election and Termination of Directors

The system for the election and termination of Directors is governed by Article 176 – 179 of the CCL-2001 and the amendments thereto and Articles 24 - 28 of AOA.

As per the contract signed with the Directors, GFH may terminate the Director's appointment with immediate effect if the Director has:

1) committed any serious or repeated breach or non-observance of his obligations to GFH (which includes an obligation not to breach any fiduciary duties) including those arising under this agreement; or
2) been guilty of any fraud or dishonesty or acted in any manner which, in the opinion of GFH, brings or is likely to bring the Director or GFH into disrepute or is materially adverse to the interests of GFH; or
3) been declared bankrupt or have made an arrangement with or for the benefit of his creditors, or any similar or analogous act or event; or
4) been disqualified from acting as a director for any reason; or
5) been absent without a valid reason for more than four (4) consecutive board meetings; or

Furthermore, in line with the Article 179 of CCL-2001 and Articles 29 and 31 of AOA, in case of vacancy for one or more Board members, the Board shall elect by a secret ballot or otherwise, a substitute amongst certain number of candidates, proposed by at least two Board members until the first General Meeting is held.

B.8. GFH Board Members and their other memberships

The table below shows the composition of the BOD, the other memberships of the Board member and membership of committees as at 31st December 2022:

Name and position of Board member	Date of first appointment in BOD/ Re-appointment	Independent / Non-Executive / Executive	Representation	Number of memberships in other boards of Directors	Number of memberships in other boards of Directors in Bahrain	Number of memberships in other boards of Directors of banks in Bahrain	Number of memberships in Board Committees
Ghazi Al Hajeri	Mar 2017 / Sep 2020	Independent	NA	2	-	-	1

Edris Alrafi	Sep 2020	Independent	NA	2	-	-	1
Hisham AlRayes	April 2016 / Sep 2020	Executive	NA	22	9	1	1
Rashid Al Kaabi	Mar 2017 / Sep 2020	Non-Executive	NA	7	-	-	1
Ali Murad	March 2020 / Sep 2020	Independent	NA	6	-	-	1
Fawaz Al Tamimi	Sep 2020	Independent	NA	2	-	-	1
Darwish Al Ketbi	April 2022	Independent	NA	2	-	-	1
Yusuf Taqi	June 2022	Independent	NA	22	9	1	1

B.9. Ownership of the Members of the Board in GFH shares

The table below shows the change in the ownership of members of the Board of Directors of the shares of GFH Financial Group, as at 31st December 2022 compared to that of 31st December 2021:

Member's name	Shares owned as at 31st December 2021	Shares owned as at 31st December 2022	Percentage of ownership as at 31st December 2022
Hisham AlRayes	126,188,716	148,267,546	3.87%
Rashid Al Kaabi	-	-	-
Ghazi Al Hajeri	-	-	-
Ali Murad	108,435,609	161,167,124	4.21%
Fawaz Al Tamimi	-	-	-
Edris Alrafi	-	-	-
Darwish Al Ketbi	-	-	-
Yusuf Taqi	-	-	-

B.10. Directors' and Senior Managers' trading of the Bank's shares and distribution of ownership on an individual basis during the year 2022

Name of Board Member	Total no. of shares held as at 31st Dec 2021	Transactions - within the period 1st Jan - 31st Dec 2022			Total no. of shares held as at 31st Dec 2022	% of ownership
		Sold	Transferred for settlement #	Additional Position		
Hisham AlRayes	126,188,716	-	60,297,244	82,376,074	148,267,546	3.87%
Rashid Al Kaabi	-	-	-	-	-	-
Ghazi Al Hajeri	-	-	-	-	-	-

Ali Murad	108,435,609	-	-	52,731,515	161,167,124	4.21%
Fawaz Al Tamimi	-	-	-	-	-	-
Edris Alrafi						
Darwish Al Ketbi	-	-	-	-	-	-
Yusuf Taqi	-	-	-	-	-	-

Name of Management & Approved Persons	Total no. of shares held as at 31st Dec 2021	Transactions - within the period 1st Jan - 31st Dec 2022			Net total no. of shares held as at 31st Dec 2022
		Sold	Transferred for settlement #	Additional Position*	
Hisham Alrayes	126,188,716	-	60,297,244	82,376,074	148,267,546
Salah Sharif	4,403,084	1,901,889	248,971	2,720,307	4,972,531
Baha Al Marzooq	1,203,620	1,153,604	384,666	1,359,451	1,024,801
Hammad Younus	2,420,962	2,620,159	1,288,904	4,060,513	2,572,412
Nael Al Kujok	-	-		1,443,059	1,443,059
Suryanarayanan Hariharan	3,815,527	2,917,420	538,059	2,738,416	3,098,464
Razi Al Merbati	5,400,847	584,634		5,254,769	10,070,982
Pietro de Libero	-	-		-	-
Dr. Mohamed Abdulsalam	952,023	898,330	326,848	1,355,679	1,082,524
Muneera Isa	804,374	619,563		682,762	867,573
Ahmed Jamsheer	2,031,698	2,063,164	1,096,178	4,054,677	2,927,033
Osama Janahi	970,123	204,281		146,071	911,913
Osama Nasr	-	-		-	-
Mariam Jowhary	251,378	85,048		388,583	554,913
Bhaskar Mehta	-	-		-	-
Salem Patel	4,496,646	-	740,425	1,408,815	5,165,036
Yazen Al Khudairy	-	-		-	-
Mohammed Mattar	-	-		-	-
Mohammed AlHusaini	-	-		-	-
Total	152,938,998	13,048,092	64,921,295	107,989,176	182,958,787

 # Certain of the banks share schemes include a leverage component, and any settlement within the Group share scheme policies are reduced from employee holdings.

** Includes the shares bought directly from market or/and the shares awarded/ vested under Employee Share Schemes or/and the stock dividend on such shares received during the year.*

B.11. Meetings of the Board of Director during the year 2022

The meetings of the Board of Directors and the Board committees are held whenever the need arises, but under the regulations, the BOD should meet at least four times during a single fiscal year. The BOD held five (5) meetings during 2022. The shareholders meetings were held on 3 April 2022.

In addition to official meetings, a number of urgent resolutions were also passed by circulation in 2022 through e-mails to Board members.

As for the agenda of the meetings of the BOD, it is sent to the members at a suitable time before the date of the meeting, to provide the members with all the necessary information, reports and documents for their information and review. The BOD is also notified of all the topics and key events that arise and need approvals. The executive management is responsible for informing the BOD on the performance of GFH in each meeting.

Dates of Board meetings held during the fiscal year 2022 are as follows:

i. 9 February 2022
ii. 4 April 2022
iii. 11 May 2022

iv. 10 August 2022
v. 9 November 2022

Date & location of meeting	Names of Directors present	Names of Directors who participated by phone/ video link	Names of Directors not present
Date: 9 February 2022 1st Meeting Video Call Conference		Mr. Jassim Alseddiqi Mr. Ghazi Al Hajeri Mr. Idris Alrafi Mr. Hisham Alrayes Mr. Ali Murad Mr. Rashid Al Kaabi Mr. Ahmed Al Ahmadi Ms. Alia Alfalasi Mr. Fawaz Altamimi	
Date: 4 April 2022 2nd Meeting Video Call Conference		Mr. Jassim Alseddiqi Mr. Ghazi Al Hajeri Mr. Idris Alrafi Mr. Hisham Alrayes Mr. Ali Murad Mr. Rashid Al Kaabi Mr. Ahmed Al Ahmadi Ms. Alia Alfalasi Mr. Fawaz Altamimi	
Date: 11 May 2022 3rd Meeting Four Seasons Hotel – Dubai, UAE	Mr. Ghazi Al Hajeri Mr. Idris Alrafi Mr. Hisham Alrayes Mr. Ali Murad Mr. Rashid Al Kaabi Mr. Ahmed Al Ahmadi Ms. Alia Alfalasi Mr. Fawaz Altamimi Mr. Darwish Al Ketbi		
Date: 10th August 2022 4th Meeting Video Call Conference		Mr. Ghazi Al Hajeri Mr. Idris Alrafi Mr. Hisham Alrayes Mr. Ali Murad Mr. Rashid Al Kaabi Mr. Yousif Taqi Ms. Alia Alfalasi Mr. Fawaz Altamimi Mr. Darwish Al Ketbi	
Date: 9th November 2022 5th Meeting GFH Financial Group Offices – Kingdom of Bahrain	Mr. Ghazi Al Hajeri Mr. Idris Alrafi Mr. Hisham Alrayes Mr. Ali Murad Mr. Yousif Taqi Mr. Fawaz Altamimi Mr. Darwish Al Ketbi	Mr. Rashid Al Kaabi	

B.12. Quorum required for adoption of Board resolutions

The required quorum for the meetings of the BOD and AGM shall be in accordance with the provisions of the Articles of Association of GFH. The BOD may pass its resolutions by post, e-mail, fax, conference calls, video calls or any other means of audio or video communication pursuant to the provisions of Article 33-e of the Articles of Association of the Bank.

C. Board Committees

The BOD has established three subordinate committees and has delegated specific powers to each committee as follows:

C.1. The Audit and Risk Committee

The Audit and Risk Committee (ARC) is responsible for following up on the internal and external audit, risk management as well as compliance and anti-money laundering matters.

During the fiscal year 2022, the Committee held Four meetings, as detailed below:

ARC meeting date & Location	ARC members present	ARC members who participated by phone/ video link	ARC members not present
Date: 7th February 2022 1st Meeting (Part 1) Video Call Conference		Mr. Ahmed Al Ahmadi Ms. Alia Alfalasi Mr. Idris Alrafi	
Date: 8th February 2022 1st Meeting (Part 2) Video Call Conference		Mr. Ahmed Al Ahmadi Ms. Alia Alfalasi Mr. Idris Alrafi	
Date: 10th May 2022 2nd Meeting (Part 1) Video Call Conference		Ms. Alia Alfalasi Mr. Idris Alrafi	Mr. Ahmed Al Ahmadi
Date: 15th May 2022 2nd Meeting (Part 2) Video Call Conference		Mr. Ahmed Al Ahmadi Ms. Alia Alfalasi Mr. Idris Alrafi	
Date: 9th August 2022 3rd Meeting Video Call Conference		Mr. Yousif Taqi Mr. Idris Alrafi Ms. Alia Alfalasi	
Date:7th November 2022 4th Meeting (Part 1) GFH Financial Group Offices – Kingdom of Bahrain		Mr. Yousif Taqi Mr. Idris Alrafi	Ms. Alia Alfalasi
Date:8th November 2022 4th Meeting (Part 2) Jumeirah Gulf Hotel – Kingdom of Bahrain		Mr. Yousif Taqi Mr. Idris Alrafi	Ms. Alia Alfalasi

C.2. Nomination, Remuneration & Governance Committee

The Nomination, Remuneration & Governance Committee ("NRGC") is responsible for recruitment, rewards, incentive compensation of employees and the preparation of internal policies to manage human resources and other administrative matters. It is also responsible for overseeing the governance framework of GFH Financial Group.

The Committee met two times during the fiscal year 2022, as detailed below:

NRGC Meeting date & location	NRGC members present	NRGC members who participated by phone/ video link	NRGC members not present
Date: 8th February 2022 1st Meeting Video Call Conference		Mr. Ghazi Al Hajeri Mr. Rashed Al Kaabi Mr. Fawaz Altamimi	
Date: 26th December 2022 2nd Meeting Video Call Conference		Mr. Ghazi Al Hajeri Mr. Rashed Al Kaabi	Mr. Fawaz Altamimi

C.3. Board Investment Committee

The Board Investment Committee ("BIC") is a Board's sub-committee appointed to assist the board in formulating the bank's investment policy and make investment transaction decisions. The BIC will meet as events and decision making require. During the year certain resolutions were passed by circulation.

D. Audit fees and other services provided by the external auditor

During the Annual General Meeting held on 3rd April 2022, the shareholders approved the re-appointment of KPMG as external auditors for the year ending 31st December 2022 and authorized the Board of Directors to determine their remuneration. The audit fees charged and non-audit services provided by the external auditors shall be available to the shareholders as and when requested through formal requests provided that these disclosures would not negatively impact the Audit firm's interest and its competition in the market.

E. Other topics

E.1 Remuneration of the Board of Directors and Executive Management

Remuneration of the Board of Directors is recommended to the Board of Directors by the Nomination, Remuneration & Governance Committee and the Board of Directors then makes the recommendation to the shareholders at the annual general meeting.

The Board of Directors' remuneration takes into consideration the performance of the Bank as well as an assessment of compliance of individual members with their performance agreement and individual responsibilities. During the year 2022, the Board was paid fees as stated in the Chairman's Report accompanying the consolidated financial statements.

Executive Management is entitled to a fixed remuneration as per their contractual agreements, and any other performance- related incentives/bonuses must be approved by the Board.

Refer to the Chairman's report and note 24 (Key management personnel) of the consolidated financial statements for details of the remuneration to Executive Management.

During 2022, the total remuneration paid to Sharia Supervisory Board was US$400,000.

E.2 Continuous development of the Board and Board Committees

The Charter of the Board of Directors serves as a reference point for the Board activities. The Charter outlines the demarcation of the roles, functions, responsibilities and powers of the Board, various Board committees of GFH and matters reserved for final decision–making or pre approval by the Board and the policies and practices of the Board in respect of matters such as conflicts of interest and convening of Board meetings.

The Board Charter sets up a detailed Board Training guide which provides a framework for induction/orientation of new Board members. The new Board of Directors are provided with a presentation pack containing overview/highlights of GFH.

All the members of the Board at the time of appointment should sign a Directors contract, which contains the terms of the

appointment, duties and responsibilities of the members, membership and time commitment, conflicts of interest, resignation and termination, confidentiality of information, requirement for the completion of professional development trainings and other details which the members have to abide by during their tenure of being member of the Board.

Furthermore, all Board members are required to attend a minimum of fifteen (15) hours of continuous professional development training annually in line with the requirements of the Training and Competency Module of the CBB Rulebook Volume 2.

E.3 Board's Performance Evaluation

At GFH, a comprehensive Board Performance Evaluation Pack (framework for the annual self-assessment process by the Board, the Board Committees and Individual Directors) is in place which is in line with the CBB guidelines (HC Module).

The evaluation is to be used to assess Board effectiveness and support in identifying the need for:

- A revised mix of skills/experience on the Board.
- Board training and/or professional support
- Replacement of Individual Directors whose contribution is deemed inadequate.

The Board Performance Evaluation Framework is based on the following - Principles:

- The Board shall, through the Nomination, Remuneration and Governance Committee (NRGC), undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and Individual Directors.
- The Chairman will act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the Board. The Chairman of the NRGC will be responsible for the performance evaluation of the Chairman, taking into account the views of other Board Members.
- The evaluation process will be used constructively as a mechanism to improve Board effectiveness, maximise strengths and tackle weaknesses.
- The results of Board evaluation will be shared with the Board as a whole whilst the results of individual assessments will remain confidential between the Chairman and the Director concerned.
- Key results indicators, derived from the strategic plans and objectives, should be used to measure the Board's performance.

The Board Performance Evaluation Framework is based on the following - Methodology:

1) Each Board Member is required to complete the 'Board Performance Evaluation Form' and the "Individual Director's Self Evaluation Form".
2) The Chairman of the Board will also individually evaluate each of the Board Members.
3) NRGC will collate the ratings of the Board (Board Performance Evaluation Form) done by each of the Board Member accordingly; in order to arrive to mean results.
4) Each Committee Members will also perform rating of their respective committee(s).
5) Similarly, NRGC will collate the ratings of each of the Committee (NRGC/BIC/ARC); in order to arrive to mean results of that specific committee.

E.4. Transactions Requiring Board Approval

As part of their central leadership and designated authority, the Board of Directors discuss and approve matters pertaining to Strategic Planning, Business Plan, Policies and Procedures, Annual Report, Financial Statements, Appointment of External Auditors and Strategic Partnerships. Furthermore, other matters such as strategic decisions, investment fund proposals, provisions and write-off limits or credit and exposure limits may require the Board's approval as per the internal designated authority limits.

E.5. Transactions with Related Parties

Details of transactions with related parties are indicated in detail in Note 24 of the consolidated financial statements for the fiscal year ended 31st December, 2022. All related party transactions are approved by the Board of Directors and disclosed to the shareholders in the Annual General Meeting.

E.6. Approval process for Connected Counterparty Transactions

All connected counterparty exposures (within the CBB defined limits) will be approved by the appropriate approving authority as per the Delegate Authority Limit (DAL). Where the approving authority as per DAL is connected / interested, the approval authority shall move to the next level.

In determining whether to approve a Connected Counterparty Transaction, the requesting and approving authority will consider, among other factors, the following factors to the extent relevant to the Connected Counterparty Transaction:

- Exposures to connected counterparties may be justified only when undertaken for the clear commercial advantage of the bank, when negotiated and agreed on an arm's length basis, and when included in the policy statement agreed with the Central Bank.
- No Islamic facilities provided by a bank to its own external auditors shall be permitted (External auditors include firm/ partnership, the partners, the directors and managers of the audit firm). In addition, unless provided for in the contract, off-balance sheet restricted investment accounts will not be permitted to participate in on-balance sheet corporate funding and vice versa and movement within restricted investment accounts is not permitted unless specifically permitted under a valid contract between the bank and the relevant client.
- Whether the terms of the Connected Counterparty Transaction are fair to the Bank and on the same basis as would apply if the transaction did not involve a Connected Counterparty;
- Whether there are business reasons for the Bank to enter into the Connected Counterparty Transaction;
- Whether the Connected Counterparty Transaction would impair the independence of an outside director and;
- Whether the Connected Counterparty Transaction would present an improper conflict of interests for any director or executive officer of the Bank, taking into account the size of the transaction, the overall financial position of the director, executive officer or Connected Counter Party, the direct or indirect nature of the director's, executive officer's or Connected Party's interest in the transaction and the ongoing nature of any proposed relationship, and any other factors the ARC deems relevant.
- The bank must not undertake exposures to controllers as defined under Chapter GR-5 or to subsidiaries of such, however, smaller shareholders will be subject to normal exposure limits outlined under CM-4.4.5. Directors who are also controllers (or the appointed board representatives of such controllers) are subject to a 0% limit.
- The Central Bank's prior written consent should be obtained for any credit facilities provided to an employee where the amount of such facility, either singly or when added to an existing facility/existing facilities outstanding to that employee at that date, would be equal to or in excess of BD 100,000 (Bahrain Dinars One Hundred Thousand), or its equivalent in foreign currency. Banks must notify the Central Bank in writing of any senior employee who fails to discharge his repayment obligations.
- Reciprocal cross-holdings of capital between a bank and its "controllers", which artificially inflate the capital of licensee concerned, are not permitted. Any cross-holdings that occur due to acquisitions or takeovers must be deducted from the concerned bank's capital. Any member of the Board who has an interest in the transaction under discussion will abstain from voting on the approval of the Connected Counterparty Transaction.

E.7. Ownership of shares by Government entities

Authority Name	Government	Shares Owned	% of Shares Owned
General Pension And Social Security Authority	UAE	31,386,606	0.82%
California Public Employees Retirement	USA	7,358,906	0.19%
Utah State Retirement System	USA	145,375	0.00%
Beit Alquran	Bahrain	8,516	0.00%

E.8. Review of internal control and processes

Internal control is a process affected by the Board of Directors, senior management and all levels of personnel. It is not solely a procedure or policy that is performed at a certain point in time, but rather it is continually operating at all levels within the Bank. The Board of Directors and senior management are responsible for establishing the appropriate culture to facilitate an effective internal control process and for monitoring its effectiveness on an ongoing basis; however, each individual within an organisation must participate in the process.

The main objectives of the internal control process can be categorised as follows:

1. Efficiency and effectiveness of activities (performance objectives);

2. Reliability, completeness and timeliness of financial and management information (information objectives); and
3. Compliance with applicable laws and regulations (compliance objectives).

Also, the internal control system of the Bank consists of five (5) interrelated elements:

i. Management oversight and the control culture;
ii. Risk recognition and assessment;
iii. Control activities and segregation of duties;
iv. Information and communication; and
v. Monitoring activities and correcting deficiencies.

E.9. GFH's Client Charter

In line with the CBB requirements, GFH has developed a client's charter which outlines the commitments made by GFH in respect of the quality of services and products delivered to its clients and shareholders. The client's charter, which is available on the bank's website, is an assurance that services provided by the Bank will comply with quality standards. Generally, quality standards are standards that will fulfill clients' and shareholders' needs and expectations.

The client charter also incorporates GFH's Complaints handling procedures and encourages the clients and its shareholders to report any alleged wrongful conduct, malpractice or an improper/ unethical behavior of an employee of the bank.

E.9.1 Dealing with Complaints

GFH is committed to providing its clients with the highest standard of service. However, should a client complain because he/she feels GFH has failed to deliver what it has promised, GFH will do everything possible to ensure that such a complaint is dealt with fairly, promptly and effectively. The information provided here will show you how to:

i. Make a complaint.
ii. Escalate if you are not satisfied with the response provided by GFH in response to your complaint.
iii. Take further action if you are still dissatisfied with the outcome.

- ***Mechanism for submitting Complaints:***

The complaint must be in writing and should be addressed to the Investors' Relations Department and must be marked to the GFH's Compliance Department.

In compliance with the directives of the Central Bank of Bahrain, GFH has appointed a Complaints Handling Officer, who is responsible for ensuring that the client complaint is acknowledged, properly investigated, and that the Bank's response is adequately communicated to the client.

- ***Options for submitting Complaint:***

a) Hand delivery to GFH's Office (reception) located at 28th Floor, East Tower, Bahrain Financial Harbour, Manama
b) Via Fax to the following number +973 17 540006
c) Courier or post to the following address:
Complaint Handling Officer GFH Financial Group B.S.C. 28th Floor, East Tower Bahrain Financial Harbour PO Box 10006 Manama, Kingdom of Bahrain
d) Or scan and email the written complaint to: iservice@gfh.com

- ***What happens once your complaint is submitted?***

a) Once a client complaint has been submitted, we will acknowledge within five (5) working days.
b) The client complaint will be referred to the concerned person/department which will investigate it thoroughly and a written response detailing the outcome of our investigation and our decision shall be provided within four (4) weeks of receiving the complaint.
c) In the unlikely event that the complaint is not answered within the timeframe mentioned in point (b), we will write the reasons why there has been a delay and the additional action that we will take including when we anticipate to have concluded our investigation.
d) After receiving the final response to the complaint, and if the client is still not satisfied, he/she can write directly to the Consumer Protection Unit of the Central Bank of Bahrain or he/she can submit the case through the "Complaint form" available on the Central Bank of Bahrain website www.cbb.gov.bh, within 30 calendar days from the date of receipt of our final response.
e) All correspondences in relation to the complaint and records must be retained by GFH for a period of five (5) years from the date of receipt of the complaint.

E.9.2. Whistle-blowing

- ***Report an Incident***

Whistleblowers are encouraged to report any observed wrongful conduct, malpractice or an improper/unethical behavior to the Bank through the following means:

Report to 'Head of Compliance' or 'Head of Internal Audit' by sending an email at whistleblow@gfh.com; alternatively, send a letter by post at the below address:

Head of Compliance / Head of Internal Audit
GFH Financial Group B.S.C, 30th Floor, East Tower Bahrain Financial Harbour, P.O. Box 10006, Manama, Kingdom of Bahrain

- ***Protection Rights for Whistleblowers***

a) GFH is committed to the protection of Whistleblowers against any possible retaliation or reprisals, whether actual or threatened as a result of their whistleblowing.
b) The Whistleblower's identity, the nature of the report, and the suspected person's identity are strictly confidential.
c) Retaliation against an individual, who in good faith, had made a complaint, disclosed information relating to a complaint or otherwise participated in an investigation relating to a complaint is prohibited regardless of the outcome of the investigation.
d) The Board Audit & Risk Committee of the bank will be responsible to assess the incident reported and will decide the course of action.

E.10. Details of penalties paid

Nil during 2022

E.11. Systems and controls for compliance with Sharia and AAOIFI standards

In pursuance with the provisions of its Articles of Association, GFH Financial Group has always carried out its banking activities in compliance with Islamic Sharia principles that constitute an integral part of the entire policies of the Bank. Tasks managed by Sharia Department of GFH include the followings:

1. Ensuring that the necessary approvals of the SSB have been obtained for each project.
2. Ensuring compliance of projects with the Sharia provisions indicated in the Prospectus and the approved structure of the project.
3. Reviewing the financial statements and other issues related to the projects and ensuring that they are in compliance with the Sharia principles.
4. Ensuring that the projects are in compliance with Fatwas and recommendations of the SSB of GFH and the other Sharia Boards, if any.
5. Ensuring that the approval of the SSB is obtained for each financial instrument (such as sale transactions, financing, currency conversion, Sukuks, deposits, etc.), including the approved and concluded contracts and agreements.
6. Reviewing the financial statement to ensure full compliance with the Sharia principles and the requirements and provisions of the Accounting & Auditing Organisation for Islamic Financial Institutions (AAOIFI) as modified by the CBB.
7. Ensuring that all the products and the structures thereof are in compliance with AAOIFI's standards.

For earnings prohibited by Sharia, please refer note 28 of the consolidated financial statements for the fiscal year ended 31st December 2022.

E.12. Board Code of Conduct

The Board has approved a code of conduct for all staff of the Bank and the Board members. The Code includes guidance on dealing with conflict of interests, insider trading, key person dealing, receiving gifts, system & controls framework, confidentiality etc. It also binds the Directors, Executive Management and staff to the highest standard of professionalism and diligence on discharging their duties. All Board members and senior management of the Bank have affirmed compliance with the Code of Conduct. Board members are excluded from dealings in matters related to an external entity where they hold a position. Any breach of the code is reported to the Board NRGC by the Corporate Secretary, Head of Compliance or the Head of Human Resources. The Board NRGC is responsible to take the necessary action.

E.13. Board Conflict of Interest

Any conflict of interest that might arise from the Board members is governed by the Board Conflict of Interest Policy. Each Board member is required to annually disclose any potential conflict of interest that might arise during the term of their membership. Any transaction that has occurred during their term as a Board member must be disclosed to the Board through the Conflict of Interest Reporting Form. Any conflict of interest arising from any Board member must be ratified by the Board, and the respective Board member will be refrained from voting on that matter.

E.14. Employment of Relatives

The Group maintains Employment of Relatives policy to prevent any potential for favoritism and conflict of interest in decision-making due to factors of kinship in relationships among employees within the Group regardless of difference in department and reporting line. The Group does not permit the employment of relatives (direct family of the employee up to fourth degree and up to the second degree for the employee's spouse) of current Employees. This restriction is not limited to the recruitment and selection only but is also applicable on existing employee of the group in case he/she marries another employee of the group.

All Departmental Head are required to promptly report to Head of Human Resource any changes in status of their respective team-members. Also, all employees are urged, if in doubt, to consult with their respective supervisors and the Human Resource department.

E.15. Remuneration strategy

It is GFH's basic compensation philosophy to provide a competitive level of total compensation to attract and retain qualified and competent employees. GFH's variable remuneration policy will be driven primarily by a performance- based culture that aligns employee interests with those of the shareholders of GFH. The variable remuneration policy helps ensure effective alignment of remuneration with prudent risk-taking by senior management in the conduct of business.

A robust and effective governance framework ensures that GFH operates within clear parameters of its compensation strategy and policy. All compensation matters, and overall compliance with regulatory requirements, are overseen by the CEO and the Nomination and Remuneration Committee of the Board (NRGC).

The quality and long-term commitment of all our employees is fundamental to our success. We therefore aim to attract, retain and motivate the very best people who are committed to maintaining a career with GFH, and who will perform their role in the long-term interests of our shareholders. GFH's reward package is comprised of the following key elements:

1. Fixed pay;
2. Benefits;
3. Annual performance bonus;
4. Commission for sales staff;
5. Co-investment plans;
6. Remuneration for senior management from participation in boards of investee entities; and
7. The long-term performance incentive plan

GFH's remuneration policy in particular, considers the role of each employee and has set guidance on whether an employee is a Material Risk Taker and/or an Approved Person in a business line, control or support function. An Approved Person is an employee whose appointment requires prior regulatory approval because of the significance of the role within GFH and an employee is considered a Material Risk Taker if they are the Head of a significant business line or any individuals within their control who has a material impact on GFH's risk profile.

In order to ensure alignment between what we pay our people and our business strategy, we assess individual performance against annual and long-term financial and non-financial objectives summarised in our performance management system. This assessment also takes into account adherence to GFH's values, risks and compliance measures and above all integrity. Altogether, performance is therefore judged not only on what is achieved over the short and long-term but also importantly on how it is achieved, as the NRGC believes the latter contributes to the long-term sustainability of the business.

NRGC role and focus

The NRGC has oversight of all reward policies for GFH's employees. The NRGC is the supervisory and governing body for compensation policy, practices and plans. It is responsible for determining, reviewing and proposing variable remuneration policy

for approval by the Board. It is responsible for setting the principles and governance framework for all compensation decisions. The NRGC ensures that all persons must be remunerated fairly and responsibly. The remuneration policy is reviewed on a periodic basis to reflect changes in market practices, compliance with regulations, the business plan, long term objectives and risk profile of GFH.

The responsibilities of the NRGC with regards to GFH's variable remuneration policy, as stated in its mandate, include but are not limited to, the following:-

- Review, monitor and approve the remuneration policies for the approved persons and material risk-takers, which must be consistent with GFH's corporate values and strategy to ensure that they operate as intended.

a) The committee should be responsible for retaining and overseeing outside consultants or firms for the purpose of reviewing the remuneration of approved persons and material risk-takers, administering remuneration plans, or related matters.
b) Ensure that the remuneration of approved persons and material risk-takers is sufficient enough to attracts and retain persons of the quality needed to run GFH successfully, but that bank avoids paying more than is necessary for that purpose.
c) Approve the individual remuneration amounts, packages and total compensation for each approved person and material risk-taker and make recommendations to the Board of the total variable remuneration (bonus pool) to be distributed, taking account the total remuneration, including salaries, fees, expenses, bonuses and other employee benefits.
d) Evaluate the performance of approved persons and material risk-takers in light of GFH's corporate goals, agreed strategy, objectives and business plans.
e) The committee shall be responsible to the Board for the overview of any employee benefit trust (EBT) or similar arrangements adopted for the purpose of administering the deferred incentive arrangements (including share schemes) of GFH.
f) Ensure that variable remuneration for material risk-takers forms a substantial part of the total remuneration of approved persons and material risk-takers (other than the risk management, internal audit, operations, financial controls, internal Shari'a review/audit, AML and compliance functions personnel.
g) Ensure that for approved persons in risk management, internal audit, operations, financial controls, internal Shari'a review/audit, AML and compliance functions the mix of fixed and variable remuneration is weighted in favour of fixed remuneration.
h) Ensure that the system includes effective controls including stress testing and back testing results of the remuneration policy and that the system's practical operation is regularly reviewed for compliance with regulations, internal policies and bank procedures.
i) Review remuneration outcomes, risk measurements and risk outcomes regularly for consistency with the Board's approved risk appetite, for submission for the Board for its review.
j) Review cases where any ex-ante risk adjustments are to be used to take into account severe but plausible scenarios to the variable remuneration as per GFH's variable remuneration policy.
k) Review cases where the bonus is diminished by exercise of Malus and Clawback adjustments.
l) Question payouts for income that cannot be realised or whose likelihood of realisation remains uncertain at the time of payout.
m) Ensure appropriate compliance mechanisms are in place to ensure that employees commit themselves to not using personal hedging strategies or remuneration-and liability-related insurance to undermine the risk alignment affects embedded in their remuneration arrangements.

Use of consultants:
GFH engaged external consultants to benchmark pay and grading structure to bring it in line with market practices. A consultant was also engaged to develop and update the framework for issuances of Long Term Incentive Plan (LTIP) which has been discussed and approved by the Board's NRCG committee and the Board of Directors.

Scope of application of the remuneration policy
The principles of this remuneration policy apply on a group-wide basis. However, application of deferral requirements and issue of non-cash instruments for each subsidiary of GFH will be determined by applicable local regulations and market norms. Currently, deferral arrangements are applicable only to Bahrain domiciled banking entities within the Group.

Board remuneration
GFH will determine board remuneration in line with the provisions of Article 188 of the Commercial Companies Law, 2001. The Board of Directors' remuneration will be capped so that variable remuneration in any financial year (sitting fees is not part of

variable remuneration) does not exceed 10% of GFH's net profit, after all required deductions outlined in Article 188 have been made. Remuneration of non-executive directors will not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses or pension benefits. Board remuneration is subject to approval of the shareholders in the annual general meeting.

Variable remuneration for staff

Variable remuneration is performance related and consists primarily of the annual performance bonus award. As part of our staff's variable remuneration, the annual bonus rewards delivery of operational and financial targets set each year, the individual performance of the employees in achieving those targets, and their contribution to delivering GFH's strategic objectives.

GFH has adopted a Board approved framework to develop a transparent link between variable remuneration and performance. The framework is designed on the basis of meeting both satisfactory financial performance targets and the achievement of other non-financial factors, that will, all other things being equal, deliver a target bonus pool for employees, prior to consideration of any allocation to business lines and employees individually. In the framework adopted for determining the variable remuneration pool, the NRGC aims to balance the distribution of GFH's profits between shareholders and employees.

Key performance metrics at GFH level include a combination of short-term and long-term measures and include profitability, solvency, liquidity, risk diversification, strategy implementation and growth indicators. The performance management process ensures that all goals are appropriately cascaded down to respective business units and employees.

In determining the quantum of variable remuneration, GFH has implemented a hybrid model by defining a Top Down (profit based) bonus pool funding for its staff. The total bonus pool is capped at a percentage of profit before being assessed for risk. This approach is a starting position and the NRGC may choose to implement a discretionary award for a given year based on affordability for GFH and its assessment of GFH's current and future resource requirements. The bonus pool is adjusted to take account of risk via the use of risk-adjusted measures (including forward-looking considerations), subject to the final discretion of the NRGC. In addition to the annual bonus plan, the Board from time-to-time approves LTIP awards with performance and service conditions to retain key management and incentive achievement of long term performance and strategic measures. These awards vest ratably on an annual basis and can be accelerated or cancelled based on the extent of achievement of targets set for each year.

Under the variable remuneration policy of GFH, placement fees, sales commission or incentives for sales staff is not considered to be part of the variable remuneration (subject to deferral) as it is an integral part of the overall pay structure of the sales and placement staff. Further, these payments are not considered variable remuneration as they are not directly or indirectly linked to GFH-wide performance and are considered activity-based payments.

The NRGC carefully evaluates practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. NRGC demonstrates that its decisions are consistent with an assessment of GFH's financial condition and future prospects. A special pool is also considered for recoveries made against any legacy investments and legal cases and is approved on a case-by-case basis by the Board of Directors.

GFH uses a formalised and transparent process to adjust the bonus pool for quality of earnings. If the quality of earnings is not strong, the profit base could be adjusted based on the discretion of the NRGC.

For the overall Bank to have any funding for distribution of a bonus pool, threshold financial targets have to be achieved. The performance measures ensure that total variable remuneration is generally, considerably contracted where subdued or negative financial performance of GFH occurs. Furthermore, the target bonus pool as determined above is subject to risk adjustments in line with the risk assessment and linkage framework.

Remuneration of control and support functions

The remuneration level of staff in the control and support functions allows GFH to employ qualified and experienced personnel in these functions. GFH ensures that the mix of fixed and variable remuneration for control and support function personnel is weighted in favor of fixed remuneration. In exceptional cases, the approval of the NRGC shall be obtained. The variable remuneration of control functions is to be based on function-specific objectives and is not be determined by the financial performance of the business areas they monitor to avoids conflict of interests related to the business unit they are overseeing.

GFH's performance management system plays a major role in deciding the performance of the support and control units on the basis of the objectives set for them. Such objectives are more focused on non-financial targets that include risk, control, compliance and ethical considerations as well as the market and regulatory environment apart from value adding tasks which are specific to each unit.

Variable compensation for business units

The variable remuneration of the business units is primarily determined by key performance objectives set through the performance management system of GFH. Such objectives contain financial and non-financial targets, including risk control, compliance and ethical considerations as well as market and regulatory requirements. The consideration of risk assessments in the performance evaluation of individuals ensures that any two employees who generate the same short- run profits but take different amounts of risk on behalf of GFH are treated differently by the remuneration system.

Risk assessment framework

The purpose of risk linkages to the reward framework is to align variable remuneration to the risk profile of GFH. In its endeavor to do so, GFH considers both quantitative measures and qualitative measures in the risk assessment process. Both quantitative measures and human judgment play a role in determining any risk adjustments. The risk assessment process encompasses the need to ensure that the remuneration policy as designed reduces employees' incentives to take excessive and undue risks, is symmetrical with risk outcomes and delivers an appropriate mix of remuneration that is risk aligned.

GFH's NRGC considers whether the variable remuneration policy is in line with GFH's risk profile and ensures that through GFH's ex-ante and ex-post risk assessment framework and processes, remuneration practices where potential future revenues whose timing and likelihood remain uncertain are carefully evaluated.

Risk adjustments take into account for all types of risk, including intangible and other risks such as reputation risk, liquidity risk, the cost of capital and the strategic measures. GFH undertakes risk assessments to review financial and operational performance against business strategy and risk performance prior to distribution of the annual bonus. GFH ensures that total variable remuneration does not limit its ability to strengthen its capital base.

The bonus pool takes into account the performance of GFH which is considered within the context of GFH's risk management framework. This ensures that the variable pay pool is shaped by risk considerations and Bank-wide notable events. The size of the variable remuneration pool and its allocation within GFH takes into account the full range of current and potential risks, including:

a) The cost and quantity of capital required to support the risks taken;
b) The cost and quantity of the liquidity risk assumed in the conduct of business; and
c) Consistency with the timing and likelihood of potential future revenues incorporated into current earnings.

The NRGC keeps itself abreast of GFH's performance against the risk management framework. The NRGC will use this information when considering remuneration to ensure returns, risks and remuneration are aligned. Since 2021 has been an unusual year effected by the global pandemic and consequential market impact, the NRGC has adopted a more qualitative approach in their assessment of performance and rewards.

Risk adjustments

GFH has an ex-post risk assessment framework which is a qualitative assessment to back-test actual performance against prior risk assumptions.

In years where GFH suffers material losses in its financial performance, the risk adjustment framework will consider the following:

- Need for a considerable contraction of GFH's total variable remuneration.
- At an individual level, poor performance by GFH will mean individual KPIs are not met and hence employee performance ratings may be lower
- Reduction in the distribution of amounts previously earned, through increased deferred compensation, which may be paid once GFH's performance improves
- Reduction in the value of deferred shares or awards
- Possible changes in vesting periods and additional deferral applied to unvested rewards
- Lastly, if the qualitative and quantitative impact of a loss incident is considered significant, a malus or clawback of previous variable awards may be considered.

The NRGC, with the Board's approval, can rationalise and make the following discretionary decisions:

- Take no action
- Increase/reduce the ex-ante adjustment
- Consider additional deferrals or increase in the quantum of non-cash awards
- Recovery through malus and clawback arrangements

Malus and Clawback framework

GFH's malus and clawback provisions allow GFH's Board of Directors to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited/ adjusted or the delivered variable remuneration recovered in certain situations. The intention is to allow GFH to respond appropriately if the performance factors on which reward decisions were based turn out not to reflect the corresponding performance in the longer term. All deferred compensation awards contain provisions that enable GFH to reduce or cancel the awards of employees whose individual behavior has had a materially detrimental impact on GFH during the concerned performance year.

Any decision to take back an individual's awards can only be taken by GFH's NRGC. GFH's NRGC takes into account the advice of the CEO, Risk, Finance and HR Departments as appropriate.

GFH's malus and clawback provisions allow GFH's Board to determine that, if appropriate, vested/unvested elements under the deferred bonus plan can be adjusted/cancelled in certain situations. These events include, but not limited to, the following:

- Reasonable evidence of misbehavior or material error by the employee causing harm to GFH's reputation or where his/her/their actions have amounted to misconduct, incompetence or negligence
- The employee's business unit suffers a material downturn in its financial performance or a material restatement of the financial statements of GFH
- The employee's business unit suffers a material risk management failure
- An employee deliberately misled the market and/or shareholders in relation to the financial performance of GFH
- A significant deterioration in the financial health of GFH

Clawback can be used if the malus adjustment on the unvested portion is insufficient given the nature and magnitude of the issue.

Macro-economic impacts (such as COVID-19 related disruptions) that are specific or idiosyncratic to GFH are not considered as basis for malus or clawback.

Components of Variable remuneration

GFH's variable remuneration framework provides for the following key components:

Upfront cash	The portion of the variable compensation that is awarded and paid out in cash on conclusion of the performance evaluation process for each year.
Deferred Cash	The portion of variable compensation that is awarded and paid in cash on a pro-rata basis over a period of minimum three years.
Upfront share awards	The portion of variable compensation that is awarded and issued in the form of shares on conclusion of the performance evaluation process for each year, but released after a retention period of six months.
Deferred annual bonus (DAB) share awards	The portion of variable compensation that is awarded and paid in the form of shares on a pro-rata basis over a period of minimum three years and an additional retention period of six months once vested. DAB shares are not subject to any additional performance conditions.

Future performance awards (FPA)	The portion of variable compensation which is awarded to selected employees for future performance conditions. The awards are contingent on the delivery of set performance targets for GFH as well as service conditions on part of employees. These awards comprise individually or a combination of the following: **Long-term Incentive Plan** (LTIP) Shares, where the employees are compensated in form of shares as a percentage on achievement of some pre-determined performance conditions **Profit share**, where the employees are compensated based on a specified percentage of targeted profit for a transaction, distributable on achievement of targeted return. **Carried Interest**, where the employees are compensated a specified percentage of fair value gain on investments once it achieves a specified hurdle rate on realisation. **Co-investment,** wherein as portion of variable remuneration is awarded in the form of an investment made by GFH which is encashable by employee on Bank's exit from the investment. **Sales/recovery incentive**, where the employee or a team is compensated on the basis of a specified percentage of a sales value of an investment on successful exit or recovery of an asset.

Employee Share Ownership Loan Scheme

GFH may also implement an employee share ownership loan scheme (ESOL Scheme) from time to time to be implemented under any of the Share Incentive Scheme it develops. Such ESOL Scheme, if implemented, shall allow employees to increase their participation in GFH Shares through the utilisation of financing advanced by GFH and the right to acquire GFH shares at the pricing determined in accordance with the applicable ESOL Scheme. The ESOL Scheme is designed to enable eligible participants to increase their holdings of GFH shares on favourable terms but under the funding of the participants themselves. The existing LTIP plans includes embedded leverage options.

Establishment of the Trust Instrument

GFH has established a GFH Employee Benefit Trust instrument to hold and manage its deferred staff benefits related to the Variable Remuneration policy. The Trustees shall undertake all of the duties set out in the Bahrain Trust Law and the Trust Instrument.

Deferred compensation

All approved persons and material risk-takers earning over BHD 100,000 in total compensation are subject to deferral of variable remuneration as follows:

Element of variable remuneration	CEO, his deputies and other 5 most highly paid business line employees	Other covered staff	Deferral period	Retention	Malus	Clawback
Upfront cash	40%	50%	immediate	-	-	Yes
Upfront shares	-	0%-10%	immediate	6 months	Yes	Yes
Deferred cash	0%-10%	-	Over 3 years	-	Yes	Yes
Deferred share awards	0%-50%	0%-50%	Over 3 years	6 months	Yes	Yes
Other Non-Cash Awards or FPA	0%-60%	0%-50%	Performance linked	6 months	Yes	Yes

The NRGC, based on its assessment of role profile and risk taken by an employee could increase the coverage of employees that will be subject to deferral arrangements. For the purpose of calculation of benefits, the value of employee benefit on date of the issuance of the award (and to be recognized in the P&L) is considered for the purposes of calculation of total variable compensation and all other measures under the variable remuneration policy.

All deferred and future performance awards are subject to malus provisions. All share awards and related dividends are released

to the benefit of the employee after a six-month retention period from the date of vesting. The number of equity share awards is linked to GFH's share price as per the rules of GFH's Share Incentive Scheme.