
Corporate Governance

Corporate Governance

Overview of Policies and Controls

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

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

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

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

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

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

The "Comply or Explain" Principle

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

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

Developments in Regulations

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

Board of Directors

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

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

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

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

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

Corporate Governance (Continued)

Board of Directors (Continued)

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

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

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

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

Structure and Composition of the Board

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

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

Duties of Board Members

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

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

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

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

Duty of Obedience

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

Duty of Care

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

Duty of Loyalty

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

Board Members' Election and Evaluation System

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

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

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

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

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

Corporate Governance (Continued)

Board Members' Election and Evaluation System (Continued)

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

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

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

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

Board Induction and Development Programme

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

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

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

Board Members' Conflict

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

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

The Chairman shall inform the General Assembly of the results of such contracts in the annual general meeting following execution of the transactions and such notification is to be accompanied by a special

report of an external auditor in respect of the nature and details of the matter, and the extent of interest of the respective member. Violating this Article 189 shall render the Board member and the Board jointly liable for compensation for any damage caused by the breach.

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

Board Members Sitting Fees

The Board members' sitting fees for Board and Board committees' meetings in 2024 amounted to US\$ 222,600 (2023: US\$ 240,600).

The Sharia Supervisory Board sitting fees for 2024 was US\$ 16,000 (2023: US\$ 16,000).

Remuneration Strategy

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

Employment of Relatives of Approved Persons

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

Board Committees

In accordance with regulatory requirements, organizational structure and best practices, the Board has established the following committee and has adopted the charter setting out the matters relevant to its composition, responsibilities and administration.

Audit, Governance, Risk, Nomination and Remuneration Committee

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

Corporate Governance (Continued)

Board Committees (Continued)

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

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

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

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

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

- Elham Ebrahim Abdulla Hasan – Chairperson
- Tunku Yaacob Khyra - Member
- Dr. Amani Khaled Bouresli – Member
- Sheikh Dr. Osama Bahar – Member*

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

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

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

- Reviewing the consolidated financial statements and recommending them to the Board for approval;
- Reviewing and approving the proposed annual Internal Audit plan and strategy and all reports issued by the Internal Audit Department;
- Providing oversight of the Corporate Governance, Compliance and Regulatory requirements;
- Updating and aligning all risk and information security policies in line with changes in the regulatory requirements;
- Reviewing of existing risk limits and establishing new risk limits for better control of credit, market, operational, liquidity, profit rate risk and concentration risks;
- The Internal Capital Adequacy Assessment Process (ICAAP) report for review;
- Reviewing the Expected Credit Losses as per the FAS 30 standards;
- Identify Board and executive management candidates;
- Evaluate the sitting fees and/or remuneration of directors, the chief executive officer or other approved persons;
- Recommending the organisation chart and succession plan; and
- Recommending the composition, quantum and structure of remuneration for the members of the Sharia Supervisory Board.

The AGRNRC received an aggregate sitting fees of US\$ 46,200 for the year 2024 (2023: US\$ 64,800), and have met six (6) times.

Corporate Governance (Continued)

Attendance

2024 Board of Directors / Board Committees Meetings Attendance

	Board of Directors		Audit, Governance, Risk, Nomination & Remuneration Committee	
	Eligible	Attended	Eligible	Attended
HRH Prince Amr Mohammed Al Faisal	8	8	-	-
Tunku Yaacob Khyra	8	8	6	6
Dr. Amani Khaled Bouresli	8	8	6	6
Sheikh Mohamed Abdullah Abdulkarim Elkhareiji	8	6	-	-
Elham Ebrahim Abdulla Hasan	8	8	6	6
Juma Hasan Ali Abul (appointed effective 28 February 2024)	6	6	-	-
Dates of meeting during 2024				
	11 February		11 February	
	13 February		12 February	
	3 April		13 May	
	14 May		12 August (Meeting 1)	
	4 July		12 August (Meeting 2)	
	13 August		12 November	
	21 September		12 November	
	13 November			

Notes:

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

Corporate Governance (Continued)

Sharia Supervisory Board

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

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

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

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

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

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

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

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

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

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

Communications with Stakeholders

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

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

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

Interests of Directors and Executive Management

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

Share Information

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

Shareholders' Rights

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

Rights of Minority Shareholders

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

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

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

Corporate Governance (Continued)

Audit fees and other services provided by the external auditor

During the Annual General Meeting held on 25th March 2024, the shareholders approved the appointment of KPMG as external auditors for the year ending 31st December 2024 and authorized the Board of Directors to determine their remuneration, accordingly KPMG and its network firms has provided Ithmaar Group and its subsidiaries with the following services:

Categories of services	Amount in USD	Example Services included in the category
(a) Audit of the group consolidated financial statements	699,994	• Audit of Ithmaar Group consolidated financial statements for the year ended 31 December 2024 • Audit of the statutory financial statements of Ithmaar Group's subsidiaries. • Review of condensed consolidated interim financial statements of Ithmaar Group for the periods ended 31 March, 30 June, 30 September 2024. • Review of interim financial information of subsidiaries
(b) Services other than Audit		<u>Audit related services</u> • Includes, amongst others, Agreed Upon Procedures (AUPs) related to compliance requirements of various regulators for Ithmaar Group and its subsidiaries. <u>Other non-audit services</u> • Tax compliance services • ESG Related Reporting
• Audit Related	187,378	
• Tax & ESG Reporting	102,456	
• Advisory	-	

The assessment of conflict and independence is subject to review by the Audit Committee of the Group and / or its subsidiaries, as applicable.

Code of Ethics and Business Conduct

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

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

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

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

	Date of Evaluation	Level of Evaluation	Results of Evaluation
Board of Directors	28 January 2025	• Board level • Individual directors' level	Satisfactory
AGRNRC (Control Functions)	2 February 2025	• Individual directors' level	Satisfactory
AGRNRC (Nomination and Remuneration)	27 January 2025	• Committee level • Individual directors' level	Satisfactory
SSB	18 November 2024	• Supervisory Board level • Individual directors' level (self-evaluation)	Satisfactory