



GFH Financial Group B.S.C.

Corporate Governance Report for FY-2019

GFH Financial Group BSC (“GFH” or the “Bank”) is an Islamic investment 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, real estate infrastructure, 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 with its shares listed on the Bahrain Bourse, Boursa Kuwait and Dubai Financial Market.

As a Public Shareholding Company, GFH’s corporate governance framework is based on the guidelines issued by Ministry of Industry, Commerce and Tourism (MOICT) under the Commercial Companies Law promulgated by Decree No. (21) for the year 2001 ("Companies Law") and the amendments thereto, the regulations of MOICT’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 - Volume 2 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 & MLRO report directly to the Board Audit and Risk Committee.

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

In 2019, 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)*'.

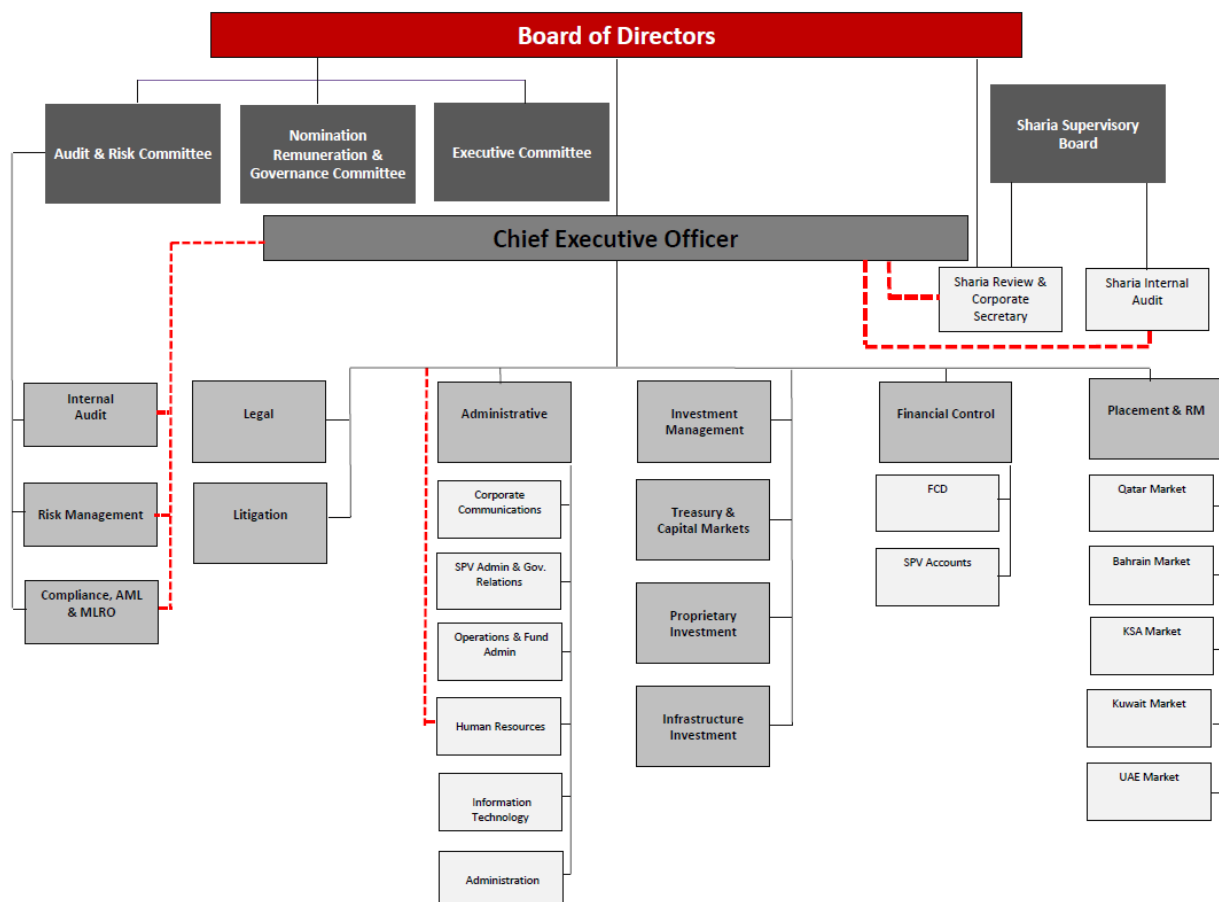
As per rule HC-A.1.8 and HC-8.2.1 (c) of the HC Module with reference to the disclosure of the non-compliance events (Comply or Explain Principle), which stipulates the need to elucidate the non-compliance cases and provide clarification on the same in event non-compliance with the rules and guidelines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

- The Chairman of the Board is an Executive Director, in contrary to rule HC 1.4.8.
- The Risk Committee has been merged with the Audit Committee to form one committee called the ‘Audit and Risk Committee (ARC)’ because this merger poses no conflict of interest; the arrangement is in line with the rule HC-1.8.5.
- The Nomination Committee, Remuneration Committee and the Corporate Governance Committee have been merged accordingly to form one committee called the ‘Nomination, Remuneration & Governance Committee (NRGC)’ because the merger poses no conflict of interest; the arrangement is in line with the rule HC-1.8.5.

- The NRCG committee does not include a Shari'a Scholar (a member of Shari'a Supervisory Board) as required under guidance note HC-9.2.4 (b).
- The Board has considered and approved the above arrangements for the remaining term of the Board.
- One of the Board Member, 'Mr. Mazen Alsaeed' was not able to attend the minimum of 75% of the Board Meetings as per rule HC-1.3.4. Due to some prior commitments and personal reasons, Mr. Alsaeed was not able to attend 2 out of the 5 board meetings held during 2019.
- Contrary to guidance note HC-7.2.2 which requires all Board Members to attend the meeting, the annual shareholders meeting for FY2019 held on 28th March 2019, was attended by the Chairman of the Board, the Chairman of Board ARC and the CEO (also Board Member). Also, the ordinary shareholders meeting held on 29th December 2019 was only attended by the CEO (also Board Member).

Organisational Structure

As of December 2019



**The Management Committee ('MANCOM') currently consists of the following Members: Chief Executive Officer, Chief Investment Management, Chief Administrative Officer, Head of Placement Management, Head of Risk Management, Head of Proprietary Investment and Head of Financial Control.*

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, 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 2019, the shareholders Register shows that there are 7,840 shareholders who own 3,681,650,441 shares at a nominal value of US\$ 0.265 per share, as follows:

Nationality	No. of Shareholders	No. of Shares	% of outstanding shares
Bahraini	588	359,230,508	9.757
Kuwaiti	3,316	443,963,842	12.059
Omani	31	31,951,212	0.868
Qatari	77	44,585,829	1.211
Saudi	272	200,108,080	5.435
Emirati	1,541	2,031,494,999	54.690
Others	1,655	588,315,971	15.980
Total	7,840	3,681,650,441	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 2019:

Particulars	No. of Shareholders	No. of Shares	% of outstanding shares
Less than 1%	7,464	2,292,177,483	62.26
1% to less than 5%	15	1,194,480,798	32.44
5% to less than 10%	1	194,992,160	5.30
10% to less than 20%	0	0	0
20% to less than 50%	0	0	0
Total	7,840	3,681,650,441	100.00

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

As of 31st December 2019, the total direct and indirect ownership of 'Abu Dhabi Financial Group (ADFG) and its related entities' were 9.69% (357,032,146 shares) of the total outstanding shares of GFH. While, the total direct and indirect ownership of 'Al Hilal Bank' was 5.30% (194,992,160 shares), of which 184,000,000 (4.99%) shares held by Al Hilal Bank were on behalf of ADFG and Integrated Capital Limited.

B. GFH Board of Directors and the Executive Management

B.1. Formation of the Board of Directors

The Board of GFH is composed of ten (10) members. The current Board of GFH will complete its term in March 2020 (i.e., shareholder meeting for financial year-end 2019).

There were few changes within the Board during financial year 2019 which are stated below:

- | | | |
|-------|-------------------------------------|--------------------------|
| i. | Mr. Jassim Mohammed AlSeddiqi | (Executive Director) |
| ii. | Sh. Ahmed Khalifa Salman Al Khalifa | (Executive Director) |
| iii. | Mr. Mosabah Saif Al Mutairy | (Independent Director) |
| iv. | Mr. Bashar Mohammed Al Mutawa | (Independent Director) |
| v. | Mr. Hisham Ahmed Al Rayes | (Executive Director) |
| vi. | Mr. Mazen Al Saeed | (Independent Director) |
| vii. | Mr. Rashid Al Kaabi | (Non-Executive Director) |
| viii. | Mr. Ghazi Al Hajeri | (Independent Director) |
| ix. | Mr. Mustafa Kheriba | (Executive Director) |
| x. | Mr. Amro Al Menhali | (Independent Director) |

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 2019 the Board was comprised of 'five' 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 and Chief Executive Officer

In compliance with the CBB requirements, the position of the 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 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 and 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 2019:

Classification of members	Number	% of Representation
Independent	5	50%
Non-Executive	1	10%
Executive	4	40%
Total	10	100%

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 Companies Law 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. However, as at 31st December 2019, no single shareholder was holding 10% or more of GFH's total outstanding shares.

B.7. System for Election and Termination of Directors

The system for the election and termination of Directors is governed by the Bahrain's Commercial Companies Law of 2001 (CCL-2001) 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 2019:

Name and position of Board member	Date of first appointment in BOD/ Re-appointment	Independent / Non-Executive / Executive	Representation	Date of resignation/ Term completed	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
Mosabah Saif Al-Mutairy	Mar 2009/ Mar 2017	Non-Executive	NA	NA	7	-	-	2
Bashar Mohammed Al-Mutawa	April 2013/ Mar 2017	Independent	NA	NA	12	11	-	1

Hisham Ahmed AlRayes	April 2016/ Mar 2017	Executive	NA	NA	22	12	1	1
Jassim Mohammed AlSeddiqi	April 2016/ Mar 2017	Executive	NA	NA	12	1	1	1
Sh. Ahmed Khalifa Al Khalifa	Mar 2017	Executive	NA	NA	2	-	-	1
Mazen Al Saeed	Mar 2017	Independent	NA	NA	17	1	-	1
Rashid Al Kaabi	Mar 2017	Non-Executive	NA	NA	6	-	-	1
Ghazi Al Hajeri	Mar 2017	Independent	NA	NA	1	-	-	2
Mustafa Kheriba	Mar 2018	Executive	NA	NA	13	1	1	-
Amro Al Menhali	May 2018	Independent	NA	NA	3	-	-	1

Note: None of the Independent Director had any financial relationship or dealings with GFH Financial Group, with the exception of the relationship arising from being a member of the Board of Directors.

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 2019 compared to that of 31st December 2018:

Member's name	Shares owned as at 31 st December 2018	Shares owned as at 31 st December 2019	Percentage of ownership as at 31 st December 2019
Sh. Ahmed Khalifa Al-Khalifa	NIL	NIL	N/A
Mazen Al Saeed	NIL	NIL	N/A
Hisham Ahmed AlRayes	12,507,519	25,279,134	0.6866
Mosabah Saif Al-Mutairy	NIL	NIL	N/A
Jassim Mohammed AlSeddiqi	50,000	52,987	0.0014
Ghazi Al Hajeri	NIL	NIL	N/A
Bashar Mohammed Al-Mutawa	NIL	NIL	N/A
Rashid Al Kaabi	NIL	NIL	N/A
Mustafa Kheriba	NIL	NIL	N/A
Amro Al Menhali	NIL	NIL	N/A
Total	12,557,519	25,332,121	0.6880%

B.10. Directors' and Senior Managers' trading of the Bank's shares and distribution of ownership on an individual basis during the year 2019:

Name of Board Member	Total no. of shares held as at 31st Dec 2018	Transactions - within the period 1st Jan - 31st Dec 2019			Total no. of shares held as at 31st Dec 2019	% of ownership
		Bought	Sold	Transfer/ Bonus Share		
Mosabah Saif Al Mutairy	-	-	-	-	-	-
Bashar Mohamed Al Mutawa	-	-	-	-	-	-
Jassim Mohammed AlSeddiqi	50,000	-	-	2,987	52,987	0.00144
Sh. Ahmed Khalifa Al-Khalifa	-	-	-	-	-	-
Mazen Al Saeed	-	-	-	-	-	-
Ghazi Al Hajeri	-	-	-	-	-	-
Mustafa Kheriba	-	-	-	-	-	-
Amro Al Menhali	-	-	-	-	-	-
Rashid Al Kaabi	-	-	-	-	-	-
Name of Management Committee Members	Total no. of shares held as at 31st Dec 2018 (A)	Transactions - within the period 1st Jan - 31st Dec 2019			Total no. of shares held as at 31st Dec 2019 (C) = A + B	% of ownership
		Purchases**	Sold**	Net Position (B)		
Hisham Ahmed AlRayes (Group CEO and Board Member)	12,507,519	12,771,615	0	12,771,615	25,279,134	0.6866
Suryanarayanan Hariharan*	0	367,965	0	367,965	367,965	0.0100
Hammad Younis	732,575	1,883,590	258,780	1,624,810	2,357,385	0.0640
Abesh Chatterjee*	0	245,310	0	245,310	245,310	0.0067
Mohammed Abdulmalik	978,579	1,282,937	570,912	712,025	1,690,604	0.0459
Salah Sharif	146,515	695,621	0	695,621	842,136	0.0229
Salem Patel	1,688,416	1,327,416	0	1,327,416	3,015,832	0.0819
Bahaa Al Marzooq	2,540,094	1,378,295	1,435,674	-57,379	2,482,715	0.0674

GFH Total issued shares: 3,681,650,441

*Became member of Management Committee ('MANCOM') during the year 2019 only.

**Purchases includes the shares bought directly from market or/and the shares awarded under Employee Shares Scheme or/and the stock dividend received during the year.

**Sold includes the shares sold in the market directly or/and sold or transferred via the Employee Shares Scheme.

B.11. Meetings of the Board of Director during the year 2019

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 2019. The Annual General Meeting ('AGM') was held on 28th March 2019.

In addition to official meetings, a number of urgent resolutions were also passed by circulation in 2019 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 2019 are as follows:

- i. 11th February 2019
- ii. 17th March 2019
- iii. 13th May 2019
- iv. 8th August 2019
- v. 13th November 2019

Date & location of meeting	Names of directors present	Names of Directors who participated by phone/video link	Names of directors not present
11th February 2019 1st Meeting Location: GFH Financial Group, Bahrain	1) SH. Ahmed Khalifa Salman Al Khalifa 2) Mr. Mosabah Saif Al Mutairy 3) Mr. Hisham Al Rayes 4) Mr. Mustafa Kheriba	1) Mr. Mazen Al Saeed 2) Mr. Ghazi Al Hajeri 3) Mr. Bashar Al Mutawa 4) Mr. Amro Al Menhali 5) Mr. Rashid Al Kaabi	1) Mr. Jassim Mohammed Alseddiqi
17th March 2019 2nd Meeting Location: GFH Financial Group, Bahrain	1) Mr. Jassim Mohammed Alseddiqi 2) Mr. Ghazi Al Hajeri 3) Mr. Hisham Al Rayes 4) Mr. Bashar Al Mutawa 5) Mr. Mosabah Saif Al Mutairy	1) Mr. Mazen Al Saeed 2) Mr. Amro Al Menhali 3) Mr. Rashid Al Kaabi	1) SH. Ahmed Khalifa Salman Al Khalifa 2) Mr. Mustafa Kheriba
13th May 2019 3rd Meeting Location: GFH Financial Group, Bahrain	1) SH. Ahmed Khalifa Salman Al Khalifa 2) Mr. Hisham Al Rayes 3) Mr. Bashar Al Mutawa	1) Mr. Jassim Mohammed Alseddiqi 2) Mr. Ghazi Al Hajeri 3) Mr. Mosabah Saif Al Mutairy 4) Mr. Mustafa Kheriba 5) Mr. Amro Al Menhali	1) Mr. Rashid Al Kaabi 2) Mr. Mazen Al Saeed
8th August 2019 4th Meeting Location: GFH Financial Group, Bahrain	1) Mr. Hisham Al Rayes 2) Mr. Bashar Al Mutawa	1) SH. Ahmed Khalifa Salman Al Khalifa 2) Mr. Jassim Mohammed Alseddiqi 3) Mr. Mustafa Kheriba 4) Mr. Mazen Al Saeed 5) Mr. Ghazi Al Hajeri 6) Mr. Mosabah Saif Al Mutairy 7) Mr. Amro Al Menhali 8) Mr. Rashid Al Kaabi	
13th November 2019 5th Meeting Location: GFH Financial Group, Bahrain	1) Jassim Mohammed Alseddiqi 2) SH. Ahmed Khalifa Salman Al Khalifa 3) Mr. Ghazi Al Hajeri 4) Mr. Hisham Al Rayes 5) Mr. Bashar Al Mutawa 6) Mr. Mosabah Saif Al Mutairy 7) Mr. Amro Al Menhali 8) Mr. Mustafa Kheriba	1) Mr. Rashid Al Kaabi	1) Mr. Mazen Al Saeed

Note:

- One of the Board Member, 'Mr. Mazen Alsaeed' was not able to attend the minimum of 75% of the Board Meetings as per rule HC-1.3.4. Due to some prior commitments and personal reasons, Mr. Alsaeed was not able to attend 2 out of the 5 board meetings held during 2019.
- The Chairman of the Board, Mr. Jassim Alseddiqi is an Executive Director, hence he is not an Independent Director as per rule HC-1.4.6

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 2019, the Committee held seven meetings which took place on 9th February, 10th February, 18th April, 12th May, 7th August, 6th September and 13th November 2019 respectively.

ARC Meeting date & location	ARC members present	ARC members who participated by phone/ video link	ARC members not present
9 th February 2019 1 st Meeting Location: GFH Financial Group, Bahrain	1) Mr. Bashar Al Mutawa 2) Mr. Ghazi Al Hajeri 3) Mr. Mosabah Saif Al Mutairy		
10 th February 2019 2 nd Meeting Location: GFH Financial Group, Bahrain	1) Mr. Bashar Al Mutawa 2) Mr. Ghazi Al Hajeri 3) Mr. Mosabah Saif Al Mutairy		
18 th April 2019 3 rd Meeting Location: GFH Financial Group, Bahrain	1) Mr. Bashar Al Mutawa 2) Mr. Ghazi Al Hajeri 3) Mr. Mosabah Saif Al Mutairy		
12 th May 2019 4 th Meeting Location: GFH Financial Group, Bahrain	1) Mr. Bashar Al Mutawa 2) Mr. Mosabah Saif Al Mutairy	1) Mr. Ghazi Al Hajeri	
7 th August 2019 5 th Meeting Location: GFH Financial Group, Bahrain	1) Mr. Bashar Al Mutawa	1) Mr. Ghazi Al Hajeri 2) Mr. Mosabah Saif Al Mutairy	
23 rd September 2019 6 th Meeting Location: GFH Financial Group, Bahrain	1) Mr. Bashar Al Mutawa 2) Mr. Ghazi Al Hajeri 3) Mr. Mosabah Saif Al Mutairy		
13 th November 2019 7 th Meeting Location: GFH Financial Group, Bahrain	1) Mr. Bashar Al Mutawa 2) Mr. Ghazi Al Hajeri 3) Mr. Mosabah Saif Al Mutairy		

C.2. Board Executive Committee (EXCOM)

The Board Executive Committee (EXCOM) responsibility is to approve the investment and funding requests, prepare the investment policies and controls, determine the credit limits of the Bank, manage assets and liabilities, organize banking relationships, as well as oversee the items that are not included in the budget.

The Committee met one time during the fiscal year 2019 i.e., 21st May 2019

EXCOM Meeting date & location	EXCOM members present	EXCOM members who participated by phone/ video link	EXCOM members not present
21st May 2019 Location: GFH Financial Group, Bahrain	1) Hisham Al Rayes	1) Jassim Mohammed Alseddiqi 2) Sh. Ahmed Khalifa Al-Khalifa	1) Mazen Al Saeed

C. 3. 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 2019 i.e. 9th February and 9th November 2019 respectively.

NRGC Meeting date & location	NRGC members present	NRGC members who participated by phone/ video link	NRGC members not present
9th February 2019 1st Meeting Location: GFH Financial Group, Bahrain	1) Mr. Ghazi Al Hajeri 2) Mosabah Saif Al Mutaury 3) Amro Al Menhali		
9th November 2019 2nd Meeting Location: GFH Financial Group, Bahrain		1) Mr. Ghazi Al Hajeri 2) Mosabah Saif Al Mutaury 3) Amro Al Menhali	

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

Name of the audit firm	KPMG
Years of service as GFH's external auditor	Since 2002
Name of the partner in charge of the GFH's audit	Jalil AlAali
The partner's years of service as the partner in charge of the GFH's audit	Since 2017
Total audit fees for the financial statements for the year 2019 (BD)	BD 82,000.00
Other special fees and charges for non-audit services other than auditing the financial statements for the year 2019 (BD)*	BD 410,258.00

*Further details will be available for the shareholders upon an official written request to the Bank, provided that such matters shall not affect the interests of the bank or its competitiveness 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 2019, the Board was paid fees as stated in note 26 of 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 note 26 (Key management personnel) of the consolidated financial statements for details of the remuneration to Board of Directors and Executive Management.

During 2019, the total remuneration payable to Sharia Supervisory Board was US\$ 370,000/-.

E.2 Continuous development of the Board and Board Committees

The Board approved Charter of the Board of Directors has been prepared to serve as a reference point for 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.

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 recognizing 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, maximize 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) NRGCC 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, NRGCC will collate the ratings of each of the Committee (NRGCC/EXCOM/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 26 of the consolidated financial statements for the fiscal year ended 31st December, 2019. 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 Counter Party Transactions

All connected counter party 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 Counter Party Transaction, the requesting and approving authority will consider, among other factors, the following factors to the extent relevant to the Connected Counter Party 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 without the Central Bank's prior written approval.
- Whether the terms of the Connected Counter Party Transaction are fair to the Bank and on the same basis as would apply if the transaction did not involve a Connected Counter Party;
- Whether there are business reasons for the Bank to enter into the Connected Counter Party Transaction;

- Whether the Connected Counter Party Transaction would impair the independence of an outside director and;
- Whether the Connected Counter Party 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 BARC deems relevant.
- Shareholders with significant ownership of the bank's capital (i.e. 10% and above) are not allowed to obtain financing facilities from the bank (i.e. a 0% limit), however smaller shareholders will be subject to the normal exposure limits outlined in section CM-4.4.5. Directors who are also shareholders (or their appointed board representatives) with significant ownership (i.e. above 10% or above) are subject to the 0% limit mentioned above.
- 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 Counter Party Transaction.

E.7. Ownership of shares by Government entities

Authority Name	Government	Shares Owned	% of Shares Owned
General Pension And Social Security Authority	UAE	30,150,483	0.8189%
The Royal Guard Of Oman Pension Fund	Oman	16,906,428	0.4592%
Diwan Of Royal Court Pension Fund	Oman	5,855,802	0.1591%
The Public Authority For Minors Affairs	Kuwait	4,837,696	0.1314%
Naimah E. Alessa-Public of Minors Affairs	Kuwait	1,268,699	0.0345%
Beit Alquran	Bahrain	4,196	0.0001%

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 organization must participate in the process.

The main objectives of the internal control process can be categorized 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 Complaint Handling Officer.

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.
29th 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 three (3) business 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.

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.

- c) In an event that the complaint is not resolved or that the client is not satisfied with the solution provided by us, he/she has the right to escalate the complaint to the '*Head of Compliance*' of GFH. The escalation will be acknowledged as per (a) above and a written answer shall be provided within four (4) weeks from the date of escalation.
- d) After receiving the final response to the escalated complaint, and if the client is still not satisfied, he/she can write directly to the Compliance Directorate 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.9.2. Whistle-blowing

- **Report an Incident**

If the client have observed any alleged wrongful conduct, malpractice or an improper/ unethical behavior of an employee of the bank, he/she is encouraged to report the incident 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 potential actions that may be taken in reprisal for making the protected disclosure.
- 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

During 2019, financial penalties amounting Bahraini Dinar ("BHD") 21,600.00 were imposed by the Central Bank of Bahrain, due to different reasons.

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 Organization for Islamic Financial Institutions (AAOIFI).
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 4(z) and note 30 of the consolidated financial statements for the fiscal year ended 31st December 2019.

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 NRCG by the Corporate Secretary, Head of Compliance or the Head of Human Resources. The Board NRCG 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.

Prepared by:

A handwritten signature in blue ink, appearing to read 'Nabeel Mirza', is written over a blue circular scribble.

Nabeel Mirza
Corporate Governance Officer
GFH Financial Group B.S.C