

Change. Progress. Growth.

# **CORPORATE GOVERNANCE**

## Corporate Governance Review

# Corporate Governance Report FY Ending 31st Dec 2024

Esterad Bank B.S.C (c) ("EB" or the "Bank"), formerly known as Venture Capital Bank B.S.C (c), commenced operations in 2005 as a prominent Sharia compliant provider and manager of alternative investment products across income producing real estate investments, MENA private equity transactions and opportunistic investments. The Bank has extensive experience and expertise in multi-sector private equity and real estate where it has a track record of successful turnarounds and achieving above market returns.

During November 2022, the Bank has completed its capital restructuring and participation of Esterad Investment Company B.S.C (via Esterad Ventures W.L.L) as a strategic investor in the capital increase of the Bank which has resulted in Esterad Ventures W.L.L owning more than 99% of the share capital of the Bank. The Bank has obtained shareholders and regulators approval during February 2024 to change its corporate identity from Venture Capital Bank B.S.C (c) to Esterad Bank B.S.C (c) to ignite the beginning of a new era of growth.

### KEY ASPECTS OF ESTERAD BANK'S CORPORATE GOVERNANCE FRAMEWORK

The Bank is committed to upholding the highest standards of corporate governance in compliance with relevant governing laws, regulations, and international best practices. The Bank has put in place a robust and comprehensive Corporate Governance Framework (the Framework) aimed at ensuring the adoption of the highest standards of ethical conduct, transparent and prudent disclosures, and operational effectiveness, while protecting the rights and interests of all stakeholders.

The Framework has been designed in accordance with the Principles of the Kingdom of Bahrain's Corporate Governance Code, which was issued by the Ministry of Industry and Commerce ("MOIC") and embraced by the Central Bank of Bahrain ("CBB"). The adoption and implementation of such regulations, along with the continuous review and adherence to the Bank's Corporate Governance Framework, is the direct responsibility of the Board of Directors. In recognition of the importance of compliance with corporate governance principles in enhancing and enabling clear communication between stakeholders at all levels in the Bank, the following key aspects are adopted:

1. A comprehensive set of Charters and Job Descriptions that clearly articulate the roles, responsibilities and mandates of the Board of Directors, Board Committees, the Executive Management, and the Control Functions, as well as all other key functions within the Bank.
2. Code of Conduct, Conflict of Interest Policy, and Whistle Blowing Policy.
3. A comprehensive set of Policy and Procedures Manuals which navigate the governance culture of the Bank.
4. A reputable and independent Sharia Supervisory Board.
5. A comprehensive annual self-assessment and evaluation of the Board and its Committees.
6. An effective set of Policies and Procedures to govern the activities of the Bank's Business Units and Support Functions.
7. An up-to-date and adequate formal succession plan for the Bank's key positions.

The Bank's corporate governance framework is based on the guidelines issued by 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 and Ministerial Decree No. (91) of 2022 concerning the amendments to certain provisions of the Corporate Governance Code, the High-Level Controls Module ("HC Module") issued by CBB under its Rulebook - Volumes 2.

The Bank aims to comply with all Rulebook content that is categorized as a rule and it implements the Rulebook guidance as best market practices.

### COMMUNICATION WITH INVESTORS AND SHAREHOLDERS

The Bank endeavors to disclose all material information about its activities to all interested parties as widely and in as timely a manner as possible. The Company maintains a corporate website <http://www.esterad-bank.com> where important information about the Company's activities and corporate matters such as annual reports, announcements, business development and operations, corporate governance practices and other information are available for review by shareholders and other stakeholders.

## Corporate Governance Review (continued)

### BOARD OF DIRECTORS

The Board of Directors constitutes the central leadership of EB and is responsible for the stewardship of the Bank's business and affairs on behalf of its shareholders. The Board is also responsible for articulating the Bank's objectives, strategies and risk appetite with a view to enhancing long-term shareholder value, while taking into account the interests of all relevant stakeholders and maintaining the highest standards of transparency and accountability. The Board ensures that high ethical standards are established across the Bank, and regularly reviews and monitors the Bank's compliance with the regulations of CBB. The Board comprises 4 members, representing a mix of high-level professional skills and expertise, and with the majority being Independent Directors. The appointment of Directors is subject to the prior approval of the CBB and the shareholders, with classification of Directors in line with the definition stipulated in the CBB Rulebook.

#### Board of Directors Accountability

The Board is accountable to the shareholders for the financial performance of the Bank and ensures clear and transparent communications between the Bank and shareholders. The Board is also responsible for the preparation of consolidated financial statements which accurately disclose the Group's (Esterad Bank and its subsidiaries) financial position, and for reviewing and approving the dissemination of its periodic financial statements and annual reports.

The Board is responsible for the stewardship of the Bank's business and affairs on behalf of the shareholders with a view to enhancing long-term shareholder value whilst considering the interests of other stakeholders and maintaining high standards of transparency and accountability.

#### Mandate of the Board of Directors and their Roles and Responsibilities

The principal role of the Board is to oversee the implementation of the Bank's strategic initiatives in accordance with relevant statutory and regulatory structures. The Board is also responsible for the consolidated financial statements of the Group. The Board ensures the adequacy of financial and operational systems and internal controls, as well as the implementation of corporate ethics and the code of conduct. The Board has delegated the responsibility of the day-to-day management of the Bank to the Chief Executive Officer ("CEO").

The Board reserves a formal schedule of matters for its decision to ensure that the direction and control of the Bank rests with the Board. This includes:

- Reviewing the strategic plan of the Bank.
- Performance reviews of the Senior Management (all approved persons).
- Performance assessment of the Board, Board Sub-Committees and the Shari'a Supervisory Board.
- Approving material acquisition and disposal of assets.
- Approving capital expenditure.
- Approving authority levels.
- Appointing auditors and, reviewing the financial statements and financing activities.
- Reviewing the Corporate Governance Report
- Approving the annual operating plan and budget.
- Ensuring regulatory compliance through its various committees.
- Reviewing the adequacy and integrity of internal controls; and
- Approving all policies pertaining to the Bank's operations and functioning.

The Board further ensures that adequate systems, controls, processes and procedures are implemented by senior management in line with the Board approved policies and ensures that adequate processes are in place to assure full compliance with the relevant regulatory.

It is the Board of Directors' responsibility to approve and oversee the development of the Bank's strategy, business plans and budget, and monitor their implementation.

## Corporate Governance Review (continued)

### SYSTEM FOR ELECTION AND TERMINATION OF DIRECTORS

The system for the election and termination of Directors is governed by the Commercial Companies Law 2001 (as amended) and EB's Articles of Association.

The Directors are appointed or elected by the Ordinary General Meeting by a secret ballot for a period of 3 years renewable, subject to the approval of CBB and MOIC.

A Director shall lose his office on the Board in the following events:

1. He fails to attend in person (or by alternate) four (4) consecutive meetings of the Board without a lawful excuse pursuant to a Board resolution;
2. He resigns his office by a written instrument;
3. If he occupies any paid position in the Company other than Chairman, Vice Chairman, Chief Executive Officer or Chief Investment Officer.
4. He fails to fulfill any of the conditions required as for the Directors qualifications;
5. He shall in any jurisdiction be convicted of theft, misappropriation, fraud, forgery issuing a false cheque or of committing any of the offences set out in Article 173(b) of the Commercial Companies Law 2001 (as amended);
6. He becomes bankrupt.
7. Any shareholder that terminates the appointment of one of their representative Directors to the Board, or the shareholders in General Assembly vote for his removal in accordance with Article 31 of the Company's Articles of Association.
8. If he uses his membership on the Board to carry on any business which competes with the business of the Company or which results in actual damage to the Company.
9. If he has been appointed or elected on a basis not in conformance with the provisions of the CBB rules and regulations, the Law and/or these Articles of Association.

### THE BOARD OF DIRECTORS

Esterad Bank's Board of Directors is composed of Four (4) members as of 31st December 2024 as per the table below.

No.	Name	Date of First Appointment	Appointment status / date of exit	Classification	Other Directorship (other than EB)		
					Companies in Bahrain	Banks in Bahrain	Companies Outside Bahrain
1	Sheikh Mohamed Bin Duaij Al Khalifa	23 January 2023	30 Sep 2024	Independent	2	0	0
2	Bashar Mohamed Ebrahim Almutawa	23 January 2023	Current	Independent	2	0	0
3	Isa Abdulrasool Abdulhusain Merza Jawahery	23 January 2023	Current	Independent	0	0	0
4	Fahad Abdulla Yateem	26 May 2024	Current	Independent	0	0	2
5	Ahmed Abdulwahed Ahmed Abdulrahman	23 January 2023	Current	Executive	1	0	4
6	Robert Coleman Wages	23 January 2023	26 May 2024	Executive	2	0	10

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 2024, the Board was comprised of three Independent Directors which includes the Chairman of the Board of Directors, the Chairman of the Audit and Risk Committee ("ARC") and the Chairman of the Nomination, Remuneration and Governance Committee ("NRCGC").

The Board delegates authority to its Executive Management to execute approved strategies. The Board approves all the transactions relating to investment, exits, related parties transactions and all other major financial transactions which are above the authority of the Executive management in line with the Delegation of Authority Matrix of the Bank.

The Board oversees the conduct of the Group's business activities to ensure that Executive Management is properly managing these activities with highest standards of professionalism.

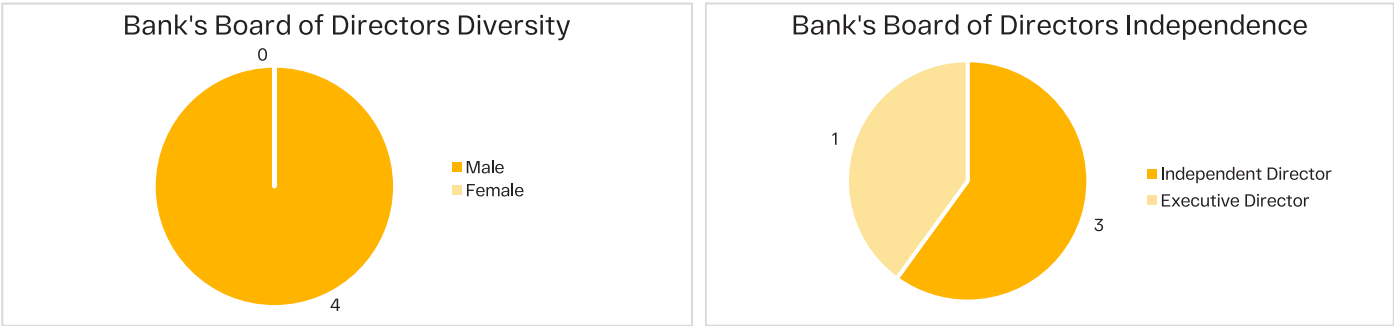
Corporate Governance Review (continued)

The Percentage of Women and Men on the Board:

The representation of women and men on the Board during the year is shown in the table below:

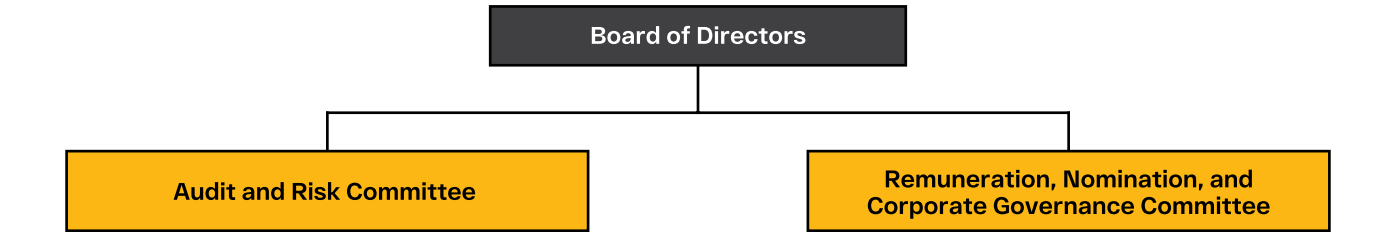
Representation	No. (as of 1 January 2024)	% of Representation (as of 1 January 2024)	No. (as of 31st December 2024)	% of Representation (as of 31st December 2024)
Men	5	100%	4	100%
Women	0	0%	0	0%
Total	5	100%	4	100%

DIRECTOR CLASSIFICATION



THE BOARD COMMITTEES AND MEMBERSHIP

In line with the Code of Governance the Board have set up sub-committees to oversee some of their responsibilities which are clarified in each Committee's charter. The duration of the standard term for the Board membership is three years, during which time members are expected to fulfill their duties and contribute to the organization's governance and strategic decision-making processes. In resolutions where any member of the Board is conflicted, the said member of the Board shall abstain from participating or voting in the agenda. During the year 2024, there were no instances of conflicts whereby any of the members of the Board abstained from voting. Below is the Bank's Board Committee's Structure:



AS AT 31ST DECEMBER 2024, THE FOLLOWING WAS THE COMPOSITION OF THE BOARD COMMITTEES:

Board Committee	Member's Name	Member's Position
NRGC	<ul style="list-style-type: none"><li>Isa Abdulrasool Abdulhusain Merza Jawahery</li><li>Fahad Abdulla Yateem*</li><li>Bashar Mohamed Ebrahim Almutawa**</li></ul>	<ul style="list-style-type: none"><li>NRGC Chairman</li><li>Member</li><li>Member</li></ul>
ARC	<ul style="list-style-type: none"><li>Fahad Abdulla Yateem*</li><li>Bashar Mohamed Ebrahim Almutawa*</li><li>Isa Abdulrasool Abdulhusain Merza Jawahery***</li></ul>	<ul style="list-style-type: none"><li>ARC Chairman</li><li>Member</li><li>Member</li></ul>

\*Fahad Yateem replaced Ahmed Abdulrahman as a member of NRCGC on 12 June 2024. On 1 October Fahad Yateem replaced Bashar Almutawa as the ARC Chairman.

\*\*Bashar Almutawa was appointed as NRCGC member as a replacement to Sheikh Mohamed Al Khalifa on 2 December 2024. Sheikh Mohamed Al Khalifa resigned as Committee member on 30 September 2024.

\*\*\*Isa Jawahery resigned as a member of the Audit and Risk Committee on 12 June 2024 and subsequently reappointed as an ARC member as a replacement to Sheikh Mohamed Al Khalifa on 1 October 2024.

## Corporate Governance Review (continued)

### NOMINATION, REMUNERATION & CORPORATE GOVERNANCE COMMITTEE


























The mandate of the Nomination, Remuneration & Corporate Governance Committee is to assist the Board of Directors in establishing a fair and transparent nominations process for the appointment and remuneration of Directors, Board Committee members and the Chief Executive Officer, and remuneration of the Executive Management team, monitor and review executive compensation all in compliance with CBB requirements; and to assist the Board of Directors in fulfilling its responsibilities of corporate governance, developing and recommending changes from time to time in the Bank's corporate governance policy framework, oversight of the Bank's compliance with regulatory requirements, as well as liaising with the Sharia Supervisory Board.

### AUDIT & RISK COMMITTEE

The mandate of the Audit & Risk Committee is to provide oversight on financial reporting, internal control and risk management, internal and external audit. It is also responsible for recommending the appointment of external auditors, determining the audit fees and compensation, overseeing the auditors' work, and reviewing the Bank's compliance with legal requirements. Also, the Committee is to maintain oversight of the Bank's risk management framework, including its Basel III framework, covering all risks faced by the Bank as well as its control environment.

### DIRECTORS' ATTENDANCE AT BOARD & COMMITTEE MEETINGS:

The Board of Directors and its Committees meet regularly during the year to fulfil their responsibilities. The Board of Directors and the Audit and Risk Committee are required to meet at least four times a year, while the Nomination, Remuneration and Corporate Governance Committee is required to meet twice a year. Directors' attendance for FY 2024 is listed below:

No.	1	2	3	4	5
Date	24/2/2024	12/6/2024	29/9/2024	5/11/2024	3/12/2024*
Sheikh Mohamed Bin Duaij Al Khalifa				-	-
Ahmed Abdulwahed Ahmed Abdulrahman					
Bashar Mohamed Ebrahim Almutawa					
Robert C. Wage		-	-	-	-
Isa Abdulrasool Abdulhusain Merza Jawahery					
Fahad Abdulla Yateem	-				
 Attended the meeting physically	 Attended the online		*This meeting was attended by the SSB Board Members		

No.	Name	BOD	NRGC	ARC
		Meetings Attendance		
1	Sheikh Mohamed Bin Duaij Al Khalifa*	3 out of 5	1 out of 2	4 out of 5
2	Bashar Mohamed Ebrahim Almutawa**	5 out of 5	1 out of 2	5 out of 5
3	Isa Abdulrasool Abdulhusain Merza Jawahery	5 out of 5	2 out of 2	4 out of 5
4	Ahmed Abdulwahed Ahmed Abdulrahman	5 out of 5	-	-
5	Robert Coleman Wages***	1 out of 5	-	-
6	Fahad Abdulla Yateem****	4 out of 5	2 out of 2	2 out of 5

\*Resigned on 30 September 2024

\*\*Appointed as Board Chairman on 1st October 2024 and resigned as ARC Chairman.

\*\*\* Resigned on 26 May 2024

\*\*\*\* Appointed as Board Member on 26 May 2024, and ARC Member on 12 June 2024 and ARC Chairman on 1st of October 2024

## Corporate Governance Review (continued)

### Attendance of the Board Meetings ("BOD")

Date and Location	Directors Present	Directors Participated Online	Directors not Present
<b>BOD First Meeting</b> <u>Date:</u> Thursday, 15 February 2024 <u>Venue:</u> Video Conference Call		<ul style="list-style-type: none"> <li>• Sheikh Mohamed Bin Duaij Al Khalifa</li> <li>• Ahmed Abdulwahed Ahmed Abdulrahman</li> <li>• Bashar Mohamed Ebrahim Almutawa</li> <li>• Robert C. Wages</li> <li>• Isa Abdulrasool Abdulhusain Merza Jawahery</li> </ul>	
<b>BOD Second Meeting</b> <u>Date:</u> Wednesday, 12 June 2024 <u>Venue:</u> Video Conference Call		<ul style="list-style-type: none"> <li>• Sheikh Mohamed Bin Duaij Al Khalifa</li> <li>• Ahmed Abdulwahed Ahmed Abdulrahman</li> <li>• Bashar Mohamed Ebrahim Almutawa</li> <li>• Isa Abdulrasool Abdulhusain Merza Jawahery</li> <li>• Fahad Abdulla Yateem</li> </ul>	
<b>BOD Third Meeting</b> <u>Date:</u> Sunday, 29 September 2024 <u>Venue:</u> Third Floor – GFH Tower	<ul style="list-style-type: none"> <li>• Sheikh Mohamed Bin Duaij Al Khalifa</li> <li>• Ahmed Abdulwahed Ahmed Abdulrahman</li> <li>• Bashar Mohamed Ebrahim Almutawa</li> <li>• Isa Abdulrasool Abdulhusain Merza Jawahery</li> <li>• Fahad Abdulla Yateem*</li> </ul>		
<b>BOD Fourth Meeting</b> <u>Date:</u> Tuesday, 5 November 2024 <u>Venue:</u> Third Floor – GFH Tower	<ul style="list-style-type: none"> <li>• Bashar Mohamed Ebrahim Almutawa</li> <li>• Ahmed Abdulwahed Ahmed Abdulrahman</li> <li>• Isa Abdulrasool Abdulhusain Merza Jawahery</li> <li>• Fahad Abdulla Yateem</li> </ul>		
<b>BOD Fifth Meeting (with SSB)</b> <u>Date:</u> Tuesday, 3 December 2024 <u>Venue:</u> Third Floor – GFH Tower	<ul style="list-style-type: none"> <li>• Bashar Mohamed Ebrahim Almutawa</li> <li>• Ahmed Abdulwahed Ahmed Abdulrahman</li> <li>• Isa Abdulrasool Abdulhusain Merza Jawahery</li> </ul>	<ul style="list-style-type: none"> <li>• Fahad Abdulla Yateem</li> </ul>	

### Attendance of the Nomination, Remuneration and Corporate Governance Committee ("NRCGC")\*

Date and Location	Directors Present	Directors Participated Online	Directors not Present
<b>NRCGC First Meeting</b> <u>Date:</u> Wednesday, 25 September 2024 <u>Venue:</u> Third Floor, GFH Tower	<ul style="list-style-type: none"> <li>• Isa Abdulrasool Abdulhusain Merza Jawahery</li> <li>• Sheikh Mohamed Bin Duaij Al Khalifa</li> <li>• Fahad Abdulla Yateem</li> </ul>		
<b>NRCGC Second Meeting</b> <u>Date:</u> Tuesday, 3 December 2024 <u>Venue:</u> Third Floor, GFH Tower	<ul style="list-style-type: none"> <li>• Isa Abdulrasool Abdulhusain Merza Jawahery</li> <li>• Bashar Mohamed Ebrahim Almutawa</li> </ul>	<ul style="list-style-type: none"> <li>• Fahad Abdulla Yateem</li> </ul>	

\*During the FY 2023, 5 NRCGC meetings were held.

## Corporate Governance Review (continued)

### Attendance of the Audit & Risk Committee ("ARC")

Date and Location	Directors Present	Directors Participated Online	Directors not Present
<b>ARC First Meeting</b> <u>Date:</u> Monday, 18 March 2024 <u>Venue:</u> Video Conference Call	<ul style="list-style-type: none"> <li>Bashar Mohamed Ebrahim Almutawa</li> <li>Sheikh Mohamed Bin Duaij Al Khalifa</li> </ul>	<ul style="list-style-type: none"> <li>Isa Abdulrasool Abdulhusain Merza Jawahery</li> </ul>	
<b>ARC Second Meeting</b> <u>Date:</u> Sunday, 21 April 2024 <u>Venue:</u> Video Conference Call	<ul style="list-style-type: none"> <li>Bashar Mohamed Ebrahim Almutawa</li> <li>Sheikh Mohamed Bin Duaij Al Khalifa</li> <li>Isa Abdulrasool Abdulhusain Merza Jawahery</li> </ul>		
<b>ARC Third Meeting</b> <u>Date:</u> Wednesday, 29 May 2024 <u>Venue:</u> Third Floor – GFH Tower		<ul style="list-style-type: none"> <li>Bashar Mohamed Ebrahim Almutawa</li> <li>Sheikh Mohamed Bin Duaij Al Khalifa</li> <li>Isa Abdulrasool Abdulhusain Merza Jawahery</li> </ul>	
<b>ARC Fourth Meeting</b> <u>Date:</u> Sunday, 11 August 2024 <u>Venue:</u> Third Floor – GFH Tower	<ul style="list-style-type: none"> <li>Sheikh Mohamed Bin Duaij Al Khalifa</li> <li>Fahad Abdulla Yateem</li> </ul>	<ul style="list-style-type: none"> <li>Bashar Mohamed Ebrahim Almutawa</li> </ul>	
<b>ARC Fifth Meeting (with SSB)</b> <u>Date:</u> Sunday, 11 August 2024 <u>Venue:</u> Third Floor – GFH Tower	<ul style="list-style-type: none"> <li>Fahad Abdulla Yateem</li> <li>Bashar Mohamed Ebrahim Almutawa</li> <li>Isa Abdulrasool Abdulhusain Merza Jawahery</li> </ul>		

### Professional Development

The annual professional development plan for Board members enables them to carry out their responsibilities in line with recent regulatory developments and market conditions in an informative and effective way. Normally, the professional development plan includes important topics such as corporate governance, compliance, and risk management, amongst other contemporary issues.

Armed with this knowledge, board members can make informed decisions that align with the organization's strategic direction, ultimately contributing to its long-term success.

### Board Evaluation

The Bank has in place a comprehensive Board Evaluation Program, which is designed to help Directors identify areas for improvement and reinforce their responsibilities. The NRCGC Committee annually conducts a self-evaluation of the performance of the Board as well as Board Committees.

### MANAGEMENT COMMITTEES:

#### 1. EXECUTIVE MANAGEMENT COMMITTEE

The Executive Management Committee comprises the members of the Executive Management team. The Committee is responsible for assisting the Acting CEO in overseeing day-to-day operations of the Bank; monitoring the performance of business lines and departments in relation to strategy, policies, targets, and limits.

#### 2. INVESTMENT COMMITTEE AND INVESTMENT PLACEMENT TEAM COMMITTEE

The Committee review the investment policies to ensure their consistency with the changes that may occur in the external environment, the legislation and recommends to the Board the proposed changes. Oversee the Bank's investment activities and establish appropriate processes for measuring and assessing investment performance and studying/ evaluating the investment opportunities proposed by the Executive Management. The Placement Committee is to manage all the placement activities at the Bank.



## Corporate Governance Review (continued)

### CODE OF CONDUCT

The Bank has developed a Code of Conduct which contains rules on professional conduct and ethical behavior that are applicable to the Directors and employees of the Bank. The Code is designed to guide all Directors and employees in fulfilling their responsibilities and obligations towards the Bank's stakeholders, in compliance with all applicable laws and regulations.

Observance of and abidance to the applicable laws and regulations as well as regarding the highest standards of conduct and personal integrity is essential and basic. Employees owe a duty to the Bank, its clients, and shareholders to act in a way that will merit the continued trust and confidence of the public. The Bank will comply with all applicable laws and regulations and expects its directors, officers, and employees to conduct business in accordance with the letter, spirit, and intent of all relevant laws and to refrain from any illegal, dishonest, or unethical conduct.

Compliance with the policy of business ethics and conduct is the responsibility of every Bank employee. Disregarding or failing to comply with this standard of business ethics and conduct could lead to disciplinary action, up to and including possible termination of employment.

### SHAREHOLDER / INVESTOR COMMUNICATION & AWARENESS

The Board is committed to communicating with its shareholders and investors in a professional, transparent, accurate and timely manner, and adopts a number of different ways through which to promote greater understanding and dialogue with all stakeholders. These include the annual general meeting, annual reports and quarterly financial reports, press releases, corporate website, and regular announcements in the local media. The annual reports and quarterly financial statements and the latest corporate Governance reports are published on the Bank's website. Shareholders have easy access to forms available online to file complaints or make inquiries which are duly dealt with. The Bank's formal communication material is provided in both Arabic and English languages.

### INVESTOR COMPLAINTS

The Bank treats investors' feedback, concerns, and complaints with a great deal of due care and attention. Their input constitutes a key element towards improving the Bank's standards, policies, products and services. While keen to provide a first-class service for its clients, the Bank understands that there could be a few incidences where a client might not be fully satisfied with the Bank's products, services or responses. Therefore, investors are encouraged to immediately contact the Bank if at any stage they feel that its service levels are not up to their expectation. The Bank adopts a strict hierarchy and time frame towards resolving investors' complaints promptly.

### WHISTLE-BLOWING POLICY

The Bank has formulated a whistle-blowing policy designed to enable the airing of genuine concerns regarding suspected malpractice within the Bank, enhancing transparency, and safeguarding the Bank's integrity. Malpractice includes but is not limited to conduct likely to prejudice the reputation of the Bank; breaches of applicable regulations; breaches of internal rules and limitation; criminal offences or endangerment of the health and safety of any person; environmental damage; and the deliberate concealment of any malpractice. The recommended rule of thumb is "If in doubt – raise it".

### GOVERNANCE CONTROL FUNCTIONS

As well as undertaking their specific responsibilities, the Compliance, Risk Management, Internal Audit, and Sharia Coordination & Review departments work closely together in assisting the Board and Executive Management of the Bank to uphold the highest standards of corporate governance.

### COMPLIANCE

At Esterad Bank, compliance is recognized as the personal responsibility of all staff, not just the Compliance function. Compliance with regulatory requirements and internal policies and procedures is an ongoing process and considered an integral part of the Bank's culture.

Esterad Bank is committed to complying fully with the rules and regulations of the Central Bank of Bahrain; the Ministry of Industry and Commerce; and other applicable laws and regulations, and international best practices. The Bank continuously strives to improve the level of compliance in conducting its business by actively educating staff to increase awareness of compliance issues and principles.

The Compliance department acts as a central point for all regulatory compliance, as well as adherence to the Bank's internal policies and procedures. The department is independent from other business activities and performs its compliance-specific responsibilities along with other limited activities as defined by the CBB, such as Anti-Money Laundering. The Compliance department reports functionally to the Board Audit and Risk Committee and administratively to the CEO, to ensure that the Bank's compliance objectives are achieved to the highest professional and ethical standards. The department performs its activities under a well-established Compliance Framework which is articulated by a comprehensive Compliance Manual approved by the Bank's Board.

## Corporate Governance Review (continued)

### RISK MANAGEMENT

Esterad Bank adopts an enterprise-wide approach to manage risk, whereby it is embedded in the organizational culture, with all employees being individual owners of risks. Risk management plays a critical role in the Bank's decision-making process. The ultimate accountability & responsibility for oversight of risk management at Esterad Bank resides with the Board of Directors, which delegates its responsibility to the Board Audit & Risk Committee. The Risk Management department, which is an independent function, reports directly to the Board Audit and Risk Committee, to which it has direct access. The department is responsible for ensuring that the risks inherent in all banking activities are managed in line with the Board-approved risk policies and procedures of the Bank. The department independently identifies, measures, monitors and communicates different dimensions of risk as well as suggests controls to mitigate or manage the risks, which aim to protect the asset values and income stream and optimize shareholders' return.

At EB, the risk management follows the "Three lines of defense" mechanism. The Three Lines of Defense model provides a clear and effective structure for risk management and internal control by distinguishing roles and responsibilities across three layers:

- a. Business Units or Risk-taking units (1st line of defense): The business units that generate business are involved in the identification, assessment, and monitoring of risks, responsible for implementing effective internal controls and ensuring risk management processes are followed and complying with internal regulations on risk management, as well as give due consideration to the risk level.
- b. Risk Management & Compliance (2nd line of defense): The Risk & Compliance department works hand in hand to develop risk management policies, tools and methodology, conducts risk assessment, monitors the risk level and prepares reports on risks for various stakeholders.
- c. Internal audit (3rd line of defense): The Internal Audit department acts as the third line of defense and independently assesses the quality for existing risk management processes, identification of violations, and recommending improvements where necessary.

### INTERNAL AUDIT

Internal Audit reports directly to the Audit and Risk Committee of the Board, and administratively to the Chief Executive Officer. The department is responsible for evaluating and providing assurance to the Board of Directors and Executive Management on the effectiveness of the Bank's control, risk management and governance processes. This involves reviewing the effectiveness and efficiency of all business processes and their compliance with the Bank's policies, standards and procedures, and all applicable laws and regulations. In addition, the department audits the activities of some portfolio companies for which the Bank has a fiduciary responsibility. The function conducts its audits in accordance with the audit plan approved by the Audit and Risk Committee. This plan is developed using a risk-based methodology which also considers any risks identified by the Risk Management function, the Executive Management, and external Auditors. Regular reports on Internal Audit activities are presented to the Audit and Risk Committee. The Internal Audit function also provides Management and staff with preventive advice and guidance.

### ANTI-MONEY LAUNDERING

Esterad Bank's Anti-Money Laundering measures are based on three main pillars:

1. The Ethical pillar, by actively taking part in the fight against financial crime.
2. The Professional pillar, by preventing the Bank and its products to be used as a channel for money laundering and terrorist financing by recycling the proceeds of crime.
3. The Legal pillar, by complying with the Kingdom of Bahrain's legislation and regulations pertaining to Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT).

The Bank's AML Manual has been developed in line with Central Bank of Bahrain guidance, and the requirements stipulated in the Financial Crime Module of the CBB Rulebook Volume 2 – Islamic Banks; international best practices promoted by the Financial Action Task Force (FATF), with 40 recommendations on combating money laundering and the financing of terrorism and proliferation; and Basel Committee guidance on Customer Due Diligence. The manual provides a comprehensive set of AML policies and procedures that set out detailed requirements relating to customer identification, customer due diligence, ongoing due diligence and monitoring, reporting suspicious activities (SAR), combating the financing of terrorism, recordkeeping, and staff education and training.

Compliance with the CBB's Anti-Money Laundering regulations is monitored by the Bank's Money Laundering Reporting Officer (MLRO) and Deputy MLRO; and independently assessed, both internally and externally, by Internal Audit and the external auditors on an annual basis.

### STATUS OF COMPLIANCE WITH CBB'S CORPORATE GOVERNANCE GUIDELINES (HIGH-LEVEL CONTROLS MODULE)

As required by the CBB, Esterad Bank regularly reviews its compliance with the governance requirements stipulated in the CBB's High Level Control Module of its Rulebook Volume 2 – Islamic Banks. The Bank's effort has yielded a high level of compliance with the Eleven Principles of the Corporate Governance Code of the Kingdom of Bahrain, along with its Rules and Guidance.

Esterad Bank is fully compliant with the requirements of the CBB's High Level Control Module except for the following listed below. However, it should be noted that in order to comply with CBB requirements, the Bank implemented alternative internal arrangements as explained below:

## Corporate Governance Review (continued)

- HC-3.7.1 The remuneration committee should include only independent directors or, alternatively, only non-executive directors of whom a majority are independent directors, and the chairperson should be an independent director. The NRCGC included an executive member until 12 June 2024, afterward, the NRCGC was reconstructed to include only independent directors.
- HC-3.6.2 states that Members of the remuneration committee must be independent of any risk taking function or committee, the NRCGC and ARC have the same Committee members.
- HC-10.1.7 states that the Bank must appoint a head of internal audit. It is to be noted that the internal audit function at the Bank is outsourced to Deloitte and Touche ME.

### **GUIDANCE (PD 1.3 10B)**

- **Description of the ways in which the current and future risks are taken into account in the remuneration processes.**

The main objective of Esterad Bank's remuneration policy is planning, conducting, performing in a sustainable way, based on efficient risk management and preventive to extreme risk-taking, compliant with the scope of Bank's operations, strategies, mission and vision and long-term targets.

Performance scores are applied to certain weightages based on the nature of the individual's role within the Bank and the level of risk it undertakes. The Bank's Remuneration Policy is applied for by all employees of the Bank, its Directors and Board Committee Members. The Nomination, Remuneration and Corporate Governance Committee ("NRCGC") make recommendations to the Board on the remuneration framework for the directors and executive and senior management, which must be carried out with due regard to the local laws and regulations (especially, Commercial Companies Law 2001 (as amended), Bahrain Labor Law and Central Bank of Bahrain Rulebook together with the Bank's Memorandum and Articles of Association).

The Bank's Directors remuneration is broadly based on a combination of the Bank's profitability level. It also reflects the extent of responsibilities of each Director. Total remuneration also includes the Director's membership in one or more of the Board's committees, which follows the basic board membership remuneration approach above. The overall board remuneration in any financial year shall not exceed 4.5% of the bank's net profit, after allowing for legal reserves and after allowing for dividends distribution to the shareholders of not less than 5% of the net profits – as per Article 188 of the Bahrain Commercial Companies Law (BCCL). 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. Executive Management and Other Employees Remuneration Performance scores are applied certain weightages based on the nature of the individual's role within the Bank and the level of risk it undertakes. The remuneration policy is reviewed annually by the NRCGC to ensure it remains appropriate for the Bank's needs and reflects any regulatory or market practices and changes. No changes were made during the reporting period. Considering the Bank's financial position, no bonuses, guaranteed bonus or sign-off awards were awarded during the reporting period (31 December 2023 – NIL).

- **Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.**

At least annually, during the performance and appraisal dialogues, the individual employees and managers evaluate and document performance in the past period/year and set new goals. Decisions on adjustment, if any, of the employee's fixed salary or on annual performance-based pay are made on the basis of these dialogues. Staff individual performance and behavior ratings are used to determine the target compensation range compared to market data points for each staff/role. The bank's Remuneration Policy outlines the target fixed compensation range based on respective individual performance and behavior ratings. Any variation to these target ranges through the annual fixed pay determination process needs to be adequately explained and documented for presentation to the NRCGC. Specifically, the NRCGC sets the following assessment requirements in determining performance at the three levels noted above:

- Bank - Bank's results and a number of KPIs reflecting the Bank's key strategic
- Business unit – performance based on overall contribution towards meeting Bank's performance with adjustment for compliance and regulatory matters and
- Individual – staff appraisals are completed to determine individual ratings based on performance and behavioral attributes.

In the fiscal year ended December 2024, there were no severance costs recorded by the Bank (31 December 2023: USD 167 thousand, with the highest single charge for severance reaching USD 108 thousand).

- **Material legal contingencies including pending legal actions and a discussion and estimate of the potential liabilities.**

In the normal course of business, legal cases are filed by the Bank against its investors and against the Bank by its employees or investors. The Bank's legal department engages with in-house legal counsel and external legal counsel depending on the nature of the cases. A periodic assessment is carried out to determine the likely outcome of these legal cases and is reported to the senior management and Board of Directors. The Bank as part of the periodic assessment maintains adequate provisions. No further disclosures regarding contingent liabilities arising from any such claims are being made by the Bank as the directors believe that such disclosures may be prejudicial to the Bank's legal position. With the intent to bring the Bank back into compliance with all regulatory authorities, all material transactions undertaken in the period required board approval.

## Corporate Governance Review (continued)

### BOARD AND EXECUTIVE MANAGEMENT REMUNERATION

The Nomination, Remuneration & Corporate Governance Committee (NRCGC) assists the Board in determining the remuneration and compensation of the Board and Executive Management, including executive incentives and any share-based or other entitlements. The members of the NRCGC and their attendances during the year are disclosed in the Annual Report.

The Bank is committed to full compliance with the CBB's requirements covering sound remuneration, which are in the revised policy and procedures which have been put into effect. The NRCGC reviews Esterad Bank's remuneration policy and procedures on an annual basis.

The remuneration policy is designed to:

- Attract, motivate, and retain key employees
- Ensure reward is linked to risks and aligned with long-term performance goals
- Encourage employees to continue to perform and achieve objectives in line with business strategy

Employee compensation comprises a fixed portion representing salaries and benefits, plus a variable portion based on corporate and individual performance as adjusted for risk. A substantial portion of the variable portion for senior management is deferred over three years and equity linked, and accordingly subject to claw-backs for subsequent changes in financial performance.

Board compensation comprises of an annual sitting fee for attendances. The sitting fee paid to the members of the Board represents a fixed amount for the year, and covers all meetings attended, irrespective of whether the meeting relates to the Board or any of its subsidiary committees. Total sitting fees paid during the year amount to USD 157.5 thousand (31 Dec 2023: USD 270 thousand).

Sharia Supervisory Board (SSB) compensation comprises of a fixed annual fee plus travel and related costs for their services. SSB remuneration for the year ended 31st Dec 2024 is USD 57thousand (31 Dec 2023: USD 55 thousand).

Executive Management compensation comprises of a mix of fixed and variable remuneration in line with the CBB's requirements on sound remuneration. Fixed compensation comprises of salaries and benefits in line with market and industry norms for the levels of expertise and experience, seniority and knowledge concerned. Variable remuneration comprises of annual incentives based on the Bank's performance and profitability, plus individual performance and contribution of employees concerned. Due regard is made to align variable remuneration with risk to ensure convergence of employees' interests with shareholders' interests and the long-term profitability of the Bank.

In compliance with the regulations, the CEO and his key deputies, including senior Investment team members are rewarded based on the Bank's performance with due regard to risk taking and exposures and risk outcomes. A significant portion of the variable remuneration is deferred over a period of three years. The deferred portion is 60% for the CEO and his key deputies, and 50% for all other material risk takers or controlled persons whose aggregate annual compensation exceeds BHD 100,000 as required by the CBB. All deferred variable remuneration is awarded in the form of phantom share units linked to the netbook value of the Bank's ordinary shares, and accordingly subject to adjustments for subsequent changes in financial performance.

Additionally, the individual performance of each employee based on performance appraisals is taken into consideration in determining the distribution of the incentive pool, thus ensuring that both corporate, departmental, and individual performance aspects are appropriately considered in the determination and distribution of performance rewards. No performance bonuses were paid to employees during the year 2024 (31 December 2023 – NIL).

The Bank is committed to full compliance with the CBB's rules which underpins the remuneration policy and requires that compensation is commensurate with risk outcomes and that the compensation of staff in control functions such as Internal Audit, Risk, Compliance and Financial Control is weighted in favor of fixed, with a greater weightage given to variable compensation for staff categorized as material risk takers. Additionally, the incentive of staff in control functions is independent of the performance of business units they overlook, subject to an overriding criterion of minimum corporate achievement. The remuneration policy is subject to annual review to ensure it properly reflects the Bank's business and risk profile from time to time, so that the objective of ensuring that staff are rewarded in line with performance with due regard for risk taken is achieved.

## Corporate Governance Review (continued)

### SUMMARY OF COMPENSATION FOR THE FISCAL YEAR ENDED 31 DECEMBER 2024

Categories	No.	Fixed remuneration (in USD '000)	Variable remuneration (in USD '000)		Total remuneration (in USD '000)
		Upfront	Upfront	Deferred	
Members of the board	4	157.5	-	-	157.5
Members of the Sharia board	3	57	-	-	57
Approved persons in control functions	15	1,448	-	-	1,389
Employees in business lines	7	631	-	-	734
Other employees	13	363	-	-	320
<b>Total</b>	<b>42</b>	<b>2656.5</b>	<b>-</b>	<b>-</b>	<b>2657.5</b>

There were no shares, share-linked instruments that were paid to the staff or board members in the form of a bonus or compensation.

### SUMMARY OF COMPENSATION FOR THE FISCAL YEAR ENDED 31 DECEMBER 2023

Categories	No.	Fixed remuneration (in USD '000)	Variable remuneration (in USD '000)		Total remuneration (in USD '000)
		Upfront	Upfront	Deferred	
Members of the Board	5	270	-	-	270
Members of Shari'ah Supervisory Board	3	55	-	-	55
Approved persons	13	1,311	20	-	1,332
Business Line	7	505	35	-	539
Other Staff	15	463	1	-	464
<b>Total</b>	<b>43</b>	<b>2,603</b>	<b>56</b>	<b>-</b>	<b>2,660</b>

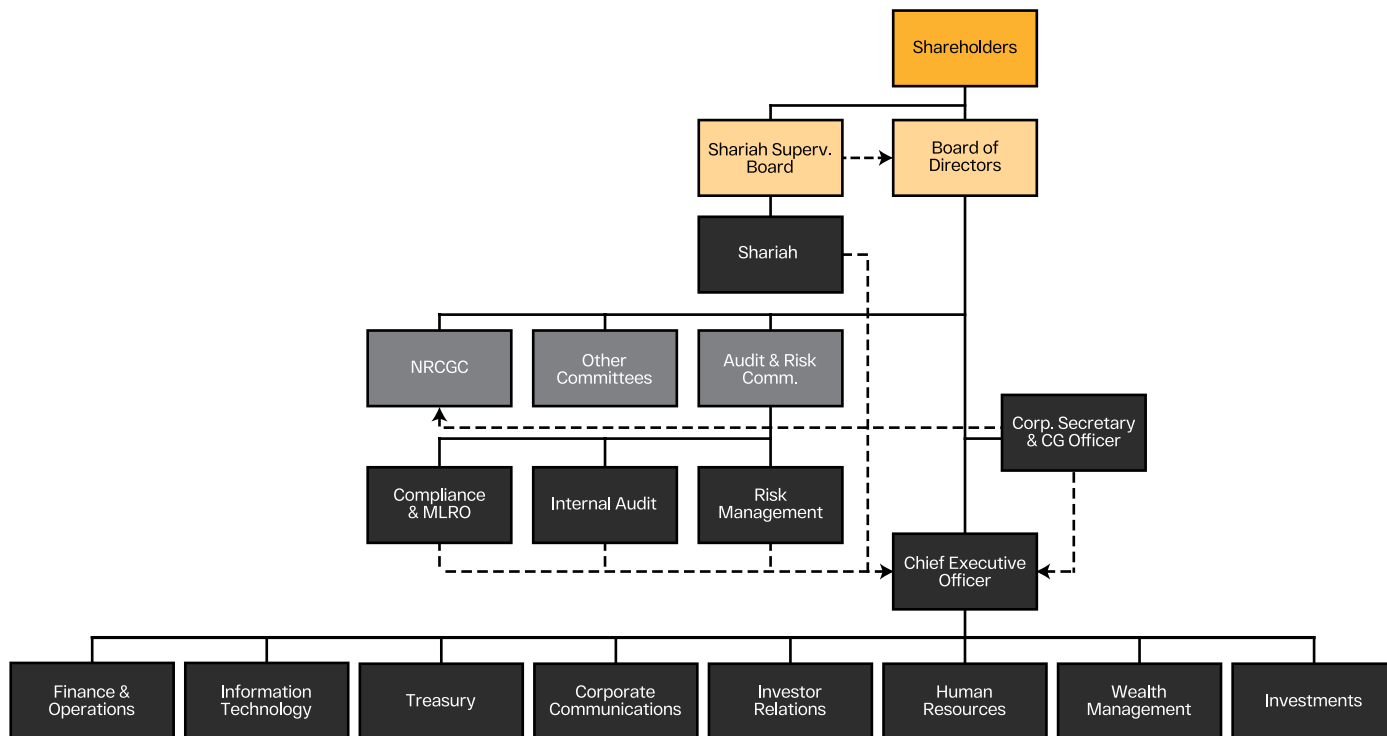
There were no shares, share-linked instruments that were paid to the staff or board members in the form of a bonus or compensation.

#### Social Functions and Charitable Contributions of the Bank:

The Bank plays a vital role in enhancing community well-being through various social functions and charitable contributions by actively participating in local initiatives that align with its values and mission. Through donations and sponsorships, the Bank not only fosters a culture of giving back but also strengthens its relationships within the community. Additionally, these efforts reflect the bank's commitment to corporate social responsibility, ensuring that its impact extends beyond financial services to create a positive social legacy.

## Corporate Governance Review (continued)

### Governance & Organization Structure



### Ownership of shares by percentage of Shareholding

The table below shows the distribution of ownership (excluding Treasury shares) according to the percentage of shareholding as of 31st December 2024:

Number of Shareholders	Number of Shares	% Ownership of Outstanding Shares
1	1,000,964	99.603%
143	3,990	0.397%
Treasury Shares	46	-
<b>Total</b>	<b>1,005,000</b>	<b>100%</b>

### Ownership of shares by government:

The Bahrain Development Bank B.S.C (c), a public sector organization owned by the Government of Bahrain has a 0.006% interest in the share capital of the Bank.

### Ownership of shares by Board Members:

As of December 2024, there were no shares that were traded by the Board. Further, as of 31 December 2024, none of the members of the Board held any shares in the Bank.

### Ownership of shares by Executive Management:

As of December 2024, there were no shares that were traded by the Executive Management of the Bank. Further, as of 31 December 2024 none of the Executive Management held any shares in the Bank.

## Corporate Governance Review (continued)

**BELOW IS THE LIST OF SHAREHOLDERS WHO OWN 5% OR MORE OF OUTSTANDING SHARES AS OF 31ST DECEMBER 2024:**

1. Esterad Ventures W.L.L
2. OWNERSHIP OF SHARES BY NATIONALITY (including Treasury shares)

Country/Nationality	No. of Shareholders	No. of shares	% Ownership of Outstanding Shares
Kingdom of Bahrain	13	1,001,243.00	99.626%
Kingdom of Saudi Arabia	87	2,177.00	0.217%
Kuwait	20	1,042.00	0.104%
Qatar	10	234.00	0.023%
Sultanate of Oman	8	110.00	0.011%
United Arab Emirates	5	194.00	0.019%
<b>Grand Total</b>	<b>143</b>	<b>1,005,000.00</b>	<b>100%</b>

### FEES AND OTHER SERVICES PROVIDED BY EXTERNAL AUDITORS AND REGULATORS

#### EXTERNAL AUDITORS

On 30 June 2024, Esterad Bank's Shareholders approved the appointment of KPMG as the external auditors for the financial year ending 31st Dec 2024.

The fees charged for the purpose of the audit-related services amounted to USD 129,973. Fees relating to performing other non-audit related Agreed Upon Procedures amounted to USD 93,634.

#### REGULATORS

There were no penalties issued by or paid to the Regulators during the year (2023: NIL).



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**Bashar Almutawa**  
 Chairman



Esterad Bank B.S.C (C)

Licensed as an Islamic Wholesale Bank by the Central Bank of Bahrain