

UNITED GULF BANK B.S.C. (c)



Corporate Governance Report - 2024

GLOSSARY

| | |
|------|--|
| AGM | Annual General Meeting |
| BAC | Board Audit Committee |
| BOD | Board of Directors; the Board |
| CBB | Central Bank of Bahrain |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| Code | Code of Corporate Governance issued by the Ministry of Industry & Commerce, Kingdom of Bahrain |
| EGM | Extra Ordinary General Meeting |
| HC | Higher Level Controls; Module HC of the CBB Rulebook |
| MOIC | Ministry of Industry & Commerce, Kingdom of Bahrain |
| NRC | Nominating and Remuneration Committee |
| UGB | United Gulf Bank B.S.C (c), the Bank |

Contents

| | | |
|-------|---|----|
| 1. | UGB's Philosophy on the Code of Corporate Governance..... | 5 |
| 2. | Profile and ownership structure of the Bank..... | 6 |
| 3. | Board of Directors | 8 |
| 3.1 | Composition of the Board of Directors..... | 8 |
| 3.2 | Board Terms and the Start Date of Each Term | 9 |
| 3.3 | Board Member selection..... | 10 |
| 3.4 | Responsibilities of the Board..... | 11 |
| 3.5 | Organisation of the Board | 13 |
| 3.6 | Evaluation of the Board, Its Committees, and the Directors | 14 |
| 3.7 | Directors' ownership and trading of shares during the year | 15 |
| 4. | Board Committees | 16 |
| 4.1 | Executive Committee (EC) | 17 |
| 4.2 | Board Audit Committee (BAC)..... | 18 |
| 4.3 | Nominating & Remuneration Committee (NRC) | 20 |
| 5. | Disclosure of Conflicts of Interest | 23 |
| 6. | Remuneration | 23 |
| 6.1 | Directors' Remuneration | 23 |
| 6.2 | Management Remuneration Structure | 25 |
| 7. | Governance of Group Structures..... | 27 |
| 8. | Management..... | 29 |
| 8.1 | Management Committees | 30 |
| 8.1.1 | Management Committee (MANCO)..... | 31 |
| 8.1.2 | Asset and Liability Committee (ALCO) | 31 |
| 8.1.3 | Environmental, Social and Governance Committee (ESG) | 31 |
| 8.1.4 | Investment Committee (IC) | 32 |
| 8.1.5 | IT Steering Committee (ITSC)..... | 33 |
| 8.1.6 | Risk and Compliance Committee (RCC) | 34 |
| 8.2 | Employment of relatives | 34 |
| 8.3 | Succession Planning | 34 |
| 8.4 | Appointment letters and job descriptions..... | 35 |
| 8.5 | Review of internal control processes and procedures – Internal Audit..... | 35 |
| 8.6 | Review of internal control processes and procedures – Compliance | 36 |
| 8.7 | Review of internal control processes and procedures – Risk Management | 37 |
| 8.8 | Authority Levels | 39 |
| 8.9 | Senior Management's ownership and trading of shares during the year..... | 39 |
| 9. | Code of Conduct approved by the Board of Directors..... | 40 |

| | |
|--|----|
| 10. Disclosure on materially significant related party transactions..... | 41 |
| 11. Disclosure and Transparency Policy | 43 |
| 12. Means of Communication | 44 |
| 13. External Auditor | 46 |

1. UGB's Philosophy on the Code of Corporate Governance.

The Board of Directors (Board, BOD) of United Gulf Bank B.S.C (c) (UGB, the Bank) recognize the importance of good governance in promoting and strengthening the trust of their shareholders and the public. It is their firm belief that sound ethical practices, transparency in operations and timely disclosures, go a long way in enhancing long term shareholder value while safeguarding the interest of the stakeholders.

The Central Bank of Bahrain (CBB) issued an amended rulebook with several changes on High Level Controls that came into effect in October 2023 (Module HC). UGB has endeavoured to comply with the revised requirements of this Module and the Corporate Governance Code of the Kingdom of Bahrain, that is issued by the Ministry of Industry and Commerce (Code). The Bank's Corporate Governance (CG) guidelines and the underlying policies that constitute the CG framework were updated to reflect the new requirements and approved by the Bank's Board of Directors at their meeting held on 13 November 2023.

This report informs shareholders on the status of UGB's compliance with the rules of Module HC specified by the Bank's primary regulator – the CBB. The reasons for non-compliance are also disclosed wherever applicable.

2. Profile and ownership structure of the Bank.

UGB is licensed as a wholesale conventional bank by the Central Bank of Bahrain (License Number: WB/04) and operates as a Bahraini closed shareholding company under its Commercial Registration # 10550. This information can be validated on the MOIC's website <https://www.sijilat.bh/>.

As at 31 December 2024, the total paid up capital of the Bank was USD 116,131,520.5 with the shareholding as follows:

| Name (Arabic) | Name (English) | Nationality | Number of Shares | Ownership (%) |
|--------------------------------------|---|-------------|------------------|---------------|
| محمد هارون نورالرحمن عبدالله خان | MOHAMMAD HAROON NUR REHMAN ABDLLA KHAN | BAHRAINI | 1 | N/A |
| شركة الخليج المتحد القابضة ش.م.ب. | United Gulf Holding Company B.S.C. | BAHRAINI | 232,263,040 | 100 |

This data is verifiable on the Ministry of Industry and Commerce's website www.sijilat.bh. No government or sovereign fund holds any shares of UGB.

While UGH is the immediate parent and owns the shares of UGB, the ultimate controller of the Bank is Kuwait Projects Company (Holding) K.S.P.C. (KIPCO). As of 31 December 2024, it held 89.8% of UGH's shares directly and indirectly through its subsidiaries as follows:

| Shareholders | Ownership (%) |
|--|---------------------|
| Kuwait Projects Company (Holding) K.P.S.C. | 52.08% |
| Overland Real Estate Company W.L.L. | 21.19% |
| Burgan Bank K.P.S.C. | 9.9 % |
| United Industries Company K.S.C.C. | 6.6% |
| Total | 89.8 ¹ % |

Excluding Treasury Shares

¹ Note : In the financials, this may be rounded to 90%

It should be noted that during 2024, Burgan Bank K.P.S.C. (Burgan Bank) - a financial institution listed on the Kuwait Boursa, obtained approval from its primary regulator – the Central Bank of Kuwait, to acquire 100% of the shares of UGB. The Central Bank of Bahrain in turn gave its no objection to the same and provided a time frame of one year to complete the transaction. The sale purchase agreement between UGH and Burgan Bank was signed in January 2025. This was followed by an Extra Ordinary General Meeting was held on 27 January 2025, wherein the shareholders approved transferring Two Hundred, Thirty Two Million, Two Hundred Sixty Three Thousand and Forty (232,263,040) shares of a nominal value of United States Fifty Cents (USD 0.50) each, representing the entire shares owned by United Gulf Holding Company B.S.C. in the Bank, to Burgan Bank K.P.S.C. The price of this transaction was USD 190 Million.

The final approval of the Ministry of Industry and Commerce was obtained on 25 February 2025, following which UGB became a subsidiary of Burgan Bank K.P.S.C.

3. Board of Directors

The Board of Directors is the apex body constituted by the shareholders for the overall supervision and governance of the Bank. The Board provides and evaluates the strategic direction of the Company, management policies and their effectiveness and that the long-term interest of the shareholder is being served. The Chairman of the Board is assisted by the Executive Directors, the Independent Directors and senior management in overseeing the functional matters of UGB. The Board operates under the terms of the **Charter of the Board of Directors** that was last approved at its meeting held on 13 November 2023.

3.1 Composition of the Board of Directors

The CBB requirements state that at least half of a conventional bank licensee's Board should be non-executive directors and at least three of those persons should be independent directors. There is however an exception granted for banks with a controller which state that *'in conventional bank licenses with a controller, at least one third of the board must be independent directors.'* As at year end 2024, UGB's Board members met this condition as three out of seven directors i.e., 42.8% were independent. The composition of UGB's Board of Directors is indicated below:

| Category | Number of Directors | Percentage of the Board |
|-----------------------|---------------------|-------------------------|
| Executive | 4 | 57.2% |
| Independent directors | 3 | 42.8% |
| Aggregate | 7 | 100% |

All the independent Directors of UGB are required to furnish a declaration both at the time of their appointment and annually, that they meet the criteria of independence. These declarations were last reviewed by the Bank's Nominating and Remuneration Committee (NRC) at their meeting held on 16 February 2025. For a director to be considered independent, the Board determines that the incumbent does not have any direct or indirect material, pecuniary relationships with the Bank and has not served over three successive terms as an independent director. For the year ending 2024, none of the independent directors have served more than three consecutive terms. The Board has adopted these guidelines which are in line with the applicable legal requirements.

The profile of UGB's directors, information on other Directorships they hold, and their biographical details are available in UGB's Annual Report and on its website www.ugbbh.com.

None of the Directors on the Board holds more than one directorship of a Bank in Bahrain. The effective cap of a maximum of two Directorships of banks inside Bahrain is hence maintained. UGB's Board members also meet the criteria that no two directorships of licensees within the same category should be held by any Board member, and that no person should hold more than three directorships in public companies in Bahrain.

The CBB Rulebook and the Code of Corporate Governance (Code) requires that the Chairman of the Board should be an independent Director. It should however be noted that UGB's Chairman – Mr. Masoud J. Hayat has been an Executive Board Director of the Bank for the past 35 years and has a thorough understanding of the Bank, its history, its functioning style, and its operations. He represents the interests of the Bank's shareholder, UGH and its ultimate controller – Kuwait Projects Company (Holding) K.P.S.C. (KIPCO). The CBB's approval on his position as the Chairman was received from the Wholesale Banking Directorate of the CBB on 8 March 2023.

3.2 Board Terms and the Start Date of Each Term

As of December 2024, the Directors of UGB who were last elected at the Annual General Meeting held on 28 March 2023, were as follows:

| Sr. | Name | Position |
|-----|--|-------------------------|
| 1 | Mr. Masoud J. Hayat – Chairman | Executive Director |
| 2 | Mr. Faisal Al Ayyar – Vice Chairman | Executive Director |
| 3 | Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah | Non- Executive Director |
| 4 | Mr. Samer Khanachet | Executive Director |

Independent Directors

| Sr. | Name | Position |
|-----|----------------------|----------------------|
| 5 | Mr. Jawad Al Asfoor | Independent Director |
| 6 | Mr. Mohamed Al Rahma | Independent Director |
| 7 | Mr. Majed Al Ajeel | Independent Director |

Each term of the Board of Directors consists of three years. All the above Directors standing for election / re-election submitted the CBB's Application for Approved Persons Status (Form 3) along with their resume, educational qualifications, personal identification records and credit bureau reports. The CBB's no objection was received for the Board members to serve their term which commenced on 1 April 2023 and extends until 31 March 2026. Following their election at the AGM, each member of the Board of Directors was issued an appointment letter dated 28 March 2023, which documented his powers, duties, responsibilities, accountabilities, term, time commitment, entitlements, and access to independent professional advice.

3.3 Board Member selection

At its meeting held on 13 November 2023, the Board approved the Corporate Governance related PPMs and guidelines which were updated to reflect the changes made by the CBB in Module HC. It has a separate policy called '**Criteria for the Election / Re-election of Directors**'. This policy contains the questionnaire evaluating the criteria for a person to be considered as appropriate for serving on the Board. The **Charter of the Nominating and Remuneration Committee** mandates that all questionnaires be assessed by the Nominating & Remuneration Committee based on information available on/from the prospective/ existing Director/s and submitted to the Board along with the Committee's recommendation. This process was followed when the current members were elected as Directors at the Annual General Assembly held on 28 March 2023. All UGB's directors possess the requisite experience and competencies specified in Module TC (Training and Competency)

The Board has approved a separate policy called '**Ordinary / Extraordinary General Assembly Meetings Procedures**.' In accordance with the Commercial Companies Law, voting takes place on a cumulative basis. A cumulative vote implies that each shareholder has a number of votes equal to the number of shares he holds and has the right to vote for one candidate or to distribute them to his chosen candidates.

In notices of meetings at which directors are to be elected or removed, the Bank ensures that where the number of candidates exceeds that of the number of available seats, the notice of the meeting explains the voting method by which the successful candidates are selected, and the method used for counting of the votes. The methodology of cumulative voting was not warranted during the OGM held in March 2023, as the number of vacancies for Board Directorships was equal the number of candidates available for re-election.

The Charter of the Board of Directors provides for the termination of membership of Board members for misuse of position; failure to attend at least three consecutive meetings or at least 75% of the meetings in a financial year without a reasonable excuse; resignation; appointment to any other managerial position in the Bank for which the member receives remuneration; bankruptcy or any other violation of laws. In 2024, the attendance requirement for Board meetings was met by all Board members.

3.4 Responsibilities of the Board

The Board's **role** and responsibilities include being responsible for:

Strategy:

In this context, the Board's oversight involves.

1. Approving and overseeing the development of the licensee's strategy, business plans and budget,
2. Actively engaging in the affairs of UGB and keeping up with material changes in the Bank's business and the external environment.
3. Reviewing major strategy papers and business plans and the inherent level of risk of the plans.
4. Assessing the adequacy of capital to support the strategy of UGB.
5. Setting performance objectives and reviewing management performance against those budgets and key performance indicators.
6. Overseeing major capital expenditures, divestitures, and acquisitions.
7. Monitoring and implementation of strategy by management.

Accountability for internal controls:

This is done through:

1. Ensuring that there is a robust finance function responsible for accounting and financial data that is used to prepare financial statements that accurately disclose UGB's financial position.
2. Reviewing the integrity of the Bank's accounting and financial reporting systems while approving the annual and interim financial statements.
3. Ensuring that adequate systems, controls, processes, and procedures are implemented by senior management in line with the Board approved policies.

-
4. Receiving affirmation that management develops, implements, and oversees the effectiveness of comprehensive know your customer standards, as well as ongoing monitoring of accounts and transactions, in keeping with the requirements of relevant law, regulations and best practice.
 5. Establishing a control environment that maintains client confidentiality and ensures that the privacy of the Bank is not violated, and clients' rights and assets are properly safeguarded;
 6. Overseeing that the Bank has adequate processes to ensure full compliance with the requirements of the CBB Law, other relevant laws and the relevant rulebooks.
 7. Ensuring that the risk management, compliance, and internal audit functions are properly positioned, staffed, and resourced and carry out their responsibilities independently, objectively, and effectively. It is imperative that Senior management maintain an effective and transparent relationship with the CBB.
 8. Approving an appropriate code of conduct/ ethics outlines the acceptable practices that all Board members, senior management and other staff must follow in performing their duties, and the unacceptable practices/ conduct that must be avoided. This sets the corporate values that create expectations that the business must be conducted in a legal, professional, and ethical manner, and oversees the adherence to such values by Board members, senior management, and other employees. Directors, Senior Management, and other staff will provide an annual affirmation to the Code of Conduct, as they are aware that appropriate disciplinary or other actions will be taken to address all incidents of unacceptable behaviour, practices, and transgressions.
 9. The adoption and review of management structure and responsibilities. This involves approving the selection and overseeing the performance of the chief executive officer (CEO), chief financial officer and heads of the risk management, compliance, and internal audit functions. These must be executives with integrity, technical and managerial competence, and appropriate experience. The Board also reviews succession planning and replacing key executives when necessary, overseeing with the assistance and advise of the Remuneration Committee, the remuneration system's design and operation for approved persons and material risk-takers and monitoring and reviewing board remuneration packages and executive compensation and assessing whether it is aligned with UGB's remuneration policy, risk culture and risk appetite.
 10. Ensuring that there is appropriate delegation of authority from the Board to executive management.

11. Convening and preparing for shareholder meetings. UGB's Board has approved a detailed policy & procedure manual on 'Ordinary / Extraordinary General Assembly Meetings' that enumerates the requirements for conducting meetings. This is based on the requirements of the Commercial Companies Law.

Accountability for Risk Management

The Board is also responsible for:

1. Approving, and overseeing the implementation of UGB's risk management framework and all policies that are reviewed based on the size, complexity, business strategy, markets, or regulatory requirements in the jurisdictions where UGB operates. These are updated on a regular basis to mitigate the occurrence of a major failure of controls.
2. Establishing along with senior management and the chief risk officer, UGB's risk appetite, that is based on the strategy, competitive and regulatory landscape, UGB's long-term interests, risk exposure and ability to manage risk effectively.
3. Adherence to the risk appetite statement, risk policy and risk limits and promotes risk awareness within a strong risk culture by conveying its expectation that it does not support risk-taking beyond the risk appetite and risk limits set by the Board, and that all employees are responsible for ensuring that UGB operates within the established risk appetite and risk. These are enumerated in detail in the [Corporate Governance guidelines](#) published on the website, and the [Charter of the Board of Directors](#). The responsibilities assigned to Board members, are in line with the spirit of the care and loyalty expected from them vis a vis the Bank and its shareholders. Directors understand that they should be collegial, knowledgeable and are accountable both individually and collectively in discharging their duties.

The minutes of the Board reflect the decisions taken by Directors during their meetings/resolutions. A concerted effort is made to ensure that the content of minutes includes a detailed commentary of Board deliberations to ensure that minutes documented were comprehensive and complete. The strategy of the Bank was last submitted to the CBB on 29 March 2022. It is currently being revised and will be reviewed during the current year.

3.5 Organisation of the Board

The Board of Directors held five meetings in 2024. The attendance record of the Directors at these meetings is disclosed below:

| Attendance | 28 Feb 2024 (Held in Bahrain) | 27 Mar 2024 (Held in Kuwait) | 14 May 2024 (Held in Bahrain) | 13 Aug 2024 (Held in Bahrain) | 13 Nov 2023 (Held in Bahrain) |
|---|--|---------------------------------------|--|--|--|
| Masoud J. Hayat, Chairman | x | x | x | x | x |
| Faisal Al Ayyar, Vice Chairman | x | x | x | x | x |
| Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah | x | x | x | x | x |
| Samer Khanachet | x | x | x | x | x |
| Jawad Al Asfoor | x | x | x | x | x |
| Mohammed Al Rahma | x | x | x | x | x |
| Majed Al Ajeel | x | x | x | x | x |

It is a regulatory requirement that individual Board members must attend at least 75% of all Board meetings in a given financial year to enable the Board to discharge its responsibilities effectively. This condition has been met by all members over the past three years. Informal communication is also maintained among Board members between meetings. A detailed package containing the agenda, minutes of prior meetings, adequate background information on the issues is circulated by the Chairman/ Corporate Secretary, prior to the date of the Board meeting. During 2024, there were no cases of Independent Directors requiring a session at which only they needed to be present.

3.6 Evaluation of the Board, Its Committees, and the Directors

The Nominating and Remuneration Committee of the Board of Directors (NRC) completed the annual evaluation of individual Directors, the performance of the Board, the Executive Committee, the Board Audit Committee, and its own standing through a questionnaire administered by the Chairman of the Board, and the Chairmen of the various committees to their members. The written self-assessment covered an assessment of how the Board functioned, the evaluation of the performance of each committee considering its specific purpose and responsibilities, and the attendance record of each Director at Board and Committee meetings. The performance of each individual director was carried out through the completion of a structured questionnaire on the effectiveness and contribution of each member against certain pre-defined criteria as per the mandate of the Board and each Board sub-committee. The completed evaluations were collated by the Chairman of the Board and the Corporate Secretary and submitted to the NRC who reviewed these on 16 February, 2025. The overall performance of the Board, its

members and its committees were deemed to be satisfactory for the year ended 2024. This is affirmed to the shareholders at the Annual General Meeting held each year through this Corporate Governance report.

In line with the CBB's requirement to demonstrate training and competency, the number of hours of CPD (continuing professional development) completed by all Directors is submitted to them on an annual basis. All Board members strive to meet, training and professional development hours required by the Central Bank of Bahrain. For the year 2024 the 15 hour CPD requirements were met by all the 7 Board members. The report on CPD hours completed by the Directors and staff are submitted annually to the CBB as part of the statutory reports by March 31 of each year.

3.7 Directors' ownership and trading of shares during the year

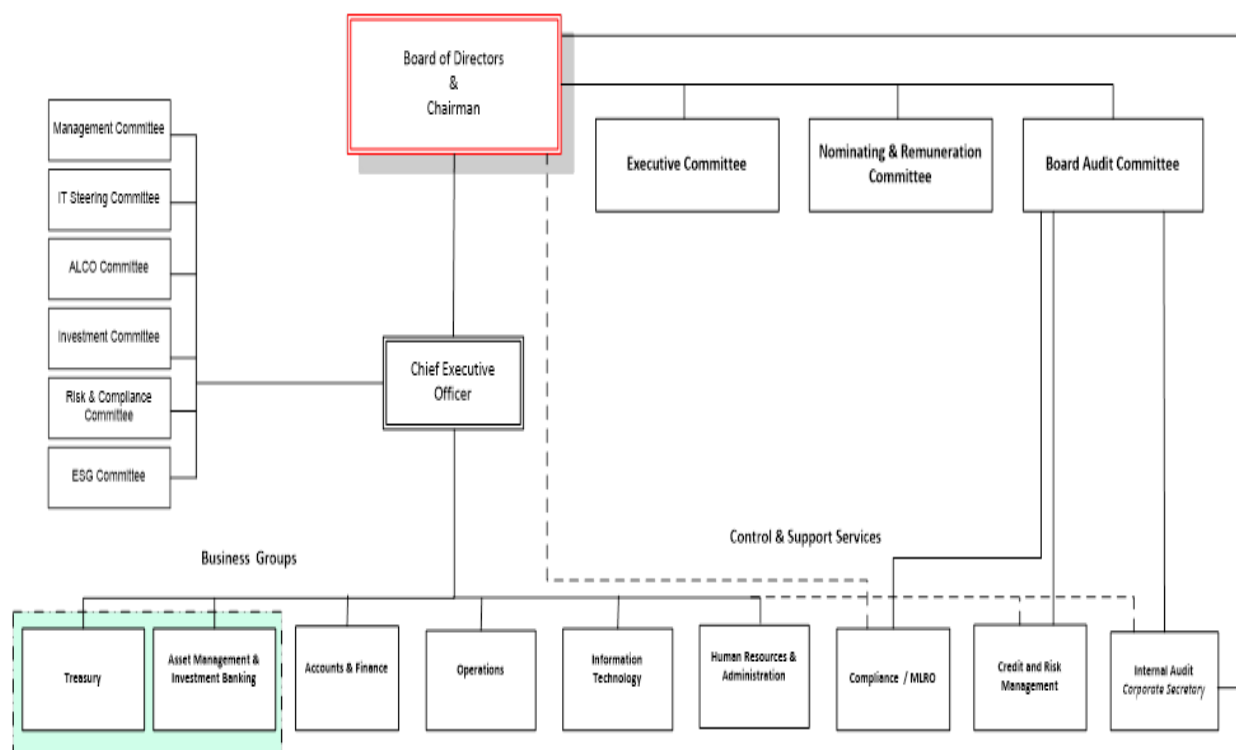
None of the Directors, hold any shares in UGB.

| Name | 31 December 2024 | 31 December 2023 |
|--|------------------|------------------|
| Masoud M.J. Hayat (Chairman) | - | - |
| Faisal Hamad Al Ayyar (Vice Chairman) | - | - |
| Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah | - | - |
| Samer Khanachet | - | - |
| Jawad Al Asfoor | - | - |
| Mohamed Al Rahma | - | - |
| Majed Al Ajeel | - | - |

4. Board Committees

The Board has approved three standing Committees – namely, the Executive Committee (EC), the Board Audit Committee (BAC) and the Nominating & Remuneration Committee (NRC). Each of these has its own charter that outlines the responsibilities of its members. The Board is authorised to constitute additional functional Committees from time to time, depending on the business needs. The membership of the Committees was last re-constituted after the election of the Directors for their current term.

The governance structure and the organisation chart of the Bank are given below. The Chief Audit Executive, the Chief Compliance Officer, and the Head of Credit & Risk Management all report directly to the Board Audit Committee with a dotted reporting line to the Chief Executive Officer for administrative purposes. The Chief Compliance Officer who is also the MLRO, has access to the Board of Directors and the Chairman for Anti Money laundering issues.



Each committee has the prerogative to invite non directors or members of the management team to participate in their meetings, if they are of the opinion that the committee will gain the benefit of their advice and expertise in financial or other areas.

Care is taken to ensure that their membership and constitution are in line with CBB regulations. Further information on the work done by the Committees is provided below:

4.1 Executive Committee (EC)

Composition: The three Executive Directors who serve on the Executive Committee are Mr. Masoud Hayat - Chairman, Mr. Faisal Al Ayyar and Mr. Samer Khanachet.

Responsibilities: The Executive Committee is appointed by the Board to exercise their powers and duties during the interim periods by circulation to ensure timely review and approvals with regards to strategic and investment related proposals. The EC is also empowered by its [Charter](#) to act on the Board's behalf, if an immediate decision is required on any matters falling outside the authority of Management. The Executive Committee Charter was last approved by the Board in November 2023.

The EC supports the BOD in investment related decision-making processes. The committee, jointly with the Investment Committee has been delegated the overall responsibility for overseeing the investment decision making by the Board and ensures that adequate measures are in place to manage investment risks.

The EC carries out the following responsibilities:

- Oversees the long term investment policy objectives of the Bank which include the review of the Bank's overall business strategy, annual operating budget, and all other financial plans necessary to achieve the Bank's investment objectives as set out by the BOD;
- Propose the Bank's strategic and tactical asset allocation to BOD for approvals as recommended by the AMIB/IC;
- Takes decisions in the interim periods between BOD meetings by circulation when a full meeting of the BOD is not possible;
- Approves all new investments or changes to existing investments via Investment memo and proposal (direct investments/third party investments) according to their authority limits as specified in the Risk PPM;
- Reviews overall investment portfolio on a regular basis.

Meetings: The executive committee meetings and resolutions are held through circulation. Members sign the underlying memos constituting the decisions. During 2024, one resolution was passed, details of which are given below.

| Sr. | Date | Masoud J. Hayat Chairman | Faisal Al Ayyar | Samer Khanachet |
|-----|------|-----------------------------|-----------------|-----------------|
|-----|------|-----------------------------|-----------------|-----------------|

| | | | | |
|---|------------------|---|---|---|
| | | | | |
| 1 | 26 February 2024 | x | x | x |

4.2 Board Audit Committee (BAC)

Composition: During 2024, the Board Audit Committee comprised three members (two independent directors and one executive director, with the Chairman of the BAC being an independent director. All members have sufficient technical expertise and financial literacy to enable the Committee to function efficiently. The CEO is not a member of this committee. As at 31 December 2024, the members were:

| Name | Position |
|---------------------|----------|
| Mr. Jawad Al Asfoor | Chairman |
| Mr. Faisal Al Ayyar | Member |
| Mr. Majed Al Ajeel | Member |

Responsibilities: The BAC assists the Board for overseeing the quality and integrity of the accounting, auditing, and reporting practices of UGB, supervising the internal and external auditors and the Bank's compliance with the legal and regulatory requirements. Its main functions as enumerated in [its Charter](#) which was last approved by the Board on 27 March 2024 encompass:

- assessing the quality and integrity of UGB's financial audit and reporting;
- ensuring the independence of UGB's internal and external audit functions;
- reviewing the adequacy and overseeing UGB's compliance with all existing and newly introduced laws and regulations;
- reviewing systems and means of monitoring risk including capital adequacy, liquidity, stress testing;
- reviewing the implementation of enforcement of and adherence to the bank's code of conduct and corporate governance framework and monitoring any adverse deviations;
- recommending the appointment, compensation, and oversight of the bank's external auditors
- reviewing the work of the internal auditor, head of compliance and the head of credit & risk management
- ensuring that there are effective whistleblowing procedures in place.

The BAC is responsible for the supervision of the Bank's overall internal controls framework, Risk management profile and compliance with regulations. As the scope of corporate governance falls within this purview, permission was obtained from the CBB on

13 March 2012, to merge the Board Audit Committee and the Corporate Governance Committee to supervise the regulatory aspects of corporate governance.

The CBB introduced several new rules under the revised Module HC that pertains to the Audit Function, Compliance Function, and the Risk Function. One of these involves establishing a Board Risk Committee comprising at least three independent Directors. The task of the Risk Committee is to support the Board for its oversight and decisions related to the Bank's risk management framework. UGB's BAC has had the responsibility over several years of supervising the Risk functions of the Bank. It was hence deemed appropriate that the BAC would continue to have oversight over the risk framework. The CBB approval for the same was procured on 23 April 2019.

Meetings: During the year 2024, the Board Audit Committee met in a combination of physical and virtual meetings for a total of nine times; the attendance details are as follows:

| Sr. | Date | Jawad Al Asfoor Chairman | Faisal Al Ayyar | Majed Al Ajeel |
|-----|------------------|-----------------------------|-----------------|----------------|
| 1 | 5 February 2024 | x | x | x |
| 2 | 27 February 2024 | x | x | x |
| 3 | 26 March 2024 | x | x | x |
| 4 | 13 May 2024 | x | x | x |
| 5 | 30 June 2024 | x | x | x |
| 6 | 12 August 2024 | x | x | x |
| 7 | 12 November 2024 | x | x | x |
| 8 | 21 November 2024 | x | x | x |
| 9 | 31 December 2024 | x | x | x |

Two meetings were held with the external auditors – Ernst & Young during the year ended 2024. EY met with the BAC members on 30 June 2024 and 21 November 2024. In line with regulatory requirements the BAC met with the Chief Audit Executive, the Chief Compliance Officer, and the Head of Credit & Risk Management, at its meeting held on 31 December 2024 in the absence of the CEO and members of executive management.

In line with regulatory requirements, the Bank's CEO and CFO state in writing to the audit committee and the Board of Directors each quarter, that the interim and annual financial statements present a true and fair view, in all material respects, of UGB's financial condition and results of operations in accordance with applicable accounting standards.

4.3 Nominating & Remuneration Committee (NRC)

Composition: In accordance with the requirements of the CBB Rulebook and the Code of Corporate Governance, it is mandatory for all conventional banks to have a Nominating Committee and a Remuneration Committee. After receiving the CBB's approval in March 2012 to combine both roles, UGB's Board of Directors approved the creation of a Nominating & Remuneration Committee.

All members of the NRC are independent. The constitution of this Committee as at 31 December 2024 was as follows:

| Name | Position |
|-----------------------|----------|
| Mr. Majed Al Ajeel | Chairman |
| Mr. Jawad Al Asfoor | Member |
| Mr. Mohammed Al Rahma | Member |

Responsibilities: The NRC assists the Board in assessing the skill sets of Board members and ensures that there is an appropriate mix of eminent persons having an independent standing in their respective field/profession and who can effectively contribute to UGB's business and policy decisions. The Committee is empowered by [its Charter](#), which was last approved by the Board on 13 November 2023.

The Committee is tasked with overseeing the preparation of appropriate nomination documents and notifications proposing candidates for Directorships. This is done once every three years. NRC members last reviewed the candidacy and credentials of the members standing for re-election at their meeting held on 6 March 2023. They also identified Mr. Majed Al Ajeel to replace Mr. Haroon, who had completed three successive terms as an independent Director. Their advice was shared with the Board of Directors, who in turn put forth their recommendation to the shareholders regarding the candidacy of members standing for election / re-election. It was noted that there were no conflicts of interest that were highlighted by any of the members.

The NRC also reviews the independence of Directors on an annual basis, notes the time commitment from non-executive directors, supervises the preparation of induction materials and orientation sessions, makes recommendations to the Board regarding the candidates for Board membership / management and ensures that there is a succession plan in place.

The NRC recommends/ reviews the remuneration policies for the Board of Directors and Senior Management once in two years. This was last done on 13 November 2023. Every

effort is taken to ensure that the remuneration of both Directors management and material risk takers is sufficient to attract, retain and motivate persons of the quality needed to run the Bank successfully. The remuneration policy is in consonance with the existing industry practices and emphasis fairness and responsibility. The NRC also has the prerogative to compensate certain members of the UGB management team with variable remuneration, for additional responsibilities that they undertake for the Bank's parent UGH. This is under the terms of a service agreement signed between the two entities dated 24 August 2017 which continues to be valid until such time as it is rescinded.

The Code of Corporate Governance and the CBB rulebook, mandates that all performance-based incentives should be awarded under written objective performance standards which have been approved by the Board and are designed to enhance shareholder and the conventional bank licensee's value, and under which shares should not vest and options should not be exercisable within less than two years of the date of award of the incentive. UGB currently has no Employee Stock Option Plan in effect.

The NRC is also responsible for the implementation of the corporate governance policy framework, and reviewing the annual corporate governance report and disclosure to ensure that it is in conformity with UGB's internal policies and the CBB's requirements.

Meetings: The Nominating & Remuneration Committee met three times during 2024; consequently, the requirement of the CBB of having at least two meetings in any financial year was met. Attendance of each Member is recorded in the minutes of NRC Meetings held during the year:

| Sr. | Date | Majed Al Ajeel Chairman | Jawad Al Asfoor | Mohammed Al Rahma |
|-----|------------------|----------------------------|-----------------|----------------------|
| 1 | 25 January 2024 | x | x | x |
| 2 | 15 February 2024 | x | x | x |
| 3 | 17 March 2024 | x | x | x |

Corporate Governance principles are uniformly endorsed by UGB's Board of Directors and Executive Management. These are in place in the Bank's primary subsidiary – KAMCO Investment Company K.S.C.P. The extent of the arrangements is however subject to the requirements of the regulators of the jurisdictions in which the subsidiaries operate.

UGB's Board of Directors approved the **Directors' Induction Policy** that requires each new Director to receive a formal and tailored induction with respect to UGB's vision, strategic direction, and core values including ethics, corporate governance practices, financial

matters, and business operations. The familiarisation is aimed at ensuring that the new Director meets with the Bank's Senior Management, and that he/she is provided with the necessary documents, brochures, reports, and internal policies. It is also in line with the CBB's requirement that the Board of Directors should be effective and informed.

The **Charter of the Nominating & Remuneration Committee** states that the Nominating & Remuneration Committee is responsible for the preparation of induction materials and orientation sessions for new Directors, in consultation with senior management and with the Board Secretary. Induction materials were last provided to the newly elected Director - Mr. Majed Al Ajeel in April 2023. An acknowledgement for the same was received.

5. Disclosure of Conflicts of Interest

During the financial year ended 2024 there were no materially significant transactions entered into between UGB and its controller, directors or the management, subsidiaries, or associates, which may have potential conflict with the interests of the Bank at large. Consequently, there was no need to declare any conflicts, in accordance with the [Disclosure of Conflict of Interest policy](#).

The above document approved by UGB's Board of Directors requires each Director to make decisions based on his independent judgement, and in the interests of all shareholders. If there is any conflict, directors are expected to inform the entire Board of conflicts of interest in their activities with, and commitments to other organisations as they arise, and abstain from voting on any matter where they perceive a conflict. This Disclosure will include all material facts in the case of a contract or transaction involving the director.

If the disclosure is upheld, the director deemed to have a conflict of interest is expected to abstain from voting on the issue. Such abstention will be recorded by the Corporate Secretary in the minutes of the committee or the Board (as appropriate). Furthermore, the policy requires the Bank to disclose to its shareholders in the Annual Report, any abstention from voting motivated by a conflict of interest, as well as any authorisation of a conflict of interest contract or transaction. There were no abstentions recorded in 2024. All individual directors have complete access to UGB's Corporate Secretary.

6. Remuneration

6.1 Directors' Remuneration

The remuneration policy of UGB is in consonance with the existing industry practice. In line with the regulatory requirements on transparency and disclosure, the details of the amounts paid to Board members as total allowance for attending Board and committee meetings for the year ended 2024 is indicated below. These have been classified as fixed remuneration.

Disclosure forms for the remuneration of members of the board of directors and the executive management in the report of the board of directors

First: Board of directors' remuneration details:

| Name | Fixed remunerations | | | | Variable remunerations | | | | End-of-service award | Aggregate amount (Does not include expense allowance) | Expenses Allowance |
|---|---------------------------------------|--|--------|------------|---------------------------------------|-----------------|--------|-------|----------------------|--|--------------------|
| | Remunerations of the chairman and BOD | Total allowance for attending Board and committee meetings | Others | Total | Remunerations of the chairman and BOD | Incentive plans | Others | Total | | | |
| First: Independent Directors: | | | | | | | | | | | |
| 1- Jawad Al Asfoor | - | 6,283.330 | - | 6,283.330 | - | - | - | - | - | - | - |
| 2- Majed Al Ajeel | - | 6,283.330 | - | 6,283.330 | - | - | - | - | - | - | - |
| 3- Mohamed Al Rahma | - | 6,283.330 | - | 6,283.330 | - | - | - | - | - | - | - |
| Second: Non-Executive Directors: NIL | | | | | | | | | | | |
| Third: Executive Directors: | | | | | | | | | | | |
| 4- Masaud Hayat | - | - | - | - | - | - | - | - | - | - | - |
| 5- Faisal Al Ayyar | - | - | - | - | - | - | - | - | - | - | - |
| 6- Samer Khanachet | - | - | - | - | - | - | - | - | - | - | - |
| 1. Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah | - | - | - | - | - | - | - | - | - | - | - |
| Total | - | 18,850.000 | - | 18,850.000 | - | - | - | - | - | - | - |

Reported in BD

None of the Directors received any other payments related to salaries, bonus, incentive plans, profit sharing, dividends, end of service benefits, compensation for technical, administrative, and advisory works or any other monetary / non-monetary perks. Directors' remuneration is accounted as an expense as per International Financial Reporting Standards and CBB regulations.

6.2 Management Remuneration Structure

As mandated by the MOIC and as disclosed in the Board of Directors' report submitted to the CBB, the details of the remuneration paid during 2024 to the six largest earning members of the executive team including the Chief Executive Officer and the Chief Financial Officer in Bahraini Dinars, were as follows:

| Executive management | Total paid salaries and allowances (BD) | Total paid remuneration (Bonus) | Any other cash/ in kind remuneration paid during the year* | Aggregate Amount Total (BD) |
|--|---|---------------------------------|--|-----------------------------|
| Top six remuneration for executives (2024) | 920,365 | 6,230 | 82,950 | 1,009,545 |

*This was the variable compensation approved by the NRC of UGB on 4 February 2025 for additional responsibilities undertaken by certain executives of the management team for the Bank's parent UGH. These services are rendered under the terms of a service agreement signed between the two entities dated 24 August 2017.

The CBB has stringent standards of remuneration to ensure that there is a balanced methodology followed by banks, while determining their compensation practices. This considers present and potential risk alongside performance goals. All payments are made based in accordance with the Labour Law and every effort is made to ensure that the Bank does not reward failure. In line with the regulator's requirements, an independent consulting firm undertakes an annual assurance review of the Bank's compliance with the remuneration rules. This is then submitted to the CBB.

The remuneration framework's design and operation for approved persons and material risk takers is approved by the Board of Directors based on the recommendation of the NRC. Comprising three independent members, it remains the main body overseeing remuneration of the Bank. No external consultants were used during the year 2024 to assist the NRC undertake its responsibilities as documented in the NRC charter.

The Board has also approved the remuneration framework comprising the following salient features:

-
- Approved persons engaged in support functions (risk management, audit, operations, financial controls, AML, and compliance) are remunerated in a manner that is independent of the business areas which they oversee.
 - The performance appraisal of each approved person is done annually and based on the achievement of his/her objectives and targets.
 - Annual Key Performance Indicators (KPI) of each Department is also factored into the remuneration framework; the KPI's are classified as both quantitative and qualitative in ratio of 75:25 accordingly.
 - The mix of fixed and variable remuneration for support functions, is weighted in favour of fixed remuneration.
 - Remuneration related disclosures comprise qualitative and quantitative information pertaining to remuneration practices and policies. The risk adjustment methodologies, the link between remuneration and performance, the long-term performance measures (deferral, malus, clawback), the types of remuneration (cash/equity, fixed/variable) and the quantitative disclosures are documented in the Remuneration Policy that was last approved by the Board on 13 November 2023. At its meeting held on 16 February 2025, the NRC reviewed the annual performance evaluation of the Bank's employees for the year 2024 and noted its results.

The categorization of staff in terms of approved persons, material risk takers, approved persons in the control and support functions, and other staff working in the business and support units was reviewed by the NRC at its meeting held on 16 February, 2025.

7. Governance of Group Structures

The revised rules of Module HC mandate that the Board of Bahraini conventional bank licensees which act as a parent, must have the overall responsibility for the Group and exercise adequate oversight over subsidiaries, while respecting the independent legal and governance responsibilities that apply to the Boards of subsidiaries. UGB's Board members recognize the need to balance the degree of control that needs to be exercised by the Bank in its capacity as a parent, and the degree of independence and authority that needs to be provided to the subsidiaries pursuant to local legislation. There also must be a balance between standardization of the systems and processes across the organization and local adaptation at the subsidiary levels. The overarching principle is to ensure that the Board of UGB and the Boards of its subsidiaries incorporate systems and processes which assure the parent that there is adequate "downstream governance" that reflects the same values, ethics, controls, and processes as at the parent level as practically feasible and in line with the size, scope, regulatory jurisdiction, and business of the group organization.

In November 2023, the Board of Directors approved the new **Governance of Group Structures** policy and procedures manual which defines the responsibility of the Boards of UGB's subsidiaries, UGB Board Representatives in subsidiaries and Group Communication. Each subsidiary is expected to have adequate and comprehensive criteria for the composition of its Board, which is in line with the regulatory requirements of the jurisdiction in which it operates. Board members must be qualified and responsible for developing and implementing effective corporate governance, compliance, and risk management framework. They are also responsible for reviewing the entities' strategy, business plan, financial control, policies, and corporate values. Boards of subsidiaries are encouraged to provide adequate oversight to ensure that the management of the subsidiary is conducted in a sound and prudent manner. This includes ensuring that there are sufficient resources at the subsidiary levels to monitor risks and compliance, and that there is an open, transparent, and effective relationship with the subsidiaries' regulators.

Each subsidiary has its own strategy, business policy and a specific set of its own policies on risk management, internal audit, compliance, and financial controls similar to what is done at the UGB level. The Bank recognizes that these cannot be aligned perfectly due to differing business models. The important part is to ensure that there is adequate supervision at the parent and subsidiary level over these departments that must conduct periodic reviews on the activities, controls, and structures of the entities.

UGB's primary operating subsidiary is KAMCO Investment Company K.S.C.P. (KAMCO). It is listed on the Kuwait Boursa and hence regulated by the Capital Markets Authority. (CMA). The CMA has detailed rules on Kuwait's standards of Corporate Governance which cover among others, its rules on the Board composition, financial reporting, risk management, internal audit, disclosure and transparency, ethics, and regulatory requirements. As a regulated entity of the CMA, KAMCO is obligated to follow the rules of the CMA's corporate governance framework module. UGB has hence sought an exemption from the CBB to have Group function roles at the parent level. The Bank and KAMCO have distinct and independent Internal Audit, Compliance, Risk Management and Financial Controls departments, which adhere to the CBB's rules and the CMA's rules respectively. There is however constant ongoing interaction on relevant matters between these functions at the parent level and the subsidiary level with Audit, Compliance and Risk Management having meetings biannually.

KAMCO's business entails launching funds, making proprietary investments, and having co-investments. New structures and legal entities are established at the KAMCO level to reduce contagion, limit legal liability and ensure tax optimization. Dormant subsidiaries are dissolved when they are no longer deemed essential. These are business decisions taken at the KAMCO level; the Legal and Compliance Department of KAMCO have a list of these entities and are informed of their decisions. KAMCO also has a separate PPM approved by its Board of Directors on Legal Entity Monitoring Policies and Procedures. It is hence not possible to have a complete synchronization and a centralised process between UGB and KAMCO for approving the creation of new legal entities and subsidiaries including the ability to monitor and fulfil each entity's regulatory, tax, financial reporting, governance, and other requirements. Exemption has been sought from the CBB for this as well.

The divergence in the business model of UGB which is more of a proprietary investment holding bank and its which has a diverse set of operations spanning asset management, equity trading, research, private equity, advisory, custody and real estate, make it practically impossible to capture KAMCO's data in the pan bank risk management system that is part of the overall risk governance framework. An exemption has been sought from this rule as well.

8. Management

The positions of Chairman & Vice Chairman are established by UGB's Articles of Association. These are distinct from those of the Chief Executive Officer of the Bank. Furthermore, there is a clear division of responsibility between these two positions, as defined in the [Charter of the Board of Directors](#).

The Chairman of the Board is responsible for the leadership and the effective functioning of the Board. He is the major point of contact between the Board and Management and also the Board and the Shareholders. The role requires that he be briefed on all material operational matters and facilitates the conduct of the Board processes and evaluation procedures. The role is also responsible for the conduct of the Annual General Meetings.

The Board has established a management structure that promotes accountability and transparency and facilitates effective decision making and good governance. It is headed by Mr. Hussain Lalani, the Chief Executive Officer of the Bank. He is responsible for the executive leadership and the day-to-day operations of UGB. He is assisted by the Management Committee team members, who are responsible for implementing the Board's strategies and controls. All members of Senior Management are 'approved persons' i.e., they have been pre-approved by the CBB based on their experience, competencies, personal qualities, and integrity.

In accordance with best practice, there is complete segregation of duties between the business and support functions, with compliance, risk management and financial reporting functions being adequately resourced and independent. Independence is further reiterated with the Compliance, Internal Audit & Quality Assurance and Risk Management Departments having a direct reporting line to the Board Audit Committee.

The organization chart displayed in the Section on [Board Committees](#) was last approved by the NRC at its meeting held on 16 February 2025– this is submitted to the CBB annually by March, as part of the mandatory statutory reporting. The management team comprises the following:

| Names | Position |
|---------------------|--|
| Hussain Lalani | Chief Executive Officer |
| Mohammed Al Qumaish | AGM, Chief Audit Executive & Corporate Secretary |
| Deepa Chandrasekhar | Senior Vice President, Chief Compliance Officer & MLRO Corporate Governance Officer |

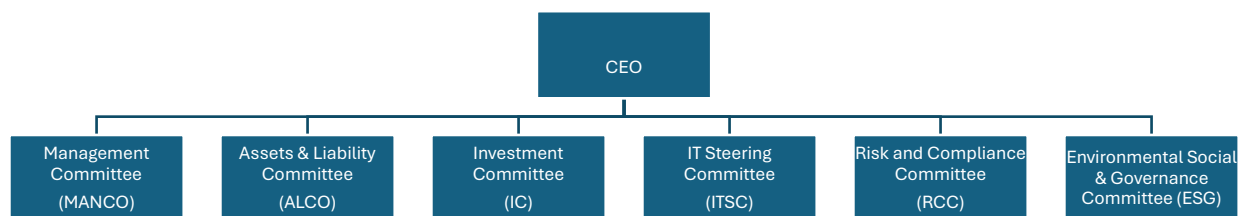
| | |
|----------------|---|
| Rehan Ashraf | Senior Vice President, Chief Financial Officer |
| Adel Al Arab | Senior Vice President, Head of Operations |
| Nirmal Parik | Vice President, Head of Asset Management & Investment Banking |
| Abbas Al Tooq | Assistant Vice President, Head of Credit & Risk Management |
| Hussain Khalil | Vice President, Head of Treasury |

The profile of the Management Members and their biographical details are available in UGB's Annual Report, as well as the website www.ugbbh.com.

8.1 Management Committees

In addition to the Board committees, there are several management committees that have been instituted to ensure that there is adequate supervision and governance of the Bank's activities. The Executive Management of UGB is headed by the CEO who is responsible for the daily operations of UGB's business in line with policies and procedures approved by the Board of Directors. The management committees complement and facilitate the efforts of the Board of Directors towards meeting its responsibility towards all stakeholders.

The following chart describes the relationship of the various internal committees:



8.1.1 Management Committee (MANCO)

The Management Committee acts as the steering body of the Bank and consists of the CEO and certain Department Heads. It provides a forum for discussing all relevant issues pertaining to the Bank's ongoing activities and follow-up on any action points, as and when warranted. The Chief Compliance Officer and MLRO, acts as the Secretary to this Committee. In line with the CBB's requirement to demonstrate training and competency, the Bank reiterates that the necessary number of 15 continuous professional development hours (or prorated in the case of all new 'controlled persons'), should be completed by all approved persons. During 2024, this condition was met by all members of the management team.

8.1.2 Asset and Liability Committee (ALCO)

The Asset and Liability Committee is assigned the task of establishing policy and objectives for the asset and liability management of UGH/UGB's balance sheet in terms of structure, distribution, risk, return and its impact on liquidity. ALCO also monitors asset and liability exposures and evaluates the overall balance sheet from an interest rate risk perspective. It also coordinates proposed strategies to achieve optimal risk and return from a liquidity perspective and based on perceived trends and market conditions. The Committee aims to meet at least once a quarter and more frequently if deemed necessary. It is headed by the Chief Executive Officer and includes the Chief Financial Officer, Head of Credit and Risk Management and other senior management team members. The Head of Treasury acts as the Secretary of this Committee. The Chief Audit Executive attends the meetings in his capacity as an observer.

8.1.3 Environmental, Social and Governance Committee (ESG)

The awareness of environmental issues has grown in prominence and significance over the recent years. The principle of sustainability is one of the key development goals in the Kingdom of Bahrain's Economic Vision 2030. Companies in Bahrain have been encouraged by regulators like the CBB and the Bahrain Bourse, to implement policies that contribute to the national, regional, and global vision that embrace ESG. Examples of these include compliance with Central Bank of Bahrain's ESG regulatory requirements, guidance and governance from the Bahrain Bourse's sustainability reporting practices and accelerating the fulfilment of the United Nations Sustainable Development Goals that aim to protect the planet and the global well-being of people, with a focus on reducing greenhouse gas (GHG) emissions, investing in sustainable energy, improving socioeconomic factors, and providing for transparent sustainable financial practices, reporting and disclosures.

In line with the CBB's requirements, UGB constituted the ESG Committee at the management level, chaired by the CEO and comprising the senior management team members. The Head of Credit and Risk Management acts as the secretary while the Chief Audit Executive is an observer. The Committee's Charter was approved by the Board in November 2023. Project plans related to ESG have been identified and the ESG Committee has the responsibility to finalize the roadmap and target timelines for implementation of certain milestones in the Bank's ESG journey. This will facilitate the reporting of Key Performance indicators (KPIs) that are regulatory requirements due for the year ending 2024.

Specific responsibilities of the ESG committee include the following:

- Appointment of an effective cross-functional ESG team (members from various departments) to support the implementation and execution of the ESG strategy and reporting goals.
- Review and approve the ESG Materiality Assessment process for the internal and external stakeholders.
- Review the ESG targets and goals and the measurements of the KPIs for each ESG aspect.
- Report to the Board on progress on the development of ESG strategy and performance against target goals and dates.
- Review the ESG framework and the plan on an annual basis to ensure that it is in line with regulatory requirements and best industry practices.
- Authorize and enable key resources to facilitate the timely execution of the ESG strategy.
- Ensure that appropriate training is conducted for Board members and Bank staff to create awareness.

8.1.4 Investment Committee (IC)

The Investment Committee comprises the Chief Executive Officer, the Head of Asset Management and Investment Banking and the Chief Financial Officer. The Head of Credit and Risk Management is the Secretary of this Committee and participates in meetings as a non-voting member. It meets whenever deemed essential to do so. Under the terms of reference, the committee is responsible for approving or recommending approval to the Executive Committee issues related to limits for individual exposures, new as well as existing investments; and recommending the procedures relating to investment identification, approval, recording and valuation, performance measurement and appraisal, monitoring, and reporting.

Pursuant to its investment approval guidelines, the Investment Committee undertakes its function of appraisal of new investments and existing investments for monitoring as well as exit purposes, by reviewing the relevant market opportunity - the industry, sector and relevant trends, key business drivers and comparative advantages (market share, brand, cost efficiencies, etc.), regulatory requirements, competition and independent market opinion or credit rating reports. It then reviews the business model and product lines, seeks customer / client background checks and references, procures details of manufacturing / service processes, distribution, client mix and the concentration and product development. The Investment Committee focuses on other relevant information pertaining to the investment: ownership, relationships to the parent or other industrial groups, key managers, and their backgrounds (with independent references), corporate governance practices, organisational structure, employee retention and labour issues, management information systems and internal controls.

While conducting the investment appraisal, The Investment Committee also takes into consideration financial information (company financial and operational data represented by financial ratio analysis for the past three to five years). Emphasis is placed on the results of the last financial reporting period, including audits and management letters, the results of Net Present Value (NPV), Internal Rate of Return (IRR), Adjusted IRR, payback period (nominal cash flows), adjusted payback period (discounted cash flows) and tax considerations.

For any investment/exit, legal / regulatory issues, such as intellectual property, compliance with relevant statutes and regulations, constitutive documents and pending litigation are also considered and analysed. The Investment Committee reviews the use of investment proceeds, the background of other co-investors involved in the proposed transaction, their roles, and the proposed deal structure, together with expected exit timeframes, and the additional underlying risks involved in the investment, (technology shift, market shift, regulatory changes, financial structure, etc.).

8.1.5 IT Steering Committee (ITSC)

The IT Steering Committee headed by the Chief Executive Officer, is responsible for assisting the Board in the supervision of IT related activities. It meets at least twice a year. The Committee ensures that it minimises the risks associated with UGB's investment in information technology and that it contributes to the attainment of technology related corporate objectives. Members include the Chief Financial Officer and other senior management team members. The Head of Information Technology acts as the Secretary of this committee. The Chief Audit Executive and the Chief Compliance Officer attend the meetings in their capacity as observers.

8.1.6 Risk and Compliance Committee (RCC)

The primary function of the Risk and Compliance Committee is to assist the Board of Directors in fulfilling its responsibilities of defining UGB's risk appetite and overseeing the identification, measurement, monitoring and controlling of UGB's principal business risks. It also monitors adherence to stipulated regulatory deadlines, reviews compliance to internal and external policies and appraises senior management on the impact of newly introduced regulatory requirements. It is headed by the Chief Executive Officer and includes the Heads of Credit and Risk Management, Compliance, and other senior management team members. The Chief Audit Executive attends the meetings in his capacity as an observer.

8.2 Employment of relatives

The NRC is also aware that as part of the Bank's Human Resources Policy, the hiring of immediate relatives including spouses, children, brothers, and sisters, is prohibited to ensure that there is no favouritism or current or potential conflicts of interest in decision making. It also reiterates the Bank's principle that any hiring of employees, is based purely on an objective evaluation of qualifications, capability, and suitability. Any exceptions to this policy must be approved by the Chairman. As of 31 December 2024, there were no cases of relatives of approved persons who were working for the Bank. This is affirmed by the CEO to the Board of Directors on an annual basis.

8.3 Succession Planning

UGB recognizes the significance of a structured succession plan. In accordance with the CBB's requirements, the NRC reviews and endorses a succession plan on an annual basis. This document includes an assessment of the experience, and skills for the possible successors to all Senior Management personnel, especially those who are 'approved persons' by the CBB. The objective of the plan is to identify, develop and promote personnel to ensure that there are no disruptions to the functioning of the Bank, in an event that key personnel chose to leave UGB. During the year 2024, details including an assessment of the experience, performance, skills, and planned training of identified successors/ departments were included by the Bank's Human Resources department, while finalizing the plan with the CEO. The revised 2025 succession plan document was submitted for review and approval to the NRC and Board of Directors in February 2025.

8.4 Appointment letters and job descriptions

The bank has a long-standing practice of providing formal letters of appointment to all staff that prescribe his/her title, authorities, duties, accountabilities, and internal reporting responsibilities. Job Descriptions are assessed and updated based on changes in underlying responsibilities. During 2020, the job descriptions for all Senior Managers and staff were reviewed by the respective Department Heads, Human Resources, and the Internal Audit Departments and approved by the NRC at its meeting held in March 2020. It is envisaged that these will be reviewed during 2025.

8.5 Review of internal control processes and procedures – Internal Audit

UGB has a functional Internal Audit Department reporting directly to UGB's Board Audit Committee with an administrative reporting line to the CEO. The department is staffed by experienced and qualified employees and is governed by a Board approved Audit Charter. Its responsibilities are detailed in a Board approved policies and procedures manual. The Internal Audit Department has a close and direct work relationship with the Bank's Executive Management and Operating Committees in addition to having unrestricted access to information, records, systems, and personnel within the Bank. The internal audit team of UGB conducts the internal audit activities of the Bank and its parent UGH. It liaises actively with the internal audit team at the Group's main subsidiaries. It should however be noted that the internal audit department at the subsidiaries have their own BAC and follow audit methodology and quality assurance, which is in line with the rules of the jurisdiction in which they operate.

UGB's Internal Audit Department develops a 3-year strategic audit plan designed to implement a systematic, disciplined audit review approach by utilizing the available audit resources in the most efficient and effective manner and examine the adequacy and effectiveness of internal control systems, procedures and provide recommendations to enhance its quality. Internal Audit performs follow-ups on raised internal control recommendations / corrective actions and reports their updated status to the Board Audit Committee. All findings in breach of its regulatory deadlines are escalated to the Board Audit Committee in a timely manner.

In accordance with the CBB's requirements, an independent external quality assurance review was conducted in August 2024 by an external consultancy firm to affirm the adequacy and effectiveness of the Internal Audit Department. The report expressed that the Internal Audit Department "Generally Conforms" with the International Standards for the professional practice of Internal Auditing, specifically areas related to the Department's structure, policies, procedures as well as processes whereby they comply with the requirements of the IIA's standards and Code of Ethics in all material aspects.

The independent assurance report also observed that Internal Audit's practices exceed the Institute of Internal Auditors Standards in some areas.

8.6 Review of internal control processes and procedures – Compliance

UGB has an independent Compliance & MLRO Department that has a direct reporting line to BAC and administratively to the Chief Executive Officer. The Chief Compliance Officer & MLRO also has additional access to the Chairman of the Board of Directors for AML related issues. The Compliance function is empowered by its Charter that has been approved by the Board of Directors to communicate with any staff member, obtain access to any records and conduct investigations of possible breaches of compliance policy. The Department also has the authority to request assistance from specialists within the Bank and engage outside specialists after obtaining the CEO's prior approval.

The Compliance Manual, which is approved by the Board of Directors, forms an integral part of the Bank's Compliance framework. It establishes the procedures and processes for identifying, assessing, monitoring, reporting, testing, and advising compliance risk. During 2024, the department continued to improve the awareness and knowledge of staff on compliance policy requirements and issues but circulating important matters of interest. The BAC reviews the quarterly reports that it receives from the department.

During 2024, the Department updated the Compliance Risk Control Self-Assessment Register (RCSA). This as well as changes which are communicated by the regulators feed into the compliance plan that is submitted to the BAC for approval on a semi-annual basis. Compliance assessments and testing of various modules are completed in line with the plan.

As required by the CBB, the department acts as a contact point for compliance queries from staff members and also as a liaison with the regulators. All applications and requests for approval to the CBB have an underlying compliance assessment report that confirms that all related level and regulatory requirements pertaining to the request have been thoroughly vetted.

The Compliance Department liaises actively with the Compliance team at the Group's main subsidiary - KAMCO. It should however be noted that the latter has its own framework and methodology which is in line with the environment and the laws of the jurisdiction in which KAMCO and its subsidiaries operate. Although there is no Group Compliance function, quarterly reports related to the Compliance and AML functions of the Bank and KAMCO are presented to the UGB's BAC and Risk and Compliance Committee.

8.7 Review of internal control processes and procedures – Risk Management

UGB has an effective and independent risk management framework which is largely compliant with the amended requirements of the CBB's Higher Level Controls Module. The Credit & Risk Management Department (CRM) is an independent department responsible for risk management functions; it has a direct reporting line to the BAC and administratively to the CEO.

The risk management framework has the following features:

- Active Board and senior management oversight
- Independent risk management function
- Sound risk management culture.
- Well-developed Risk Appetite Framework (RAF)
- Appropriate policy, procedures, and limits
- Comprehensive and timely identification, measurement, mitigation, monitoring, and reporting of risks.
- Has a sufficient number of employees who possess the requisite experience and qualifications and are subject to regular training in the risk area.

The main activities of the CRM include:

- implementing the enterprise-wide risk governance framework that includes appropriate policies, procedures, and limits.
- identifying material individual, aggregate and emerging risks.
- evaluating the risks faced by the Bank and its overall risk profile.
- ongoing monitoring of the risk-taking activities and risk exposures in line with the Board-approved risk policies and appetite to align the Bank's business plan, strategy development and capital planning.
- establishing both qualitative and quantitative early warning or trigger system for breaches of the Bank's risk appetite or limits.
- using risk measurement and modelling techniques in addition to qualitative risk analysis and monitoring.
- evaluating ways to mitigate risk exposures.
- reporting regularly to the RCC and senior management on risks, including but not limited to, material exemptions and risk-mitigating actions.
- regularly comparing actual performance against risk estimates (i.e., Back testing) to assist in judging the accuracy and effectiveness of the risk management process and making necessary adjustments.
- enhancement of risk monitoring and reporting of subsidiaries according to recently issued guidelines by CBB and oversight procedures that includes periodic coordination and reporting.
- challenging decisions that give rise to material risk.

The Head of CRM has the overall responsibility for the Bank's risk management function. He

- is independent and distinct from other executive functions and business line responsibilities.
- has the responsibility for overseeing the development and implementation of the Bank's enterprise-wide risk management framework and supporting the Board and the BAC in their engagement with the oversight of the development of the Bank's risk strategy, risk appetite framework and for translating the risk appetite into risk tolerance levels/limits.
- manages and participates in the key decision-making processes related to capital and liquidity planning.
- is actively engaged in monitoring performance relative to risk-taking and risk limit adherence.
- meets regularly with the non-executive directors and the BAC without executive directors and the CEO being present.
- has access to any information necessary/required from any department.
- reports the risk appetite statement to the Board every quarter and projected RAF, based on the Bank's long-range plan (LRP), once every year.
- ensures that risk reporting to the RCC is designed to convey bank-wide and other risks in a concise and meaningful manner, material risk-related information that requires immediate decisions is promptly presented to the CEO or the RCC, and the Bank has accurate internal and external data to be able to identify, assess and mitigate risks.
- presents risk approval forms to relevant committees for all new investments and loans. The form includes all material risk assessment and projections as well as comments on capitalization, leverage, liquidity, and profitability of the counterparty.

In accordance with the CBB's requirements, an independent external quality assurance review was conducted in June 2022 by an external consultancy firm to affirm the adequacy and effectiveness of the following components of the risk management framework:

- Internal Capital Adequacy Assessment Framework
- Capital Adequacy
- Stress testing
- Operational Risk
- Reputational Risk
- Recovery & Resolution Plan

The independent review reports were presented to the Board and the agreed action planning steps to remedy any material weaknesses were documented.

8.8 Authority Levels

As mentioned above, the Bank's Risk Policy & Procedures guide specifies the authority levels for investments. Approval from the entire Board is sought for any transactions exceeding the Investment Committee's authority as mentioned in the Risk Policy & Procedures Guide. The Board of Directors has also approved a Payment Authority Matrix that documents the thresholds for approval by the CEO and the CFO, for day-to-day operational expenses. The policy was last approved on 13 November 2023.

8.9 Senior Management's ownership and trading of shares during the year

No shares in UGB were held or traded by management in the year ended 2024.

9. Code of Conduct approved by the Board of Directors

UGB's Board of Directors has established corporate standards for all its directors and employees. These are emphasized in the Bank's **Code Of Conduct** that reiterates the policies of upholding sensitive and confidential information; avoiding and disclosing (wherever applicable) conflicts of interest; personal accountability; honesty; harmonious relationships with its clients, subsidiaries, affiliates and the regulators; non solicitation of gifts; transparent and accurate external communication; expected standards of professionalism, fairness, behaviour and language and accounting, audit and book keeping. The Code of Conduct was enhanced to incorporate anti bribery and corruption policies and procedures. This was last approved by the Board in February 2024.

The Board and Senior Management of UGB view the Code of Conduct as an integral part in the way they affirm their duty and loyalty to the Bank, exercise their responsibilities and conduct themselves vis-a-vis customers, shareholders, staff, and the wider community. Familiarisation sessions on the requirements of the Code of Conduct, are conducted on an annual basis by UGB's Chief Compliance Officer. Each member of the Board and staff, submit a written affirmation that they will he/she by the tenets of the Code and disclose any conflicts of interest that they might have. Full disclosure of the ownership interests in any company in which the Director or member of staff or his/her immediate family has a >5% ownership stake, or where he/she serves as a manager, Director, or other form of significant participation, is made on an annual basis. Any incidents of non-compliance with the Code or the lack of affirmation by any member of staff, is escalated to the Board Audit Committee and the Board of Directors. A copy of the Code of Conduct is available on the website www.ugbbh.com

A declaration signed by the Chairman of the Board of Directors is given below:

I hereby confirm that UGB has obtained an affirmation from all the members of the Board and employees, that they have complied with the Code of Conduct, in respect of the financial year 2024.

Masoud J. Hayat
Chairman.

10. Disclosure on materially significant related party transactions

Related party transactions are defined as UGB's transaction with its controller, its directors, members of management, subsidiaries, and associations, that may have potential conflict with the interests of the Bank at large.

The Bank's major related party transactions are generally with its controller – UGH and its parent KIPCO and the subsidiaries and associates of the KIPCO Group. The related party transactions are entered into based on considerations of various business exigencies such as synergy in operations, sectoral specialization, the Bank's long-term strategy for its investments 'available for sale', optimization of market share, profitability, legal requirements, liquidity and capital resources of its subsidiaries and its associates.

None of the transactions with any of the related parties, conflicted with the interest of the Bank. The attention of readers is drawn to the disclosure of transactions with related parties, set out in Note 23 of the Consolidated Financial Statements which is reproduced below:

RELATED PARTY TRANSACTIONS

| Amounts in US\$ 000 | | | | |
|---|-----------------------------|------------|---------|---------|
| Transactions | Year ended 31 December 2024 | | | |
| | Parent | Associates | Others | Total |
| Investment income - net | - | - | 209 | 209 |
| Fees and commissions - net | 2,000 | 997 | 8,708 | 11,705 |
| Dividend income | - | - | 657 | 657 |
| Rental income | - | - | 1,101 | 1,101 |
| Interest income | - | - | 427 | 427 |
| Interest expense | (355) | - | (4,946) | (5,301) |
| General and administrative expenses | (64) | - | (2,477) | (2,541) |
| Equity transactions with related parties during the year included in the consolidated statement of changes in equity are as follows: | | | | |
| Amounts in US\$ 000 | | | | |
| | | | 2024 | 2023 |
| Interest payment on Perpetual Additional Tier 1 Capital | | | (534) | (1,062) |
| *The Bank and its Parent entered into arrangement for service sharing between the two entities. In line with the arrangement, the Bank provides certain services and incurs certain expenses on behalf of its Parent. | | | | |

| Amounts in US\$ 000 | | | | |
|---|------------------------|------------|----------|----------|
| Balances | As at 31 December 2024 | | | |
| | Parent | Associates | Others | Total |
| Demand and call deposits with banks | - | - | 10,253 | 10,253 |
| Placements with banks | - | - | 18,422 | 18,422 |
| Investments at FVTPL | - | - | 1,725 | 1,725 |
| Investments at FVTOCI | - | 49 | 61,883 | 61,932 |
| Loans and receivables | - | - | 238 | 238 |
| Other assets | 234 | 470 | 2,412 | 3,116 |
| Due to banks and other financial institutions | - | - | (82,868) | (82,868) |
| Deposits from customers | (1,822) | - | (4,632) | (6,454) |
| Other liabilities | (5,101) | - | (557) | (5,658) |
| Perpetual Additional Tier 1 Capital | - | - | (5,000) | (5,000) |
| Off statement of financial position items: | | | | |
| Letters of guarantee | - | - | 150 | 150 |

All related party transactions were on terms that are mutually agreed between the counterparties. All such exposures were performing as of 31 December 2024 and 2023.

The nature of the income and expense generated is summarized below:

| Amounts in US\$ 000 | | | |
|---------------------|-------------------------------|--------------------------------------|---------|
| Owner | Financial Classification Name | Counterparty name | Balance |
| KAMCO | Investment Income | Adv Technology Co | 574 |
| UGB | Investment Income | Commercial Tower | 404 |
| UGB | Investment Income | Al Sharq Real Estate | 366 |
| UGB | Investment Income | Chairman S Club | 331 |
| Various | Investment Income | Individually below US\$ 250 thousand | 292 |
| UGB | Financing Income | Tunis International I Bank | 364 |
| Various | Financing Income | Individually below US\$ 250 thousand | 64 |
| KAMCO | Commission & Fees | Kuwait Projects Company (Holding) | 4,125 |

| | | | |
|---------|-------------------------------------|--------------------------------------|---------|
| KAMCO | Commission & Fees | Burgan Bank | 3,431 |
| UGB | Commission & Fees | United Gulf Holding Company | 2,000 |
| KAMCO | Commission & Fees | Kamco Investment Fund | 972 |
| UGB | Commission & Fees | Burgan Private Equity | 444 |
| KAMCO | Commission & Fees | Advanced Technology Company | 364 |
| Various | Commission & Fees | Individually below US\$ 250 thousand | 369 |
| | | | |
| UGB | Interest Expenses | Tunis Intl Bank | (1,722) |
| UGB | Interest Expenses | Burgan Bank | (1,509) |
| UGB | Interest Expenses | Jordan Kuwait Bank | (1,046) |
| UGB | Interest Expenses | Syria Gulf Bank | (625) |
| UGB | Interest Expenses | United Gulf Holding | (355) |
| Various | Interest Expenses | Individually below US\$ 250 thousand | (44) |
| | | | |
| KAMCO | General and administrative expenses | Twenty Two Projects Management Co. | (1,747) |
| KAMCO | General and administrative expenses | Burgan Bank | (389) |
| Various | General and administrative expenses | Individually below US\$ 250 thousand | (405) |

It is noted that the Code of Corporate Governance requires all transactions between UGB and related parties to be approved by the Board of Directors prior to implementation. As this is not practically feasible, a report is prepared on a post facto basis at the end of each year on all related party transactions which was reviewed by the BAC on 26 February 2025 and approved by the Board of directors on in their meeting that was held on 27 February 2025.

11. Disclosure and Transparency Policy

The CBB's disclosure standards and rulebook requires all locally incorporated banks to have a formal disclosure policy as part of the overall communications strategy as approved by the Board of Directors. This Policy reiterates the Bank's commitment to disclose all relevant information to stakeholders on a timely basis in a timely manner, and emphasises:

- Adequate documentation and definition of the key components of UGB's disclosure controls and procedures and the standards to which they are designed and implemented.
- Information with respect to the steps that UGB will take when it has material information to release to the public.

- Approval of the limited group of authorised spokespersons who are entitled to speak on behalf of the Bank when material information may be disclosed.
- Adequate awareness for Directors, officers, and employees of UGB for understanding the disclosure practices and policies of UGB.

12. Means of Communication

- Annual General Meeting:** The Company schedules an annual general assembly for its shareholders within three months of yearend. This provides the forum for shareholders to approve the Board of Directors' report and financial statements for the year, appoint the external auditor, review the external auditor's report, review the corporate governance report and the related party transactions and other matters which require their approval. While invitations are sent to all Directors, only the Chairman and the Chairman of the BAC attended the last virtual general assembly alongside representatives of the CBB, the MOIC and the external auditors. Attendance of each director is primarily dependent on his availability.
- Annual and Quarterly Results:** In accordance with the CBB's Disclosure Standards, these are published in 'The Gulf Daily News' and the 'Al Ayam'. These are also displayed on the Bank's website www.ugbbh.com.
- News Releases, Presentations, etc.:** Official news releases, detailed presentations made to the media, analysts, institutional investors etc. are displayed on the Bank's website www.ugbbh.com, after they have been released to the CBB and the Bahrain Bourse. This is in line with the Bank's policy of providing relevant information to stakeholders on a timely basis in a timely manner.
- Website:** The Bank maintains a website www.ugbbh.com which contains information related to its profile as well as audited financial data for over five years.
- Annual Report:** The Bank's Annual Report containing, inter alia, the Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report, and other public information is circulated to shareholders, regulators, correspondent bankers, and others entitled thereto. The Management Discussion and Analysis report forms part of the Annual Report and is displayed on the Bank's website www.ugbbh.com.

Each quarter the Chief Executive Officer and the Chief Financial Officer certify to the Board of Directors and the Board Audit Committee, that to the best of their knowledge and belief, the Bank's financial statements for the relevant period, present a true and fair view in all material respects of its financial condition and results of operations, in accordance with applicable accounting and financial reporting standards. The financial

statements are signed by the Chairman of the Board of Directors, Vice Chairman of the Board of Directors, and the Chief Executive Officer.

- f) **Basel III related Pillar 3 disclosures**, including corporate governance disclosures on remuneration: In accordance with the Bank's requirement, the prudential disclosures are published annually and semi-annually on the Bank's website www.ugbbh.com.
- g) **Chairman's Communiqué**: A printed copy of the Chairman's statement is distributed along with the consolidated financial statements at the AGM.
- h) **Communication with investors**: The agenda and proxy forms for attendance in the Annual General Assembly, are made available on the Bank's website www.ugbbh.com. Representatives of the CBB and the Ministry of Industry and Commerce, are always present at the AGM.
- i) **Corporate governance guidelines**: These are available on the website www.ugbbh.com. A copy of this corporate governance report which documents the extent of UGB's adherence to the CBB requirements, as well as explains any deviations thereof, is made available at the AGM. It is also posted on the Bank's website.
- j) **Designated exclusive email-ID's**: In accordance with the **Dispute Resolution Policy** and the **Whistleblowing Policy**, the designated the following e-mail ids exclusively for handling complaints and potential whistle blowing cases:
 - For the resolution of complaints: complaints@ugbbah.com
 - For the investigation of whistle blowing instances: auditcompliance@ugbbah.com

Both policies are available on the Bank's website www.ugbbh.com

There is a separate section on the website (under Investor Relations) where the bank posts relevant shareholders' information e.g. AGM agenda, proxies, Corporate Governance report etc.). The bank has an email (info@ugbbh.com) which is already in place to allow shareholders to obtain the above information — shareholders who require more such information, can always raise their queries using this email address.

13. External Auditor

The Bank's external auditors are Ernst and Young. They have been the auditors since 2001. In accordance with Article 206 of the Bahrain Commercial Companies Law (2001), the external auditors are appointed / re-appointed each year by the shareholders at the AGM, subject to the procurement of the no objection letter from the CBB. The decision was taken to re-appoint Ernst & Young as the external auditors, as they are a well-established name and part of the Big 4 audit firms in the world. There is no conflict of interest for engaging EY as the external auditors, as the Bank has no financial dealings with EY.

The disclosure with respect to audit and non-audit fees for the year ended 2024 are as follows:

| Name of the audit firm | Ernst & Young |
|---|-----------------------|
| Name of the partner in charge of the Company's audit | Abdullatif Al Mahmood |
| The partner's years of service as the partner in charge of the Company's audit | Since 1 July 2024 |
| Total audit fees for the financial statements for the year 2024 (USD) | 129,254 |
| Other special fees and charges for non-audit services other than auditing the consolidated financial statements for the year 2024 (USD) | 113,332 |
| Aggregate fees paid to Ernst & Young (including VAT)- (USD) | 242,586 |

Note : These are the fees paid until December 2024.

Audit service comprise review of the financial statements while non audit services consist of agreed upon procedures performed by the external auditor that are part of the statutory submissions mandated by the CBB. The regulators were also notified of the change in the audit partner.

The Board of Directors has approved a policy for the '[Evaluation of Independence of External Auditors.](#)' This document mandates the external auditor to maintain a quality

control system that provides reasonable assurance that its independence will not be impaired and was last approved by the Board on 13 November 2023.

The External Audit Firm annually confirms its independence in writing, specifically stating whether any non-audit services provided during the year compromised its independence and that they are compliant with Section 4 “prohibited serves” of the Bank’s Policy for Evaluation of Independence of External Auditors, or any other relationship that could impair their ability to exercise independent judgment. Furthermore, the External auditor also confirms that all non-assurance services that they have performed during the year are in line with agreed pre-concurrence list and are permissible under International Code of Ethics for Professional Accountants Code. This certification was signed and furnished by the external audit partner on 13 February 2025. A list of non-audit services was tabulated and presented along with the independence statement, to the Board Audit Committee for ratification.

The Audit Committee evaluated the non-audit services and received the external auditor’s independence affirmation in its meeting held on 26 February, 2025. The aggregate fees for non-audit services were also ratified in the said Board Audit Committee Meeting. As authorized by the policy, the Board Audit Committee regularly reviews the external auditor’s scope and results of its audit, any difficulties that the auditor encountered including any restrictions on its access to requested information and any disagreements or difficulties encountered with management.



| | | |
|-----------------|-------------------------|------------------------------|
| Name | Hussain Lalani | Deepa Chandrasekhar |
| Position | Chief Executive Officer | Corporate Governance Officer |
| Date | 6 March, 2025 | 6 March, 2025 |

**Official Seal of
the Company**
