

Future bank B.S.C (C)
Corporate Governance
Amended in July 2014

Corporate Governance Policy

Future Bank is committed to the best practices in the area of corporate governance, in letter and in spirit. The Bank believes that good corporate governance is much more than complying with legal and regulatory requirements. Good governance facilitates effective management and control of business, enables the Bank to maintain a high level of business ethics and to optimize the value for all its stakeholders. The objectives can be summarized as:

- To protect and enhance shareholder value.
- To protect the interest of all other stakeholders such as customers, employees and society at large.
- To ensure transparency and integrity in communication and to make available full, accurate and clear information to all concerned.
- To ensure accountability for performance and customer service and to achieve excellence at all levels.
- To provide corporate leadership of highest standard for others to emulate.

The above Corporate Governance philosophy is supplemented by our Board approved Corporate Governance Guidelines (the “Guidelines”). These guidelines have been written such that they comply with the High Level Controls (HC) module of the CBB Rulebook, which stipulates that all principles in the HC module are included and referenced to in the Guidelines.

These guidelines serve as guidelines for directors, executives and staff members so as to enable the Bank to attain the good corporate governance practices. In brief, our policy will be focusing on the following:

(1) Guidelines for corporate governance practices

The Bank has formulated policies pertaining to matters such as management of the company, structure and role of the board of directors, directors’ qualifications, powers of the board of directors, directors responsibilities, and objectives of the bank aimed at sustainable prosperity of the Bank and adding value to the shareholders in the long term, with due regards for the rights of and fairness to all stakeholders. Further, the board has adopted a formal board charter specifying matters which are reserved to it, which include but need not be limited to the specific requirements and responsibilities of directors.

The Board has also defined the roles and terms and reference of the Board level Committees through Board approved charters, which is an integral part of the Corporate Governance policy document.

To perfectly implement the corporate governance policy, the Bank will arrange to formulate other related policies as a guideline for specific matters as and when required, comprising rules and regulations, requisite practices and relevant operation manuals such as business ethics and code of conducts, preventive measures against a conflict of interest etc.

The board members are persons of high caliber, expertise, skills and experience in a diverse field. All the board members are collectively responsible to all the shareholders and other stakeholders. They have tremendously dedicated themselves, in terms of both expertise and

time, to the business of the bank, especially to the meetings of the board and other committees to ensure operational efficiency and optimal benefit to the Bank. The Board of Directors plays a vital part in determining the Bank's vision & mission, business policy, objectives, and both short-term and long-term directions in line with the economic condition and competition in the financial market.

(2) Shareholders Rights and Equitable Treatment

The Bank protects the interest of all shareholders, who all have an equal access to the Bank's information timely and accurately, and also an equal right to attend the shareholders' meeting. The Bank regularly holds an annual general shareholders' meeting, and delivers the agenda and related documents to the shareholders in advance so as to give the shareholders enough time to study the information in details. Shareholders rights and equitable treatment terms are well articulated in Article 11 to 20 of Articles of Association.

(3) Rights of stakeholders

The Bank gives priority to equal treatment to all stakeholders, which are shareholders, employees, customers, counterparts and creditors, investors, regulators, society, and all other concerned parties. The Bank operates the business on a fair competition basis with code of ethics. Actions are taken to improve the good corporate governance culture in organization.

To ensure all stakeholders fully enjoy their rights with fairness and appropriate treatments, the Bank commits as follows:

Shareholders: The Bank's objective is to achieve an improved performance and sustainable growth with good returns. This is to enhance the bank value to the shareholders in terms of both capital value and attractive dividend. The Bank is committed to disclose information in line with the regulatory standards and requirements.

Employees: Employees are treated fairly and equally and are provided with training to enhance skill set and efficiency development and with fair and reasonable compensation. The Bank intends to develop staff's competencies and skills to optimize benefit of the Bank. Besides, it is committed to build favorable working environment and culture in the organization as well as to ensure good career path and suitable compensation for staff so as to create a team spirit.

Customers: The Bank is committed to provide various kinds of banking services and products those well respond to the individual customers' needs. The Bank treats customer information as strictly confidential matters and absolutely conforms to agreements and conditions with its counterparties.

Counterparts and Creditors: The Bank strictly carries out its commitments to all obligations as agreed upon or promised with an aim to establish sustainable partnerships and long term good business relationship.

Investors: The Bank will arrange to have the information disclosed correctly, completely, timely and adequately for investors to make decision.

Regulators: The Bank will conduct the business to be strictly in compliance with laws and all regulatory requirements.

Social responsibility: The Bank is earnest and aware of its responsibility and contribution to the society to improve the quality of life in various communities.

(4) Shareholder's meeting

The shareholder's meeting is conducted in line with regulatory requirements. The meeting agenda and supplemental documents provide sufficient information for the shareholders to make a decision and vote at the meeting, thus being capable of exercising their right. Related provisions are articulated in Article 32 to 45 of Articles of Association.

The chairman of the meeting would give an equal opportunity to each shareholder to raise any questions and/or provide any suggestions, and would completely answer the questions and provide the information as requested. Minutes of the meeting and meeting resolutions are prepared and then proposed for the shareholders' certification at the next meeting.

(5) Conflicts of interest

The Bank gives a high degree of importance to the fair, prudent and transparent approach to the conflict of interest issues of the Bank. The Bank also completely and timely discloses any such transactions, and encourages the directors, executives and staff members at all levels to recognize the importance of and avoid violating the regulatory rules concerning the conflict of interest.

The transactions that may pose a conflict of interest or the connected transactions or the related transactions are performed in conformity to the regulatory rules and in line with its general business practices. These transactions will be treated in the same manner as those made with the outsiders and the connected parties will not participate in the approval process.

The Bank takes serious actions to prevent the use of customer information or secrecy by the Bank itself and/or the employees for doing business as a rival to the customers. Further, the Bank does not encourage the employees to perform any act that will create a conflict of interest or to abuse their positions for personal interest.

Directors are sensitive to and avoid any action, position or interest that conflicts with an interest of the Bank, or gives the appearance of a conflict. The Bank annually solicits information from Directors in order to monitor potential conflicts of interest. In the event of a situation involving potential conflict of interest, directors are encouraged to discuss this in the Board for appropriate decisions. Other staff members are also encouraged to raise and report issues relating to conflict of interest, if any, to the Compliance department through proper channel. The Compliance department shall present such cases in the Management meetings for suitable decisions. Such issues which are not resolved at the Management level, will however be escalated to the Board with suitable Management comments for appropriate decisions. Board of Directors conflict of interest policy is explicitly explained in **Annexure "A"**.

(6) Business ethics and code of conduct

The members of the Board are bound by honest and ethical conduct including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; full, fair, accurate, and timely disclosures in reports; and compliance with applicable governmental laws, rules and regulations.

The Bank is strongly determined to conduct business with integrity and morality by establishing the Code of Business Ethics and Code of Conduct for all employees to continuously adhere to. It strictly follows the principle of honest business operations and compliance with the laws and the rules and regulations of the regulators and the Bank itself for the optimum benefit of the customers, shareholders, and stakeholders.

(7) Separation or combination of important positions

The Chairman of the Board and Chief Executive Officer & Managing Director roles in the bank shall be managed by different persons. This is to separate the oversight and supervision at a policy level from the day-to-day management activities.

(8) Remuneration for the Bank's directors and senior executives

The director and senior executive remuneration has been set out reasonably, transparently and attractively to retain the capable directors and executives with the Bank. The remuneration is set based on the experience, skill, knowledge, dedication, and performance of the directors and executives. The remuneration scheme is comparable to the standard of banking sector. The director remuneration guidelines are articulated in Article 29 of the Articles of Association.

(9) Board of Directors' meetings

The board meets sufficiently often to enable it to discharge its responsibilities effectively. The Board of Directors meet no less than four (4) times per year, and preferably once every quarter to address the board's responsibilities for management oversight and performance monitoring. Moreover, additional extra meetings are arranged as necessary. Meeting documents are submitted to each director in advance for consideration and for decision-making. Agenda for each meeting is proposed by the CEO & Managing Director and endorsed by the Chairman. Each director can propose agenda for consideration and can fully take time to consider each issue and convey opinions to be beneficial for the Bank. The Chairman gathers all the opinions and summarizes meeting resolutions, while secretary to the board is responsible for taking the minutes and keeping them as records for future references. Other terms on Board meetings and resolutions are articulated in Article 26 and 27 of Articles of Association.

(10) Board Level Committees

The Board of Directors has set up three Board level committees namely, Audit Committee, Nomination Remuneration and Corporate Governance Committee and Executive Risk Committee Board (ERCB) to make high level decisions and assist in the supervision or scrutiny of certain matters so as to ensure transparency and efficiency.

The Audit committee, which meets once in a quarter, consists of three directors of which majority are independent including the Chairman. The Chief Executive Officer, two Deputy Chief Executive Officers, the Head of Compliance and the Head of Internal Audit are invitees. The committee assists the Board of Directors in discharging its responsibilities relating to the Bank's accounting policy, internal audit controls, and compliance procedures. It also ensures the integrity of the financial statements reviews the performance of the internal audit function and liaises with the external auditors and regulators. Detailed terms of reference are specified in the Audit Committee Charter.

The Nomination, Remuneration and Corporate Governance Committee which meets at least twice in a year consists of at least three (3) directors who either are all independent or consisting of only Nonexecutive directors of whom a majority must be independent directors and the Chairman must be an independent director. The Committee invites such members of management to its meetings as it may deem desirable or appropriate. The Banks executive directors will not attend any portion of the meeting where their performance or remuneration is discussed, unless specifically invited by the committee. It is the committee's responsibility to ensure that the executive officers of the bank are compensated in a manner that will attract, motivate and retain the best possible management team for the bank. The committee, also, establishes guidelines and proposes budget for the staff of the bank to keep the bank competitive in attracting and retaining talented work force. Further, the committee shall also be responsible for developing and recommending changes from time to time in the bank's corporate governance policy framework. Detailed terms of reference are specified in the Nomination & Remuneration Committee charter.

The Executive Risk Committee Board which meets once in a quarter consists of three directors of which majority will be independent. The committee may invite non directors to participate in but not vote at the committee's meetings. The committee's main responsibility is to strengthen the Risk Management frame work and to improve effectiveness of the Risk Management function of the Bank. Detailed terms of reference are specified in the Executive Risk Committee Board Charter.

(11) Other Committees

Various functional committees are set up at the executive level. These are:

- (a) Management Committee
- (b) Senior Credit Committee
- (c) Credit Committee
- (d) Risk Committee
- (e) IT committee
- (f) Asset Liability Management Committee
- (g) Branch Business Development & Coordination Committee
- (h) Disclosure Committee
- (i) HR committee
- (j) Basel Committee
- (k) Safety and Security Committee

The respective committees' purpose and schedule of meetings has been clearly set out. Full terms of reference of such committees will be decided by the Management. Brief details, however, are furnished in **Annexure "B"**. These committees are authorized to make decisions in accordance with their delegated power, duty and responsibility.

(12) Internal control and audit system

The Bank gives priority to internal control system at both management and operation levels to ensure the benefits of customers and the Bank will be properly protected. The Bank has consistently evaluated the adequacy of internal control system. The Board of Directors assigns

the Audit Committee to oversee the activities of external auditors and internal auditors. The role, responsibility, and accountability of internal auditors are well defined in internal audit charter. Further, the powers and duties of the external auditors are articulated in article 47 of Articles of Association.

(13) Board of Directors' reporting

The Board of Directors is responsible for preparing reports with explanations of the Bank's annual operating results and significant events to the shareholders. All financial reports are certified for accuracy and completeness

The corporate governance policy will be reviewed annually or when there is any change in the relevant rules and regulations of the authorities.

BOARD OF DIRECTORS

Conflict of Interest Policy

A Introduction

The purpose of this policy is to ensure that the Bank's Board of Directors appropriately deals with actual, potential and perceived conflicts of interest and that all decisions are made in the best interests of the bank.

The Bank's Board members hold unique positions of power and control over the assets and financial interests of the Bank. Therefore it is desirous to set out the procedures which will apply to conflicts arising at Board level.

This policy is intended to supplement, and not replace, any applicable legal or regulatory rules of requirements governing conflicts of interest, including any requirements set out under CM 5 of CBB rulebook.

B Overriding Principles

- *A Board member must not use his position, or confidential information obtained by him relating to the Bank or its customers, in order to achieve a benefit for himself or a related party.*
- *No Board member should allow his outside activities to interfere with his work for the Bank, or allow any conflict between his duties to the Bank and his outside interests to affect his ability to act appropriately as a Board member.*
- *No Board member should act in a manner likely to bring the Bank into disrepute or to affect its reputation.*
- *Board members should be aware of potential conflicts between the Bank, its shareholders and other related parties and should remain aware that their overriding duty is to act in the best interests of the Bank.*

C. Conflict of Interest

Conflicts may arise in many circumstances, and may be real or perceived. The following list is non exhaustive, and is provided only for assistance:

- A conflict of interest may arise when a Board member's outside interest or activity could influence, or appear to influence, a Board member's ability to act in the best interest of the Bank.
- A conflict of interest shall be deemed to arise whenever a transaction is made between the Bank and a Board member or other related party, which is not made in the ordinary course of business or arm's length terms.

D Related Parties

For the purposes of this policy, a Board member's "related parties" shall include his parents, wife or children and other persons or entities who would reasonably be considered or perceived to be related to the Board member including companies controlled by the Board member or by the Board member's family (jointly or individually)

E Loans to Board members / associates

The Bank is a financial institution which grants loans in the ordinary course of its business. Loans to Board members and their related parties may raise potential conflicts of interest. The Bank has adopted a policy whereby loans, if any will be granted to Board members, and their related parties, on arm's length and as per the duly approved staff loan scheme.

F Declarations of Interest

On taking office, board members are required to disclose to the Bank all interests and relationships which could or might be seen to affect his ability to perform his duties as a Board member. Declaration forms containing such disclosures shall be maintained by the Compliance department.

In particular, Board members shall disclose any relevant directorships, employment or significant interests of family members, or their employers, in each case which might give rise to a conflict, or a perceived conflict. Each Board member shall inform the Bank when there are changes to his interests.

Board members shall disclose:

- Shareholdings in the Bank held by them, their close family (including parents, wife and children) or other related parties (including their employers).
- Positions of employment
- Other Directorships
- Significant shareholding held by them, or their related parties, in any company which is a client, competitor or supplier of the Bank, or which may transact with the Bank in any other way.
- Any other interest which may reasonably be perceived to be relevant to the exercise of their duties as Board member

In addition, upon appointment, and annual basis thereafter, Board members shall be requested to fill in a questionnaire in the form set out in the Schedule to this policy.

In the event of any uncertainty, guidance should be sought from the Board Secretary.

G Procedures where a conflict has arisen

Where a Board member has a personal interest in any matter which is to be considered by the Board, he will declare it at the earliest opportunity, whether or not that interest has already been declared by him. In such a case, the other Board members present shall consider such disclosures on merit basis. The concerned Board member will not however, participate in the Board deliberations and resolution on the matter concerned.

H Non Compliance

In the event of non compliance with this policy, the Bank may require the conflicted Board member to compensate the Bank for either (a) any personal gain made by the Board member or related parties, or (b) any damages or losses incurred by the Bank, in each case as a result of the conflict of interest.

I Gifts

A conflict of interest may arise if a Board member, when undertaking duties for the Bank, accepts gifts or hospitality from any third party which may influence, or appear to influence, that Board member's ability to make decisions.

Board members may accept hospitality and gifts from third parties, but should declare any hospitality or gifts of material value (over BD100) to the Board Secretariat.

Board members should consider declining hospitality or gifts in circumstances where that hospitality or gift is offered or made for the purposes of influencing, or attempting to influence, the Board's decisions.

SCHEDULE
CONFLICTS QUESTIONNAIRE

Name of Board member:

Date of questionnaire:

A:

No. of Bank shares held personally:	No. of Bank shares held by related parties:	Other held:	Directorships	Positions of employment held:	Significant shareholdings held by the Board member of his related parties in the Bank's competitors, customers or clients:
Any other interest which may reasonably be perceived to be relevant to the exercise of the Board member's duties:					

B:

No.	Question	No	Yes	If yes, please provide details
1.	I (or any related party to me) have been employed by the Bank in the past 2 years.			
2.	I (or any related party to me) have provided consultancy services to the Bank			
3.	I (or a party related to me) hold, directly or indirectly, a position of financial interest in any company from which the Bank secures or supplies goods or services.			
4.	I (or related party to me) am a Director, manager or consultant to, or an employee of any company which is a significant customer, client or shareholder of the Bank			

No.	Question	No	Yes	If yes, please provide details
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5.	I (or any related party to me) am a Director, manager, or consultant to, or employee of, or established, a non profit organization which receives substantial funds from the Bank			
6.	I (or any related party to me) am associated with or have been employed by, in last 2 years, any current or past external auditors of the Bank, its subsidiaries or affiliates.			
7.	I have accepted gifts or other benefits from any outside concern that does, or is seeking to do, business with the Bank.			

For the purposes of this form, a Board member's "related parties" shall include his parents, wife, or children, and other persons or entities who would reasonably be considered or perceived to be related to the board member including companies controlled by the Board member or by the Board member's family (jointly or individually)

(Signature)

“ANNEXURE “B”

S\N	List of Committees	Composition	Terms Of Reference	Schedule of Meetings
Executive Committees				
1	Management Committee	CEO Deputy CEO 1 Deputy CEO 2 Head of Finance & Admin Head of Treasury Head of Risk Head of Corporate Banking Head of Human Resource Head of Internal Audit Head of Credit department Head of IT and Systems Head of Compliance Head of Operations Deputy Head Of Finance	To Review and monitor progress on strategic initiatives, including regulatory, financial, operational and compliance issues.	Bi monthly
2	Senior Credit Committee	CEO Deputy CEO 1 Deputy CEO 2 Head of Corporate Banking Head of Risk Head of Credit department	To Implement the Credit Policy as authorized by the Board; inclusive of approval of the credit related proposals, approve renewal of facilities, business services and to review new credit related products.	Weekly
3	Credit Committee	Deputy CEO 1 Deputy CEO 2 Head of Corporate Banking Head of Credit department Head of Risk	To approve credit proposals up to certain specified amounts as delegated by Board	Weekly
4	Risk Committee	C.E.O Deputy CEO 1 Deputy CEO 2 Head of Corporate Banking Head of Risk Head of Finance	To oversee the implementation, interpretation and follow up of the risk policies and to promote a sound risk culture within the bank.	Monthly
5	IT Committee	CEO	To review and manage the	Monthly

		Deputy CEO 1	overall IT strategy, with a focus on the projects under implementation and to provide a forum for user IT interface.	
		Deputy CEO 2		
		Head of IT & Systems		
		Head of Internal Audit		
		Head of Risk		
		Head of Operations		
		Head of Finance		
6	Asset Liability Management Committee	CEO	To set guidelines for the overall management of the liquidity & interest rate risk, determine the funding strategy of the bank in order to maximize net interest income at minimal risk.	Monthly
		Deputy CEO 1		
		Deputy CEO 2		
		Head of Finance		
		Head of Treasury		
		Head of Corporate Banking		
		Head of Risk		
7	Branch Business Development & Coordination Committee	Deputy CEO 1	To discuss business targets, achievements and to monitor / improve co-ordination between branches	Weekly
		Main Branch Manager		
		Manager Muharaq Br.		
		Manager Budaya Road Br.		
		Head of Operations		
		Head of Corporate		
		Regional Manager		
		Head of IT		
8	Disclosure Committee	CEO	To enable the Bank in adhering to the disclosure requirements and to provide guidelines to be followed for the relevant disclosures required as per regulation.	Half Yearly
		Head of Finance		
		Head of Risk		
		Head of Compliance		
		Head of IT		
9	HR Committee	CEO	To review the salary compensations, increments, benefits to employees and discuss any other employee related issues	Monthly
		Deputy CEO 1		
		Deputy CEO 2		
		Head of HR		
10	Basel Steering Committee	CEO	To coordinate implementation of Basel II standards in all areas of Risk Management and other functions across the Bank & to implement Basel III guidelines as applicable to the Bank	Monthly
		Head of Risk		
		Head of Finance		
		Head of Internal Audit		
		Head of IT		
		Deputy Head of Finance		
11	Safety and Security Committee	CEO	The purpose of this Committee is to establish, review, and monitor sound Safety and Security policies and procedures and have oversight of its performance in	12 times in a year
		DCEO		
		Chief Security Officer		
		Head of IT		
		Head of Systems, Administration &		

		Services	connection with the safe and secure operations of Future Bank BSC ©, in Kingdom of Bahrain and outside.	
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