

Ahli United Bank (UK) PLC

Corporate Governance Policy

Dependencies

1. This policy draws from:

- AUB Corporate Governance Policy
- AUBUK Compliance and Code of Conduct Policy
- Corporate Governance Code by the Bahrain Ministry of Industry and Commerce
- Corporate Governance Code issued by the Financial Reporting Council

2. This policy affects:

- The Conflicts of Interest Policy
- The Banking Integrity and Whistleblowing Policy

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AUBUK Corporate Governance Policy

1. Introduction

- 1.1 The Board of Directors (the “Board”) of Ahli United Bank (UK) PLC (“AUBUK”) has adopted this Corporate Governance Policy (the “Policy”) to establish the standards of business behaviour and personal conduct it requires from AUBUK’s directors, officers, employees and contractors (collectively referred to as “Personnel”).
- 1.1.2 AUBUK is responsible to regulatory authorities for ensuring that it has adequate policies and procedures that are sufficient to ensure compliance with its obligations under the regulatory system. AUBUK may incur a financial penalty for a failure to maintain effective arrangements and it could suffer reputational harm. All Personnel are therefore required to adhere to this Policy and all underlying procedures issued by AUBUK to ensure the effectiveness of AUBUK’s arrangements.
- 1.1.3 This Policy outlines the minimum standards of conduct expected from all Personnel. Personnel who do not adhere to this Policy will be subject to counselling and depending on the nature of the violation, disciplinary action by AUBUK up to and including termination of employment or service.
- 1.1.4 The purpose of this Policy is to provide basic principles to guide Personnel in their day-to-day activities. This Policy does not cover every legal or ethical issue that Personnel may be confronted by. Indeed, no policy can attempt to anticipate every issue that may arise. However, by following the Policy and AUBUK’s procedures adopted to aid compliance with it, by adhering to the letter and spirit of applicable laws, regulations, policies and procedures, and above all by applying sound judgment to all activities, Personnel can demonstrate commitment to AUBUK’s and the AUB Group’s values, mission and objectives.

1.2 Background

- 1.2.1 Corporate Governance is the process by which the conduct of companies is directed and controlled. Good corporate governance is important in creating and sustaining shareholder value and ensuring that the organisational behaviour is ethical, legal and transparent.
- 1.2.2 The recent global financial crisis highlighted a number of shortcomings in corporate governance mechanisms, and regulators worldwide have been making necessary amendments in their respective rules, codes and guidelines to enhance the robustness of corporate governance within the markets they supervise. In October 2010, the Basel Committee on Banking Supervision issued an updated set of Principles for enhancing corporate governance in the banking sector. Sir David Walker presented a report on the governance of banks and other financial institutions and a revised UK Corporate Governance Code was issued in June 2010 (with further updated versions issued in 2012, 2014 and 2016). Consistent with these developments, regulators in the GCC region have also announced relevant Corporate Governance Codes and guidelines mandatory for all financial services sector firms incorporated and operating under their regulatory umbrella, regardless of whether they are listed or not. Corporate governance codes were announced in Bahrain, Qatar, Oman and, Kuwait. As AUBUK’s parent company Ahli United B.S.C (“AUB BSC”) is based in Bahrain, AUBUK as a wholly owned subsidiary is required to adhere to certain rules contained in the Corporate Governance Code issued by the Ministry of Industry and Commerce in Bahrain.

1.2.3 This Corporate Governance policy, therefore, is established to provide a framework for setting the principles of effective Corporate Governance across AUBUK and its subsidiaries taking into consideration the following:

- a) International best practice corporate governance standards set by bodies such as the Basel Committee for Banking Supervision;
- b) UK Corporate Governance Code issued by the Financial Reporting Council;
- c) Corporate governance principles issued by the Ministry of Industry and Commerce in Bahrain as “The Corporate Governance Code”; and as incorporated in the High level Controls Module of the Central Bank of Bahrain, and;
- d) UK and relevant Central Bank regulations.

2. Corporate Governance Statement

- 2.1 The Board is committed to implementing the best practices of corporate governance standards in conducting its affairs and the management of AUBUK. The Board seeks to manage AUBUK’s business in accordance with the principles of appropriate corporate governance which provide a basis for a performance of high quality, solid and sound financial standing as well as sustainable growth.
- 2.2 AUBUK maintains and enforces written policies, procedures and systems of supervision (related to fair disclosure) reasonably designed to:
 - ensure the fair and timely release of material information about AUBUK;
 - ensure that the information it releases about AUBUK and the AUB Group is factually correct, clear and transparent;
 - ensure that the information it releases does not intentionally or unintentionally mislead investors;
 - prevent dealing in the shares of AUB BSC on the basis of undeclared or unrevealed information, by those who are, by virtue of their position, aware of such information.

3. Role of the Board

- 3.1 The Board sets out appropriate policies to ensure that transparency, effective internal controls and accurate disclosure of material information about AUBUK are observed.
- 3.2 AUBUK shall be headed by an effective, collegial and informed Board. The Board is responsible to its shareholder AUB B.S.C for creating and delivering sustainable shareholder value through the management of AUBUK’s business. The Board should therefore determine the strategic objectives and policies of AUBUK to deliver such long term value, providing overall strategic direction within a framework of rewards, incentives and controls. The Board must ensure that management strikes an appropriate balance between promoting long term growth and delivering short term results. The Board will accordingly follow the strategy determined for the AUB Group; whilst ensuring that at all times it observes sufficient appropriate independence for UK regulatory purposes.
- 3.3 All Directors should understand the Board’s role and their duties as individual Directors under the UK’s Companies Act 2006, their responsibilities under the UK regulatory regime as Approved Persons in a Governing Function; and also the High Level Controls module of the CBB Rulebook, and the relevant regulation of the regional Central Bank. Directors in particular, should be aware of the Board’s role as distinct from the role of the shareholders (who elect the Board and whose interest the Board serves) and

the role of the officers (whom the Board appoints and oversees), and the Board's fiduciary duties of care and loyalty to the company and the shareholders.

- 3.4 The Board is also responsible for ensuring that management maintains a system of internal control which provides assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations. In carrying out this responsibility, the Board must have regard to what is appropriate for AUBUK's business and reputation, the materiality of the financial and other risks inherent in the business and the relative costs and benefits of implementing specific controls.

4. Role of the Management

- 4.1 AUBUK's management are responsible for the implementation of appropriate procedures and processes to ensure adherence to the Board approved policies, laws, regulations and other guidelines to ensure appropriate corporate governance standards throughout AUBUK.
- 4.2 Management shall be appointed under employment contracts specifying the terms of their appointment. Management shall be accountable to the Board and the committees of the Board.
- 4.3 AUBUK's management monitors the performance of AUBUK on an ongoing basis and reports to and advises the Board. The minutes of all management committees are sent to the Audit & Compliance Committee which assesses effectiveness of the management's committees.

5. Composition of the Board of Directors

- 5.1 In line with AUBUK's Articles of Association, the Board shall be of sufficient size that the requirements of the business can be met and that changes to the Board's composition and that of its committees can be managed without undue disruption, and shall not be so large as to be unwieldy. The Board shall include an appropriate combination of executive and non-executive Directors (and, in particular, independent non-executive Directors) such that no individual or small group of individuals can dominate the Board's decision taking. The Board's size will accordingly range from 7 to 15 Directors, as agreed by General Meeting or by the Board itself in the period between General Meetings. Members of the Board shall have the necessary skills and experience of international banking to fulfill their roles and responsibilities and meet their duties under English company law and corporate governance. The Board shall appoint a Chairman and a Company Secretary in accordance with the Articles of Association. The roles of CEO and Chairman shall not be combined. If a Director resigns or is removed from office, AUBUK shall promptly notify the UK financial regulators, the UK's Companies House and other relevant entities including AUB B.S.C with reasons for the departure.
- 5.2 The Board shall appoint one of the independent non-executive Directors to be the Senior Independent Director to provide a sounding board for the Chairman and to serve as an intermediary for the other Directors when necessary. The Senior Independent Director shall be available to AUBUK's shareholder if concerns exist that contact through the normal channels of Chairman, Chief Executive or other executive Directors has failed to resolve or for which such contact is inappropriate.

6. Functions and Personal Responsibilities of Directors

- 6.1 Directors are officers of the company and such an appointment carries considerable personal legal liabilities. Director duties are outlined in the Companies Act 2006 and include the need to promote the success of the company, to exercise independent judgment, to exercise reasonable care, skill and diligence,

avoid conflicts of interest, not to accept benefits from third parties and declare interest in proposed transaction or arrangement with the company. Directors may also have additional responsibilities arising from the regulatory Senior Managers Regime further details of which are found in the AUBUK Compliance and Code of Conduct Policy.

- 6.2 Directors may be fined under UK law and may be removed from office and be prevented from acting as a director. The regulator may also censure a director, prohibit them from acting as a director or exercising a role of influence of any UK regulated financial services entity and it may also levy a significant financial penalty.
- 6.3 Directors are required at all times to be fit and proper in terms of their: honesty, integrity and reputation; competence and capability; and financial soundness. Directors shall promptly notify the Chairman if they become aware that their fulfillment of these requirements may be challenged; and consent to any disclosure to appropriate external bodies about their status that the Chairman or Chief Executive authorise.

7. Board Meetings and Attendance

- 7.1 The Board shall meet at least four times in a year. Dates for the Board's regular meetings are fixed annually in advance. Additional meetings may be convened on a needs basis at the request of the Chairman or at least one third of Directors. Additional meetings may also be requested by the external auditors or management with the consent of the Management Committee. The Board collectively is responsible for setting its own agenda but the Chairman shall be responsible for approving the proposed agenda circulated to Directors for a convened meeting. The agenda, shall normally be sent to each Director at least 7 days prior to a meeting together with minutes of previous meetings pending approval, an update on matters arising from previous meetings and relevant reports and other papers relating to agenda items including papers from Board Committees meetings. These arrangements shall also apply to meetings of Committees of the Board. All papers and matters discussed at meetings of the Board and its Committees are strictly confidential.
- 7.2 Each Director must attend at least 75% of all Board meetings in each financial year to enable the Board to discharge its responsibilities effectively, (and as specified by the Corporate governance principles issued by the Ministry of Industry and Commerce in Bahrain). In the event a Director has not attended at least 75% of Board meetings in any given financial year, the Director must immediately notify AUBUK with details of any mitigating circumstances affecting their non-attendance. Non-attendance at Board meetings does not absolve any Director of their responsibilities. The Company Secretary shall report upon Director attendance at Board meetings to the Group Head of Compliance on a quarterly basis.

8. Board Secretary and the Minutes

- 8.1 The Board, immediately after its composition appointed a Secretary to the Board and shall ensure that this role is maintained. The Secretary shall draft minutes of each Board meeting recording at least the subjects discussed, key aspects of the discussions, the decisions reached, names of the members present and votes cast by each Director.

9. Director Nomination Process and Induction

- 9.1 The process for appointing new Directors to the Board is determined by law and AUBUK's Articles of Association. On an annual basis, Directors representing one third of the Board stand for re-election by

AUBUK's shareholders at the Annual General Meeting. The Directors shall be individuals who have the competence, qualification and the credibility to hold such responsible positions.

9.2 The Board shall strive to achieve the following core competencies, for the Board as a whole:

- strategic insight and ability to direct by encouraging innovation and continuously challenging the organization to sharpen its vision;
- expertise in financial accounting and corporate finance;
- understanding of management trends in general and the financial services industry in particular;
- ability to perform during periods of both short term and prolonged crises;
- appropriate and relevant industry specific knowledge;
- business expertise in relevant international markets.

9.3 AUBUK's management shall arrange a process of induction for newly appointed Directors and facilitate arrangements to support their continuing professional development.

10. Conflict of Interest

10.1 AUBUK's Directors and Senior Management personnel shall individually make every practicable effort to arrange their personal and business affairs to avoid a conflict of interest situation with AUBUK and shall promptly inform the Secretary of any potential conflicts of interest as they arise and abstain from voting on any related subject matter. The Secretary shall maintain a register of all such declarations and ensure that minutes always record abstention from voting and withdrawal from parts of meetings during discussion of matters where conflicts exist. Directors and Senior Managers are personally accountable to AUBUK and its shareholders if they violate their legal duties. No Director and/or Senior Manager shall put themselves in a position where their personal interest conflicts or potentially conflicts with those of AUBUK.

10.2 Personal interest in a transaction with a bank is considered as follows:

- a) the Director or Senior Manager or
- b) a member of their family (i.e. spouse, father, mother, sons, daughters, brothers or sisters); or
- c) another company of which he is a director or controller,

is a party to the transaction, or has a material financial interest in the transaction. (Transactions and interests which are not material in value should not be included.)

10.3 Directors and Senior Management personnel must:

- a) not enter into competition with AUBUK or the AUB Group as a whole;
- b) not demand or accept substantial gifts from AUBUK or other AUB Group companies or persons acting for or seeking to act for AUBUK or the AUB Group, whether for himself or connected or any other persons;
- c) not misuse AUBUK's or other AUB Group company's assets;
- d) not use AUBUK's or other AUB Group company's privileged information or take advantage of business opportunities to which AUBUK or other AUB Group companies are entitled, for themselves or their associates.

10.4 If Directors have any doubts about the existence or effect of any actual or potential conflict, they shall consult the Chairman before doing anything that might compromise AUBUK or other AUB Group company.

Directors are required to notify the Secretary of any potential conflicts through other Directorships or shareholdings and disclose as and when the potential conflict appears to occur and shall confirm annually that the register of their conflicts declared to the Secretary is complete. The Board shall review the independence of each Director in the light of that annual declaration and such other information concerning the existence of conflicts of interests as the Board consider appropriate.

- 10.5 The Board may authorise in writing, declared conflicts, in accordance with AUBUK's Articles of Association (Article 101). This disclosure must include all material facts in the case of a contract or transaction involving the individual. The conflicted individual must understand that any approval of a conflicted transaction is effective only if all material facts are known to the individual concerned and the conflicted person did not participate in the decision. Notwithstanding the authorising of any Director's conflict of interest, the Director must act in a way they consider, in good faith, will be most likely to promote AUBUK's success. For the avoidance of doubt, no Director who has or may have an interest in a matter being considered by the Board (including its Committees) may take part in the relevant decision.
- 10.6 All Directors and Senior Managers must declare in writing all of their other interests in other enterprises or activities (whether as a shareholder of above 5% of the voting capital of a company, a manager, or other form of significant participation) to the Board on an annual basis. The format of "Declaration of Interest" is annexed to this Policy.

11. Succession Planning

- 11.1 The Board is responsible for key succession planning and shall ensure that succession planning is in place for all Directors and other key executive roles both in emergencies & normal course of business. This includes identifying potential succession candidates and development plans for the CEO; and fostering management depth by rigorously assessing candidates for other senior positions. The Board shall review and evaluate the succession plans and management development programs for all members of executive management, including the Chief Executive Officer.

12 Banking Integrity and Whistleblowing Policy

- 12.1 AUBUK shall maintain arrangements to enable its Personnel to make a protected disclosure (often referred to as whistleblowing) under the Public Interest Disclosure Act 1998. The arrangements for compliance with this requirement are set out in the AUBUK Banking Integrity and Whistleblowing Policy under which all Personnel are encouraged to raise genuine concerns about suspected malpractices concerning the conduct of AUBUK's business or that of other entities and individuals in the AUB Group, whether in matters of financial reporting or other potential malpractices, at the earliest opportunity and in the appropriate way.

13 Code of Conduct

- 13.1 The Board aims to ensure that all Directors, and other AUBUK Personnel act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of AUBUK. The code of conduct is linked with the objectives of the AUB Group and its responsibilities and undertaking to customers, shareholders, staff and wider community. . This code shall be read in conjunction AUBUK's Code of Business Conduct.

14 Board Effectiveness Review

- 14.1 The Board shall review the performance of each Committee on an annual basis.

The evaluation process shall include:

- a) assessing how the Committee operates;
- b) evaluating the performance of each Committee in light of its specific purposes and responsibilities;
- c) reviewing the Board's current composition against its desired composition with a view toward maintaining an appropriate balance of skills and experience and a view toward planned and progressive refreshing of the Board; and
- d) recommendations for new Directors to replace long-standing members or those members whose contribution to AUBUK or its committees (such as the Audit & Compliance Committee) is not adequate.

15 Annual General Meeting

15.1 All Directors as well as AUBUK's External Auditors may be expected to attend the Annual General Meeting and to make themselves available during and after the meeting to answer questions from shareholders.

16 External Auditor Appointment and Internal Control systems

16.1 The Annual General Meeting shall appoint external auditors in accordance with the following guidelines:

- the Board shall recommend the name of the External Auditor for election after considering the recommendations of the Audit & Compliance Committee;
- the External Auditor shall be appointed for a specific financial year. The partner at the External Auditor in-charge of AUBUK's audits shall not act in that capacity for more than 5 consecutive financial years;
- the External Auditor shall not provide non-audit services which might affect their independence;
- the External Auditor, as part of their audit procedure, shall report to the shareholders any significant concern(s) that come to their attention on:
 - a) adequacy and efficacy of the internal control systems in place;
 - b) whether the business is a going concern (separately from Directors' assumption of going concern);
 - c) compliance with setting up internal systems and regulations and their adequacy and their implementation;
 - d) frauds detected or suspected by the External Auditor shall be reported to the Board.

17 Board Committees

17.1 The Board may, where it considers appropriate, delegate certain of its powers to an individual Director or to a Committee comprised of Directors and other persons constituted in the manner most suitable to those delegated tasks. Recipients of delegated authority shall enjoy the same powers as the Board in respect of their exercise of the delegated authority within the specified scope of their delegated task. Although the Board may delegate certain functions to particular Directors or Committees, it does not delegate its ultimate responsibility for the delegated activity and it shall ensure that an adequate, effective, comprehensive and transparent corporate governance framework is in place.

17.2 Written Terms of Reference of each of the Board Committees shall set out the specific membership requirements for those Board Committees, the scope of their activities, the nature of any restriction to the extent of authority delegated to them; and the Board's requirements for reporting on the Committee's activities.

17.2 The main Board Committees are the Audit & Compliance Committee, Risk Committee, Asset & Liquidity Committee and Management Committee.

17.3 The Audit & Compliance Committee shall in addition to its focus on audit and compliance matters receive minutes of the Management Committee and committees of AUBUK's management that the Management Committee establishes so that it may assess the effectiveness of those committees. The Audit and Compliance Committee shall also have access to independent expert advice at AUBUK's expense.

18. Independent Advice

18.1 Independent professional advice is available, on request, to all Directors at AUBUK's expense. Subject to adherence to the procedure outlined below, AUBUK will meet the costs of such advice obtained jointly or severally by a Director or Directors where that advice is necessary to enable the obligations imposed on individuals, through membership of the Board, to be properly fulfilled.

18.2 The procedure for obtaining independent professional advice requires prior reference to the Chairman or, in his absence (or if otherwise considered inappropriate), to the Deputy Chairman or the Chairman of the Audit & Compliance Committee.

19. Disclosure

19.1 AUBUK has a responsibility to communicate effectively with its shareholders. The goal of shareholder communication is to help shareholders understand AUBUK's business, risk profile, financial condition, and operating performance and trends. Accordingly, AUBUK's annual report shall disclose true and fair accounting information prepared in accordance with applicable standards; consider substance over form in the presentation of accounts; disclose and discuss all material risks; disclose and explain the rationale for all material estimates; and show the manner of compliance, or explain deviations, if any, with applicable corporate governance codes; discuss goals, plans, and where relevant progress for addressing any deviations.

20 Review

20.1 The Board shall have primary responsibility for this Policy. The Board shall at least every 3 years review and assess the risks relating to this Policy and receive assurance that this Policy and supporting procedures are consistent with relevant legal and regulatory requirements and market practice. AUBUK's directors and officers shall all be committed to and actively involved in implementing this Policy.

20.2 The Director with primary responsibility for ensuring that the Board and Management Committee receive appropriate MI shall be the Policy author's DCEO, who shall be supported for the purposes of this Policy by its author. The Board, however, requires all senior management to be alert to the ongoing risks addressed by this Policy; and to ensure that the operational procedures to support this Policy are implemented and maintained effectively.

20.3 Monitoring and reporting to the Board on adherence to this Policy and its effectiveness shall use 'three lines of defence'. The author of this Policy shall be responsible for ongoing monitoring and reporting incidents of suspected infringement; and as part of their annual review of this Policy and its underlying procedures shall assess risks identified and make recommendations for any changes to the relevant DCEO. Compliance and Risk Management functions shall also review and assess the effectiveness of the Policy and associated risk at least annually and report and make recommendations to the relevant Head of Department and DCEO; and Internal Audit shall provide periodic independent assurance.



Disclosure of Interest in entities other than AUB Group companies

The CBB's High Level Controls (HC) module HC 2.4.1 requires all Directors/Senior Managers to declare in writing on an annual basis, all of their interests in other enterprises or activities (whether as a Director, or shareholder of 5% and above in the voting capital, or holding an managerial position, or other other control whether direct or indirect).

This declaration is made pursuant to the above requirement.

Name of the Director/Senior Manager	
Designation	

Do you hold Directorship / Chairmanship in any entity outside AUB Group?	Yes	No
<i>If 'Yes' please specify details as below:</i>		
Name of the entity	Position	Date since holding the position

Do you own shares of 5% or above, in any entity outside AUB Group?	Yes	No
<i>If 'Yes' please specify details as below:</i>		
Name of the entity	Percentage Holding	Period of holding

Do you hold a key managerial position in any entity outside AUB Group?		Yes	No
<i>If 'Yes' please specify details as below:</i>			
Name of the entity	Position	Date since holding the position	

Are you involved in any other business with third party, which might give rise to a potential conflict of interest with your position in AUB Group?		Yes	No
<i>If 'Yes' please specify details as below:</i>			
Name of the entity	Position	Date since holding the position	

I hereby declare that the above information is true and correct and made in compliance with the relevant provisions of the CBB Rulebook and the Commercial Companies Law.

If any of the above information changes either by way of additional disclosure requirements, or amendments to the existing disclosure due to a change in my status of relationship, I undertake to notify the Board immediately with revised / updated declaration form.

Signature: _____

Date: _____

Note: For all entities named in this form, please specify the parent & subsidiaries, where applicable