

BAHRAIN ISLAMIC BANK B.S.C.

**Whistleblowing Policy
2023**

Internal Audit Division

بنك البحرين الإسلامي



Contents

1. INTRODUCTION
2. DEFINITIONS
3. APPLICABILITY
4. POLICY COVERAGE AND SCOPE
5. POLICY STATEMENTS:
6. WHISTLEBLOWING ALLEGATIONS AGAINST INTERNAL AUDIT
7. WHISTLE-BLOWING CHANNELS
8. RECORDS MANAGEMENT
9. POLICY MAINTENANCE
10. POLICY REVIEW
11. DOCUMENT ADMINISTRATION

Document Control

Document Name	BisB Whistleblowing Policy
Document Owner	Internal Audit Division
Document Version	5.0
Approving Authority	Board of Directors

Document Approval

1. Introduction

The objectives of this policy are:

- a) To create an environment in which stakeholders are encouraged to report any fraudulent, immoral, unethical, or malicious activities, as well as significant breaches of policies, laws and regulations, which they believe might lead to financial or reputational harm to the Bank, without fear of retaliation, subsequent discrimination, or any other form of disadvantage.
- b) To provide employees with the opportunity to approach the Chairperson of the Audit Committee in good faith, in case they observe unethical and improper practices or any other wrongful conduct of a financial or legal nature in the Bank and to prohibit managerial personnel from taking adverse action against employees for doing so.

This policy is in line with best practices and in accordance with the requirements of the CBB.

2. Definitions

- a) Adverse Action: An employment related act or decision or a failure to take appropriate action by management which may affect the employee's employment, including but not limited to compensation, increment, promotion, job location, job profile, immunities, leaves, training or other privileges.
- b) Wrongful Conduct: Violation of law, breach of duty of care, infringement of the Bank's Code of Conduct, misappropriation of monies and actual or suspected fraud or abuse of authority, of a financial or legal nature.
- c) Audit Committee: A sub-committee of the Board of Directors of the Bank.
- d) Bank: Bahrain Islamic Bank.
- e) Good Faith: Means that an individual's Whistle-Blowing must be based on a reasonable belief that the information being reported is true and that the conduct reported is unethical, improper, or wrongful. Good faith will be deemed lacking if the individual does not have personal knowledge of the facts underlying the Whistle-Blowing, or if the individual knew or should have known that the Whistle-Blowing was malicious, false, or frivolous.
- f) Policy or This Policy: means this Whistle-Blowing Policy.
- g) Stakeholders: Individuals or institutions with a vested interest in the activities and outcomes of the Bank.
- h) Unethical and Improper Practices: a) An act which does not conform to approved standards of social and professional behavior; b) An act involving unethical business practices; c) Improper, wrongful, or unethical conduct; d) Breach of Code of Conduct or morally offensive behavior. In general, the above improper conduct will be seen in wrongdoing of a financial or legal nature, such as corruption, theft, fraud, misuse of Bank property or cash, abuse of official position for personal gain, etc
- i) Significant Breaches of Policies, Laws, and Regulations: Pertain to substantial violations of established rules and regulations within the Bank. These breaches involve actions that are material and do not align with the prescribed guidelines and requirements, with an emphasis on their non-trivial nature.
- j) Whistle-Blower: A person or institution, who blows the whistle in good faith and sends communication to the entrusted authority, following the process as prescribed, includes current, former or temporary employees of the Bank, vendors, contractors or any other service providers.
- k) Whistle-Blowing: A communication to a competent authority by an individual or an institution to expose and /or inform upon, alleged fraudulent, immoral, unethical or malicious activities, or discrimination, or some other type of adverse occurrence that violates a law, regulation, policy, morals, and/or ethics and especially those matters that jeopardize the credibility and reputation of the Bank as a trusted financial services provider.

3. Applicability

This Policy applies to all BisB Staff Members including current, former and temporary employees and any other person providing the Bank with services, including agents, auditors, suppliers, consultants and other service providers under contract with the Bank and any other stakeholder.

4. Policy Coverage and Scope

This Policy covers situations where an individual raises a concern about wrongful conduct, Unethical and Improper Practices. The following are examples but should not be considered as exclusive nor exhaustive examples and there may be other serious concerns, which would come up under this Policy:

Financial Misconduct - examples include falsification or destruction of business or financial records, misrepresentation or suppression of financial information. Non-adherence to internal financial reporting policy/controls, including management overrides and auditor independence concerns.

Suspected Fraudulent Activity - examples include theft, defalcation, insider trading, market manipulation, and corrupt practices including giving or receiving bribes or other improper benefits, over-billing or billing for services not performed.

Significant Breach of Policies, Laws and Regulations - Examples include data privacy breaches, conflicts of Interest policy breaches, Anti money laundering law violations, and other substantial breaches of internal policies.

Matters not Covered under the Whistleblowing Policy - The whistleblowing policy is specifically designed to safeguard the Bank against financial and reputational risks. Consequently, it is not meant for addressing human resource-related concerns, such as compensation, promotion, appraisals, or personal and professional disputes among staff. These types of matters should be appropriately addressed through processes outlined in other relevant policies.

5. Policy Statements:

5.1. Board's Responsibility

The Board of Directors is responsible to oversee the whistleblowing policy mechanism and ensure the senior management addresses legitimate issues that are raised. They also need to take the responsibility for ensuring that staff who raise concerns are protected from detrimental treatment or reprisals, and that their rights are not undermined. Finally, the Board should ensure that, after verifying the validity of the allegations, the person responsible for any misconduct is held accountable and is subjected to an appropriate disciplinary measure.

5.2. Audit Committee's Responsibility

Represented by the Chairperson of the Audit Committee, the primary responsibility is to ensure the successful implementation of the whistleblowing policy as approved by the Board of Directors.

5.3. Management's Responsibility

Management is responsible for ensuring that the Whistleblowing Policy is effectively implemented. This includes awareness of the policy to employees and displaying the Bank's core values, which emphasize the importance of ethics, transparency, and responsibility.

5.4. Human Resource's Responsibility

The Human Resources division shall be responsible to arranging the awareness campaigns and utilize all necessary channels to communicate and educate staff about the whistleblowing policy in coordination with Internal Audit division being the primary owner of the Policy. Considering the

criticality of the matter and its potential impact, and to ensure the awareness is on-going journey, a bank wide session shall be conducted annually. For new joiners, the Bank will require them to sign acknowledgement that they have read and understood the Whistleblowing policy.

5.5. Employee's Responsibility

Employees are responsible for reporting wrongdoing to the Bank. This includes raising serious and genuine concerns rather than overlooking a problem or "blowing the whistle" outside the Bank. Employees who knowingly prevent or cover-up any acts of fraud or corruption are subject to disciplinary action as per the applicable policies of the Bank.

5.6. Protection Under the Policy:

Employees who acts as a Whistle Blower are protected from unfair termination and unfair prejudicial employment practices. This means that they cannot be fired or disciplined for reporting wrongdoing in good faith. If a whistle-blower believes that they have been subjected to retaliation, they can seek redressal by approaching the Chairperson of the Audit Committee. If it is found that the whistle-blower was retaliated against, disciplinary action will be taken against the retaliator. However, the whistleblowing policy does not protect whistle-blowers from adverse action that is unrelated to their disclosure of wrongdoing. This means that whistle-blowers can still be disciplined for poor job performance or other reasons that are not related to their whistleblowing..

5.7. False Allegation and Legitimate Employment Action:

An employee who knowingly makes false allegations of Unethical and Improper Practices or Adverse Personnel Action to the Chairperson of the Audit Committee shall be subject to disciplinary action (including termination of employment, if warranted) in accordance with the Labour Law provisions and the Bank's rules, policies and procedures.

Further, this Policy may not be used as a defence by an employee against whom Adverse Personnel Action has been taken independent of any disclosure of information by him/her and for legitimate reasons or cause under the Bank's rules and policies. The Whistle-Blower should avoid malicious reports aimed at defaming others, taking reprisal or retaliation against them, or undermining confidence in the Bank, its employees or stakeholders.

5.8. Maintaining Confidentiality in the Process:

The Whistle Blower should honour the requirement to maintain confidentiality of the subject of the complaint. This means not informing any other person, including anyone outside the Bank. If the Whistle-Blower fails to comply with the confidentiality requirements, they may be subject to disciplinary measures by the Bank. All cases will be processed in a highly confidential manner. If the Whistle-Blower requests to remain anonymous, the Chairperson of the Audit Committee will make every effort not to reveal their identity to other parties involved in the investigation. However, it may be necessary to present the Whistle-Blower as a witness if required by the relevant authorities. The Bank will inform the Whistle-Blower in advance if this is the case..

5.9. Anonymous Allegation:

To encourage a strong speak up culture and to provide additional level of security that helps the Whistle Blower feel comfortable reporting, the Policy offers anonymous reporting. If individuals choose to report their concerns anonymously, such anonymity will be respected however, the reported case will be investigated to the extent possible based on the furnished information.

If subsequently a Whistle Blower believes that there has been a breach of confidentiality, the Whistle Blower can lodge a complaint to the Chairperson of the Audit Committee, who will commission an investigation of the matter, and disciplinary action will be taken against the person who jeopardized the anonymity of the Whistle Blower.

The substance of the whistleblowing case, identity of the Whistle-Blower and the accused/implicated person, shall be treated with utmost confidentiality, unless disclosure is mandated by any regulatory process and/or legal proceeding.

5.10. Rights and Obligations of the Implicated Person:

Any of BisB's staff members implicated by the whistleblowing report must be notified in good time of the claim made against him/her, provided that this notification does not impede the progress of the procedure for establishing the circumstances of the case. The implicated person identity will be treated with utmost confidentiality.

The implicated person has the right for fair hearing, if it is not possible to hear him/her directly, the Chairperson of the Audit Committee shall decide on the measures required.

The implicated person is obliged to furnish factual and accurate information as known by him/her and to preserve confidentiality of the case.

5.11. Procedures for Handling Whistle-Blowing Report:

An employee who observes Unethical and Improper Practices in the Bank may report the same to the Chairperson of the Audit Committee, through hard copy or e-mail or via the Whistle-Blowing portal available in the Bank's official website. The reporting should be done as soon as possible after noticing the matter to be reported and reporters are encouraged to provide as much information as possible (including who, what, where and when), to facilitate taking a prompt action and to establish that there are reasonable grounds for the allegation. No attempt should be made by the Whistle Blower to personally conduct investigations, interviews or questioning.

Cases received through the Whistle-Blowing channels are initially assessed to determine whether they are genuine Whistle-Blowing cases based on their content and apparent nature, or if they are immediately identifiable as non-whistleblowing cases. In some instances, further investigation may be necessary to categorize a case as non-whistleblowing.

Upon receiving a case through the Whistle-Blowing channel, the Chairperson of the Audit Committee undertakes a review to ascertain whether it aligns with the Whistle-Blowing definition. If the Chairperson concludes that the case does not meet the criteria for Whistle-Blowing, it is treated as a standard complaint. In such instances, it is reported to the Chief Executive Officer (CEO) and/or the Chief Internal Audit Officer (CIAO) for further handling in accordance with the complaints policy, or for consideration within the scope of the Internal Audit process for the reported area. Such cases are not classified as Whistle-Blowing cases.

All cases received will then be discussed with other members of the Audit Committee, along with the reasons for considering or not considering a case to be a Whistle-Blowing.

If the case received does meet the definition of a Whistle-Blowing, the Chairperson of the Audit Committee may acknowledge receipt of the case to the Whistle-Blower and will request the CIAO to investigate the allegations. The CIAO will gather all relevant information and establish the facts to his satisfaction. He will then inform and involve other bank staff on a need-to-know basis, as necessary to complete the investigation.

The CIAO will perform the required investigation in a thorough, timely, and fair manner, in coordination with relevant members of the Bank's Senior Management. The investigation will be independent of the Whistle-Blower and all other persons alleged to be involved in the Whistle-Blowing complaint. If the CIAO deems it necessary to have a resource with a specific skill set which is not available within the Internal Audit Department (IAD), internal or external providers may be sourced to assist in the investigation.

Depending on the materiality of the investigation results, the Chairperson of the Audit Committee may form a subcommittee to meet with the CEO, Chief Human Resources Officer (CHRO) and other applicable members of the executive management team to discuss the results and to explore the available disciplinary actions.

In instances where Whistle-Blowing complaints involve high-level Bank employees, specifically members of the Executive Management, the Chairperson of the Audit Committee may, at her/his discretion, forward the results of the investigation to the Chief Executive Officer (CEO) and/or the Board Nomination, Remuneration, Governance, and Sustainability Committee (NRGSC). The NRGSC can then provide their recommendations to the Board regarding the appropriate course of action.

The Chairperson retains the authority to report to the NRGSC, regardless of the investigation's outcome, even if it demonstrates that the allegation is without merit, unsubstantiated, or unfounded.

As the Board has the ultimate responsibility for the Bank's oversight, the Chairperson of the Audit Committee, based on the materiality of the investigation results, will decide on immediate reporting to the Board, or report the results on the coming board meeting.

The Chairperson will decide whether to inform the Whistle-Blower of the results. If the Chairperson decides to inform the Whistle-Blower, he/she will only be informed of the validity of the allegations, and not the detailed results. This is to protect the privacy of the individuals involved in the allegations.

The CIAO will ensure that a summary of all Whistle-Blowing cases along with the corrective measures taken, if any, is reported to the Board on quarterly basis.

The CIAO will report all whistleblowing cases and the related investigation reports to the CBB.

6. Whistleblowing Allegations Against Internal Audit

In an event that a Whistle-Blowing complaint alleges misconduct within IAD, the Chairperson will evaluate the seriousness of the allegations. If the allegations are deemed credible, at the discretion of the Chairperson of the Audit Committee and with the approval of the other Committee members, an external party may be engaged to conduct an impartial investigation and provide an independent assessment of the matter. This approach will ensure that the investigation is conducted objectively and without any potential conflicts of interest.

7. Whistle-Blowing Channels

There are several channels through which all employees and other stakeholders may report their concerns under the Policy:

Whistle-Blowing Web Portal: Accessible through the Bank's official website.

Email: Whistleblow@BisB.com

Mail Address: Chairperson of the Audit Committee
Bahrain Islamic Bank (BisB) - Main Branch
P.O. Box 5240, Manama, Kingdom of Bahrain

8. Records Management

Records of any investigations under this policy will be retained for a period of five (5) years.

9. Policy Maintenance

The responsibility of maintaining the Whistle-Blowing policy in the Bank falls on IAD. IAD is responsible for designing, implementing and monitoring the Whistle-Blowing policy as well as ensuring that employees are trained on the policy and understand their responsibilities and rights as Whistle-Blowers.

IAD, as the Policy owner, reviews regulatory standards, industry best practices and effectiveness of the reporting channels and investigation procedures to determine whether any changes to the Policy are required, and updates the Policy accordingly.

10. Policy Review

This Policy review frequency is as per the Bank's Policy and Procedure Development Guideline or more frequently than that if necessary, based on changes in the Bank's processes, systems, or regulatory requirements.

11. Document Administration

To ensure the document referred to is the current version, the document shall be maintained on Risk Nucleus System and the Bank's official website. The following guidelines for use and maintenance shall apply:

- a) Any section of the document or the document in totality, if printed, will automatically assume an "un-maintained" status and the user of a hard copy of the document shall assume full responsibility for resultant non-compliance to policy in the event of changes made to the version held on the central electronic repository.
- b) Access to the document shall be restricted to "read-only" for all users to prevent any unauthorized amendments to the policy. Any changes to the policy should be subject to the approval of the Board of Director.