

MODULE	PD: Public Disclosure
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

Corporate Governance and Transparency

PD-1.3.8

The following information relating to corporate governance must be disclosed in the annual report:

- (a) Information about the Board structure (e.g. the size of the Board, Board committees, function of committees and membership showing executive, non-executive and independent members), and the basic organisational structure (lines of business structure and legal entity structure);
- (b) Information about the profession, business title, and experience in years of each Board member and the qualifications and experience in years of all senior managers (see Section PD-1.1 for definitions);
- (c) Descriptive information on the managerial structure, including:
 - (i) Committees (see w) below for detailed disclosure requirements relating to various types of committees);
 - (ii) Segregation of duties;
 - (iii) Reporting lines; and
 - (iv) Responsibilities;
- (d) Descriptive information on the performance-linked incentive structure for the Chief Executive, the General Manager, Managers and the board (remuneration policies, executive compensation, stock options, etc.);
- (e) Nature and extent of transactions with related parties (as defined by IFRS – see also PD-1.3.23(d));
- (f) Approval process for related party transactions;
- (g) Information about any changes in the structures (as mentioned in Subparagraphs PD-1.3.8(a) to PD-1.3.8(c) above) from prior periods;
- (h) The communications strategy approved by the Board (including the use of the bank's website) which should undertake to perform at least the following:
 - (i) The disclosure of all relevant information to stakeholders on a timely basis in a timely manner; and
 - (ii) The provision of at least the last three years of financial data on the bank's website;
- (i) Distribution of ownership of shares by nationality;
- (j) Directors' and senior managers' trading of the bank's shares during the year, on an individual basis;
- (k) Distribution of ownership of shares by directors and senior managers, on an individual basis;
- (l) Distribution of ownership of shares by size of shareholder;

MODULE	PD: Public Disclosure
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

- (m) Ownership of shares by government;
- (n) The Board's functions – rather than a general statement (which could be disclosed simply as the Board's legal obligations under various laws) the 'mandate' of the Board should be set out;
- (o) The types of material transactions that require Board approval;
- (p) Number and names of independent board members;
- (q) Board terms and start date for each term for each director;
- (r) What the board does to induct, educate and orient new directors;
- (s) Election system of directors and any termination arrangements;
- (t) Meeting dates (number of meetings during the year);
- (u) Attendance of directors at each meeting;
- (v) Whether the board has adopted a written code of ethical business conduct, and if so the text of that code and a statement of how the board monitors compliance;
- (w) Minimum number of Board committee meetings per year, the actual number of board meetings, attendance of committees' members and the work of committees and any significant issues arising during the period;
- (x) Reference to Module HC and any amendments subsequently made by the CBB, including explanation and nature of any non-compliance with Module HC in accordance with Paragraph HC-A.1.8;
- (y) Review of internal control processes and procedures;
- (z) Directors responsibility with regard to the preparation of financial statements;
- (aa) Board of Directors – whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution;
- (bb) Locally incorporated banks must maintain a website. Overseas conventional bank licensees must provide a link on their website in Bahrain to the website of their parent bank;
- (cc) Aggregate remuneration paid to board members;
- (dd) **Key features and objectives of the remuneration policy of the bank for board members and senior management as well as the frequency of review of the remuneration structure and the extent to which the policy is applicable to foreign subsidiaries and branches;** and
- (ee) Aggregate remuneration paid to senior management.

PD-1.3.8A With regards to corporate governance, banks are subject to additional disclosure requirements on corporate governance, whereby such disclosure are for the benefit of shareholders (See Chapter PD-6).

MODULE	PD: Public Disclosure
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

Additional Disclosure Requirements Pertaining to Remuneration

- PD-1.3.8B** In addition to the remuneration related disclosure included under Paragraph PD-1.3.8, the following qualitative and quantitative information pertaining to remuneration practices and policies covering the following areas must be disclosed in the annual report:
- (a) The name, composition and mandate of the main body overseeing remuneration;
 - (b) Whether external consultants' advice has been sought and by whom in the bank and in what areas of the remuneration process the consultants have been involved;
 - (c) The independence of remuneration for staff in risk management, internal audit, operations, financial controls, AML and compliance functions;
 - (d) The risk adjustment methodologies;
 - (e) The link between remuneration and performance;
 - (f) The long-term performance measures (deferral, malus, clawback);
 - (g) The types of remuneration (cash/equity, fixed/variable);
 - (h) Whether the remuneration committee reviewed the bank's remuneration policy during the past year, and if so, an overview of any changes that were made;
 - (i) A discussion of how the bank ensures that approved persons engaged in risk management, internal audit, operations, financial controls, AML and compliance functions are remunerated independently of the business units they oversee;
 - (j) Description of the ways in which the current and future risks are taken into account in the remuneration processes. Disclosures must include:
 - (i) An overview of the key risks that the bank takes into account when implementing remuneration measures;
 - (ii) An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure;
 - (iii) A discussion on the ways in which these measures affect remuneration; and
 - (iv) A discussion of how the nature and type of these measures have changed over the past year and reasons for the change, as well as the impact of changes on remuneration;

MODULE	PD: Public Disclosure
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

Additional Disclosure Requirements Pertaining to Remuneration

PD-1.3.8B (continued)

- (k) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. Disclosures must include:
- (i) An overview of main performance metrics for bank, top-level business lines and individuals;
 - (ii) A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance; and
 - (iii) A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak¹;
- (l) Description of the ways in which the bank seeks to adjust remuneration to take account of longer term performance. Disclosures must include;
- (i) A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance;
 - (ii) A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting through clawback arrangements;
- (m) Description of the different forms of variable remuneration that the bank utilises and the rationale for using these different forms. Disclosures must include:
- (i) An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms²);and
 - (ii) A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or group of employees, a description of the factors that determine the mix and their relative importance;
- (n) Number of meetings held by the main body overseeing remuneration during the financial year and aggregate remuneration paid to its members;
- (o) Number and total amount of remuneration for the financial year split into fixed and variable remuneration;

¹ This should include the bank's criteria for determining weak performance metrics.

² A description of the elements corresponding to other forms of variable remuneration must be provided.

MODULE	PD: Public Disclosure
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

Additional Disclosure Requirements Pertaining to Remuneration

PD-1.3.8B (continued)

- (p) Number and total amount of variable remuneration awarded during the financial year, split into cash, shares and share-linked instruments and other;
- (q) Number and total amount of guaranteed bonuses awarded during the financial year;
- (r) Number and total amount of sign-on awards made during the financial year;
- (s) Number and total amount of severance payments made during the financial year, and highest such award to a single person;
- (t) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms; and
- (u) Total amount of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments.

PD-1.3.8C The disclosure of remuneration practices must cover approved persons and material risk-takers and must be broken down as follows:

- (a) Members of the board of directors;
- (b) Approved persons in business lines;
- (c) Approved persons in risk management, internal audit, operations, financial controls, AML and compliance functions; and
- (d) Material risk-takers not falling under categories (a) to (c).

PD-1.3.8D Disclosure requirements for items under Subparagraph PD-1.3.8B (n) to (u) must be provided for the current as well as for the previous financial year.

PD-1.3.8E Disclosure requirements for items under Subparagraph PD-1.3.8B (o) and (p) may be presented in a table format split between members of the Board and other approved persons, as well as material risk-takers.

MODULE	PD:	Public Disclosure
CHAPTER	PD-1:	Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

Additional Disclosure Requirements Pertaining to Remuneration

PD-1.3.8F For purposes of Paragraph PD-1.3.8E, the table referred to should be completed separately for:

(a) Members of the board of directors;

Total value of remuneration awards for the current fiscal year	Unrestricted	Deferred
Fixed remuneration		
• Sitting Fees	x	x
• Other (please specify)	x	x

(b) Approved persons, other than board members; and

(c) Other material risk-takers.

Total value of remuneration awards for the current fiscal year	Unrestricted	Deferred
Fixed remuneration		
• Cash-based	x	x
• Shares and share-linked instruments	x	x
• Other	x	x
Variable remuneration		
• Cash-based	x	x
• Shares and share-linked instruments	x	x
• Other	x	x