

UNITED GULF BANK B.S.C.



WHISTLE BLOWING POLICY

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WHISTLEBLOWING POLICY

1. Introduction

The Corporate Governance Code of the Kingdom of Bahrain (Code) introduced by the Ministry of Industry and Commerce (MOIC) on 16 March 2010 and the High Level Controls Module of the Central Bank of Bahrain's (CBB) rulebook, mandate that 'the Board should adopt a 'whistleblower' program under which employees can confidentially raise concerns about possible improprieties in financial or legal matters.'¹ United Gulf Bank (UGB, the Bank) is committed to encouraging all employees, stakeholders, vendors or any member of the public to raise concerns about unethical or unacceptable practices and/or misconduct related to the Bank, in a manner which ensures that they can discreetly raise matters of concern without fear of reprisal.

This policy is an important mechanism for maintaining the Bank's accountability and transparency by enabling employees and other stakeholders of the Bank a means to voice their concerns in a responsible and effective manner. It will be reviewed once in two years.

2. Objective

This policy aims to set out the Bank's written, formal whistle-blowing policy, consisting of responsible and effective procedures for disclosure or reporting of misconduct and impropriety so that appropriate remedial action can be taken if concerns are deemed legitimate. UGB defines whistle-blowing as '*alerting the Bank authorities that an individual or group of individuals have committed or are going to commit offences that are considered to be unethical and improper*'. By escalating these potential issues, the Bank will be made aware of these concerns and is alerted that its interests and the interests of stakeholders are being compromised, or at the risk of being harmed.

This Policy is not designed to question legitimate financial or business decisions taken by the Bank, nor should it be used to reconsider any matters which have already been addressed under grievance, complaints and disputes policies.

This policy will be interpreted in conjunction with the Bank's Code of Conduct and it is important that all employees and stakeholders become familiar with both the 'Whistle Blowing Policy' and the Bank's 'Code of Conduct' before proceeding with raising a compliant.

¹ Principle 3.2, HC 3.3.3



The contents of this policy are aimed at:

- Encouraging timely reporting of alleged malpractices/misconduct.
- Providing a means for discreet and confidential channel for escalation of concerns without fear of reprisal.
- Ensuring consistent and timely institutional response to reported improprieties
- Ensuring appropriate oversight by the Board of Directors / Regulators
- Serving as a means of preventing and deterring misconduct that may be contemplated but has not yet taken place.
- Protecting the rights of the Bank and that of its shareholders.

3. Who is responsible for the implementation of this policy?

The overall responsibility for monitoring and reviewing the operations of the policy and any recommendations for action resulting from investigations lies with the UGB's Board Audit Committee (BAC).

The day to day responsibility for overseeing and implementing the policy has been delegated to the Bank's Head of Internal Audit & Quality Assurance (HOIA) and the Chief Compliance Officer (CCO) (Designated Officials)

4. Who can blow the whistle?

Any individual who has observed reportable misconduct (as defined in the next section), can report his / her concerns to designated parties within the Bank. The Board of Directors and the Board Audit Committee give the assurance that employees, stakeholders, or any member of the public can raise legitimate concerns, without fear of reprisals or provided they were made in good faith. All staff should ensure that they take steps to disclose any wrongdoing or malpractice of which they become aware as non action/ concealment will be deemed as complicity. Any queries about the content or application of this policy should be made to the Head of Internal Audit & Quality Assurance / Chief Compliance Officer.



5. What constitutes malpractice or misconduct?

A genuine concern should be reported if there are reasonable grounds for believing that:

5.1 Illegal or unlawful conduct

Conduct may be illegal or unlawful in terms of the laws of countries and international law. Examples of these are civil and/or criminal offences related to theft, fraud, tax evasion corruption, bribery or money laundering and miscarriage of justice, as these instances are in breach of legal duties and therefore constitute reportable misconduct.

5.2 Financial misconduct

This involves conduct by individuals that clearly violate procedures approved by the Board of Directors regarding the governing of operations within UGB. Examples of these are unacceptable practices related to accounting treatments and controls, financial reporting, auditing matters, the transfer of funds to recipients, non approved recipient accounts etc. Financial improprieties and breach of the internal policies of UGB also fall under this category.

5.3 Unethical misconduct

Conduct may be unethical since it undermines universal, core ethical values, such as integrity, respect, honesty, responsibility, accountability and lack of conflict of interest. It also includes violation of UGB's code of conduct, personal interest, danger to the health or safety of UGB's employees, damage to the environment and deliberate cover-up of information tending to show circumstances of misconduct. The whistleblower is also encouraged to report any facts that prejudice the integrity of UGB such that it is in breach of its regulatory obligations under the CBB, Bahrain Bourse, and Kuwait Stock Exchange, the Ministry of Industry and Commerce or other regulators in jurisdictions where the Bank operates in.

5.4 Wasteful misconduct

Conduct constituting a gross waste or misappropriation of resources is a reportable category in its own right, since it is the Board's ultimate responsibility to ensure responsible stewardship such that an adequate, effective, comprehensive and transparent corporate governance process is in place. All physical and financial assets of UGB will be used prudently and efficiently in the interests of UGB's shareholders and stakeholders.



6. Anonymity and Confidentiality

UGB wishes to assure the utmost discretion of whistle-blowing, and therefore undertakes to treat all whistle-blowing reports as either confidential or anonymous. *The choice between confidential or anonymous whistle-blowing is that of the whistle-blower alone.* The whistleblower has to clearly understand that he / she is a reporting party and is not an investigator or a fact finder.

6.1 Confidential whistle-blowing

A whistle-blower is encouraged *to reveal his or her identity* when a report or disclosure is made because this adds credibility to the complaint. Should this be the case, UGB will respect and protect the confidentiality of the whistle-blower, and provides the assurance that it will not reveal the identity of the whistle-blower to any third party. The only exception to this assurance relates to an overriding legal obligation to breach confidentiality. Thus, UGB is obligated to reveal confidential information relating to a whistle-blowing report if ordered to do so by a court of law. Employees' identities will not be disclosed without prior consent. Where concerns are unable to be resolved without revealing the identity of the employee raising the concern, (e.g., if their evidence is required in court), the Bank will enter into a dialogue with the employee concerned as to whether and, how we can proceed.

6.2 Anonymous whistle-blowing

As opposed to confidential reporting, *a whistle-blower may choose not to reveal his or her identity.* The anonymous whistle-blower should be careful not to reveal his or her identity to a third party. By setting up the necessary procedures safeguarding confidentiality and offering anonymity, the interests of the whistle-blower are protected from possible harassment or victimization by those accused of misconduct. UGB gives the assurance that all anonymous tips will be received through a secure email address only being capable of accessed by designated parties set up in a way that ensures electronic reporting is non-traceable.



7. How should a tip be reported?

Whistleblowers can raise their concerns to the designated authorities either orally or in writing using the Form in Appendix A. The form is available under the Corporate Governance section on UGB's website www.ugbbah.com. The form can be filled out and sent through a secure email address auditcompliance@ugbbah.com.

Verbal concerns can be communicated to the Chief Compliance Officer on +973 17 532688 and or the Head of Internal Audit on +973 17 530135

If the raised issue is 'confidential' (i.e. the identity of the whistleblower is made known to the above designated parties), the first step would be to ensure that the employee or stakeholder is aware of UGB's whistle-blowing policy. The CCO / Head of Internal Audit & Quality Assurance may ask the whistleblower whether any personal interest is vested in the matter. It is essential that the whistleblower is upfront and discloses all facts and information to these officials the first time around.

On receipt of the valid allegation, the CCO & the HOIA will jointly review all facts and information and create a preliminary report stating the issues within 6 working days of receiving such a disclosure / anonymous tip. This will be presented to appropriate members of senior management and the BAC. Steps will be taken to co-ordinate resources and expertise for a timely and thorough investigation of raised allegations. Unless required for the investigation, all contact with the "Whistle Blower" will cease in order to protect the confidentiality of his/her identity and prevent it from leaking.

After the investigation is concluded, a final report will be submitted by the CCO & the HOIA to the BAC. The responsibility for monitoring and reviewing the operations lies with the BAC. The Investigative report will include recommendations for action from the Compliance / Audit Departments and its investigation team, to enable the Bank to minimize the risk of the recurrence of any malpractice or impropriety and address potential control lapses. The BAC will be responsible for reviewing these recommendations and notifying external authorities (if warranted).

In extreme cases if the designated officials stipulated in this policy are thought to be complicit in the alleged misconduct, whistleblowers can report it directly to the Chairman of the BAC through mail addressed as follows:

The Chairman of the Board Audit Committee

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*United Gulf Bank
UGB Tower, Diplomatic Area
PO Box 5964
Manama, Kingdom of Bahrain.*

Such mail should be marked as Private and Confidential, so that it can be opened only by the Chairman of the BAC.

8. Unfounded Allegations and Disciplinary Action

All allegations made in good faith irrespective of whether they are subsequently proved to be false; the Bank will not take any action against the individual who raised the concern as part of the Whistle Blower policy and procedure. UGB will not tolerate the harassment or victimization of anyone who raises a genuine concern. Where subsequent harassment or victimization is proved, UGB will deal with any such occurrences under its Human Resources policy on disciplinary action.

However if an employee/stake holder is found to maliciously raise an allegation which they know to be false, in this case the individual will be subject to appropriate disciplinary action including but not limited to suspension, termination and libel lawsuits. UGB treats false and malicious allegations very seriously. Any such disciplinary action or redress is subject to review by the Board Audit Committee.



Appendix A
Whistleblowers' Form

Date _____

1. Which of the following classifications best represents the alleged misuse, fraud or abuse?

Illegal or unlawful conduct

- Embezzlement, misuse of funds, assets
- Cash, Kickbacks, bribes, extortion, forgery
- Violation of laws and regulations

Financial misconduct

- Incorrect accounting treatments, false financial reporting, false certifications
- Fraudulent remittances, transfer of funds
- Market abuse, insider trading,

Unethical misconduct

- Violation of code of conduct, conflicts of interest, ethics violation
- Danger to health or safety of UGB's employees, damage to the environment
- Deliberate cover up of information

Wasteful Misconduct

- Misappropriation of resources
- Favoritism to incompetent vendors
- Actions detrimental to the interests of the Bank.

Please state the names(s) of the individual (s) involved in the alleged activity

2. Has the activity that you wish to complain about, been reported to any other person?

No Yes (If yes, then to whom and when)?



4. Provide details concerning the alleged activity. Attach additional pages if necessary

5. How does the Whistleblower wish to be identified?

Anonymus Confidential No restriction

Whistleblower's information (optional)

Name :

Address

Phone :

Email:

Email this form to
auditcompliance@ubgbah.com or

Mail it to

The Head of Internal Audit and Quality Assurance

The Chief Compliance Officer

United Gulf Bank B.S.C.

PO Box 5964, UGB Tower

Diplomatic Area, Manama,

Kingdom of Bahrain

**APPENDIX A****GLOSSARY OF TERMS AND DEFINITIONS**

The words and phrases in this document related to the 'Whistle-blowing Policy' will have the meaning ascribed to them as mentioned below:

Bank, UGB	United Gulf Bank B.S.C.
Board / BOD	The Board of Directors of United Gulf Bank B.S.C.
BAC	Board Audit Committee
Chairman	Chairman of the Board Audit Committee
Code	The Corporate Governance Code of the Kingdom of Bahrain
Designated Officials	The Head of Internal Audit & Quality Assurance and The Chief Compliance Officer
External Authority	The Central Bank of Bahrain and/or any other regulatory authority in the Kingdom of Bahrain.
Personal Interest	A person is considered to have a 'personal interest' in a transaction with the company if: He himself, or A member of his family (i.e. spouse, father, mother, sons, daughters, brothers or sisters), or Another company of which he is a director or controlling shareholder, is a party to the transaction or has a material financial interest in the transaction. The Board of Directors of UGB defines a threshold of US\$ 100,000 and above to be 'material'.
Whistle-blower	Alerting UGB that a person or organization has done or is doing something wrong in terms of : Illegal or unlawful conduct Financial misconduct Unethical misconduct Wasteful misconduct



Version Control

Version #	Date Issued	Originator/ Modified By	Reason for Issue / Re-Issue
1	Oct 2011	Compliance	Implementation of Code of Corporate Governance & Module HC
2	Feb 2014	Compliance	General Review Process undertaken once in two years
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