
King IV Report on Corporate Governance - Application of the King IV Principles by Albaraka Bank Limited

The King IV Report on Corporate Governance for South Africa consists of 17 major governance principles, each of which is backed up by a series of individual practices, which support and give effect to the principles.

Through its application of the principles and practices, taking into account the uniqueness of the Bank, it is foreseen that the Board will be able to achieve the desired governance outcomes as expressed in King IV, being that of creating an ethical culture, achieving good business performance, effective control and legitimacy in the eyes of its stakeholders.

Al Baraka has consistently sought to give effect to the principles of King IV in a practical and responsible manner, acknowledging that there are some aspects of the principles that may require further attention. The Bank's application of the King IV principles, at a high level, is set out below.

#	Principle	Application
1	The governing body should lead ethically and effectively	The Board of Directors of Al Baraka Bank Ltd (being the governing body within the context of the Bank) is committed to ensuring that ethical and effective leadership remains the foundation of its corporate governance objectives. Board members hold each other accountable for decision-making and ethical behaviour.
2	The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture	Ethical conduct is the foundation upon which the Board conducts its business. The bank is committed to adhering to the highest ethical standards, as set-out in the bank's code of conduct, thereby ensuring the long-term sustainability of the financial institution. The Board, assisted by the Social & Ethics Committee, oversees the governance of ethics in the Bank. The Board adopts a zero-tolerance approach in respect of unethical conduct across all levels of the Bank.

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3	The Governing Body should ensure that the organisation is and is seen to be a responsible corporate citizen	The Social & Ethics Committee assists the Board in monitoring the governance and activities which serve to demonstrate that Al Baraka Bank is a good corporate citizen. The Board is responsible for ensuring that the Bank protects, enhances and contributes to the wellbeing of the economy, society and the natural environment within which the Bank operates. The Board also ensures that the Bank, as a responsible corporate citizen, complies with all applicable laws.
4	The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	<p>The Board, as a whole and through its committees, approves and monitors the implementation of Al Baraka Bank's business plan and strategy, sets objectives, reviews key risks and evaluates performance of its committees and board members.</p> <p>During the course of the year, the board monitored the bank's progress against its strategic objectives, which are further reviewed at a separate strategic session.</p>
5	The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.	The Integrated Annual Report includes all relevant information to enable stakeholders to make an informed assessment of Al Baraka's performance in the short, medium & long term. The Audit Committee assists the Board in respect of overseeing the preparation of the Integrated Annual Report, which includes the annual financial statements and sustainability information, and recommends the approval of the Annual Report to the Board.
6	The governing body should serve as the focal point and custodian of corporate governance in the organisation.	Al Baraka Bank's Board of Directors is the focal point and custodian of corporate governance. Its role and responsibilities and the manner in which it executes its duties are documented and set out under the Board Charter's Terms of Reference. Further governance related aspects are addressed with greater focus through a number of Board sub-committees, such as the Directors Affairs Committee and Audit Committee.

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7	The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	<p>Al Baraka Bank has a unitary Board structure comprising 10 directors.</p> <p>Following the introduction of Directive 4/2018 through the Prudential Authority, the independence classification of the directors has changed significantly.</p> <p>Declarations of interest are tabled at every meeting of the Board to ensure that any interests are appropriately disclosed and addressed. The composition of the Board and issues of succession planning are addressed through the Directors Affairs Committee.</p>
8	The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties	<p>To enable the Board to effectively discharge its duties and to ensure the appropriate balance of power, the Board has appointed six standing committees to assist it to meet its objectives. These include:</p> <ul style="list-style-type: none"> - the Audit committee, - the Risk, Capital Management & Compliance Committee, - the Board Credit Committee, - the Directors' Affairs Committee, - the Remuneration Committee, and - the Social and Ethics Committee. <p>The terms of reference for each standing Board committee is documented in a regularly reviewed charter, which records the rights, powers, duties and functions of the respective Board committees. The Bank's governance framework also includes various management committees, whose objectives are to support the Board and Board committees in the execution of their mandates.</p>
9	The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual	Board performance evaluation remains an integral part of assessing the performance and effectiveness of the board, its committees, its chairman and its individual members. The current evaluation process adopted is in

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	members, support continued improvement in its performance and effectiveness.	line with the King IV recommendations, which is facilitated and conducted by an external service provider. The service provider gives comprehensive feedback on the Board's performance in terms of a detailed written report, indicating areas for improvement.
10	The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.	<p>The Delegation of Authority framework is approved by the Board and indicates in a clear and concise manner those matters that have been delegated to management. The Board appoints the Chief Executive and is satisfied that the Bank is appropriately resourced and that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.</p> <p>The Board of Directors is assisted by a competent and suitably qualified company secretary. The Company Secretary is not a director of the Bank and has an arm's-length relationship with the board. In addition to guiding the board on discharging its duties and responsibilities, the company secretary keeps the board informed of governance best practice.</p>
11	The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	<p>The Risk, Capital Management & Compliance Committee (RCMCC) assists the Board with regards to risk governance. Key risks are also brought to the attention of the Board, through the RCMCC. The RCMCC approves risk related processes and policies by which the risks of the Bank are identified and managed within acceptable parameters.</p> <p>As per s64A of the Banks Act, the Board conducts an annual risk assessment which takes into account all the risks facing the Bank.</p>
12	The governing body should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives.	The Board is aware of the importance of technology and information in relation to the Bank's strategy and monitors the Bank's IT governance through the Risk, Capital Management & Compliance Committee (RCMCC).

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		<p>The Risk, Capital Management & Compliance Committee is chaired by an independent, non-executive director with specific strategic IT skills given the importance of technology and information in relation to the Bank's strategy. The Board of Directors has fully embraced digitalisation and the efficiency benefits which it offers.</p>
13	<p>The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen.</p>	<p>The Board is assisted by the Risk, Capital Management & Compliance Committee and the Audit Committee in order to oversee the governance of compliance. Al Baraka Bank regularly engages with its key Regulators with a view to ensuring conformance with all applicable regulatory requirements.</p> <p>The Bank's Compliance Function is responsible for and oversees the effective implementation of the Bank's Compliance Plan. It is accountable to the Board for managing and reporting identified compliance risks. The compliance function is an integral part of the wider combined assurance function and reports directly to the Chief Executive and the board of directors. The Compliance Manager attends meetings of the Board of Directors by invitation.</p>
14	<p>The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in short, medium and long term.</p>	<p>The Remuneration Committee (Remco) assists the Board with regards to Remuneration governance. The remuneration policy is approved by the Board and forms part of the disclosure in the annual report. The Bank's remuneration policy, which forms one of the key components of the Bank's overall People Strategy, is presently undergoing a process of review, to ensure that it adequately addresses the requirements of King IV.</p>
15	<p>The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information</p>	<p>The responsibility for assurance services and functions forms part of the terms of reference of the Audit Committee. Through the work of the Audit Committee, the Board is satisfied that the assurance results indicate an</p>

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	for internal decision making and of the organisation's external reports.	adequate and effective control environment and integrity of reports for better decision-making.
16	In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	The Bank has undertaken a number of measures in order to facilitate effective stakeholder engagement. This includes the establishment of a dedicated stakeholder committee which is mandated to promote strategic engagements for the year. In the execution of its responsibilities, the stakeholder committee is guided by the Board approved stakeholder engagement policy, which has been developed in line with the King IV recommendations.
17	The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote good governance and the creation of value by the companies in which it invests.	All investment decisions undertaken by the Bank are conducted in accordance with ethical and Shariah principles.