

SUSTAINABILITY REPORT

A SUSTAINABILITY REPORT COMPRISES INFORMATION PERTAINING TO AN ORGANISATION'S ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS, AS A CONSEQUENCE OF ITS EVERY-DAY ACTIVITIES.

Such a report takes account of an organisation's values, governance standards and the inescapable linkage between its business strategy and its commitment to a sustainable environment.

Al Baraka Bank, as is the case with an increasing number of enterprises globally, is intent on ensuring - and, indeed, ably demonstrating - the sustainability of our operations, while contributing meaningfully to sustainable future development. Recognising that sustainability is founded on four pillars of performance, our bank's long-term goal is to develop our own sustainability reporting to a level which will enable us to accurately and effectively measure, understand and communicate our economic, environmental, social and governance and ethics performance.

Sustainability within the bank is driven by and is the responsibility of our board-appointed social and ethics committee. This committee is mandated to address issues, as set out in the Companies Act, pertaining to good corporate citizenship, social and economic development, health, safety and environmental matters, employment practices and customer relationships.

We are currently working towards ensuring that our sustainability report provides the foundation for the measured and managed communication of both performance and impact, in the certain knowledge that stakeholders, inclusive of customers, shareholders, members of staff and service providers, are showing progressively greater interest in the non-financial components of our company.

The business world is moving inextricably towards ever-more transparent, auditable and published performance results and strategies for the future. Al Baraka Bank, as a responsible corporate citizen, both recognises and acknowledges the need to accept and embrace this responsibility, laying the groundwork for the delivery of a more positive impact into the future. This is contemplated in our long-term vision, which espouses the fact that we believe society needs a fair and equitable financial system; one which rewards effort and contributes to the development of the community, thus giving effect to delivery on our social and environmental intent.

In this respect, our quest is simple. It is to significantly reduce waste and inefficiencies of operation as a means of creating financial savings and the protection of the environment.

Company overview

Al Baraka Bank operates as a fully-fledged Islamic commercial bank and is committed to the delivery of Shariah-compliant banking facilities throughout South Africa.

The bank's purpose is to meet the financial needs of communities by conducting business ethically, in accordance with our beliefs, practicing the highest professional standards and sharing the mutual benefits with customers, shareholders and staff who participate in our business success.

In giving effect to this mission, we make certain that we conduct our business operations in an ethical manner and in accordance with Islamic beliefs. Ours is a company which strives for the highest professional business standards and is dedicated to sharing the benefits it derives with its customers, shareholders and members of staff.

Al Baraka Bank is actively implementing and rolling-out a business

strategy tailored to both maximise profits and to ensure best practice in safeguarding the environment.

Strategic business objectives, competencies and key performance indicators

We strive to achieve four broad strategic business objectives, inclusive of:

- Increasing returns to shareholders;
- Promoting customer service excellence;
- Developing innovative products; and
- Utilising enhanced technology.

Identification of risks and opportunities

By implementing a series of enterprise risk management strategies, our bank effectively manages its overall financial risk, as well as the risks associated with strategy, operations, reporting, fraud, supply chain management and risk associated with materiality issues which could impact on the bank, as well as all aspects of regulatory compliance.

Organisational and governance structure

Good governance is integral to the way in which the bank conducts its day-to-day business operations.

Al Baraka Bank adheres to the principles underpinning the good governance ideal, particularly as this relates to the four pillars which form the foundation of corporate governance, being responsibility, accountability, fairness and transparency.

Our directors' affairs committee of the board is directly responsible for driving and managing the bank's implementation of the governance framework and annually reviews the company's obligation to the proper execution of sound corporate governance practices, in line with the recommendations contained in King III.

This, in turn, gives effect to management's ability to continuously enhance its levels of compliance.

As South Africa's only fully-fledged Islamic bank and the consequent need for Shariah compliance, the bank draws attention to the following aspects of its business which are prohibited:

- Transactions which involve excessive risk and speculation;
- Investment in prohibited activities and services; and
- Investment in any company which may be involved in:
 - Alcohol;
 - Tobacco;
 - Pork;
 - Casinos; or
 - Conventional banks.

We follow Islamic business principles and standards, as published by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

Delivery of sustainable development to stakeholder groups

We are of the opinion that in order to deliver sustainable development, there exists the need for a paradigm shift from that of a purely profit-driven business model to one which promotes a more inclusive framework, with direct emphasis on an integrated approach with regard to the four foundational components, comprising economics, environment, social issues and governance and ethics. We contend that the adoption of such an eco-efficiency model will allow for the generation of sustainable shareholder value, which, in

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turn, will facilitate the delivery of the more effective management of our business and, therefore, serve the best interests of bank's stakeholder groups.

Our report addresses the four pillars of performance, set-out as follows:

Economics:

As a fully-fledged Islamic commercial bank, we adhere to Shariah and all regulatory requirements, as pre-determined by the legal environment impacting on the South African financial sector, in our quest to deliver responsible financing to our relevant stakeholder groups.

Our primary objective is to create long-term and sustainable economic value for these stakeholders, while aiming for effective risk management strategies to enhance our adherence to good corporate governance, compliance with all laws and regulations and absolute alignment with ethical business practices.

Our goal in this respect is to further enhance shareholder value and to ensure the sustainability of the business in the long-term. In this regard, we pride ourselves on the limited need for legal recourse in our operations, a direct consequence - we believe - of our rigorous client risk profiling approach, the purpose of which is to develop a sustainable and sound economic business model.

Such a model provides the basis for determining the feasibility of prospective projects, so creating and stimulating employment within and the growth of small and medium-sized businesses, while promoting wealth creation and distribution within communities which form a critical component of our stakeholder groups.

Environment:

Our social and ethics committee takes most seriously environmental issues impacted by the business and, especially, the need for interventions to effectively protect the environment.

As this committee has grown in stature, so too has its commitment to the development of measurable environmental indices in the pursuit of solutions to mitigate against environmental sensitivities.

Whilst being aware that our environmental impact may not be as extreme as enterprises involved in this country's manufacturing sector, we do acknowledge that we have a role and responsibility with regard to environmental sustainability.

In giving effect to this role, our social and ethics committee has instructed that the bank's legal documentation must better reflect its commitment to issues of the environment in terms of the compilation of future contracts with stakeholder groups.

The bank has embarked upon an environmental impact assessment journey, in order to ultimately position itself to more accurately measure the results of its impact on the environment. We continuously look to reducing our bank's eco-footprint on a national basis.

Social issues:

The legacy of a dysfunctional past, has left South Africa with the burden of extreme poverty and a swathe of related social ills. Government alone is unable to impact sufficiently to make a lasting difference in the lives of the affected millions.

It, therefore, falls to business to play a meaningful role in assisting to correct the imbalances of the past. Al Baraka Bank recognises this and embraces the need for a range of sustainable socio-economic development initiatives.

The bank has in place a long-running corporate social investment programme, targeting education, health, poverty alleviation, security and humanitarianism.

Whilst actively supporting a range of needy individuals and welfare organisations, the bank in 2014 launched - as part of its 25th anniversary celebrations - an initiative known as 'Project 25.'

Project 25, which goes well beyond the bank's existing corporate social investment programme, is a two-pronged socio-economic scheme designed to empower tomorrow's potential business leaders and to assist with poverty alleviation, job creation and food security.

Our 25th anniversary was regarded as the ideal time in the company's history to create a sustainable social legacy; one which will have a really meaningful socio-economic impact on the historically disadvantaged of this country.

Project 25 was designed, firstly, to guide 25 Grade 10 learners from a disadvantaged rural school in KwaZulu-Natal for a three-year period, preparing them for a future in which they would be able to make a substantial contribution to the economy. Secondly, we facilitate a community market garden project involving 25 out-of-work individuals in an area of high unemployment near Pinetown, in KwaZulu-Natal, as a means of creating jobs, so assisting in alleviating poverty, promoting a degree of food security in the area and creating wealth through the sale of produce to the bank's staff and, potentially, other outlets. This dual-stream project is designed to be a rolling programme, creating ongoing educational, employment and wealth-generation opportunities for the disadvantaged into the future.

The entire corporate social investment programme is overseen by the social and ethics committee and is administered by management's charitable and welfare committee. The ideal is fully supported by the Bahrain-based Al Baraka Banking Group, of which the South African unit is a subsidiary, and, accordingly, details of the bank's sustainable social interventions are regularly reported to the group.

In addition, the bank encourages its members of staff to become active participants in its charitable and welfare activities, with the social and ethics committee recommending that such participation be acknowledged.

During the 2014 financial year, the bank contributed some R7,6 million to needy organisations and causes, with the objective of ensuring their sustainability into the future.

Governance and ethics:

Strict adherence to the principles of good corporate governance is and remains a bank imperative.

The implementation of good governance principles is fundamental to the manner in which we conduct our day-to-day business. We are committed to conducting our business affairs in both an ethical and transparent manner, thus ensuring long-term sustainability on behalf of our stakeholder groups.

The bank strives to continuously promote ethical investing as a means of ensuring the attainment of sustainable and responsible investment policies and practices throughout the business model.

In addition, in 2014 we conducted an ethics survey amongst bank staff. Survey results were noted by the social and ethics committee and it was recommended that such surveys be carried out annually during the next three years and that all staff opinions on ethics be taken into account and accorded serious consideration.

The bank's long-time observance of governance best practice is widely recognised within the South African financial sector and we continuously work to uphold our governance position through the realisation of our obligations in terms of the King Report on Corporate Governance (King III).

In addition and to ensure the bank's adherence to ethical behaviour, we employ the inclusive stakeholder model of governance as a means of encompassing the rights of all the members of our stakeholder groups.

Stakeholder engagement

The bank regards intensive engagement with its stakeholder groups as part of the process of remaining relevant in a tremendously competitive financial operating environment and to give effect to its

long-term strategic business objectives.

We work diligently to ensure that the bank enjoys both the capacity to meet stakeholder expectations in a responsible manner and the ability to develop enduring partnerships with such stakeholders. Al Baraka Bank manages its relationships with identified stakeholders as follows:

Customers:

We acknowledge the fact that without customers, we would not have a business. Accordingly, we actively adopt a customer-centric approach to our every interface with customers.

Direct engagement with our customer-base enables us to:

- Understand and respond to, especially, the financial needs of our customers, recognising that we have a responsibility to provide all our customers with exceptional banking services and products;
- Ensure we have the capacity to provide necessary and appropriate banking advice and - importantly - workable solutions to meet the wide-ranging needs and expectations of customers;
- Ensure the delivery of client service excellence in our every dealing with customers, both in-branch and online; and
- Regularly check and update the personal information of customers, thus safeguarding the integrity of customer details and the professional reputation of the bank, in line with the upcoming requirements of the Protection of Personal Information Act.

We take most seriously the need for customer service excellence as a way of life amongst staff members. This we regularly test by way of 'mystery banking' surveys which allow us to determine customer opinions concerning service delivery across our banking network. We evaluate all such feedback and implement remedial behaviour as and where necessary.

In addition, the bank has in place a customer service centre sharecall telephone facility, regarded as a vital tool through which to attend, in a timely manner, to customer queries, concerns, complaints and compliments.

We also record for service quality evaluation and control purposes, all telephone calls to various frontline business divisions, inclusive of foreign exchange and customer service, with a direct customer interface.

The bank has for a number of years utilised the services of an external anti-fraud hotline, managed through the good offices of an internationally-based firm of auditors. This service is provided in line with our commitment to responsible banking and to ensure the delivery of fair and equitable business practices.

Members of staff:

Our members of staff are the bank's most important asset; an asset which makes business operations in the financial sector possible.

Direct engagement with our members of staff enables us to:

- Ensure that the bank remains an employer of choice, providing an inspiring, safe and positive work environment;
- Fully understand, evaluate and respond to staff experiences, their needs and their concerns; and
- Provide members of staff with details of the company's planned strategic direction and growth trajectory, as well as sharing with them relevant information about the company and the group.

Recruitment and training -

Al Baraka Bank operates in a highly regulated business and legal environment.

It is, therefore, vital that our members of staff adhere to the very highest of standards, displaying integrity, honesty and accountability, while ensuring a strong disposition towards customer service excellence and a high work ethic.

As a consequence, we seek to attract, develop and retain top talent; people with the moral fibre and resourcefulness to assist in developing the bank and its business into the future.

In realising the full potential of its staff complement, the bank offers comprehensive training and development programmes which are specifically tailored to meet business requirements.

In addition, staff are actively encouraged to themselves identify areas in which they would seek to become more proficient, with relevant training interventions being sourced to accommodate such needs.

We also place great store in the provision of access to a range of Islamic educational initiatives, whilst also giving effect to fast-tracking high-performing graduates.

We have had in place for some years a highly successful graduate recruitment programme.

The purpose of this programme is to enable today's talented and suitably qualified young people to take-up learnership positions within the bank so as to develop the skills and to benefit from the experience necessary to be successful in the business environment.

This provides a very important bridging mechanism between the theoretical world of academia and the rigours of the world of work.

BankSETA funding was secured for the sponsorship of banking programmes, which provided members of staff enhanced prospects for career path advancement.

During 2014, such programmes included, inter-alia, the BankSETA National Certificate in Core Banking and Financial Services and the National Certificate in Sales and Customer Relations.

Managing diversity -

Diversity in the workplace is an every-day reality and should be embraced.

Differences amongst people should not result in the disaffection and marginalisation of any individual or group in the workplace and Al Baraka Bank makes every effort to, instead, foster a sense of belonging and self-worth.

We endeavour to harness the diversity which our members of staff bring to the workplace, creating a single business culture and inspiring a sense of mutual respect, dignity and unity.

Transformation and employment equity -

The bank recognises the need for effective social transformation in the South African business arena and, particularly, within the financial sector. This is a key driver for our board, which is dedicated to the transformation process.

We acknowledge the importance of providing opportunities to suitably qualified members of historically disadvantaged groups, including both women and the disabled.

As part of our transformation obligation, the bank annually reports on its Broad-Based Black Economic Empowerment (B-BBEE) performance by means of the Financial Sector Code.

In line with our overarching B-BBEE objectives, we set-out to recruit staff from historically disadvantaged backgrounds and also look to promoting and/or appointing increasing numbers of women to positions within both senior and middle management levels.

Employee wellness -

A healthy staff member is a productive staff member. The wellness of our total staff complement is, therefore, of the utmost importance to our bank.

We have in place a wellness-based policy which advocates the health and well-being of the individuals we employ, while promoting positive life-style changes.

We implement regular wellness activities throughout our national branch network; activities which are intended to encourage members of our staff to embark on healthy life-style and exercise programmes.



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Staff communication -

With regard to the regular provision of relevant information to staff about the group, company and their respective activities, we see such communication as being extremely important.

We recognise that decisions made about the organisation and its direction have a direct bearing on staff and that they have a right to pertinent information. Accordingly, we employ a wide range of communication vehicles through which to broadly share current business events and changes.

Such communication vehicles currently include:

- The chief executive's address: briefings to staff following quarterly board meetings;
- The intranet site: online communication of posted staff information;
- Social media: a feed used by management to post staff-relevant information;
- The contact centre: an email and telephonic contact point as a source of information regarding a range of employee-related matters;
- Employee self-service facility: an online mechanism for staff members to undertake human resources activities, such as leave applications, pay-slip generation and the like;
- Tip-offs Anonymous: a dedicated external fraud hotline, operated on the basis of anonymity, enabling staff and the public to 'blow the whistle' without fear of recrimination;
- Surveys: a dedicated practice of surveying staff in terms of ethics and, on occasion, the rating of various divisions within the organisation;
- E-Newsletter: an informal staff-based newsletter keeping employees informed about the bank, its operations and staff activities; and
- Staff presentations: specialist presentations designed to inform staff and keep individuals apprised of the latest developments within the bank.

Shareholders:

The bank, in line with the requirements of the Companies Act, looks to actively provide shareholders with relevant information in a timely manner.

Direct engagement with shareholders enables us to ensure the provision of appropriate bank-related information in a timely manner as a means of equipping shareholders with information suitable for making investment decisions.

We have embarked upon a process of ensuring increased levels of electronic communication with our shareholders, as a more expedient form of communication. Shareholders receive bank information in a more timely manner, whilst enabling the bank to contain paper usage.

Such regular interaction is undertaken in the pursuit of absolute transparency and accountability.

We engage with shareholders at annual general meetings and by way of ad hoc road-shows in identified areas around the country.

By way of example, during the year under review a successful road-show event was hosted in Cape Town for the benefit of and involvement by Western Cape-based shareholders of the bank. Similar road-shows are planned for the Gauteng and Durban regions during the 2015 financial year.

Shareholders are also encouraged to attend and participate in the bank's annual general meetings, held at our head office, located in Durban, during which the respective chairmen of our board committees are on-hand to respond to shareholder queries and concerns, while the chairman of the social and ethics committee delivers a report covering the past year's committee activities.

Detailed sharing of information ensures that shareholders are regularly and appropriately updated, thus becoming fully conversant with the business of the bank and enabling them to make informed decisions regarding their future investment in the bank.

Community:

Our goal is to establish and develop sound, long-term partnerships with members of the communities we exist to serve.

Direct engagement with the community enables us to:

- Create partnerships which facilitate our integrated environmental and social activities; and
- Create widespread awareness of such integrated environmental and social initiatives.

Our approach to fostering community relationships is to:

- Interact on a personal basis;
- Become involved in the sponsorship of identified community service events;
- Deliver identified corporate social investment solutions;
- Support various community events;
- Provide special-purpose publications, inclusive of our integrated annual report and abridged annual report, amongst others; and
- Post relevant information on social media feeds and our website for the benefit of community members.

Interaction with communities through these channels affords us the opportunity to not only disseminate bank-related information and news, but to also absorb community insights to best effect and to evaluate and act on the expectations and aspirations of community members.

Regulators and industry bodies:

Transparency of operation forms the basis of our relationship and interaction with regulators and various industry bodies. Being a registered commercial bank necessitates our statutory reporting to and interaction with various regulatory and industry bodies.

Direct engagement with regulators and industry bodies enables us to:

- Foster and maintain good working relationships with regulators, ensuring compliance with their legal and regulatory requirements, thereby retaining various operating licences, while minimising the bank's operational risk;
- Continue the company's development as a result of positive interaction with industry bodies and cross-sectoral organisations; and
- Develop strategic business partnerships for the overall benefit of our stakeholder groups.

Al Baraka Bank interacts with, inter-alia, the following regulators:

- The South African Reserve Bank;
- The Financial Intelligence Centre;
- The National Credit Regulator;
- The Companies and Intellectual Property Commission;
- The Financial Services Board; and
- The South African Revenue Service.

We also interact with, inter-alia, the following industry bodies:

- The Banking Association of South Africa;
- The Payments Association of South Africa;
- The South African Banking Risk and Information Centre; and
- The Banking Ombudsman.

Media:

As a business entity, our bank recognises the importance of the prominent positioning of our brand in the public domain and ensuring the provision of newsworthy bank-related business information to the media in order to keep the general public well-informed.

Direct engagement with the media enables us to:

- Access a range of news channels to communicate effectively and efficiently with our stakeholder groups;
- Position the bank as a responsible corporate citizen in South Africa's financial sector and, therefore, a preferred service provider; and
- Respond appropriately and in a timely manner to media queries and/or requests for comment on current financial and business-related issues.