

Mumtalakat
INVESTING FOR BAHRAIN

ممتلكات
استثمارات البحرين

Corporate Governance Guidelines

Approved by: The Board of Directors

Version 1 – 27 May 2021

1. INTRODUCTION

- 1.1 The Board of Directors (the “**Board**”) of Bahrain Mumtalakat Holding Company B.S.C.(c) (the “**Company**”) has adopted these Corporate Governance Guidelines (these “**Guidelines**”) which incorporate the key corporate governance principles of the Corporate Governance Code, 2018 (as amended, the “**Code**”) issued by the Bahrain Ministry of Industry, Commerce and Tourism and which are intended to form the basis for the efficient corporate governance of the Company.
- 1.2 The Board Compensation and Governance Committee (“**BCGC**”) shall review these Guidelines on a periodic basis, in order to ensure compliance with the Code and the governance practices of the Company.
- 1.3 These Guidelines should be read in conjunction with the Board and Board committee charters.
- 1.4 The Company’s Chief Executive Officer (“**CEO**”) shall have the authority to make non-substantive changes to these Guidelines, provided that any non-substantive changes so made shall be reported to the BCGC at its next subsequent meeting.

2. PRINCIPLE 1: MUMTALAKAT SHALL BE HEADED BY AN EFFECTIVE, QUALIFIED AND EXPERT BOARD

2.1 Board of Directors

The Board is responsible, both individually and collectively before the Shareholder, for achieving the Company’s objectives and purposes. The Board must perform its responsibilities in accordance with the duties of care and loyalty. The Company’s Board shall be composed of not less than 7 and not more than 15 directors. The membership of the Board shall include persons with appropriate experience and the skills necessary to perform the roles and responsibilities of the directors, as outlined in the Board’s charter. The Board shall conduct its meetings in compliance with the Board’s charter and these Guidelines.

2.2 The Board’s roles and responsibilities

- 2.2.1 All directors on the Board shall understand the Board’s roles and responsibilities under the Bahrain Commercial Companies Law, the Code, and any other laws or regulations that may govern their responsibilities from time-to-time. The Board’s roles and responsibilities shall be further delineated in the Board charter.

2.2.2 For each newly appointed director, the Chairman of the Board, assisted by the Board Secretary or other individual delegated by the Chairman, shall review the Board's roles and responsibilities, and provide an appropriate introduction to the Company's business.

2.3 Decision making process

2.3.1 The Board shall be collegial and deliberative and shall conduct its meetings in a way designed to benefit from each individual director's judgment and experience. The Chairman shall play a role in this process by taking an active lead in promoting mutual trust, open discussion, and constructive feedback. In order to encourage free and unrestricted debate, all non-executive directors shall meet once a year, without the presence of the executives, in order to discuss matters relevant to the Company's activities. Each director shall bring independent judgment to bear in decision-making.

2.3.2 The Chairman of the Board shall ensure that all directors receive an agenda, minutes of previous meetings and adequate and timely background information in writing before each Board meeting and, when necessary, in between meetings. All directors must receive the same Board information.

2.3.3 A primary requirement of a director's duty of care is that the director study the materials carefully in advance of the Board meeting and the meeting of any Board committee on which the director serves, in order to prepare for active participation.

2.3.4 The frequency of Board meetings, attendance requirements, and Board decision-making procedures shall be set out in the Board charter.

2.3.5 Except for decisions concerning the approval of the Company's financial statements, the Board may adopt its decisions by circulation with the approval of a majority of its directors (including the Chairman). All decisions approved by circulation must be tabled for ratification in the agenda of the Board meeting immediately following the circulation. In addition, circular decisions shall not be considered as a meeting, and the Company must adhere to the minimum number of the Board meetings specified in its articles of association.

2.3.6 The Code provides that no director may have directorships of more than five Public Joint Stock Companies in the Kingdom of Bahrain, provided that such directorships should not give rise to any conflict of interest.

2.4 Director's access to independent advice

- 2.4.1 Each director shall have access to the Company's Board Secretary who has the responsibility for reporting to the Board on Board procedures.
- 2.4.2 The Board and its committees shall have the right, at any time, at the cost of the Company, to retain independent external consultants, whether legal or other professional advisors, whenever any director judges this necessary to discharge his/her responsibilities as a director in accordance with the Company's internal policies and procedures. Any such requests shall be arranged by the Company's Board Secretary upon the request by any director.
- 2.4.3 Any ordinary administrative expenses incurred by the Board and its committees in carrying out their duties shall be borne by the Company.
- 2.4.4 In case any director has serious concerns which cannot be resolved regarding the Company's management or a proposed action, that director should consider seeking independent professional advice and should ensure that those concerns are recorded in the Board meeting minutes and that any dissent from a Board action is minuted or delivered in writing.
- 2.4.5 Any non-executive director may provide a written statement to the Chairman, for circulation to the Board, if he/she has serious concerns about any matter that may have a material impact on the Company.

2.5 Directors' Communications with Management

- 2.5.1 The Board shall encourage participation by the management when such participation would be beneficial to the Board discussions. The CEO may invite members of management to Board meetings when he believes that their participation is relevant to matters that the Board is considering.
- 2.5.2 Non-executive directors shall have free access to the executive management through either the Chairman of the Board Audit and Risk Committee or the Company's CEO.

2.6 Committees of the Board

- 2.6.1 While the Board cannot delegate its ultimate decision-making authority, in order to assist the Board with performing its roles and responsibilities, and in order to provide for more focused discussions, the Board has created an audit and risk committee, an investment committee, and a nomination, compensation and corporate governance committee. These committees operate with authority delegated by the Board in accordance with their respective charters. All Board committees should meet regularly as specified in their respective charters to fulfil their respective mandates and keep comprehensive minutes of their discussions and decisions.

2.6.1.1 **Board Audit and Risk Committee:** The Board Audit & Risk Committee (“BARC”) assists the Board in independently ensuring and maintaining oversight of the Company’s financial reporting system, internal control and risk management processes, audit functions and legal and regulatory requirements. The BARC’s main responsibilities include assisting the Board in identifying and managing principal financial and compliance risks; approving the internal audit plan undertaken by the Internal Auditor; assessing the independence, accountability and effectiveness of the external auditor; evaluating the adequacy and effectiveness of the Company’s procedures and systems including the management reporting processes; and ensuring compliance with legal and regulatory requirements and internal policies.

2.6.1.2 **Board Compensation and Governance Committee:** the Company combined its compensation and governance functions into one committee named the Board Compensation and Governance Committee. BCGC assists the Board in identifying and nominating individuals qualified to serve as Board and committee members; recommending the remuneration and rewards policy for employees; supporting the Chairman in the performance review of the Board as a whole, each individual director, and each committee; and establishing the Company’s corporate governance framework. The committee is also responsible for monitoring the performance of the Company’s corporate governance framework and its compliance with applicable laws.

2.6.1.3 **Board Investment Committee:** The Board Investment Committee (“**BIC**”) assists the Board in developing and implementing policy, standards and procedures for investing in a responsible manner.

2.6.2 The Board may create additional new committees or eliminate existing committees as it deems advisable in the fulfillment of its responsibilities. Each committee shall perform its duties as assigned by the Board in compliance with the committee's charter.

2.6.3 The Chairperson of each committee is responsible for developing, together with the Board Secretary, the committee's roles and responsibilities and for setting the specific agenda for committee meetings. The Chairperson and committee members shall determine the frequency of committee meetings in accordance with the committee's charter.

2.7 Evaluation of the Board, Board Committees, and individual directors

2.7.1 Annually, the Board shall conduct an evaluation of its performance and the performance of each committee and each individual director.

2.7.2 The annual evaluation process shall be organized by the BCGC, with the assistance of the Board Secretary.

2.7.3 The results of such evaluations will be reported to the Board at its next subsequent Board meeting, and to the Shareholder at the Ordinary General Meeting of Shareholders (“OGM”) held each year.

3. PRINCIPLE 2: THE DIRECTORS AND EXECUTIVE MANAGEMENT OF MUMTALAKAT SHALL HAVE FULL LOYALTY TO THE COMPANY.

3.1 Personal accountability

Each director and member of executive management shall possess knowledge of the legal and regulatory frameworks within which the Company operates and shall understand that he/she shall be personally accountable to the Company and its Shareholder in case of breach of duty of loyalty to the Company. The duty of loyalty to the Company requires each director and member of executive management to exercise his or her duties with honesty and integrity.

3.2 Dealing with Related Parties

The Company shall be transparent with regard to dealings with related parties. The Company shall disclose any related party transactions as part of the external auditors report and the annual corporate governance report disclosures, and additionally the Chairman of the Board shall report such related party transactions to the Shareholder during the OGM.

3.3 Avoidance of conflict of interest

3.3.1 Each director and officer must put the Company’s interest ahead of their own self-interests, not use their position or information that they obtain from the Company for personal gain, maintain the confidentiality of information and not disclose it to any person or party.

3.3.2 Each director and officer must make every practicable effort to arrange his or her personal and business affairs to avoid a conflict of interest with the Company, and deal with such conflict in accordance with the provisions of the Commercial Companies Law and the Code.

3.4 Disclosure of conflicts of interest

The directors and officers of the Company shall disclose conflicts of interest in accordance with the Directors’ Disclosure of Interest and Independence Policy. Each director and officer shall inform the Board of conflicts of interest immediately as they arise and abstain from participating in

the deliberation, discussion or voting on the matter. Any director who enters into a transaction involving a conflict of interest shall need the approval of the Board of Directors.

3.5 Criteria and Determination of Professional Conduct and Ethical Values

The Board has approved the Directors' Code of Conduct that sets forth standards and principles that apply to directors. This Code of Conduct requires that all directors conduct their business activities with commitment to the highest moral, legal and ethical standards of conduct.

4. PRINCIPLE 3: MUMTALAKAT'S BOARD SHALL HAVE RIGOROUS CONTROLS FOR FINANCIAL AUDIT AND REPORTING, INTERNAL CONTROL, AND COMPLIANCE WITH THE LAW

4.1 Board Audit and Risk Committee

The Board has established the Board Audit and Risk Committee which assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the Company's accounting, auditing, and reporting practices.

4.2 Whistleblowing Program

The Board has adopted whistleblowing policies and procedures to encourage the Company's employees to report internally their concerns regarding any potential improper or suspicious practices in financial reports, internal control systems or any other matters, and to ensure that potential issues are promptly and properly investigated and addressed with confidentiality. All employees have access to the whistleblowing procedures through the Company's shared drive.

4.3 CEO's and Group Head – Finance's Certification of the Financial Statements

In order to encourage management accountability for the financial statements, the Company's CEO and Group Head - Finance shall state in writing to the Board Audit and Risk Committee and the Board as a whole that the Company's interim and annual financial statements as prepared in accordance with applicable accounting standards present a true and fair view, in all material respects, of the Company's financial condition and results of operations.

5. PRINCIPLE 4: MUMTALAKAT SHALL HAVE EFFECTIVE PROCEDURES FOR THE APPOINTMENT, TRAINING, AND EVALUATION OF ITS DIRECTORS

5.1 Compensation and Governance Committee

5.1.1 The Board has established the Board Compensation and Governance Committee to take on the functions of nomination, remuneration, and corporate governance.

5.1.2 This committee, in its capacity as a nominating committee, assists the Board in identifying and nominating, for the approval of the Economic Development Board, individuals qualified to serve as Board committee members; in its capacity as a remuneration committee, recommends the remuneration and rewards policy for the Company; and in its capacity as a corporate governance committee, supports the Board in the performance review of the Board as a whole, each individual director, and the Board committees, oversees the training for members of the Board, and establishes the Company's corporate governance framework. The committee is also responsible for monitoring the performance of the Company's corporate governance framework and its compliance with the applicable laws.

5.2 Induction and training of directors

5.2.1 The BCGC shall ensure that each new director receives a formal and tailored induction to ensure his/her effective participation in the Board's activities from the beginning of his/her term. Induction programs are designed to familiarize new directors with the Company's businesses, strategies, and policies and to assist new directors in developing the skills and knowledge required for their service.

5.2.2 The BCGC and management shall organize periodic director continuing education programs to assist directors in maintaining the skills necessary or appropriate for the performance of their responsibilities. Continuing education programs for Board members may include a combination of internally developed materials and presentations, programs presented by third parties at the Company, and financial and administrative support for attendance at other independent programs.

5.3 Evaluations

The BCGC shall organize the annual evaluations of the Board as a whole, each individual director, and each committee. The BCGC shall prepare and use a form of questionnaire as part of the evaluation process. After receiving completed questionnaires, the BCGC shall analyze and summarize the results of the evaluations to the Board. The Chairman shall report on these evaluations to the Shareholder at each OGM.

6. PRINCIPLE 5: MUMTALAKAT SHALL REMUNERATE DIRECTORS AND SENIOR OFFICERS FAIRLY AND RESPONSIBLY

6.1 Remuneration Committee

6.1.1 The Board has delegated the remuneration responsibility to the BCGC to review and recommend to the Board the remuneration policies for the Company's senior executives; and (ii) recommend to the Board remuneration based on directors' attendance and performance in accordance with the rules and provisions of Article 188 of the Bahrain Commercial Companies Law, and subject to Shareholder approval at the OGM.

6.1.2 The remuneration of both directors and officers shall be sufficient enough to attract, retain and motivate persons of the quality needed to manage the Company successfully, but the Company shall avoid paying more than is necessary for that purpose.

6.2 Non-Executive Director's Remunerations

Remuneration of non-executive directors shall not include performance-related elements such as grants of shares, share options or other stock-related incentive schemes, bonuses, or end-of service benefits.

6.3 Senior Officers' Remunerations

Remuneration of senior officers shall be structured in a manner designed to ensure that their interests are aligned with the interests of the Shareholder.

7. PRINCIPLE 6: MUMTALAKAT'S BOARD SHALL ESTABLISH A CLEAR AND EFFICIENT MANAGEMENT STRUCTURE FOR THE COMPANY AND DEFINE THE JOB TITLES, POWERS, ROLES AND RESPONSIBILITIES

7.1 Establishment of management structure

7.1.1 The Board shall appoint officers whose authority shall include management and operation of current activities of the Company, reporting to and under the direction of the Board.

7.1.2 The Board must appoint at a minimum the following members of senior management:

- The Chief Executive Officer
- Group Head - Finance

- Group Head - Corporate Services
- Group Head - CEO's Office
- Chief Investment Officer – Strategic Investments
- Chief Investment Officer – Global Asset Management
- Head of Human Capital
- The Board Secretary
- Such other officers as the Board considers appropriate.

The internal audit function may be outsourced by the Company to such external firm as shall be experienced in this area.

7.1.3 The Board shall adopt by-laws prescribing each senior officer's title, authorities, duties and internal reporting responsibilities. This shall be done based on the advice of the BCGC and in consultation with the CEO, to whom the other officers shall normally report.

7.1.4 The Board shall adopt a succession plan upon the recommendation of the BCGC. The BCGC shall review such succession plan on an annual basis.

7.1.5 The Board shall approve discretionary authority limits which shall govern the process and maximum financial limits for transactions authorized to be carried out without Board approval.

8. PRINCIPLE 7: MUMTALAKAT SHALL COMMUNICATE WITH ITS SHAREHOLDER, ENCOURAGE THEIR PARTICIPATION, AND RESPECT THEIR RIGHTS

8.1 Shareholder Communication

8.1.1 The Company's general management framework shall create an appropriate environment for the Shareholder to participate effectively in the Company's general assemblies, and one that provides the Shareholder with access to the information that allows the Shareholder to exercise its rights.

8.1.2 Prior to the OGM, the Shareholder shall have adequate access to information on agenda items, to enable the Shareholder to make informed decisions thereof. Disclosure of all material facts shall be made to the Shareholder prior to any vote on any agenda item.

8.1.3 The minutes of the OGM shall be made available to the Shareholder within fifteen (15) days after the date of the OGM.

9. PRINCIPLE 8: MUMTALAKAT SHALL DISCLOSE ITS CORPORATE GOVERNANCE

9.1 Disclosure

9.1.1 The Company shall disclose its corporate governance in accordance with the Code and shall publish these Guidelines on its website.

9.1.2 The Board must report on the Company's compliance with these Guidelines at each OGM.

9.1.3 These Guidelines may be changed by the Board from time to time based upon a recommendation of the BCGC.

9.1.4 The Company has appointed a corporate governance officer who shall undertake the task of verifying the Company's compliance with these Guidelines and the Code.

10. PRINCIPLE 9: MUMTALAKAT'S BOARD SHALL ENSURE THE INTEGRITY OF THE FINANCIAL STATEMENTS SUBMITTED TO THE SHAREHOLDER THROUGH APPOINTMENT OF EXTERNAL AUDITORS

10.1 The Company shall appoint the External Auditors in accordance with the requirements of the Code.

10.2 The External Auditors shall attend general assembly meetings, read their report to the Shareholder, and answer any questions and queries regarding the financial statements for each year-end.

11. PRINCIPLE 10: MUMTLAKAT SHALL SEEK THROUGH SOCIAL RESPONSIBILITY TO EXERCISE ITS ROLE AS A GOOD CITIZEN

- 11.1** The Company shall formulate a social responsibility policy to comply with the requirements of the Code.
- 11.2** The Company shall provide, in its annual report, a report on corporate social responsibility activities.
- 11.3** The Company's executive management shall develop an annual strategy or plan to implement the corporate social responsibility philosophy, policies and principles towards the community.