

Mumtalakat
INVESTING FOR BAHRAIN

ممتلكات
استثمارات البحرين

Board of Directors' Charter

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1. INTRODUCTION

- 1.1 Bahrain Mumtalakat Holding Co. B.S.C. (c) (the “Company”), the investment arm of the Kingdom of Bahrain, is committed to fostering development through better accountability, greater transparency, and improved growth for its businesses.
- 1.2 The Company’s mission is to develop a balanced portfolio of national, regional and global investments to achieve sound risk adjusted return and reduce risk through geographic and industrial diversification.
- 1.3 The Company is committed to the highest standards of Corporate Governance and the board of directors (the “Board”) believes that these standards are fundamental in delivering value to its shareholder, the Ministry of Finance (the “Shareholder”).
- 1.4 The Company’s Corporate Governance framework is intended to outline efficiently and transparently the rights and responsibilities – consistent with current regulations and laws – of shareholders, stakeholders, executives and Board members who play a role in the Company.
- 1.5 This Charter has been prepared to clarify Board accountability both for the benefit of the Company and also for its Shareholder.
- 1.6 The responsibilities and principles stated in this Charter should be read in conjunction with the Company’s other governance documents and its Memorandum and Articles of Association.

2. ROLE OF THE BOARD

The primary role of the Board is to promote and achieve sustainable performance and long-term growth in the shareholder value of the Company.

3. REPORTING LINE

The Board is responsible to the Shareholder for the performance of the Company.

4. CORPORATE GOVERNANCE FRAMEWORK AND PRINCIPLES

- 4.1 The Corporate Governance principles are intended to facilitate the growth in value of the Company’s portfolio companies as well as provide levels of transparency expected by the general public.
- 4.2 The Board of Directors should monitor the Company’s actions to ensure ethical behavior that is in line with regulations, laws, governance standards and the standards of corporate citizenship.
- 4.3 The guiding principles for the Board are:

4.3.1 Accountability

Executives are accountable to the Board, which is accountable to the Shareholder and – within reasonable limits – to stakeholders.

4.3.2 Control

The Board's major area of responsibility should be to monitor the CEO and the Company's control system.

4.3.3 Oversight

The Board should ensure the appropriate development, execution, monitoring, and adjustment of the Company's strategies.

4.4 The Company has incorporated into its Corporate Governance framework the Santiago Principles developed by the International Working Group of Sovereign Wealth Funds.

5. THE COMPANY'S CORPORATE GOVERNANCE STRUCTURE

5.1 The Board provides strategic guidance to the Company and acts in the best interest of the Company and its Shareholder.

5.2 The Board intends to delegate certain responsibilities to Board standing and sub-committees, without abdicating its responsibility. This is to ensure sound decision-making and facilitate the conduct of business without unnecessary impediment, as the speed of decision-making within the Company is crucial.

5.3 Where a committee is formed, specific terms of reference of the committee shall be established to cover matters such as the purpose, composition and functions of the committee.

5.4 The Board shall approve the appointments of Board members to various committees.

6. BOARD COMPOSITION

The Board composition will be based on the Company's Memorandum and Articles of Association.

7. BOARD SKILLS

7.1 The Board recognizes the need for its composition to reflect a range of skills and expertise.

7.2 Where the Board does not consider it has the full range of skills and expertise required to deal effectively with a strategic business issue, or where it would benefit the Board's strategic decision-making capacity, it shall seek to complement its own abilities by appointing strategic advisors/experts.

8. BOARD ELECTION

8.1 Candidates for the Board shall be selected in accordance with the qualifications required by the Board, taking into consideration the overall composition and diversity of the Board and areas of expertise that new Board members might be able to offer. The candidates are subject to the approval of the Economic Development Board.

8.2 Directors are elected pursuant to a resolution of the Economic Development Board.

8.3 The Board shall have a minimum of seven members including the Chairman and Deputy Chairman.

8.4 The Board recognizes the importance of having clearly delineated divisions of power and responsibilities at the head of the Company to ensure a balance of power and authority. Hence, it is the policy of the Board to keep the role of the Chairman as non-executive.

9. BOARD MEMBERSHIP / TENURE

9.1 Pursuant to the Company's Memorandum and Articles of Association, Board members shall be appointed for a renewable term of four years. Directors will be issued Letters of Appointment detailing the terms of the appointment and the powers and duties conferred upon them.

9.2 The number of other Company boards on which a Director may serve shall be subject to a case-by-case review by the Compensation and Governance Committee (CGC), in order to ensure that each director is able to devote sufficient time to perform his or her duties as a director as well as complying with the regulations as promulgated by the Ministry of Industry and Commerce.

10. BOARD MEETINGS AND ATTENDANCE

10.1 The Board shall meet at least four times in each financial year. It is expected that the Board will convene on a quarterly basis. The duration of the meetings will depend on the agenda to be discussed.

10.2 Board meetings may be convened by the Chairman or by two members of the Board.

10.3 The Company Secretary shall prepare and distribute notice of the meeting to all those required to attend.

10.4 Telephone or video conference meetings and circular resolutions are permitted.

10.5 A duly convened meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in, or exercisable by, the Board. A Board meeting shall be quorate if a majority of Board members are present, provided this majority includes the Board Chairman or his Deputy.

10.6 Independent non-executive members of the Board should meet at least once a year without executive members of the Board ("Executive Directors") being present.

11. VOTING RIGHTS

11.1 No attendee who is not a member of the Board may vote on any matter coming before the Board for a vote.

11.2 All decisions of the Board will be based on a simple majority of votes of the members present at the meeting (in cases other than where the Company's internal procedures require a special majority). In the event of an equality of votes, the Chairman of the Board will have a casting vote.

12. BOARD REMUNERATION

Remuneration will be recommended by the Compensation and Governance Committee and approved by the Shareholder at the Annual General Meeting.

13. BOARD SECRETARY

The Board shall appoint the secretary of the Company (the “Company Secretary”) and determine his or her duties.

14. BOARD’S ACCESS TO INFORMATION

14.1 The notice of a Board meeting should be given at least 14 days in advance of the meeting.

14.2 In case of an extraordinary meeting, it should be held within three days from the date of receiving a substantiated request in writing from either the Shareholder, at least three Board members or the auditors.

14.3 The Chairman, in conjunction with the Executive Director(s) and the Company Secretary, shall undertake the primary responsibility for preparing the Board’s agenda. The agenda should include matters specifically reserved for the Board’s decision.

14.4 Save in relation to extraordinary meetings, as a matter of best practice and to allow sufficient time for directors to consider the information, the Company Secretary shall provide the members with an agenda and any necessary documentation as early as possible and in, general, at least five days before a meeting takes place. Where there is a need to table a report, a brief summary of findings and/or recommendations should be provided.

14.5 A record of Board submissions and papers, and of materials presented to the Board, shall be maintained and held by the Company Secretary together with minutes of meetings. All such records shall be accessible to members of the Board.

15. INDEPENDENT PROFESSIONAL ASSISTANCE

15.1 The Board, or an individual director, is entitled to obtain independent professional advice relating to the affairs of the Company, or to their individual responsibilities as members.

15.2 The cost of the advice will be reimbursed by the Company, subject to approval by the Board. The Board or the individual director, as the case may be, will however ensure that, so far as is practicable, the cost is reasonable.

16. AUTHORITY

16.1 The Board of Directors is the ultimate decision-making body of the Company except for matters reserved for the Shareholder of the Company. Authority over matters relating to the appointment of directors rests with the Economic Development Board.

16.2 Consistent with the Board’s power to delegate management of the day-to-day operation of the Company’s business, the Board shall exercise business judgment in establishing and revising Discretionary Authority Limits (“DAL”) for authorization of expenditures and other corporate actions. The thresholds for the identified areas will depend upon the operating requirements of the Company.

16.3 Additionally, the directors shall exercise all powers and duties as stipulated in the Company’s memorandum and articles of association.

16.4 The Executive Director(s) and the Company Secretary shall provide the Board with complete access to the Company's records and personnel.

17. DUTIES AND RESPONSIBILITIES OF THE BOARD

17.1 The Board shall consider and approve all expenditures, activity, transactions and other corporate actions as required by the DAL.

17.2 Key areas of responsibility of the Board include:

17.2.1 Corporate Governance

The Board should operate, and ensure that the Company operates, according to established Corporate Governance principles. This includes ensuring the timely and accurate disclosure of documentation and managing potential conflicts of interest between executives, the Board, shareholders and stakeholders.

17.2.2 Corporate Social Responsibility

The Board should review and approve the corporate social responsibility agenda in light of Company business objectives and expectations of the Shareholder and employees.

17.2.3 Organizational Structure

Approve the organizational/management structure and responsibilities.

17.2.4 Corporate Performance

The Board should monitor the operational and financial performance of the Company and ensure that internally and externally published information meets all required accounting and other relevant standards and accurately reflects the position of the Company.

This includes ensuring that figures have been subject to independent auditing and that systems for risk management are in place.

17.2.5 Strategic Planning

It is the Board's responsibility to review and guide corporate strategy and the long-term strategic direction of the Company. The Board must also monitor major plans that could potentially affect areas such as governance, ownership, risk exposure, and budgets. The Strategic Plan should be drawn up at least once every 5 years and approved by the Board Chairman.

The Board should produce a forecast of annual profit at the commencement of each financial year to be approved by the Shareholder.

17.2.6 Risk and Compliance Management

Ensure that principal risks and compliance requirements, including Anti Money Laundering procedures, are identified and that the Company's management has implemented appropriate systems to manage such risks and requirements.

17.2.7 Financial Management

Approve the annual budget and targets, borrowing/financing plans and deal structures and monitor financial performance, and ensure that financial results are reported fairly and in accordance with IFRS.

Recommend to shareholders the annual report / financial statements released by the Company's management and ensure that any reports issued by the Company, including the financial statements, present a 'true and fair' view of its position and performance.

17.2.8 Investments

It is important that the Board oversees and monitors major acquisitions, mergers, divestments and the sale of large assets, to ensure that they are in the best interests of the Company, its Shareholder and its stakeholders.

Approve the investment strategy (including investment policy, rules governing the acquisitions and divestment of the Company's assets and those of its affiliates, and guidelines determining the provision of loans, guarantees and financial assistance to such affiliates) of the Company. Prior notification to the Shareholder of decisions taken by the Board in implementation of the strategy is a pre-requisite.

17.2.9 Executive Management Succession

The Board should plan and prepare for the succession of the CEO and Deputy CEO in a timely fashion. The Board led, by the Board Chairman and guided by the Articles of Association and Economic Development Board, should assess – independently from the Executive Director(s) – whether senior personnel within the Company could successfully fill the role of CEO / Deputy CEO or whether a new CEO / Deputy CEO should be appointed from outside the Company. The fundamental principle leading the Board in this process should be that the capabilities, experiences and skills of potential successors must be in the best interests of the Company given its current and expected future situation.

17.2.10 Executive Performance and Compensation

The Board, with the assistance of the Compensation and Governance, oversees the process of selecting, compensating and, if needed, replacing executive management.

17.2.11 Whistle-blowing

The Board should ensure that a sound whistle-blowing policy is in place with necessary safeguards to protect whistle-blowers.

18. MATTERS RESERVED FOR THE BOARD

- 18.1 A formal schedule of reserved matters shall require the Board's approval to ensure that the direction and control of the Company rests with the Board. This may be addressed in the DAL document and / or on a specific transaction basis and shall include, but need not be limited to, the specific items stated in Article 6.47 of the Bahrain Commercial Companies Law.

19. DIRECTORS' LIABILITY

The Board Chairman and members of the Board shall be liable to the Company, shareholders and third parties for any violation of the provisions of the Company's Memorandum and Articles of Association.

20. PERFORMANCE EVALUATION OF BOARD AND BOARD SUB-COMMITTEES

20.1 The Board must perform a self-evaluation on an annual basis. The Board Chairman shall lead the assessment of performance of the Board, respective Board sub-committees, the CEO and other senior management (as defined).

20.2 The Board shall review its Charter and its own effectiveness and recommend any necessary changes at the end of its term.

21. TRANSPARENCY AND DISCLOSURE

21.1 The Board may wish to prepare a Board report for inclusion in the Annual Report, which can be effected by way of a Chairman's Statement.

21.2 The Terms of Reference or extracts thereof, including compositions of the Board and sub-committees, shall be published on the Company's website.

21.3 The number of meetings of the Board and the main items discussed may be mentioned in the Board report included in the Annual Report.

21.4 The Board should ensure that it publicly discloses all information regarding the performance of its investments and governance practices.

22. CODE OF CONDUCT

22.1 All directors must act ethically at all times and adhere to the Directors' Code of Conduct. Where a potential conflict of interest arises for a director, the director shall promptly inform the Board for deliberation and resolution.

22.2 Each Board member has a fiduciary responsibility to direct the Board's attention to the presence of any potential conflicts of interests (regarding direct or indirect interests) in any matter under deliberation.

22.3 All directors must abstain from any discussion or decision affecting their business or personal interests. Any such transactions conducted without the explicit prior approval of the Board shall be deemed null and void.

22.4 The Board shall review the independence of each independent director at least annually in light of interests disclosed by them. Each independent director shall provide the Board with all necessary and updated information for this purpose.